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File IMS

Microsoft Memo

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CC: MSTAFF, GLENN YOUNG, TIM FISHER, SHAWNA STANLEY

FROM: MICHAEL RHAMY, MIKE NEGRIN

RE: INTERNAL MARKET SHARE PROGRAM RESULTS
AND TRANSITION TO SEMESTERS

DATE: March 26, 1991

All charts and data in this document can be found in \WUSMARKET\USER in the \DISTRIB\NIMS directory. Updates will be provided monthly.

Please provide any input you may have for establishing July-December 1991 IMS goals, including recommended categories, appropriate Microsoft and competitive titles, methods of calculating reseller goals and required increases to *Miker* by April 15.

Executive summary and top line 1990 results

The internal market share rebate program is an incentive/reporting program for all direct accounts. Each reseller is assigned product categories based on their selling methods (corporate, retail, corporate/retail), and assigned goals for increasing their market share from period to period. Specific Microsoft and competitive titles are designated for inclusion in the program; however, the resellers are not required to break-out sell-through of competitive titles. With the completion of T3-90, we now have a full year of data to track and analyze. We have audited a few resellers to verify accuracy of reporting. Resellers are becoming more aware of their internal Microsoft market shares and their ability to influence sales to reach their goals.

Most accounts in the program are corporate account resellers (CAR's), with the exception of SoftwareEtc, Babbages, 40% of Egghead's sales and 70% of Softwarehouse's sales. Therefore, the data is a barometer of our corporate market share in key categories, except for the PC entry integrated category (retail). In 1990, our market share increased in all categories, particularly where new Win apps or Win versions were introduced. In T3-90, almost all reseller IMS goals were obtained.

Plaintiff's Exhibit

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Category	Approx. percentage of total reseller sell-through for same period
Win Excel market share increased from 12.7% to 25.3%	40%
PC /Win Word market share increased from 24.0% to 33.7%	41%
Mouse market share increased from 57.9% to 70.2%	25%
PC Works market share fluctuated, but ended up at 71.1% (reflects retail segment)	28%
Win PowerPoint introduction resulted in market share of 20.6% (reporting in T3-90 only)	34%
Win Project introduction resulted in market share of 41.6% (end of August - reporting in T2-90 only)	33%

IMS Program Changes for T1-91

In 1991, Computer Factory, Univar, Voyager, SoftwareEtc. and Babbages were transferred from direct to indirect. The impact of this is that IMS figures will become even more CAR-oriented. In T1-91, the product categories, product titles, and required increases were as follows:

Product Category Platform	Spreadsheet Win/PM	Presentation Graphics PC/Win	Word Proc PC/Win	Mouse PC	Integrated PC
Microsoft Titles	Win Excel PM Excel Win Office	Win PowerPoint Win Office	PC Word Win Word Win Office	Mouse Mouse/Works bundle	Works Mouse/Works Bundle (*)
Competitive Titles	Lotus 1-2-3 Lotus 1-2-3/G Quattro Pro SuperCalc	Harvard Graphics Freelance Draw Perfect M-grafix Draw	WordPerfect Displaywrite Multimate Ami Professional	Mouse Sys IBM Logitech	First Choice Ability Plus LotusWorks First Choice bundles - all
Rebate amount	1%	1%	1%	1%	1%
Corp. Resellers CorpSW, 800SW, Softmart, SoftSpect, Bland	yes	yes	yes	yes	
Corporate/Retail Egghead, SoftWH	yes	yes	yes		yes
Required Increase	1.5%	4%	2.5%	2.5%	2%
IMS Plateau	25%	25%	30%	65%	70%

* Note: only until supplies are exhausted of this promotional SKU.

At the request of the field, beginning IMS was extended to ten months -- January - October 1990 account sell through of designated Microsoft and competitive products. Microsoft MLPs and competitive nodepaks are included for Internal Market Share base numbers and rebate attainment numbers, while updates and competitive upgrades are not. In order to utilize a competitive advantage and create awareness, two new bundles, Win Office and Mouse/Works, are counted in all appropriate IMS categories. The required increases were slightly increased to account for this inclusion. The Goal to Goal Cap method is used in calculating all T-1 '91 IMS goals, which may be refined or eliminated in future periods. The IMS plateau limits goals to a maximum percentage to reward resellers who already have a high Microsoft IMS.

Transition to semesters and additional key changes

We are in the process of converting from a trimester-based to a semester-based rebate program. The objectives of moving to semesters are to reduce the process of policy administration from three to two per year and to make policy planning consistent with program/marketing and fiscal year planning process. A transition plan was designed to minimize the administrative burden on RAX's and resellers, to prevent the necessity for prolonged negotiations, and to prepare resellers for the new procedures which will be implemented beginning with the July-December period. The transition plan will be implemented as follows:

- Rebate calculations and payments will be based on May-June 1991 and July-December 1991 net purchases. Rebate payments will be made on or before August 15 and February 15th respectively.
- All distributor, franchisor and reseller rebate levels and associated performance requirements will be extended *as is* from T1-91 through the May-June 1991 transition period.
- Distributor breadth goals for WinWord and WinExcel, waived in T1-91 due to the \$129 upgrade offer, will be reinstated during the transition period. New goals will be calculated.
- The new \$600,000 minimum Senior Partner commitment will begin with July-December 1991. The recommended minimum Senior Partner commitment for the two-month transition period is \$200,000, with RAX discretion allowed.
- Resellers will be provided an extended six month spending period for marketing funds accrued in excess of their marketing plan forecast, to encourage better utilization. The excess funds must be accounted for in the next period's marketing plan
- Overall simplification of marketing fund tracking and reporting will be implemented.

Most reporting rebates for distributors, franchisors and resellers will remain unchanged during the transition period and the first semester period. However, significant modifications to calculating IMS goals will likely be recommended, since many resellers exceeded their IMS plateau and/or goal-to-goal caps in 1990 and T1-91, and past changes have impacted the program. Based on a comprehensive analysis of our market position and the program, IMS recommendations will be formulated by May 1, approval obtained and then provided to the field by May 15.