

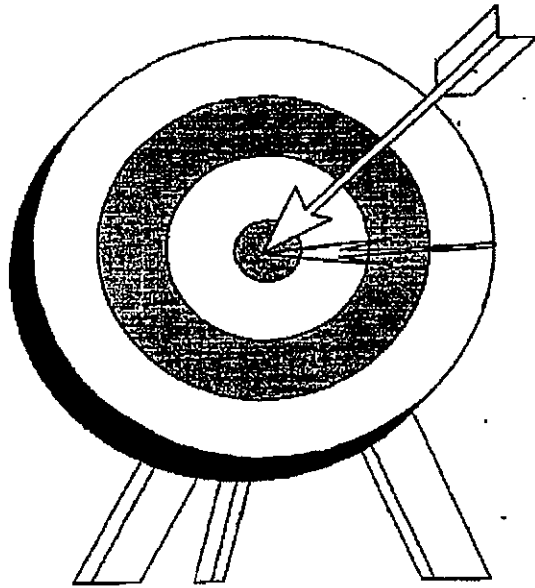
Depo. Ex. 734

Depo. Ex. 1576

002007

# STEAMROLLER

MS-CCMDL 000005005657



DRI CONFIDENTIAL

00549917

PLAINTIFF'S  
EXHIBIT  
261  
A. No. 2:96CV645E

MS-CCP-MDL 5005657

Plaintiff's Exhibit

5224 A

Comes V. Microsoft

Table of Contents

1 EXECUTIVE SUMMARY ..... 1

1.1 Key Objectives ..... 1

1.4 Size of opportunity ..... 2

1.5 Strengths, Weaknesses, Opportunities, Threats ..... 2

1.6 Competitive Analysis ..... 4

1.6.1 Competitive Channel Programs ..... 4

1.7 The Opportunity ..... 7

1.7.1 Marketing Objectives ..... 8

1.7.2 Market Opportunity ..... 9

1.7.3 Target Audience ..... 11

1.8 Pricing ..... 12

1.8.1 Bootable vs. Non-Bootable ..... 13

1.9 Gold Disk Program ..... 15

1.10 Lotus Magellan ..... 17

1.11 Public Relations ..... 18

1.12 Advertising ..... 19

1.13 Direct Mail ..... 20

1.14 Telemarketing ..... 21

1.15 Future Upgrades ..... 21

1.16 International Programs ..... 21

1.17 Tech Support Impact ..... 22

1.17.1 Technical Support Staffing Analysis ..... 23

1.18 Customer Service Impact ..... 23

1.19 Sales Headcount ..... 25

2 MAIN MESSAGES ..... 26

3 MARKET SEGMENTS ..... 27

4 PROGRAMS BY SEGMENT ..... 28

4.1 END USER PROGRAMS ..... 28

4.1.1 Fortune 500 ..... 28

4.1.2 Fortune 500 - 2000 ..... 28

4.1.3 Small Business ..... 29

4.1.4 Evaluators / MIS ..... 29

4.1.5 Gurus / Hobbyist / Hacker ..... 30

4.2 Government ..... 30

4.3 Education Program ..... 30

4.3.1 Education Market - Distribution ..... 31

4.3.2 Education Market - Pricing ..... 31

4.3.3 Education Program - Marketing Opportunities ..... 32

5 CHANNEL PROGRAMS ..... 34

5.1 CHAINS - HARDWARE / SOFTWARE ..... 34

5.2 CHAINS - SOFTWARE ONLY ..... 35

5.3 CORPORATE RESELLERS ..... 35

CONFIDENTIAL

5.4 SUPER STORES .....	36
5.5 MASS MERCHANTS .....	36
5.6 MOM & POP / UFCs .....	37
5.7 MAIL ORDER .....	37
5.8 DISTRIBUTOR .....	38
6 PACKAGING .....	39
6.1 Upgrade Packaging .....	39
6.2 Test Drive Pack Packaging .....	39
6.3 Magellan Fulfillment Pack Packaging .....	40
6.4 Documentation Fulfillment Pack Packaging .....	40
6.5 Other Packaging Issues .....	41
6.6 Cost of Goods Analysis .....	43
7 BUDGET .....	45
8 IMPLEMENTATION .....	46

MS-CCPMDL 00005005659

DR1 CONFIDENTIAL

E

January 23, 1991

R0549419

MS-CCP-MDL 5005659

## 1 EXECUTIVE SUMMARY

### 1.1 Key Objectives

- A - Increase DR DOS penetration and unit volumes directly in the reseller channel and indirectly in the OEM channel in face of the pending MS DOS upgrade
- B - Demonstrate compelling reasons to buy DR DOS
- C - Use creative, aggressive marketing tactics to keep DR DOS momentum strong, paving a smoother transition for a successful release of future versions.

This plan proposes an aggressive promotion to increase penetration in the worldwide, installed DOS market through the reseller channel before MS DOS 5.0 is available and until future DR DOS versions are available. A key component of the plan is a price-oriented promotion \$79 to motivate end-users to "step up" to improving their DOS environment through a DR DOS upgrade. In addition, this plan proposes an exciting joint promotion of the product with Lotus Magellan and has a unique Point of Purchase component. To protect non-promotional pricing and create a sense of urgency with customers, this plan proposes promotions for a limited time offer of 90-120 days targeted to begin with announcement targeted for Feb 15.

The target audience for the promotion includes business-oriented, existing users of any DOS PC operating system, especially 286/386/486 owners and power (including networked) users, with a focus on users in a position to exert influence on larger DR DOS purchases at a later date. Promotional vehicles will include PR, ads, direct mail, events, channel programs, tele-marketing, joint promos, and Point of Purchase (POP) devices. Because DR DOS is sold through both retail and OEM channels, a strong effort has been made to minimize the impact of the upgrade's price on OEM and corporate volume purchases. The excitement and increased reseller unit volumes of DR DOS will have a positive effect on OEM sales.

This plan is a proactive strategy to usurp the press attention/market demand of the MS DOS 5.0 product and create the platform for Digital Research to position itself as an innovative marketer as well as the technical leader. The announcement of MS DOS 5.0 is expected on April 1, 1991 (end user version). This plan is also a proactive strategy to get the benefits of aggressive marketing - rather than being reactively forced to low price point by Microsoft. Digital Research has ample evidence that the current price of \$199 list shows evidence of being too high and deterring potential purchasers (Manns, utility pricing, customer service, MS DOS 5.0 to press, customer service feedback, sales feedback, FDIC). Finally, a higher penetration is crucial to corporate, OEM, and ISV product acceptance (and will help achieve the 1991 goal of 10% market share worldwide).

Because it is not possible to change the product significantly in the short run, Digital Research has the opportunity to continue marketing momentum prior to Buxton/Panther and continue to build awareness of DR DOS. An important result of the recommended approach will be a significant increase in FY91 revenues through direct impact on end-user reseller channel and indirect impact on OEM and corporate.

R0549420

MS-CCP-MDL 5005660

MS-CCPMDL 000005005660

1.4 Size of opportunity

- 25 million DOS PCs installed U.S. base
- \$100 million (worldwide) / 2 million units per year (USA) market for utilities (operating environment enhancers)
- 60% 286/386/486 users
- 40% networked PCs in US

1.5 Strengths, Weaknesses, Opportunities, Threats

<u>Strengths</u>	<u>Weaknesses</u>
DR DOS is a tested OS	We have a high price
DR DOS is innovative	We have a small support staff
DR DOS is DOS compatible	We have a small number of sales people
DR DOS has good memory management and utility functions	DRI is a small company
DRI technical support is FREE	No strong OEM relationship to leverage
DRI is more accessible than Microsoft	Perception of being a quiet engineering company
DRI can be more responsive	DRI has little clout when compared to Microsoft
DRI products are more profitable in the channel than Microsoft's products	Many customers waiting for MS DOS 5.0
DR DOS is already established in the Channel	MS sales force is very large (over 400), allowing them to reach customer base face to face
DR DOS has been well reviewed by the Press	DRI has no telemarketing or sales support staff...limits depth within accounts
Product features are needed TODAY, vaporware doesn't sole needs	MS DOS IS THE STANDARD
Over 250 Corporations currently evaluating DR DOS, many have begun purchasing in small quantities.	Lack of clear ISV support
Distribution channel shows increase in sales monthly	Very small marketing budget
Existing Channel programs already in place	Price elasticity and demand not well known - difficult to forecast volumes
Gold Disk program available	Potential MS DOS Windows bundles
DRI can react quickly	
Customers like DRI	

Future DR DOS releases may leapfrog MS  
DOS 5.0

DR DOS allows corporate customers the first  
opportunity to standardize all users on one  
version that's bug free

Opportunities

MS DOS 5.0 will only be an upgrade

MS DOS 5.0 will not boot

The DOS market is huge

People are starting to dislike Microsoft (end  
users and developers)

DR DOS 5.0 Upgrade should be bootable

Threats

MS DOS 5.0 will ship soon

MS DOS 5.0 has a strong position as an  
upgrade

MS DOS 5.0's price is very competitive

Microsoft has a strong influence over the press

Microsoft has a warchest of money

Microsoft might file suit against us

*DRD CONFIDENTIAL*

3

January 23, 1991

R0549422

MS-CCP-MDL 5005662

MS-CCPMDL 000005005662

## 1.6 Competitive Analysis

- MS DOS 5.0 upgrade is expected to be non-bootable. A major corporation tells us that this is a major inconvenience if they wish to repartition their hard disk. The user needs to make boot disks, then Fdisk the drive, then install to make hard drive bootable.
- MS on "final" 5,000 unit beta site of MS DOS 5.0, to ship in late March/early April
- MS DOS 5.0 has features not currently in DR DOS 5.0, e.g. unformat, task switch, undelete
- MS DOS 4.x viewed as failure
- Microsoft eager to demonstrate commitment to DOS product
- Microsoft will promote MS DOS 5.0 as "the real thing," i.e. the only true standard
- Microsoft will leverage off Windows success
- Microsoft will leverage ISV/OEM endorsement
- Microsoft will leverage OEM ROM endorsements
- MS DOS 5.0 will include Quick BASIC
- Microsoft planning announcement in 25 theaters in key markets across the U.S.
- Microsoft targeting 200k DOS upgrade units for 1991

### 1.6.1 Competitive Channel Programs

#### Microsoft SWAP Program

Microsoft is currently offering end users the opportunity to upgrade to Microsoft products from competitive products at a discount, through the channel. The featured products include Excel, Word, Microsoft Mail, and PowerPoint.

#### End User Requirements

Purchase at least 250 Microsoft SWAP products over a four-month period, starting the day of the first product purchase. The SWAP Agreement generates an authorization number for that company to use when ordering product.

Use each unit of SWAP product to replace a competitive product in the same product category for the same CPU.

Designate a reseller from whom they will acquire the products, and forecast how many units they'll acquire during the term of the SWAP agreement.

Remove a unit of replaced product from the CPU or network within 90 days of new product acquisition, and destroy the disks and the title page of the documentation.

**Reseller Requirements and Procedures**

Microsoft reimburses the resellers (direct accounts only) with a rebate after the fact, which means the reseller has to float the carrying cost of the end user discount. The rebate credit must be used to buy additional product, at **FULL RETAIL PRICE**. Here's how it works:

Reseller sells 250 units of Microsoft Excel.

Credit per unit (\$495 * 40%)	\$198
250 units, Total Credit	\$49,500
Reseller uses credit to buy MS Word at \$450 List Price	\$49,500 / \$450 ea
Reseller receives new replacement inventory	110 units

At first this is very confusing. The Reseller actually paid 49% off of list, or \$252.45 for the Excel he took out of stock. The SWAP product was sold at \$295. The new product was purchased at full retail with no margin. The reseller made 15% on the sale.

Purchased original Excel at 49% off	(252.45)
Sold SWAP unit of Excel	295.00
Margin	42.55
Margin as percent of SWAP Sale	15%
Received credit	(198.00)
Bought new inventory at List Price using credit	
Sold New inventory at no profit	198.00
Margin earned on replacement stock	0

In the real world, the reseller will also buy stand alone product at 49% off, and blend the inventory with the inventory earned from the SWAP credit. A large SWAP sale could hurt the reseller more than help them because the new inventory is more expensive than buying it normally at 49% off. This will force street price of non-SWAP products to go up. The reseller that never sells any SWAP products will have the best margins on standard (non-SWAP) business.

To sell a SWAP product, the reseller must:

- Call Microsoft at (800)227-4679 to get the customer's unique authorization number before the sale is made.
- Fill SWAP orders from their existing stock on hand.
- Return documentation to Microsoft to receive credit.



Reorder new inventory other than what was swapped.

SWAP Price List

	Standard SRP	SWAP SRP	MS License Pak Swap SRP
<i>Spreadsheets</i>			
Excel for OS/2	495	295	240
Excel for Macintosh	395	235	190
Excel for Windows	495	295	240
<i>Word Processing</i>			
Word for IBM PC	450	200	160
Word for Macintosh	395	235	190
Word for Windows	495	295	240
<i>Graphics</i>			
PowerPoint	395	235	190

A list of qualified competitive products includes most of the leading titles. For Graphics, Presentation Team is included.

**Borland 1-2-3 Upgrade**

Borland also offers 15% margins to participating resellers for the 1-2-3 competitive upgrade. The \$99 offer to the end user is provided at the point of sale. The reseller must accept the front page of the 1-2-3 manual. This is a separate SKU. Unlike Microsoft's program, resellers do not take full retail product and sell it as an upgrade. The number of "Upgrades" they purchase is audited with the number of 1-2-3 manuals they've returned. Channel sources claim that everyone seems to be playing by the rules, but Borland doesn't seem to be policing it very thoroughly... "They take our word for it".

## 1.7 The Opportunity

DR DOS 5.0 FCSed in June, 1990 in the OEM channel as the technical leader in the DOS market and as an alternative to MS DOS. So impressive were the features and quality of the DR DOS 5.0 product that, almost immediately, Microsoft began talking to the press and large customers about its own plans for an "even better" MS DOS 5.0. Two months later, in August of 1990, Digital Research began selling DR DOS 5.0 through the reseller channel to take advantage of the market for a DOS upgrade among the 45 million installed users of DOS personal computers.

This product was brought to the reseller channel to service the unmet needs of customers who could not legally obtain satisfactory upgrades to their current DOS operating system due to the lack of a credible product in the reseller channel to standardize on a single version of DOS. In addition, over the years the shortcomings of the older DOS products, due to Microsoft's lack of attention to DOS for several years, had illuminated the demand for features never before contained in a DOS. The major feature demand was for advanced memory management but other features, such as ease-of-use features, were also sought.

In the five months since DR DOS has been available in the reseller channel, sales have been a modest success in the U.S.. Relationships with key distributors and corporate resellers have been established and the product has been technically well-received by the press. The problems, besides those relating to the relatively small size of Digital Research, in achieving even larger success can be largely attributed to the following factors:

- General risk-averse attitude of users to change when their current environment seems to work
- Perceived high price to pay for the incremental benefits over MS DOS.
- Length of corporate evaluation cycle.
- General fear of dealing with "non-standard" version of DOS (i.e. compatibility, futures, support)
- Specific concern that, by waiting for MS DOS 5.0, customers can get all the features of DR DOS 5.0 plus some additional features plus get a much better price
- Lack of visible OEM, ISV, and corporate endorsements.

Some of these problems are startup problems and will diminish over time as the product becomes more familiar and accepted by the market. For instance, DR DOS 5.0 now has a clipping book full of excellent reviews. Many large corporations are now well into their evaluation of the product and results can be expected soon. A large part of the resistance of the market can be attributed to various flavors of Fear, Uncertainty, and Doubt. Microsoft has obvious advantages in addressing the FUD problem.

In addition, the higher the price of a product, the greater the role of FUD in the purchase decision. In the early stages of adoption, key influencers should be encouraged to buy and experiment with the product, almost on impulse, to establish grass-roots excitement and acceptance of the product. To the extent that DR DOS does not generate a critical mass of sales volume and market presence, success with OEM's, ISV's, and corporates will be increasingly stymied as Microsoft gears up its promotional activities in anticipation of its MS DOS 5.0 launch.

*DRI CONFIDENTIAL*

7

January 23, 1991

80549426

**MS-CCP-MDL 5005666**

MS-CCPMDL 000005005666

Digital Research can make maximum use of its strongest advantages, an existing excellent product, the ability to quickly implement innovative marketing programs, and the antipathy of many industry players towards Microsoft by taking the initiative to gain the largest possible installed base of customers. There are many users who want to improve their operating environment now. Digital Research must eliminate price as a customer objection in the reseller channel, show key industry support for DR DOS, and do both in highly visible manner to the ultimate customers. By doing so, Digital Research will gain a media and sales platform from which to address other customer concerns with a product that is available today. DRI is already selling against Microsoft's preannounced price of \$79 for a non-bootable upgrade.

To not make a competitive move soon means that DRI will risk not being able to tell its product story to customers, resellers and the media. By implementing an upgrade strategy program before MS DOS 5.0 is available, Digital Research can take its story to the market while MS DOS is trying get product out. Inevitably, DRI will have to answer Microsoft's pricing anyway. The only issue is whether DRI benefits from such a move.

This plan describes a proactive program to implement an aggressive "step up to DR DOS" operating system upgrade plan. As additional motivation for customers, a "test drive" of a stripped down version of DR DOS would be targeted at a still lower price for a Point of Purchase display. Finally, to offer customers still greater value, circumvent some features of MS DOS 5.0, and a demonstrate partnership with a key ISV, a free Lotus Magellan offer is proposed. The plan would target an announcement as soon as possible (FEB 15?) of a limited time of 120 days. A promotional price of \$79 for existing users of DOS systems to upgrade to DR DOS. Neither the product nor the "official" SRP would change during the promotion. The actual duration and SRP that is established after the promotion will depend on Microsoft's moves and the market's reception of the program. DRI would have a goal of establishing as high an SRP as the market will bear at the conclusion of the program.

Adjustments in corporate volume purchase agreement, Gold Disk, and OEM pricing will have to made. These are expected to be minor. This program, or near equivalent, must be executed internationally to be effective.

### 1.7.1 Marketing Objectives

#### Objective 1

Drive a viable retail DR DOS upgrade program in the face of Microsoft's MS DOS 5.0 launch and upgrade program.

#### Measure 1

Achieve a 25% share of channel upgrade business. If MS DOS 5.0 sells into the channel at 30,000 copies per month, we should be at least 10,000 per month, or 25% of (30,000 MS DOS + 10,000 DR DOS) 40,000 the total DOS upgrade business.

#### Objective 2

Position Digital Research as the innovative leader (in marketing and technical sense) in DOS upgrade market. Prevent Microsoft from swamping customers and the media with MS DOS news from now through after product launch.

*DRI CONFIDENTIAL*

8

January 23, 1991

R0549427

MS-CCP-MDL 5005667

MS-CCPMDL 000005005667

#### Measure 2

Media articles, both trade and business, sales volume changes, ISV and corporate endorsements

#### Objective 3

Shorten the sales cycle in preparation for the price promotion by doing much prospecting, and initial evaluation by rolling out the test Manus direct mail campaign.

#### Measure 3

Response rate to full direct mail and subsequent growth of responders into significant sales.

#### Objective 4

Demonstrate and capitalize on a key ISV partnership.

#### Measure 4

Include a coupon for a high visibility product, hopefully from Lotus, as part of upgrade offer.

While the DR DOS 5.0 reseller business is growing at a nice pace, events fostered by the imminent release of MS DOS 5.0 and the relatively high price of DR DOS 5.0 threaten this growth. The market needs to be reminded that DR DOS is available now and has been available for eight months. Its features and value over existing DOS products are proven. With the experience gained since the reseller launch of DR DOS and the knowledge of our competitor's upcoming moves, it is time to go back to the market and the media with a story that removes sales objections and creates an urgency to buy. Since Digital Research's future version of DR DOS will not be available until after the MS DOS launch, the major variable that Digital Research can use to create the "news" necessary to gain the market's attention is a price promotion.

While the upgrade price and joint promotion is the lynchpin of the plan, other facets, such as PR, ads, and direct mail, will implement marketing programs that use the knowledge gained to date to reach the target audience and tell the DR DOS story more effectively. The upgrade price promotion will enable DRI to refocus attention on the features of DR DOS, its availability, a significant industry partnership, and to date success of DR DOS.

### 1.7.2 Market Opportunity

This promotion addresses the U.S. portion of the 50 million current DOS users, roughly 25 million users. Multiple PC sites have an incentive to standardize on a single version of DOS to minimize training, support, and compatibility costs. Single users can capitalize on the many productivity increasing features of DR DOS 5.0 including large disk partitions, advanced memory management, serial file transfer, and ease-of-use. There are tangible benefits to these features that should compel many users to buy upgrades. While Microsoft can be expected to gain the lion's share of the upgrade market, the minority share that Digital Research can capture can vary widely from 5% to 25%.

#### Positioning

*DRI CONFIDENTIAL*

9

January 23, 1991

A0549428

MS-CCP-MDL 5005668

MS-CCPMDL 000005005668

DR DOS promotional upgrade is the only proven, currently available, significant improvement over your current DOS environment that allows you to unleash the power of your PC and your key applications cost-effectively.

#### Key Support Points

##### *Available now*

1. 750,000 users
2. First shipped in June, 1990
3. DR DOS first shipped in 1986, total licenses 3M7

##### *Proven*

1. Reviews
2. Corporate endorsements
3. Demos with key applications

##### *Ease of use/ productivity features*

1. Graphical user interface eliminates need for knowing many DOS commands
2. On-line help provides a quick means of using DOS commands without manuals
3. Easy file transfer between portables and desktop machines
4. Modern full-screen editor allows much faster creation/editing of text files.
5. Conditional CONFIG.SYS command execution easily handles alternative complex configurations

##### *Unleashes the power of your PC and applications*

1. Advanced memory management takes advantage of 286/386/486 and the memory you have bought
2. Large disk partitions leverage hard disk investment.
3. Product specific benefits - Windows, Novell, Lotus, Ventura

##### *Low risk*

1. Deinstall utility
2. Money back guarantee
3. Free DR DOS support directly from DRI (versus expected 900 number from Microsoft)

##### *DR DOS is a cost effective improvement to your DOS operating environment*

1. DR DOS is much cheaper than sum of utilities providing similar functions
2. The value of the upgrade and joint promotion is available for really aggressive prices

**DRI CONFIDENTIAL**

10

January 23, 1991

80549429

**MS-CCP-MDL 5005669**

MS-CCPMDL 000005005669

### 1.7.3 Target Audience

This strategy is targeted at penetrating the corporate desktop. It is designed to initially attack this market in a bottoms-up, decentralized fashion by enticing power users and MIS/DP users to try the product for themselves and to empower these key influencers with an attractive price to encourage the further spread of the product within their organizations. These individuals comprise far more sales opportunities to penetrate the corporate market than DRI can reach with direct mail, direct sales, and corporate resellers and, by appreciating the benefits of DR DOS, will provide the grass roots foundation widespread adoption of DR DOS. At the same time, DRI and its corporate resellers will continue to aggressively address corporate decision makers from the top down. It is the combined effect of these two, simultaneous efforts that will likely break the big corporate wins.

**DRI CONFIDENTIAL**

11

January 23, 1991

80549430

**MS-CCP-MDL 5005670**

MS-CCPMDL 000005005670

## 1.8 Pricing

The price for the upgrade promotion is \$79 with a Lotus Magellan offer included. MS DOS 5.0 is expected to come into the market at \$79. \$79 with an inexpensive Magellan offer is "a better deal". The inclusion of a powerful, full function utility made by a leading manufacturer will add significant value to the perceived value of buying DR DOS. (See *Lotus Magellan* for product and positioning details). End users may complete their registration card and send \$19.95 shipping and handling for their Lotus Magellan.

Channel price for the \$79 DR DOS upgrade will be 25% off suggested list price, or \$59.25.

Approximately 30 days after the full upgrade is announced we will introduce the Channel evaluation pack, *DR DOS Test Drive*, which will contain a 10-pack of full function DR DOS without complete documentation or Magellan. This will be packaged in units of 10 for mass merchandisers, superstores and other retail outlets in a box which unfolds into a Point-of-Sale display system. The list price will be \$49 for "DR DOS TO GO". End users can purchase this to try the product out. If they like it, they can send \$30 directly to DRI for complete documentation and their copy of Lotus Magellan, converting their evaluation unit to a full copy. The Test Drive evaluation unit will also contain DR DOS Quick Reference Card, and a Quick Start guide which has release notes and recommended config.sys files, making it very easy to get started. The 10-pack will be available to distribution at (\$49 \* 10 \* 25% off) \$367.50. DRI will sell the \$30 conversion direct to end users via fulfillment of specially marked order form inside the box, different than the \$19.95 shipping and handling offer which is the \$79 full upgrade.

This In Box promotion may be substituted with other products at any time, ie \$25 coupon for Lotus 1-2-3, etc.... It is recommended that the Test Drive and the Magellan offer be positioned as *limited time only*, such that they can be discontinued if necessary without necessarily affecting the \$79 upgrade offer.

House Accounts which do not have retail facilities may also purchase the DR DOS TO GO evaluation pack. They will have no use for the display, but will be able to offer corporate customers a \$49 evaluation unit.

DRI CONFIDENTIAL

12

January 23, 1991

80549431

MS-CCP-MDL 5005671

MS-CCPMDL 000005005671

### 1.8.1 Bootable vs. Non-Bootable

Mixed emotions may exist on providing the \$79 Upgrade and the \$49 Test Drive to the customers in bootable vs. non-bootable format:

Reasons for a Bootable Version	Reasons for Non-Bootable
A bootable version will be difficult for Microsoft to react or respond to	Clearly positions product as an upgrade to an existing O/S
Limited time offer should not disrupt OEM program or permanently affect retail product. OEM price points still are more favorable than channel prices.	Prohibits product being bundled with any new systems (protect OEM)
Less hassle for customer. To repartition the hard drive, the customer must create boot disks before the drive is partitioned, partition and format the drive, then make the hard drive bootable. This procedure takes a significant amount of time. Trans-america is very interested in the existing DR DOS product primarily because it's bootable. They are an MS DOS 5.0 beta site.	Microsoft has announced that they are planning to provide a non-bootable upgrade product.
Reduced impact on tech support; customer will want assistance to walk through the process outlined above.	No threat to current packaged product program for low-volume VARs.
Better than MS-DOS offer, allows us to capitalize on MS-DOS non-bootable customer difficulties	Differentiates product from full price version
Enhances messages of providing a fully functioning alternative to MS-DOS 5.0	Price differential between Retail and OEM for the same product is more narrow than before. Non-bootable would reduce potential OEM objections in small volume opportunities.
Not a "me-too" offer	Non-bootable will reduce any potential threat to European full package sales (Grey Market)
More customer satisfaction, greater perceived value, increases possibility of MIS Center Manager recommending DR DOS.	

*Recommendation - Provide Bootable Upgrade*

**DRI CONFIDENTIAL**

13

January 23, 1991

#0549432

**MS-CCP-MDL 5005672**

MS-CCPMDL 000005005672



Providing a bootable product allows DR DOS 5.0 to have a marketing edge that is unavailable and unaddressable with MS-DOS. Because DR DOS will lack some of the features promised by MS-DOS 5.0, the convenience factor may convince customers to more carefully consider our product, especially in large corporations wishing to repartition disk drives of several users.

Because the lower-priced offer is for a limited time only, it should have minimal impact on our premium price position, we can re-establish and justify our higher price point with DR DOS 6.0. The product was introduced to the channel with a target market of existing DOS users. This target market is unchanged.

We are currently in a MUST WIN situation. Every competitive advantage we can provide ourselves will contribute to our success. As with the rest of this proposal, being bootable is a very aggressive move which the press and the end users will certainly notice favorably when comparing us to MS DOS 5.0.

*DRD CONFIDENTIAL*

14

January 23, 1991

80549433

**MS-CCP-MDL 5005673**

MS-CCPMDL 000005005673

### 1.9 Gold Disk Program

The gold disk is a prepackaged "voucher" for 100 or 1000 units. This is similar to a gift certificate whereby the channel orders the voucher and resells it to the end user. The end user receives a license agreement, which must be signed and completed, then sent to DRI in Monterey. Upon receipt of the agreement, we verify the legitimacy of the sale and then ship the RDK with Quick reference cards to the end user. Documentation sold separately directly from DRI.

Microsoft will probably NOT offer a site license or Gold Disk program like this. They do have an individual license pack. This will be a significant competitive advantage.

The program is very simple this way and is easy to control. We can verify the end user and the reseller before we ship the RDK.

#### Gold Disk Pricing

	List price per user	Channel Price 45% Margin
100 license pack	\$69	\$ 3,795
1000 license pack	\$59	\$32,450
Documentation with free Magellan	\$19	sold direct

#### License Agreement Logistics

The Channel will be provided *SAMPLE* license agreements for the end user to review. Upon decision to order the product, the end user will order the desired license agreements from the reseller. The end user will send DRI the signed agreement and DRI will ship the RDK with a free Quick Reference Card for each user. There will be a hologram labels on each QRC.

The agreement will have a space for the end user to sign with information regarding each site, the number of copies for that site, the primary MIS/Support contact at that site, and the reseller they purchased from. There will also be a space to order, direct from DRI, additional manuals. These manuals will include a free copy of Lotus Magellan. The number of manuals ordered may not exceed the total number of licenses purchased.

DRI will reserve the right not to license anyone, which may be a purchasing entity intending to resell the product or any other situation that is not a single corporate or government organization intending to acquire the product for their own use, or an entity which has altered the license agreement.

In the event we reject the license agreement, the reseller will be notified. The end user will cancel their order with the reseller. The reseller will cancel their order with DRI. Nothing will be shipped to anyone.

*DRI CONFIDENTIAL*

15

January 23, 1991

A0549434

MS-CCP-MDL 5005674

MS-CCPMDL 000005005674

The license agreement is non-negotiable. Three dimensional embossments will be on each license agreement along with a sequence of hologram label numbers. The embossment may state "Valid for 1000 units". The hologram numbers can be sequenced such that 1000-packs start or end with a certain character, 100-packs have a different character.

This SKU will be offered in U.S. and Canada only.

Each license agreement will also have a holographic label. Manufacturing will record the individual numbers from the QRC's range of holographic numbers which relate to the license agreement number. If an individual QRC is identified by an incoming call from a customer or site inspection, we can cross reference which license agreement that individual copy came from.

The license agreement will state "VOID IF ALTERED".

Two SKU's will be created containing the 100-pack and 1000-pack license agreements. These will be packaged in a strong cardboard sleeve, similar to a diploma. The paper will be two-copy, high quality stock.

*DRI CONFIDENTIAL*

January 23, 1991

R0549435

**MS-CCP-MDL 5005675**

INTERNAL

### 1.10 Lotus Magellan

Lotus Magellan won the Technical Excellence Award in 1989 at Comdex, and won a similar award along side DR DOS this month in BYTE Magazine.

Lotus is sending copies of the software to us this week. These will be sent to the U.K.

The Lotus Magellan product provides increased productivity to computer users. Features includes:

**Extensive Macro Facility**

**Global Indexing** - Builds indices for all hard disk volumes.

**Virus Detection**

**Undelete**

**Explore Facility** - Perform "fuzzy search" through all files for keywords allowing the user to "navigate the hard disk, locate and gather information, and clean up the disk.

**Transparent Archival Compression through PKzip** - Increases disk space.

**Rich Assortment of Viewers** - Displays files in their native application format - even when compressed.

**Clever Launch Facility** - Upon finding/viewing a file, allows the users to launch the native application with the file already loaded.

**Caveats:** Magellan should include all viewers, even those not available in the retail package, as well as the facility that provides Mouse support. It would also be desirable to find a way to integrate Magellan into ViewMAX. This would allow DR DOS to be viewed as more powerful and make Magellan easier to use. The result would be that the Magellan available to users of DR DOS may be more desirable - and unavailable to users of MS-DOS.

Lotus Magellan includes 30 days free 800 number Lotus support. Additional support on the "Prompt" 800# can be purchased by the end user, or they can call Lotus' standard support lines via a toll call.

Lotus is very interested in a joint marketing program in the channel with DR DOS and Magellan to reduce their inventories. They recommend trading some Magellan for DR DOS so that can offer a bundle similar to ours. It is intended that these do not conflict, therefore they are currently scrambling to implement a February bundle before our program starts. Lotus Magellan sells for \$139 retail.

Lotus is also interested in talking with us on integrating the Magellan Viewer Technology into ViewMAX, as Mike Ahern suggested above.

00549436

## 1.11 Public Relations

### Public Relations/Program Announcement:

Based on the significant amount of press generated worldwide, there is a lot of awareness among the "industry infrastructure" regarding DR DOS 5.0 and a good deal of interest because of the upcoming release of MS DOS 5.0. Although many of the key influencers are supportive of Digital Research, there is still some skepticism regarding the company's ability to compete against the industry standard. Public relations will be instrumental to the success of the upgrade program.

Public relations efforts for the Digital Research upgrade program must usurp the significance of the MS DOS channel upgrade. The Digital Research program must be announced by mid-February (with contingencies to announce sooner in case Microsoft begins to heavily promote MS DOS 5.0 early in the 1991 calendar year).

The major objective of public relations will be to capitalize on the news value of the upgrade program and to demonstrate DRI's success to date with DR DOS, and to underscore DRI's commitment to retaining technical leadership in the DOS market. Equally important to the continued success of the product will be using PR to increase market confidence in the viability of DRI as a business and as a marketer.

If no technical modifications are made to the existing product, then one of the goals of public relations will be to position the announcement as an aggressive upgrade program (as opposed to an upgrade product), and initiated as an innovative marketing ploy to increase the installed DR DOS user base and demonstrate the interest of DRI's joint marketing partner, Lotus, as a key indicator of support among the ISV community. This positioning is important because there is not a clear understanding among the press of Digital Research's marketing strategies (how do we intend to steal market share from Microsoft is a frequently asked question). The announcement of the upgrade program should also be leveraged as an opportunity to showcase new corporate customers and/or top-tier OEMs as well as discuss DRI's corporate strategies and future product plans (customer needs presentation).

### Objectives:

- \*Generate strong press coverage and continue publicity momentum
- \*Increase end-user awareness
- \*Encourage end user interest and build product demand

### Strategies:

- Capitalize on the news value of the upgrade program announcement
- Target industry trade publications, large circulation business publications and widely-read daily newspapers.
- Promote product features & benefits, leverage price/value perception, include call-to-action and built-in generation mechanisms

### Tactics:

- Conduct a 5-7 day press tour in mid-February
- Pitch tour with program announcement

DRI CONFIDENTIAL

18

January 23, 1991

#0549437

MS-CCP-MDL 5005677

MS-CCPMDL 000005005677

- Announce new corporate/OEM accounts
- Discuss corporate goals and long-term O/S strategy based on customer needs
- Seed Buxton under non-disclosure to long-lead monthlies (with beta seeding in February, earliest product coverage expected is June, later beta seeding results in later coverage).

At issue:

\*Questions will arise as to how soon DRI will release a version that matches feature to feature to MS DOS 5.0. The decision to discuss Buxton can result in questions regarding the upgrade to this version (\$ vs free, etc.)

The upgrade to Buxton must be well determined, prior to the announcement of the "marketing" upgrade program, even if the decision is made not to discuss Buxton as part of the upgrade announcement.

Press Tour Publications (in categories, see separate PR plan and Hi-Tech memo of Oct. 17 for specifics)

- Industry weeklies (i.e. Infoworld, PC Week, CRN, include government)
- Industry monthlies (i.e. PC Computing, Datamation, PC World, VAR Bus)
- Industry newsletters (i.e. Soft Letter, SIB, ReLease 1.0, PC Letter)
- Analysts (i.e. BIS CAP, Dataquest, Gartner Group)
- Key Market Dailies (i.e. NY Times, USA Today, SJ Mercury, WSJ)
- Pitch "David vs. Goliath" story, marketing angle, opportunity to discuss product features
- Marketing publications (i.e. Columns in Dailies, Marketing Computers, Ad Age)
- Columnists (i.e. Denise Caruso, Dick O'Reilly, Jerry Pournelle, syndicated) Publishers (i.e. PC Week/Labs, PC Mag, Ziff Davis)
- Wire Services (i.e. Reuters, Dow Jones, AP, UPI)
- David vs Goliath, marketing angle
- Broadcast (Computer Chronicles, National Public Radio, computer talk shows)

### 1.12 Advertising

Heavy advertising will take place in the four months following the announcement. The ads will be placed in trade journals, addressed to buyers who can appreciate the benefits of the product. All ads will contain some visual element that ties to the promotion theme. Ads will include a call to action for an 800 number for more information, and a referral to a local dealer. Ads will establish awareness of the product's benefits and the existence of the limited time promotion. The time limit will create some element of urgency to act and some freedom for DRI to establish a higher, non-promotional price after the promotion.

Advertising will be used to continue the visibility of DR DOS as well as promote the upgrade program. Advertising expenditures should be allocated as both conservative and aggressive.

DRI CONFIDENTIAL

19

January 23, 1991

00549438

MS-CCP-MDL 5005678

MS-CCPMDL 000005005678

This will allow the program to be promoted in the computer trade publications as the conservative approach, and add large-circulation (expensive) publications to the mix to create a high-impact program introduction.

Three new DR DOS ads will be developed. They will establish a "look & feel" style that will be used throughout DR DOS collateral and POS materials. To react quickly and be able to announce this program soon, the existing ad, "We Couldn't Have Said It Better", will carry a "snipe" that will promote the upgrade program as well as emphasize DR DOS' application compatibility. The "call-to-action" will also be heavily emphasized. We are currently investigating the use of an 800 response number to be used to measure the amount of demand generated by the ads. If incorporated, this number will be used on all DR DOS ads (only). Logistics of this 800# are still to be determined.

The new suite of DR DOS ads will be dedicated to the upgrade program ad, and will continue the application compatibility message (with money back guarantee) as well as the icons from the PC Magazine Technical Excellence Award and the recent award given by Byte Magazine. The creative concept for the ads has not been finalized.

**1.13 Direct Mail**

The Manus mail campaign that has been tested on 40,000 addressees has had a good response rate and should be broadened to keep generating quality leads and start the evaluation process in anticipation of the upgrade promotion. The mailing seeded several units into the target list, but cut the channel out of the fulfillment and sales. Resellers have been given names of the respondents but there are no phone numbers. The channel does not feel that the names are worth finding phone numbers to call someone who has already bought the product. Future mailings will include the reseller and will be targeted and a more qualified list of approximately 25,000 Computer Executives within Fortune 1000. Including the channel will streamline the follow up process.

Purchase List 200,000 names 40% Fortune 1000 40% Small Business 20% Exec/Tech	\$75,000
Printing - brochures	\$50,000
Letter/Enclosures	\$30,000
Postage	\$50,000
Monthly Mailing Follow Up (second and Third Month)	\$125,000
<b>Total Mail Costs</b>	<b>\$330,000</b>
Monthly Average	\$110,000

**DRI CONFIDENTIAL**

January 23, 1991

R0549439

**MS-CCP-MDL 5005679**

### 1.14 Telemarketing

Aggressive telemarketing will be implemented, using temporary personnel, to follow up on mailings, contact users who have seed units from the Manus mailings, and encourage end users to contact their reseller, attend an event, or to obtain more information about their organization.

In September of 1990, a similar one week telemarketing program was implemented using 4 temporary personnel. Over 1100 resellers were contacted, announcing that DR DOS is now available in the channel. Inram Micro D noticed immediate results and reordered inventory 4 times the first 30 days. A script was provided with all the information the customer could possibly ask. It works!

Temporary Telemarketers	5
Hourly Rate	\$12
12 weeks	\$28,800
Monthly Average*	\$9,600

\* included in Direct Marketing Budget (see spreadsheet)

### 1.15 Future Upgrades

An upgrade to Buxton would be priced to cover handling and cost of goods and would not exceed \$25. It would consist of the disk set and release note shrink-wrapped and would allow DRI to claim to make a product that surpasses MS DOS 5.0 (slightly, anyway) available to DR DOS customers at our "cost". Digital could build enough margin into the paid Buxton upgrade (probably 5,000 customers) to fund a 30 day free upgrade to Buxton for recent buyers. This should be a fairly small number (1000?) because the promotion will not be fully felt while these customers are buying. Corporate customers would be upgraded to Buxton at very aggressive terms (probably free for Gold Disk and other large volume customers who do not require packaged product.

Buxton Upgrade for users who purchased DR DOS 5.0 within 30 days of FCS \$9.95 shipping & handling

Buxton upgrade for users who purchased DR DOS 5.0 more than 30 days before FCS  
\$24.95  
\$12 Cost of Goods  
\$ 8 fulfillment  
\$ 5 margin/handling

### 1.16 International Programs

The same programs can run outside of North America. While the tactics and players may vary, the product message, inclusion of Magellan, pricing and overall increase in marketing should be a worldwide effort.

DRI CONFIDENTIAL

21

January 23, 1991

80549440

MS-CCP-MDL 5005680

MS-CCPMDL 000005005680



## 1.17 Tech Support Impact

In order to get a feeling for how we can best support DRDOS in the retail channel, a simple calculation has been used to estimate the demand for Technical Support. The calculation does not reflect variables such as the "mean-time-to-call" (the time when an end user buys, uses then calls Tech Support for help), the actual number of units supported only on the basis of a DRDOS utility (as opposed to all the support calls involving all applications and hardware issues) but it does help us keep up with the demand for technical support when there is an increase in the number of DRDOS units sold in the channel.

### HEADCOUNT INCREASE - Costs & Proposed Duties

In order to continue providing a reasonable level of technical support in pursuit of the rapidly accruing sales, the following describes the desired technical support structure for continued growth for supporting DRDOS in the retail channel. In essence, this structure would increase the Technical Support group's "head count" by 4 people (an additional \$88k/yr at \$22K/person/yr average starting TSA1 salary range). The computer hardware needed to fulfill the support obligations would run close to an additional \$5k per person or a total of \$20,000 (includes the basics of computer, printer, mouse, monitor, extra memory, etc.). The total estimated costs for adding 4 more support people, including facilities costs (\$1410/agent), will be an additional \$113,640 for one year.

When Sell Through reaches 10,000 units per month, an additional 2 people are needed.

#### Job Functions

Front Line (TSA1's) Support can handle incoming calls and Letters and FAXs when time allows.

Second Level (TSA2's) Support can assist the TSA1's as well as handle hard to analyze problems. Letters and FAXs. Evaluations. Reviewers. Corporate-level Response Center (CRC). Business Partners (ie Lotus, Novell). Beta-cycle assistance. Training of Internal Employees.

Third Level (TSE's) Support handle higher level problems such as programming related or Hardware vendor issues (perhaps OEM possibilities). Assist in special Corporate Response Center activities. Training of new TSAs. Assistance in Trade Shows or special functions. Capable of any level of support.

All Support Agents involved in this Group will specialize in some area of computing: software, computer terminals & printers, disk storage devices, networks, etc. This is already in place, yet it needs growth by adding more Level 1 type people. The additional Level 1's will allow the existing TSAs to enhance their technical knowledge instead of the current, "know-a-little-about-everything-and-master-of-none" capabilities.

Providing quality technical support to all of our customers is our primary objective. We will continue to evaluate and improve on the following areas:

- 1) access to Technical Support on all levels;
- 2) improve TSAs "knowledge-base" and fact-finding ability;
- 3) improve assistance to Marketing/Sales;
- 4) modernize DRI support for 1990's expectations.

DRI CONFIDENTIAL

22

January 23, 1991

00549441

MS-CCP-MDL 5005681

MS-CCPMDL 000005005681

### 1.17.1 Technical Support Staffing Analysis

#### Existing Staff

CDOS TSA	1 person	CDOS phone, Fax, Letters, CompuServe, trained for DR DOS
TSE	2 people	CDOS/DR DOS ISV Support, phone, Fax, Letters, Betax, Training, Sales Support, Corporate Eval/MIS support
DR DOS TSA	3 people	DR DOS phone, FAX, Letters, CompuServe, Trained for CDOS

Average Call Length (minutes)	20
Calls Per Agent Per Hour	3
Calls Per Agent Per Month	360

#### Future Staff

Expected Sell Thru Units Per Month	5000 Best/Worse		10,000 Best/Worse	
	1/3 1666	1/2 2500	1/3 3333	1/2 5000
Calls/Sell Thru Unit/Month				
Max Calls/Agent/Month	360	360	360	360
Agents (TSA's) Needed	5	7	9	14
DR DOS Agents On Hand	3	3	3	3
Need To Hire	2	4	6	11

### 1.18 Customer Service Impact

Additional ads and mailings will result in additional incoming calls to customer service. Even though we will utilize third party organizations and House Accounts for this purpose as much as possible, we currently are understaffed in this department. It is recommended that we convert this department to a true telemarketing group with incoming and outbound calls. At least one additional person should be added. This group will be more closely tied to the sales organization for streamlined communication the field reps and resellers.

R0549442

In order to adequately respond to aggressive ads and mailings planned, this person should be added at once. The current staff can barely handle the current load of incoming calls. When major mailings are sent out, we will use third party organizations like Carlick or Manns to help respond to the calls. However, these organizations are limited in product and company knowledge, reducing the quality and detail obtained from incoming calls. These companies would be best at fulfilling and distributing response cards and literature requests, but not much more.

**DRI CONFIDENTIAL**

24

January 23, 1991

80549443

**MS-CCP-MDL 5005683**

MS-CCPMDL 000005005683

### 1.19 Sales Headcount

In order to properly execute this plan and see as many customers as possible, it's necessary to take a close look at what we can actually accomplish with the resources (manpower) we currently have. Microsoft has over 400 reps in the country not counting support. We can be assured that they will attack corporate America *en masse*.

Our direct marketing efforts and earlier entry into the market has been and will be a tremendous advantage. There are hundreds of companies currently evaluating DR DOS. 1100 people have responded to the Manus mailing, either free or for fee. Our sales force (4 people) each have a database of the major corporations in each region with evaluation units, which are being followed up actively. Mailings and telephone calls are being conducted by the house accounts, including invitations to by Software Spectrum to 5 Louis AMI/DR DOS seminars being held this quarter around the country. Over 1100 people are scheduled to attend. It is estimated that over 300 companies within Fortune 1000 have at least one copy of DR DOS in evaluation. Many firms have begun purchasing at the departmental level, in small quantities.

It is imperative that the reps continue to focus on this segment and not be spread thin with other activities. Over 100 companies have been evaluating DR DOS for over 3 months, and are probably aware of the features of MS DOS 5.0 to the extent that can soon make a buying decision. The price announcement and Gold Disk program will be a catalyst in speeding up the decision process.

Therefore, in order to ensure strong retail, Point of Sales presence in the large retail, superstore, mass merchandising resellers, it is recommended that 6 part time reps be hired to "Blitz" the top 50 retailers in the top 6 markets. These people will be work 28 hours per week and will not be receiving benefits. Estimated cost for this headcount is \$2400 per month. (See DR DOS Contribution Analysis)

It is also recommended that 2 more full time reps be hired for San Francisco and New York. We have one rep in the Northeast covering all of New England, New York, Philadelphia, Canada, and Washington D.C. We currently have one rep on the west coast covering all states west of the Rocky Mountains.

The overall objective is to see as many customers as possible in a short period of time.

DRI CONFIDENTIAL

25

January 23, 1991

80549444

MS-CCP-MDL 5005684

MS-CCPMDL 000005005684

## 2 MAIN MESSAGES

- "We run Windows Better!", also substitute for Windows: 123, Word Perfect, Desk Top Publishing, Networks...
- Underdog theme: an effective message in the United States.
- Early DOS/OS history: gives a background concerning what we're best at doing and explains why we can make does better.
- Standardize: ask companies wether they have really set any DOS standard. "Do you use 1.0, 1.1, 2.0, 2.1, 3.0, 3.01, 3.1, 3.3, 3.4, 3.41, 4.0, 4.01... Or would you like to use one DR DOS 5.0?"
- **EVEN MICROSOFT IS BEHIND US:** show Bill Gates quote, "...DR DOS is innovative..." With a product comparison of MS DOS 4.01.
- **DR DOS Has Key Industry Support:** Press emphasis on ISV, Corporate, OEM and Worldwide successes.
- **DR DOS Is The Current Technical Leader...**and is committed to maintaining that position
- **DRI Is A Viable Business and an innovative marketer.**
- **The Value For The Price Is Tremendous...**

**DRI CONFIDENTIAL**

26

January 23, 1991

80549445

**MS-CCP-MDL 5005685**

MS-CCPMDL 000005005685

### 3 MARKET SEGMENTS

#### End Users

Fortune 500  
Fortune 2000  
Small Business < \$10M  
Evaluators  
Government  
Academic (schools)  
MIS Department/ IC  
Hacker/ Guru/ Hobbyist  
Consultants

#### Dealers \*

Chains  
Corporate Resellers  
VARs  
Retailers  
Mail Order  
Distributors  
Outbound sales organizations  
Super Store  
Warehouses  
Mom and Pop  
Software Only (ie. Egghead)  
Department Stores  
Mass Merchants

\* - The people that we want to address in this segment are: retail sales people, corporate sales people, managers, owners, buyers, product managers, and technical support personnel

*DRI CONFIDENTIAL*

27

January 23, 1991

R0549446

MS-CCP-MDL 5005686

MS-CCPMDL 000005005686

## 4 PROGRAMS BY SEGMENT

All programs are targeted on specific end-user groups or channel segments. Each end-user segment is identified by the lead list being used. Dealer segments have specific dealers identified in them.

### 4.1 END USER PROGRAMS

End Users who previously bought DR DOS at full price are entitled to a 30 day money back guarantee. To reduce returns, customers who contact us will be offered a free Magellan with proof of purchase. Should they request a full refund instead, they will be offered a "price adjustment" refund of the amount they paid less \$79.

#### 4.1.1 Fortune 500

Aggressive seeding of evaluation units with Account Profile Sheet completed, with details of configuration. Technical Support and Channel Marketing Manager provide recommended config files and hand hold throughout evaluation cycle. Rep ensures that the organization is fully penetrated and manages the business relationship, including scheduled executive presentations using the new DR DOS corporate presentation.

Joint calls with the companies favorite reseller are a must. Lead sharing gets us a long way in this market. Most of the customers at this level buy from one of our House Accounts regularly. The closing cycle is very long, due to the number of decision makers and lengthy evaluation processes. While we must do all we can to speed the evaluation process, we must also be patient and not lose the sale. Keeping the Pipeline full is the key to success.

All Retail sales reps are currently scheduling a tour of Executive Briefings for March, similar to the presentation at NYLife last month. These accounts will all be 1000+ unit potential who have already evaluated the product. Teams will be formed to properly see as many customers as possible. Details will be determined as schedules are finalized.

#### Program:

A three step direct mail campaign will be directed to the VP of Information Systems requesting that they examine DR DOS 5.0. During each stage, they will have the option of contacting one of our house accounts for product evaluation information. This direct mail campaign will be designed to include our house accounts from the beginning. Digital Research will design the materials; we will use the MIS mailing list already in house.

#### 4.1.2 Fortune 500 - 2000

This market is the bread and butter of the large software-only resellers. While we must focus on a few things and do them well, (ie Fortune 500), aggressive direct marketing programs to this segment can uncover qualified leads for more aggressive follow up by the house account and the DRI rep.

The key components are:

DRI CONFIDENTIAL

28

January 23, 1991

00549447

MS-CCP-MDL 5005687

MS-CCPMDL 000005005687

- ?Spectrum seminars with Lotus AMI
- ?Mass mailings (Ornivar, 800soft, Software Spectrum and Softmart)
- ?Mailing Objective is to invite the readers to evaluate the product
- ?Target on mailing is Executives, decision maker/specifier.
- ?Mailing followup by telemarketing.
- ?In those cities which have seminars, smaller presentations by executives in the form of a breakfast or lunch to a select group of MIS execs.
- ?VIP sales calls with execs/Dos engineers to largest 100 LHF (Low Hanging Fruit)
- ?Target any business shows in major cities we work with dealers.
- ?Mailing lists will be obtained from InfoWorld, PC Magazine, and Lotus Magazine.

#### 4.1.3 Small Business

According to PC Week, there are over 113,000 businesses with 10 or more PC's. This is the fastest growing segment in the end user population. Most of these firms seem to be buying computer related products and supplies from retail stores, or superstores. The major corporate House Accounts do not call on these customers, nor do the manufacturers.

- ?Low cost Eval Program  
POP
- ?Test Drive DR DOS for \$49
- ?Mass Mailing (Target Aud)  
List from INC, Business Week,  
Entrepreneur, Working Women  
CPA etc.  
Invite reader to see the product at a reseller location
- ?Strategic Alliances  
LOTUS  
Novell  
DELRINA  
OEM dealers

#### 4.1.4 Evaluators / MIS

- ?Seminars (as above)
- ?Sales Calls/Exec Briefing
- ?Free Evals  
-House Account Targets  
-DRI Followup
- ?Low Cost Evals (Test Drive)  
-Mass Mailing

This audience may have some overlap with the Fortune 500/2000 audience. The direct mail will concentrate on the next tier of corporations

**DRI CONFIDENTIAL**

29

January 23, 1991

R0549448

**MS-CCP-MDL 5005688**

MS-CCPMDL 000005005688



#### 4.1.5 Gurus / Hobbyist / Hacker

- ?Low Cost Upgrade
- POP
- ?Press Release to USER Groups
- ?Press Release to Regional Computer Papers
- ?Mail to our registered users
- ?CompuServe announcement

This audience will be contacted through our advertising schedule and will also be attracted to the point of purchase display. In addition, we will send out product information to our registered base of GEM product users. They will be invited to see the product at a reseller location.

#### 4.2 Government

The federal government is a huge opportunity in itself. An above-average amount of interest has been received from several large agencies, the best being FDIC who has already purchased 7500 copies under a gold disk agreement, and will purchase the remaining 7500 sometime this year.

Currently, there is a gold disk agreement being proposed at other agency locations including the Army Corps of Engineers.

Our 1991 letter of supply holder is Softmart. We are participating in several mailings, ads and events with them targeted at the Government marketplace.

We have recently obtained a list from ISG of survey respondents within federal agencies who intend on purchasing software, how much they will spend and what products they will buy. DR DOS is included in the survey questionnaire.

- POSE March 5,6,7
- Mass Mailing 3X
  - Softmart List
  - Government Computer News
- ISG direct mailing. Softmart reps follow up

#### 4.3 Education Program

There are currently over 4000 colleges or universities in the United States and Canada. During recent years, the number of PC's being installed into the higher education market has increased faster than the rate in the commercial market. In 1991, there will be an additional 1.2 million PC's purchased by these institutions. Some universities have over 15,000 PC's installed, like Ohio State and USC.

The total number of PC's in this market is not available, yet software sales of Lotus 1-2-3 have doubled from \$6 million in 1989 to \$13 million in 1990. Part of this was a result of Lotus' decision to be priced more aggressively in this market.

Two major hardware manufacturers are IBM and ZENITH. Both have had very aggressive prices for the student and the institution. They have also teamed up with several software manufacturers including Microsoft and Lotus with attractive bundles. Both IBM and ZENITH are currently bundling their hardware with Windows 3.0.

There are multiple segments in this market:

- Bookstores - sell to students
- Faculty, Staff - small sales through purchasing departments
- PC Labs - the largest growing segment, equipment provided for students to use, often found in library basements or separate buildings of their own at larger schools.

MIS/Info Center - similar to a corporate account, the university is often very capable of supporting its own non-student user population (ie, accounting, payroll, housing, curriculum management, facilities management, and others)

This market shows seasonality to be a major factor, mostly influenced by the start and end of school years.

#### Education Purchasing - Seasonality

Jan - Mar	20.75%
Apr - Jun	14.22%
Jul - Sep	42.83%
Oct - Dec	22.20%

*all data provided by The Douglas Stewart Company*

The best time to focus major marketing is July and October. In both cases, many departments are preparing their budgets for the forthcoming semester.

#### 4.3.1 Education Market - Distribution

The Douglas Stewart Company, of Madison Wisconsin, has sold various products to college bookstores for over 50 years. Their product mix includes everything from calculators to PC peripherals, to batteries.

Two years ago, Douglas Stewart acquired software into their product line. Lines currently being carried are Lotus, Aldus, Funk, Wordstar and Infomatics. Estimated Lotus sales for 1991 exceed \$14 million. These products are sold to bookstores and are sold direct to the non-student (institutional) sector. Douglas Stewart has an exclusive on all Lotus educational products.

#### 4.3.2 Education Market - Pricing

Most software manufacturers offer their "Full Versions" at 75% off list price to this market. That is, a \$495 Retail copy of Lotus 1-2-3 has a \$99 list price in education. Funk prices are already low and they can only offer a 35% discount.

#### Software Price Comparisons Education vs. Commercial Market

Product	Education	Commercial
Aldus Pagemaker 3.01	\$199	\$795
Funk Sideways	\$44.95	\$69.99
Wordstar 5.5	\$89	\$495
Lotus 1-2-3 2.2	\$99	\$495
Lotus 1-2-3 3.1	\$129	\$595
Lotus Magellan	\$49	\$139
Freelance Plus	\$99	\$495

It is recommended that we establish a suggested list price for education at \$59, offering Douglas Stewart Co. 40% margins and 10% MDF, no rebates. Products will be marked "For Educational Use Only".

DR DOS 5.0	\$59.00
Less discount 40%	\$(23.60)
Cost to DSC	\$35.40
Less 10% MDF	(\$ 3.54)
Net Sale per unit	\$31.86

#### 4.3.3 Education Program - Marketing Opportunities

The initial challenge will be to create demand for our products and raise awareness that the products are available, and are worth purchasing. Most CPU's in this market are brand names which already come with MS-DOS, and in many cases, with Windows 3.0.

The upside is that DR DOS will be the only operating system that DSC sells. It is recommended that we participate in existing software promotions to take advantage of their momentum, reduce costs of marketing, and reach a qualified market, rather than having a DR DOS-only marketing program.

Opportunities to launch DR DOS into this market include:

- Direct mail with Educational Program Announcement to all schools.
- Ads in DSC Merchandise catalogs
- Product training for sales reps
- Demo unit seeding program to top schools
- Booth Space in DSC's C2ES (annual COMDEX-like show for colleges)
- Point of Sales materials for bookstores.
- Focus on institutional segment, treat them like corporate accounts.
- Lotus 1-2-3 bundles.

DRI CONFIDENTIAL

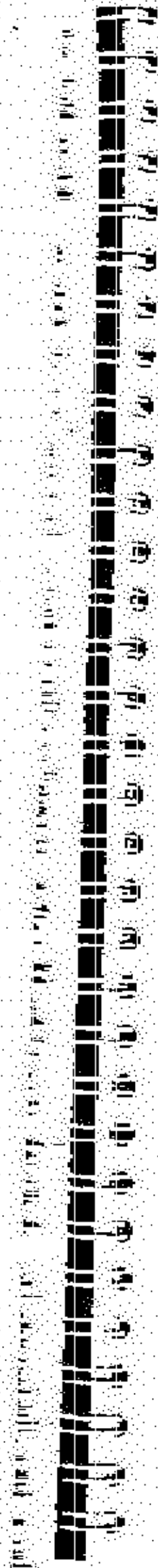
32

January 23, 1991

80549451

MS-CCP-MDL 5005691

MS-CCPMDL 000005005691



Next steps:

- Approve pricing
- Create *Educational Use Only* sticker for DSC to put on all boxes.
- Begin implementing launch program with DSC.

MS-CCPMDL 000005005692

DRI CONFIDENTIAL

33

January 23, 1991

1.0549452

MS-CCP-NDL 5005692

## 5 CHANNEL PROGRAMS

Various Channel programs will be implemented to maximize effectiveness within each respective Channel segment. With limited field resources, it is important to focus on those segments with proven opportunity.

Resellers with inventory will want to return \$199 product for the new product. It is anticipated that inventory levels will be relatively low. However, they may stock balance product under the terms of the existing stock balance program. Additional returns will be accepted with a reorder of twice the dollar amount of the return.

### Return Program for Direct Accounts

Return 100 units at \$109.45	(\$10,945)
Reorder twice the dollar amount	\$21,890
Units shipped at new price \$21,890/(\$48.95) each	448 units
Amount due	\$10,945

## 5.1 CHAINS - HARDWARE / SOFTWARE

### Identified targets

Sears Business Centers  
Microage  
ComputerLand  
BusinessLand  
Incomp  
Compucom/Computer Factory  
Intelligent Electronics  
Valcom

This segment consists of traditional "retail" hardware and software sales. Typically, they order minimal amounts of software on a daily basis from the distributors. This segment provides strong penetration into the small business market place. Point of Sale materials are very effective here.

### Program:

Personal letters from Dick Williams will be sent to the president and/or VP of Sales & Marketing. Headquarter staff including product managers, purchasing directors, merchandisers, etc. will be targeted for the direct mail campaign. Sales representatives will follow-up with personal phone calls. Evaluation units will be offered to management and technical support departments. Announcements and advertisements will be placed in internal publications. At the store level, program announcement mailings will be sent to store managers.

DRI CONFIDENTIAL

34

January 23, 1991

80549453

MS-CCP-MDL 5005693

MS-CCPMDL 000005005693

## 5.2 CHAINS - SOFTWARE ONLY

### Identified targets

- ✓ Software Etc.
- ✓ Egghead
- ✓ Waldensoft
- ✓ Babbages
- ✓ Software City (franchise)
- ✓ Software Centre (franchise)

We are already successful in this market, without even trying. This segment serves the price sensitive sophisticated end user market, mostly small and medium sized business. However, these reseller organizations are pursuing Fortune 1000 business by adding outside sales forces which sell on price and availability.

### Program:

Mailings will be sent to the corporate headquarters staff. Personal letters from Dick Williams will be sent to the President and VP of Sales & Marketing. A direct mail campaign targeted at software buyers and marketing/merchandising managers will announce the program and invite them to implement Point of Sales programs within their storefront locations. Bundles work the best here, especially for double digit priced items which can be used to stimulate the impulse sale. Store managers will also be contacted with details of the program.

## 5.3 CORPORATE RESELLERS

### Identified Targets

- ✓ House Accounts
- ✓ Corporate Software
- ✓ 800 Software
- ✓ Sofmart
- ✓ Software Spectrum
- ✓ ASAP
- ✓ Univar

These relationships have already been established, but the volumes have been disappointing, so far, except for Software Spectrum. This segment focuses on Fortune 1000. They are all active in seeding DR DOS evaluation units, reps are all trained, and leads have been distributed and followed up on. This end user segment has a more extensive product evaluation cycle than the typical small company or individual. The MIS center managers play a key role in determining hardware and software standards within their organizations. Such decisions on any product effect the entire company and can literally put the MIS center managers job on the line. Most are interested in DR DOS but have expressed a wait and see attitude about MS DOS 5.0

DRI CONFIDENTIAL

35

January 23, 1991

00549454

MS-CCP-MDL 5005694

MS-CCPMDL 000005005694

Our advantage to our house accounts is that our rebate programs offer much more profitability per unit than are available with Microsoft products. The key to success is to focus on the larger organizations and keep the pipeline full. DRI reps are very involved in the end user level and are working closely with the reseller's sales reps. Continued face to face presentations at major end user sites will be most effective. It is anticipated that the new price for the upgrade will accelerate their buying decision, since they have already evaluated the product and know that MS DOS 5.0 will cost less than \$100. The Gold Disk program will provide us additional competitive advantages on price.

**Program:**

Announce the plan directly to the house accounts in face to face meetings. Contact any remote sales offices with program details. The House Accounts will be briefed on the program before it is publically announced.

**Key Resellers (Non House Account) Who also reach Fortune 1000**

IMS

MicroComputer Power

Softsource

Regionals to be identified by terr.

HQ as with others with specific eval program planning

**Rep level**

Target mailing with specific program details. Information will be sent to Executives through a personal letter from Dick Williams. A second mail campaign directed to marketing, purchasing and sales managers will also provide promotion details.

### 5.4 SUPER STORES

#### Identified Targets

- ~~Softwarehouse~~
- ~~Frys~~
- ~~Computer City~~
- ~~Computer Warehouse~~
- ~~PC Warehouse~~

### 5.5 MASS MERCHANTS

#### Identified targets

- ~~Sears~~
- ~~Sams Wholesale Club~~
- ~~Biz Mart~~
- ~~Bulldog~~
- ~~MOM~~
- ~~Office Depot~~
- ~~COSTCO~~
- ~~Walmart~~
- ~~Staples~~
- ~~Fedco~~
- ~~Kmart (computer centers only)~~

**DRI CONFIDENTIAL**

36

January 23, 1991

80549455

**MS-CCP-MDL 5005695**

MS-CCPMDL 000005005695

Circuit City  
Highland  
Best Buy  
HQ Office Supply Whse  
Good Guys  
Office Club

This segment of the channel, like superstores, relies heavily on walk-in traffic from end users who already know what they want. Once they're in the store, low cost impulse items can sell best in this segment. The end user is sophisticated enough to select his/her product with little intervention from a store employee. This is another market area where Microsoft has been weak.

**Program:**

The same mail program to store management and corporate executives will be used. This group of resellers is the secondary target for the Point of Purchase display.

**5.6 MOM & POP / UFOs**

These resellers are fragmented and are not easily addressed singly. The most effective means of contact is through distribution. A mailing through a distributor will announce the program and the availability of the upgrade and test drive product.

**5.7 MAIL ORDER**

**Identified Targets**

- ✓ Compuadd
- ✓ Dustin
- ✓ PC Connection (House Account Interest - contract pending)
- ✓ Programmers Connection, Paradise etc.
- ✓ 47th Street
- ✓ Telemart
- MicroNational Express
- JADE
- Priority One

This group relies on the quality of their subscription base or mailing lists. Such lists often include what other products the end user already owns. Price is the driving force to earn the sale here. It is quite possible that proper mailings or insertions in the right catalogs can reach a customer base that we otherwise never would have discovered. There is a growing demand for the ability to purchase products without getting out of the office. This end user would be relatively familiar with the products already and probably has bought other products from this organization in the past.

**Program:**

These resellers will be sent the same program information; however, because their business is through the mail or over the phone, point of purchase displays are not meaningful. They can still participate in the Test Drive program by purchasing product



in groups of 10 and selling it to clients directly. This historically is a channel that Microsoft has chosen to ignore; they do move significant product volume, and their reps spend little or no time calling on this segment of the channel.

## 5.8 DISTRIBUTOR

### Identified Targets

Ingram Micro  
Meriscl  
SW Resource (Probation, limited direct relationship)

This is our strongest channel today. The distributors sell through is going mostly to the software only retail stores, and superstores. We will continue the programs that are in place, focusing more this quarter on bundles with potential or existing strategic partners, like Lotus, AST and Novell.

The distributors also have been, and will continue to be very effective in reaching a large number of resellers in a short period of time. A major splash will happen with the DR DOS Test Drive.

The distributors will be contacted directly and their assistance will be solicited for launching this program. They are an important key to the success of this plan.

**DR CONFIDENTIAL**

38

January 23, 1991

A0549457

**MS-CCP-MDL 5005697**

MS-CCPMDL 000005005697

## 6 PACKAGING

There will be a total of four SKU's for this promotion. They are the full upgrade product, the Magellan special offer, the DR DOS Test Drive, and the documentation.

### 6.1 Upgrade Packaging

Box	1.13
Box Label	0.25
Manuals (DR DOS Manual, Release Notes, and ViewMAX Manual)	5.17
Dual Media Disks (3 3.5" & 4 5.25" diskettes)	5.10
Quick Reference Card	0.37
Order Envelope/Registration Card	0.20
Configuration Pack	0.20
Magellan Info Card	0.00
Line Card	0.20
ID Labels	0.12
License	0.05
Letter	0.05
Assembly	1.77
Total	14.61

### 6.2 Test Drive Pack Packaging

The Test Drive is sold in units of ten, packaged in its own point of purchase display. Each product unit consists of:

*DRI CONFIDENTIAL*

39

January 23, 1991

R0549458

**MS-CCP-MDL 5005698**

MS-CCPMDL 000005005698

Box	1.50
Dual Media Disks (3 3.5" & 4 5.25" diskettes)	5.10
Quick Reference Card	0.37
Configuration Pack	0.20
Order Envelope/Registration Card	0.20
Magellan Info Card	0.00
Line Card	0.20
ID Labels	0.12
License	0.05
Letter	0.05
Assembly	1.77
<b>Total</b>	<b>9.36</b>

### 6.3 Magellan Fulfillment Pack Packaging

Users will be asked to select the media they require. This will reduce our unit cost. There is no product box, the documentation and media will come shrink-wrapped together. The Magellan offer will consist of:

Disks & Documentation (includes new viewers) 10,000 units annual commit	\$11.25
Royalty at 20,000 annual volume	incl
Fulfillment	\$5
<b>Total</b>	<b>\$16.25</b>

A 30,000 unit annual commitment will reduce costs \$1 to \$10.25.

### 6.4 Documentation Fulfillment Pack Packaging

User Guide	3.65
ViewMAX Manual	1.39
Release Notes	0.13
<b>Total</b>	<b>5.17</b>

*DRI CONFIDENTIAL*

40

January 23, 1991

AD549459

**MS-CCP-MDL 5005699**

MS-CCPMDL 000005005699

## 6.5 Other Packaging Issues

### Boxes

The upgrade product will initially be sold in the existing box and a large label will be placed on the box front announcing the special offer. The label will be 2" wide and will stretch from the front of the box around to the spine. After existing box supplies have been exhausted, a new box will be used. The general design will stay the same, with the corporate black diagonal, but an alternative graphic will be used to differentiate this program from the existing product. The Test Drive will be packaged in a smaller box. The approximate measurements are 3/4"D x 5 1/2"W x 9"H.

### Diskettes

To reduce cost of goods, high density 5 1/4" diskettes may be used to replace the low density media included in the current product.

### Configuration Pack

This item will provide examples in configurations that would be used to enhance the performance of special products. Examples include: Windows, QEMM, 386-to-Max, Novell, AutoCAD, and others. This is designed to reduce support calls from individuals needing guidance to setup their systems to run these products. The document will also include basic instruction for running Editor. The packet will be included in the Test Drive and the upgrade.

### Order Envelope/Registration Card (Upgrade offer)

To redeem the Magellan offer, the customer must fill out an order form, include proof of an existing operating system and send payment (\$19.95). The proof can be a manual page or a print screen. The order form will be printed as an extended envelope flap that the user can fill out, tear off and place in the envelope for mailing. The order form will also include product registration information with the product serial number. The registration form will also include an area where the user can sign to indicate that s/he is replacing a DOS. (Test Drive) By completing the order form and sending payment, the user gets complete documentation and Magellan (\$39.95). This product is not intended as an upgrade, so the order form will not require proof of an existing O/S.

In order to insure that this offer does not cause problems, we will also include another item. This could be a serial cable or mouse. Dick Dixon indicated that he may be able to obtain free mice in volume.

### Magellan Info Cards

Lotus has indicated that they will provide product information in the form of small cards that can be placed in the packages. These cards will be provided at no cost.

### Line Card

This card will provide short descriptions of Digital Research's other products.

**CONFIDENTIAL**

**Education Version**

Educational Product will be similar to the current retail product. However, the product will no longer include dual media. In addition, a label will be placed on the box indicating that is available for educational use only. The label will also indicate which media is provided.

**DRI CONFIDENTIAL**

**42**

**January 23, 1991**

**AD549461**

**MS-CCP-MDL 5005701**

**MS-CCPMDL 000005005701**

CONT

### 6.6 Cost of Goods Analysis

#### Upgrade Product

Box	\$1.13
Label	\$0.25
Quick Reference Card	\$0.37
Manuals	\$5.04
Release Notes	\$0.13
Config Pack	\$0.20
Order Form/Envelope	\$0.20
Line Card	\$0.20
Media	\$5.10
<b>Total</b>	<b>14.61</b>

#### Test Drive

Box	\$1.50
Quick Reference Card	\$0.37
Manuals	\$5.04
Release Notes	\$0.13
Config Pack	\$0.20
Order Form/Envelope	\$0.20
Line Card	\$0.20
Media	\$5.10
<b>Total</b>	<b>\$9.36</b>

Magellan - single media	\$11.25
-------------------------	---------

Documentation Pack	\$5.17
--------------------	--------

#### Educational Product

**DRI CONFIDENTIAL**

January 23, 1991

80549462

**MS-CCP-MDL 5005702**

CONFIDENTIAL

Box	\$1.13
Quick Reference Card	\$0.37
Manuals	\$5.04
Release Notes	\$0.13
Config Pack	\$0.20
Line Card	\$0.20
Media 5 1/4"	\$2.49
3 1/2"	\$2.61
Total 5 1/4"	\$11.75
3 1/2"	\$11.87

**DRI CONFIDENTIAL**

44

January 23, 1991

A0549463

**MS-CCP-MDL 5005703**

MS-CCPMDL 000005005703

TAL

**7 BUDGET**

Spreadsheet attached.

**DRI CONFIDENTIAL**

45

January 23, 1991

80549464

**MS-CCP-MDL 5005704**

MS-CCPMDL 000005005704



Forecasted DRDOS:

Units:	1991									1992
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Total
DRDOS \$199	3,337	3,337	500	400	300	250	200	150	100	3,994
DRDOS \$79 Promo	0	0	10,000	15,000	20,000	25,000	15,000	25,000	20,000	140,000
Upgrade w/ 30 days Buxton FCB							10,000	10,000		20,000
Upgrade							5,000	5,000	5,000	15,000
Upgrade-Gold Disk							7,000	10,000		17,000
Gold Disk 100	0	0	0	5	5	6	19	15	13	53
Gold Disk 1000	0	0	7	2	3	4	5	6	8	32
Test Drive	0	0	500	500	700	700	500	400	700	4,000
Educational	0	0	200	0	200	0	200	0	400	1,700
Magellan w/ \$79 Promo	0	0	1,000	1,000	2,000	2,500	1,500	2,500	3,000	14,000
Magellan w/ Test Drive	0	0	50	50	70	70	50	40	70	400
Magellan w/ Gold Disk	0	0	1	1	1	1	702	1,002	2	1,708

Revenue:

DRDOS (\$199 less 40% Discount)*	\$372	\$372	\$55	\$44	\$33	\$27	\$27	\$27	\$27	\$984
DRDOS \$79 (less 25% Discount)*	\$0	\$0	\$593	\$825	\$1,166	\$1,461	\$999	\$1,461	\$1,778	\$9,295
Upgrade w/ 30 days Buxton FCB(\$2.95)							\$150			\$150
Upgrade(\$24.95)							\$125	\$125	\$125	\$374
Upgrade-Gold Disk(\$0)							\$0	\$0	\$0	\$0
Gold Disk 100(\$29 per 100 less 25%)	\$0	\$0	\$0	\$26	\$26	\$24	\$52	\$52	\$78	\$258
Gold Disk 1000(\$38 per 1000 less 25%)	\$0	\$0	\$310	\$99	\$133	\$177	\$221	\$221	\$258	\$1,416
Test Drive(\$49 per 10 less 25%)*	\$0	\$0	\$184	\$184	\$267	\$267	\$184	\$147	\$257	\$1,470
Educational(\$58 less 40% Disc, 10% MDF)	\$0	\$0	\$5	\$0	\$10	\$0	\$35	\$0	\$13	\$54
Magellan w/ \$79 Promo(\$19.95)	\$0	\$0	\$20	\$20	\$40	\$25	\$30	\$20	\$20	\$279
Magellan w/ Test Drive(\$28.95)	\$0	\$0	\$1	\$1	\$2	\$2	\$1	\$1	\$2	\$12
Magellan w/ Gold Disk(\$29.95)	\$0	\$0	\$0	\$0	\$0	\$0	\$21	\$30	\$0	\$51
Total	\$372	\$372	\$1,169	\$1,262	\$1,666	\$2,621	\$1,675	\$2,134	\$2,605	\$13,204

MS-CCP-MDL 5005705

80549465

MS-CCPMDL 000005005705

COGS:	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Total
DRDOS \$199 (\$14.61)	\$50	\$50	\$7	\$8	\$4	\$4	\$4	\$4	\$4	\$4	\$131
DRDOS \$79 Promo (\$14.81)	\$0	\$0	\$148	\$219	\$292	\$385	\$219	\$365	\$438	\$438	\$2,046
Upgrade w/ 30 days Duran PCs (\$18)								\$180			\$180
Upgrade (\$14.61)								\$73	\$73	\$73	\$219
Upgrade-Gold Disk (\$0)								\$0	\$0	\$0	\$0
Gold Disk 100 (\$0)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gold Disk 1000 (\$0)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Test Drive (\$9.36)	\$0	\$0	\$5	\$8	\$7	\$7	\$5	\$4	\$7	\$7	\$37
Educational (\$11.80)	\$0	\$0	\$2	\$0	\$4	\$0	\$8	\$0	\$0	\$5	\$30
Magellan w/ \$79 Promo (\$16)	\$0	\$0	\$15	\$28	\$36	\$58	\$23	\$38	\$45	\$45	\$210
Magellan w/ Test Drive (\$18+\$5.17Doc)	\$0	\$0	\$1	\$1	\$2	\$2	\$1	\$1	\$2	\$2	\$9
Magellan w/ Gold Disk (\$18+\$5.17Doc)	\$0	\$0	\$0	\$0	\$0	\$0	\$16	\$23	\$0	\$0	\$40
<b>Total</b>	<b>\$50</b>	<b>\$50</b>	<b>\$177</b>	<b>\$253</b>	<b>\$338</b>	<b>\$415</b>	<b>\$530</b>	<b>\$507</b>	<b>\$573</b>	<b>\$573</b>	<b>\$2,092</b>

Rebate:	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Total
DRDOS (5% MDF, 10% Rebate) Limited	\$58	\$58	\$125	\$157	\$221	\$268	\$185	\$248	\$309	\$309	\$1,512

Margin:	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Total
DRDOS \$199 (\$14.61)	\$322	\$322	\$47	\$58	\$28	\$24	\$24	\$24	\$24	\$24	\$603
DRDOS \$79 Promo (\$14.81)	\$0	\$0	\$446	\$570	\$583	\$1,116	\$670	\$1,116	\$1,839	\$1,839	\$9,250
Upgrade w/ 30 days Duran PCs (\$18)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Upgrade (\$14.61)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Upgrade-Gold Disk (\$0)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gold Disk 100 (\$0)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gold Disk 1000 (\$0)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Test Drive (\$9.36)	\$0	\$0	\$175	\$175	\$281	\$281	\$175	\$143	\$281	\$281	\$1,433
Educational (\$11.80)	\$0	\$0	\$4	\$0	\$5	\$0	\$18	\$0	\$0	\$5	\$34
Magellan w/ \$79 Promo (\$16)	\$0	\$0	\$5	\$7	\$10	\$12	\$7	\$12	\$15	\$15	\$68
Magellan w/ Test Drive (\$18+\$5.17Doc)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Magellan w/ Gold Disk (\$18+\$5.17Doc)	\$0	\$0	\$0	\$0	\$0	\$0	\$35	\$51	\$0	\$0	\$86
<b>Total</b>	<b>\$322</b>	<b>\$322</b>	<b>\$492</b>	<b>\$1,009</b>	<b>\$1,347</b>	<b>\$1,600</b>	<b>\$1,148</b>	<b>\$1,627</b>	<b>\$2,032</b>	<b>\$2,032</b>	<b>\$10,402</b>

Planned DRDOS:	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Total
Units:	3,297	3,297	6,241	6,241	6,251	6,251	6,467	6,801	6,820	6,820	45,438

Revenue:	\$372	\$372	\$688	\$688	\$694	\$645	\$378	\$645	\$495	\$495	\$4,082
----------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	---------

COGS:	\$44	\$44	\$81	\$81	\$81	\$77	\$45	\$77	\$80	\$80	\$581
-------	------	------	------	------	------	------	------	------	------	------	-------

Rebate: DRDOS (5% MDF, 10% VPA)	\$74	\$74	\$137	\$137	\$137	\$129	\$76	\$129	\$99	\$99	\$662
---------------------------------	------	------	-------	-------	-------	-------	------	-------	------	------	-------

Margin:	\$258	\$258	\$467	\$467	\$466	\$469	\$257	\$469	\$316	\$316	\$2,570
---------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	---------

80549466

MS-CCPMDL 5005706

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Total
<b>Merchandising:</b>										
Forecasted Plan A	\$73	\$88	\$87	\$368	\$384	\$298	\$280	\$260	\$350	\$2,921
Forecasted Plan B	\$73	\$88	\$779	\$368	\$384	\$298	\$280	\$260	\$350	\$2,813
Planned	\$73	\$88	\$57	\$57	\$59	\$58	\$43	\$38	\$38	\$592
Incremental Spend A	\$0	\$0	\$800	\$295	\$308	\$208	\$207	\$212	\$312	\$1,454
Incremental Spend B	\$0	\$0	\$722	\$206	\$206	\$208	\$207	\$212	\$312	\$1,251

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Total
<b>Incremental Expense:</b>										
Temporary Reps: 6(\$2400/month per Rep)			\$14	\$14	\$14	\$14	\$14	\$14	\$14	\$101
Full Time Reps: 2(\$7500/month per Rep)			\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$105
Technical Support: 4 Headcount(\$4500/month)			\$18	\$18	\$18	\$18	\$18	\$18	\$18	\$126
Customer Support: 1 Headcount(\$3000/month)			\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$21

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Total
<b>PA. Contributions:</b>										
Forecasted A	\$245	\$204	\$55	\$200	\$239	\$1,000	\$1,045	\$1,337	\$1,531	\$7,422
Forecasted B	\$245	\$234	\$183	\$200	\$239	\$1,260	\$248	\$1,327	\$1,531	\$7,237
Planned	\$100	\$185	\$410	\$400	\$397	\$351	\$215	\$401	\$290	\$2,817
Incremental A	\$88	\$89	(\$355)	\$197	\$535	\$208	\$838	\$928	\$1,231	\$4,512
Incremental B	\$88	\$89	(\$357)	\$197	\$535	\$208	\$838	\$928	\$1,231	\$4,420

MS-CCP-MDL 5005707

80599467

MS-CCPMDL 00005005707

**PROPOSED Q3 FY91 DR DOS MERCHANDISING BUDGET  
PLAN A**

	MARCH	APRIL	MAY	JUNE	Total
<b>COMP &amp; PROMO (7650)</b>					
Product Samples	15,000.00	15,000.00	15,000.00	15,000.00	60,000.00
<b>TOTAL COMP</b>	<b>15,000.00</b>	<b>15,000.00</b>	<b>15,000.00</b>	<b>15,000.00</b>	<b>60,000.00</b>

<b>TRADE SHOWS (7630)</b>					
Miscellaneous					0.00
Booth Storage	361.00	361.00	361.00	361.00	1,444.00
Graphics					0.00
Booth Rehab					0.00
<b>Sub Total Misc</b>	<b>361.00</b>	<b>361.00</b>	<b>361.00</b>	<b>361.00</b>	<b>1,444.00</b>

Q1 amort.	1,022.00	1,022.00	556.00	581.00	3,493.00
Less items to be amort.					0.00
<b>TOTAL MISC.</b>	<b>1,444.00</b>	<b>1,444.00</b>	<b>1,027.00</b>	<b>1,022.00</b>	<b>4,937.00</b>

Fare 91	30,000.00				30,000.00
Lotus Week				20,000.00	20,000.00
PC World Luncheon	10,000.00				
PC EXPO				100,000.00	100,000.00
<b>TOTAL TRADE SHOWS</b>	<b>41,444.00</b>	<b>1,444.00</b>	<b>1,027.00</b>	<b>121,022.00</b>	<b>154,937.00</b>

<b>PUBLIC REL. TIONS (7660)</b>					
Agency Fee	10,000.00	10,000.00	10,000.00	10,000.00	40,000.00
Corporate Press Tour		15,000.00			15,000.00
Article Reprint*	100.00	100.00	100.00	100.00	400.00
Clipping Service	290.00	290.00	290.00	290.00	1,160.00
Photography*	500.00	500.00	500.00	500.00	2,000.00
Tech Writer Prgm	200.00	200.00	200.00	200.00	800.00
<b>Sub Total PR</b>	<b>11,090.00</b>	<b>26,090.00</b>	<b>11,090.00</b>	<b>11,090.00</b>	<b>59,360.00</b>
FY90 amort.	0.00			0.00	
<b>TOTAL PR</b>	<b>11,090.00</b>	<b>26,090.00</b>	<b>11,090.00</b>	<b>11,090.00</b>	<b>59,360.00</b>

	MARCH	APRIL	MAY	JUNE	Total
<b>DEALER MERCHANDISING (7670)</b>					
Mailing/Recruit	7,500.00	7,500.00	10,000.00	10,000.00	35,000.00
MDF KIT	2,500.00				2,500.00
POPD Displays	15,000.00				15,000.00
Ad-Computerland Gen	3,825.00				3,825.00
<b>Sub Total Dealer Mading</b>	<b>28,825.00</b>	<b>7,500.00</b>	<b>10,000.00</b>	<b>10,000.00</b>	<b>56,325.00</b>
Q1 amort					
Q4 amort					
Less items Amort.					
<b>TOTAL DEALER MCDISG</b>	<b>28,825.00</b>	<b>7,500.00</b>	<b>10,000.00</b>	<b>10,000.00</b>	<b>56,325.00</b>

R0549468

GPOB MERCHANDISING (23-2300) DR DQS

ADVERTISING (7810)					
Ad Creative	70,000.00				70,000.00
Ad Film					
Insertions					
BYTE	15,600.00	15,600.00	15,600.00	15,600.00	62,400.00
Infoworld	15,584.00	15,584.00	15,584.00	15,584.00	62,036.00
PC World	19,100.00	19,100.00	19,100.00	19,100.00	76,400.00
PC Week	31,032.00	31,032.00	15,516.00	15,516.00	93,096.00
CRN	16,038.00	16,038.00	8,019.00		40,095.00
ComputerWorld	8,763.00	8,763.00	8,763.00	8,763.00	35,052.00
LAN Times		8,797.00	8,797.00	8,797.00	26,391.00
Lotus			12,062.00	12,062.00	24,124.00
PC Computing	16,825.00	16,825.00	16,825.00	16,825.00	67,300.00
PC Magazine			26,000.00	26,000.00	52,000.00
Personal Workstation	5,685.00	5,685.00	5,685.00		17,055.00
<b>TOTAL</b>	<b>166,537.00</b>	<b>137,434.00</b>	<b>162,851.00</b>	<b>139,147.00</b>	<b>605,975.00</b>

	MARCH	APRIL	MAY	JUNE	Total
<b>NEWSPAPERS</b>					
Half Page Co-op					22,401.00
NY Times 2X	22,401.00				22,401.00
San Jose Merc. News 2X	9,532.00				9,532.00
Boston Globe 2X	19,920.00				19,920.00
Chicago Tribune 2X	26,970.00				26,970.00
LA Times 2X	36,176.00				36,176.00
Washington Post 2X	22,411.00				22,411.00
Wall St Journal 2X	44,774.00				44,774.00
Atlanta Journal 2X	15,917.00				15,917.00
Dallas Mom News 2X	10,036.00				10,036.00
Total Newspaper	210,227.00	0.00	0.00	0.00	210,227.00
Total DR DQS Advertising	408,864.00	137,434.00	162,851.00	139,147.00	848,296.00

<b>PACKAGING (7885)</b>	15,000.00				15,000.00
Ck amort.					
<b>TOTAL PACKAGING</b>	15,000.00	0.00	0.00	0.00	15,000.00

COLLATERAL (7620)					
Ad Creative	35,000.00				35,000.00
Printing	200,000.00				200,000.00
Total Collateral	235,000.00	0.00	0.00	0.00	235,000.00
Ck amort.					
<b>TOTAL COLLATERAL</b>	235,000.00	0.00	0.00	0.00	235,000.00

<b>POINT MAIL (7452)</b>					
P. Materials	119,600.00	119,600.00	119,600.00		358,800.00
<b>TOTAL POINT MAIL</b>	119,600.00	119,600.00	119,600.00	0.00	358,800.00

<b>OTHER (7423)</b>		80,000.00	50,000.00		
<b>TOTAL OTHER</b>	374,523.00	357,368.00	359,578.00	295,258.00	1,778,028.00

80549469

MS-CCP-MDL 5005709

MS-CCPMDL 000005005709

**PROPOSED Q3 FY91 DR DOS MERCHANDISING BUDGET  
PLAN B**

	MARCH	APRIL	MAY	JUNE	Total
<b>COMP &amp; PROMO (7650)</b>					
Product Samples	15,000.00	15,000.00	15,000.00	15,000.00	60,000.00
<b>TOTAL G&amp;P</b>	<b>15,000.00</b>	<b>15,000.00</b>	<b>15,000.00</b>	<b>15,000.00</b>	<b>60,000.00</b>

<b>TRADE SHOWS (7630)</b>					
Miscellaneous					0.00
Booth Storage	361.00	361.00	361.00	361.00	1,444.00
Graphics					0.00
Booth Refurb					0.00
<b>Sub Total Misc</b>	<b>361.00</b>	<b>361.00</b>	<b>361.00</b>	<b>361.00</b>	<b>1,444.00</b>

Q1 amort.	1,023.00	1,023.00	555.00	551.00	3,493.00
Less Items to be amort.					0.00
<b>TOTAL MISC</b>	<b>1,444.00</b>	<b>1,444.00</b>	<b>1,027.00</b>	<b>1,022.00</b>	<b>4,937.00</b>

Fees \$1	30,000.00				30,000.00
Lotus Week				20,000.00	20,000.00
PC World Luncheon	10,000.00				
PC EXPO				100,000.00	100,000.00
<b>TOTAL TRADE SHOWS</b>	<b>41,444.00</b>	<b>1,444.00</b>	<b>1,027.00</b>	<b>121,022.00</b>	<b>164,937.00</b>

<b>PUBLIC RELATIONS (7650)</b>					
Agency Fee	10,000.00	10,000.00	10,000.00	10,000.00	40,000.00
Corporate Press Tour		15,000.00			15,000.00
Article Reprints	100.00	100.00	100.00	100.00	400.00
Clipping Service	290.00	290.00	290.00	290.00	1,160.00
Photography	500.00	500.00	500.00	500.00	2,000.00
Tech Writer Prgrm	200.00	200.00	200.00	200.00	800.00
<b>Sub Total PR</b>	<b>11,090.00</b>	<b>25,090.00</b>	<b>11,090.00</b>	<b>11,090.00</b>	<b>58,360.00</b>
FY90 amort.	0.00			0.00	
<b>TOTAL PR</b>	<b>11,090.00</b>	<b>25,090.00</b>	<b>11,090.00</b>	<b>11,090.00</b>	<b>58,360.00</b>

	MARCH	APRIL	MAY	JUNE	Total
<b>DEALER MERCHANDISING (7670)</b>					
Meetings/Recruit	7,500.00	7,500.00	10,000.00	10,000.00	35,000.00
MOF KIT	2,500.00				2,500.00
FDP/Displays	15,000.00				15,000.00
Ad-Computerland Can	3,825.00				3,825.00
<b>Sub Total Dealer Mcdsg</b>	<b>28,825.00</b>	<b>7,500.00</b>	<b>10,000.00</b>	<b>10,000.00</b>	<b>56,325.00</b>
Q1 amort.					
Q4 amort.					
Less Items Amort.					
<b>TOTAL DEALER MCDSG</b>	<b>28,825.00</b>	<b>7,500.00</b>	<b>10,000.00</b>	<b>10,000.00</b>	<b>56,325.00</b>

80549470

MS-CCP-MDL 5005710

MS-CCPMDL 000005005710

GPOS MERCHANDISING (23-2300) DR DOS

ADVERTISING (7610)					
Ad Creative	70,000.00				70,000.00
Ad Film					
Insertions					
BYTE	15,600.00	15,600.00	15,600.00	15,600.00	62,400.00
InfoWorld	15,564.00	15,564.00	15,564.00	15,564.00	62,336.00
PC World	19,100.00	19,100.00	19,100.00	19,100.00	76,400.00
PC Week	31,032.00	31,032.00	15,516.00	15,516.00	93,096.00
CRN	16,038.00	16,038.00	8,019.00		40,095.00
ComputerWorld	6,763.00	6,763.00	6,763.00	6,763.00	27,052.00
LAN Times		8,797.00	8,797.00	8,797.00	26,391.00
Lotus			12,962.00	12,962.00	25,924.00
PC Computing	16,825.00	16,825.00	16,825.00	16,825.00	67,300.00
PC Magazine			28,000.00	28,000.00	56,000.00
Personal Workstation	5,695.00	5,695.00	5,695.00		17,085.00
<b>TOTAL</b>	<b>186,637.00</b>	<b>137,434.00</b>	<b>152,661.00</b>	<b>139,147.00</b>	<b>626,079.00</b>

	MARCH	APRIL	MAY	JUNE	Total
<b>NEWSPAPERS</b>					
Limited Print Half Page					
NY Times 2X	22,491.00				22,491.00
San Jose Merc. News 2X	9,532.00				9,532.00
Boston Globe	0.00				0.00
Chicago Tribune	0.00				0.00
LA Times 2X	36,176.00				36,176.00
Washington Post	0.00				0.00
Wall St Journal 1X	44,774.00				44,774.00
Atlanta Journal	0.00				0.00
Dallas Morn News	0.00				0.00
<b>Total Newspaper</b>	<b>112,973.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>112,973.00</b>
<b>Total DR DOS Advertising</b>	<b>811,610.00</b>	<b>137,434.00</b>	<b>152,661.00</b>	<b>139,147.00</b>	<b>741,052.00</b>

<b>PACKAGING (7665)</b>	<b>15,000.00</b>				<b>15,000.00</b>
Q4 amort.					
<b>TOTAL PACKAGING</b>	<b>15,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>15,000.00</b>

COLLATERAL (7620)					
Broch-Creative	35,000.00				35,000.00
Printing	200,000.00				200,000.00
<b>Sub Total Collateral</b>	<b>235,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>235,000.00</b>
Q1 amort.					
Less Name amort.					
<b>TOTAL COLLATERAL</b>	<b>235,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>235,000.00</b>

<b>DIRECT MAIL (7662)</b>					
Mailing + Telemktg	119,600.00	119,600.00	119,600.00		358,800.00
<b>TOTAL DIRECT MAIL</b>	<b>119,600.00</b>	<b>119,600.00</b>	<b>119,600.00</b>	<b>0.00</b>	<b>358,800.00</b>
<b>SEMINARS (7663)</b>		50,000.00	50,000.00		100,000.00
<b>TOTAL DRDOS</b>	<b>777,669.00</b>	<b>387,388.00</b>	<b>359,578.00</b>	<b>296,259.00</b>	<b>1,680,774.00</b>

80549471

MS-GCP-MDL 5005711

MS-GCPMDL 000005005711

**8 IMPLEMENTATION**

Time line attached

**NOT CONFIDENTIAL**

46

January 23, 1991

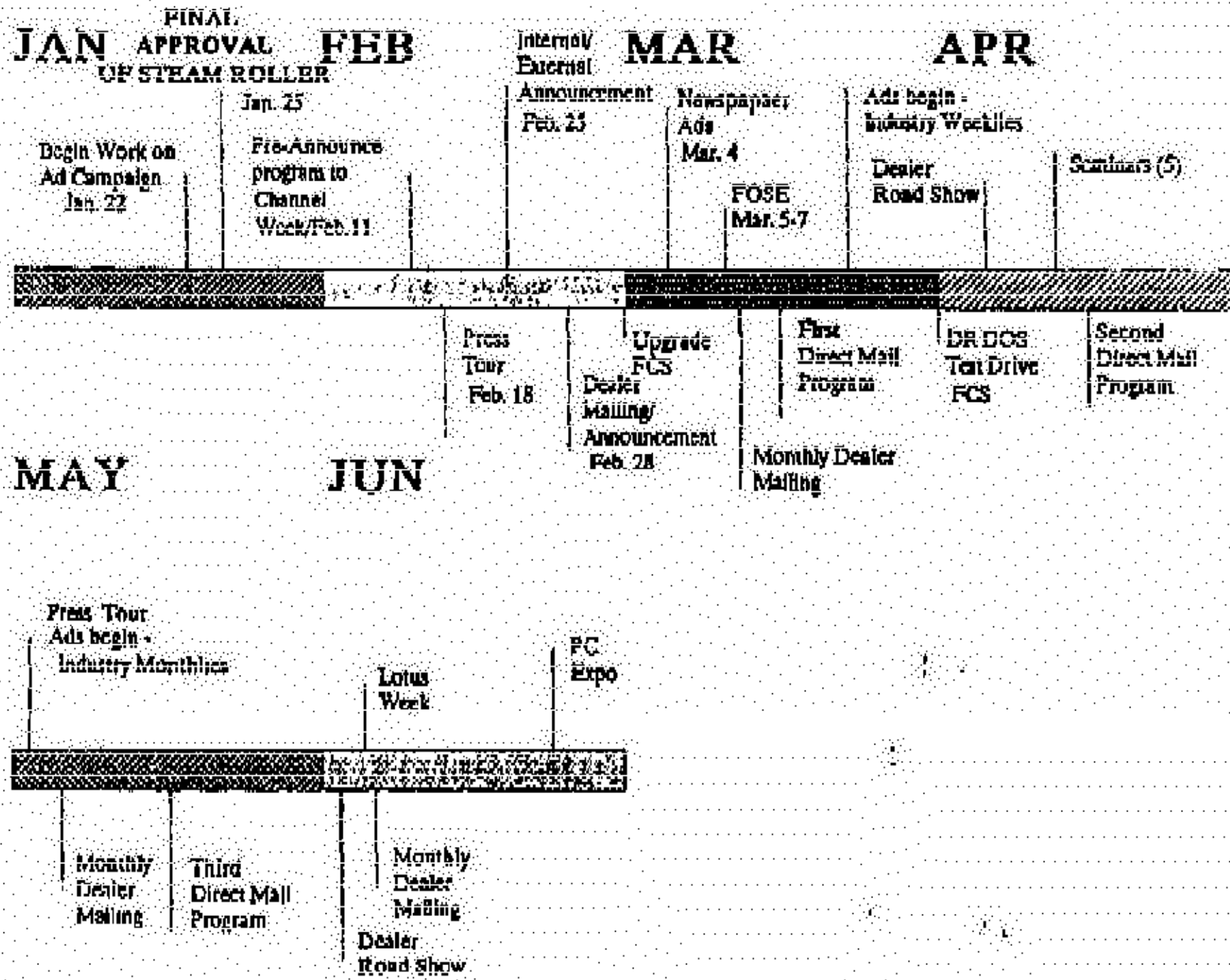
R0549422

**MS-CCP-MDL 5005712**

MS-CCPMDL 000005005712



# STEAM ROLLER TIMELINE



MS-CCP-MDL 5005713

90549913

MS-CCPMDL 000005005713