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To: Vaughn Rhodes@Desktop@PCMkt Hou  
Bob Jackson@Staff@Corp Hou  
Greg Memo@Desktop@PCMkt Hou  
George Favaloro@Corp Dev@Corp Hou  
Nemo Azamian@DIR STF@CS Hou

Cc:  
Bcc:  
From: Steve Decker@Pur@Pur Hou  
Subject: re: Fwd:re: MS Pricing  
Date: Monday, December 19, 1994 2:13 PM  
Attach:  
Certify: N

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Vaughn,

I agree 100%, no 1000%. As you know the on-line model that we have established with the other service providers is not "in the MS model". Since MS has positioned MS-Network as part of the OS, I'm afraid it may get lost in all the Windows 95 issues and be considered not worth fighting with MS on.

If other OEMs will be shipping MS-Network, I'm not sure how realistic the stripping out scenario may be (from a Marketing perspective not an Engineering one). My suggestion for the reduction of OS royalty was as a BATNA for Compaq rather than caving into MS and potentially getting nothing for distributing this potentially very valuable tool for MS.

I'm completely in support of your approach, will we be pitching this to MS soon?

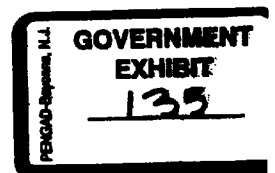
Steve

Vaughn Rhodes@Desktop@PCMkt Hou Wrote:

All,

One of the dangers in pursuing a cost reduction on the OS as a means of compensation for MS Network is that it obscures the true compensation Compaq receives for the service. When Microsoft rolls out Windows 95.1 (Windows 96?) and creates a new pricing structure, it will be easy

C003988



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for them to remove any favorable pricing we received as compensation for MS Network, since MS Network is now firmly entrenched as a part of our OS.

I strongly recommend that we take the position of negotiating distinctly for the MS Network. This accomplishes two purposes:

1) It forces Microsoft to reveal exactly how much they are offering us for bundling their online service client, which enables us to compare it with the offers from the other online services. This is key to our potential strategy of selecting a "preferred" online service partner, which we may feature prominently on our startup screen and in our marketing communications. The bottom line is: Compaq should have each online service (America Online, MS Network, Prodigy, etc.) prepare a proposal which indicates what they can offer Compaq (in terms of revenue sharing, bounty, special features to facilitate our online efforts, marketing development funds, etc.). Compaq can then evaluate each service on its own merits, and select which ones to offer on our machines, which ones will get favorable positioning, which ones get less favorable positioning, and which ones don't go on at all.

2) It reinforces the message to Microsoft that Compaq does not agree with their positioning that an online service is "part of the OS". Compaq feels that communications "hooks" are appropriate OS extensions, but online service client software is not because it is in effect a marketing vehicle. We need to nip this dangerous trend in the bud.

Regards,

Vaughn

Bob Jackson@Staff@Corp Hou Wrote:

Comments by: Bob Jackson@Staff@Corp Hou  
Originally To: Bob Jackson@Staff@Corp Hou, Philip  
Wheeler@Portable@PCMkt Hou  
Original Date: Friday, December 16, 1994 at 9:33:18 am CST  
Originally From: Steve Decker@Pur@Pur Hou  
Comments:

C003989

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Folks,

I am embarrassed I didn't think of the support angle.  
If we don't support the other guys, we certainly have  
merit in a position of not supporting Marvel.

Bob

-----[Original  
Message]-----

Bob/Phil,

One other thing to consider. I have been constantly  
reminding people about Marvel/MS Network. I know you spoke  
to Greg about what we have done with our other on-line  
suppliers. My thought is that if it becomes impossible to  
get MS to agree to revenue participation for Compaq  
delivering this service to potential MS customers, we  
should at least be able to play this into a cost reduction  
on the OS. Remember we will also be asked to support MS  
Network and pay for whatever additional material costs  
that will be included, something that we do not do for the  
other services. With MS positioning MS Network as a part  
of the OS, perhaps this can be our way of opening up  
negotiations for an OS price reduction.

Steve

Bob Jackson@Staff@Corp Hou Wrote:

Phil,

I agree with your BMail with one caveat:

We need to be real careful here for lots of reasons. MS  
will, of course, take offense should we press them.  
Secondly, we may well have a good price and they have been  
known to drive renegotiations because a deal no longer  
"works" for them. Thirdly, we will likely only get one shot,  
so let's be well prepared. Fourthly, the most favored  
language only goes to "core products" which are DOS, Win3.1  
and WFW. A major piece of the value in the agrmt is they  
cannot raise the price on us, which I believe they can do in  
all other agreements. And, there is "mix and match".

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