

From: John Traynor
Sent: Monday, March 22, 1999 3:28 PM
To: Robert (Robbie) Bach; Steve Schiro
Subject: FW: Retail 2000: Current Pricing across accounts

Below is a summary of what prices the retailers are paying to distribution for a selection of our products today. Quite fascinating (assuming the accounts are not lying to us). Ranges go from disti. cost minus 0.5%, to disti. cost plus zero, to disti. cost + 4% and higher. And all these prices include freight! Presumably, the distis. have been subsidizing the cost of selling the most popular Microsoft products via higher prices on other products (including non-Microsoft products) and/or the distributors are remarkably efficient & cost-effective.

The disti. prices below are before the 3.5% disti. rebate is applied (so it's not so bad).

To close the loop on the legal issue with volume pricing, we can offer a lower price for a larger volume only to the extent we can prove that the higher volume can be fulfilled at a lower cost. This will be worked into our prices for things like freight, etc. (e.g. to-DC will be cheaper than to-store because the volume will be higher per shipment and the number of shipments lower, thus not as expensive to fulfill). But offering "unreasonably large" discounts to an account to take an arbitrarily large volume will not fly. So, say, a 10% discount for taking 100,000 units of product X likely will not pass the legal sniff test.

John.

-----Original Message-----

From: Joseph Lacson
Sent: Monday, March 22, 1999 2:32 PM
To: John Traynor; Donald C. Miller; Alex Kotowitz; Tom Neary; Peter Shirley; Stacy Spears
Cc: Carol Wilson; Robin Bradshaw
Subject: Retail 2000: Current Pricing across accounts

Based on discussions with accounts (thanks to Robin, Carol, Stacy and Alex), here's how the current pricing schema shapes up:

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Retail 2000
Estimated Retailer Prices

SKU	Disti Price	Sam's	Costco	CompUSA	WM*	Staples
Encarta Std & Bkshlf	\$44.12	\$45.96				\$44.78
Arcade + Rev of Arcade	\$31.18	\$32.48	\$32.43			\$31.65
Pinball + Ret of Arcade	\$31.18	\$32.48	\$32.43			\$31.65
Combat FS	\$37.85	\$37.85	\$38.23			\$38.42
Age of Empires	\$22.50	\$22.50	\$22.50	\$22.70	\$26.23	\$22.84
Flight Sim 98	\$43.17	\$44.97		\$43.56	\$46.57	\$43.82
Studio Greetings	\$19.00	\$19.79				\$19.29
Publisher 98	\$79.95	\$83.29				\$81.15
Works Suite	\$82.80	\$86.25	\$84.04			\$84.04
Encarta RS	\$76.50		\$79.56			\$77.65
Encarta Dlx	\$52.50				\$58.73	\$53.29
Office Std	\$404.87		\$408.92			\$410.94
Office Std Upgrade	\$201.62			\$203.45		\$204.64
Windows 98	\$165		\$166.65	\$165		\$167.48
Windows 98 Upgrade	\$86.00			\$85.57	\$86.43	\$87.29
MS Plus	\$31.00			\$31.28	\$32.88	\$31.47
						\$0.00
						\$0.00

* Includes DTS Freight

SKU	Disti Price	Sam's	Costco	CompUSA	WM*	Staples
Encarta Std & Bkshlf	\$44.12	4.0%				1.5%
Arcade + Rev of Arcade	\$31.18	4.0%	3.8%			1.5%
Pinball + Ret of Arcade	\$31.18	4.0%	3.8%			1.5%
Combat FS	\$37.85	0.0%	1.0%			1.5%
Age of Empires	\$22.50	0.0%	0.0%	0.9%	14.2%	1.5%
Flight Sim 98	\$43.17	4.0%		0.9%	7.3%	1.5%
Studio Greetings	\$19.00	4.0%				1.5%
Publisher 98	\$79.95	4.0%				1.5%
Works Suite	\$82.80	4.0%	1.5%			1.5%
Encarta RS	\$76.50		3.8%			1.5%
Encarta Dlx	\$52.50				10.6%	1.5%
Office Std	\$404.87		1.0%			1.5%
Office Std Upgrade	\$201.62			0.9%		1.5%
Windows 98	\$165		1.0%	0.0%		1.5%
Windows 98 Upgrade	\$86.00			-0.5%	0.5%	1.5%
MS Plus	\$31.00			0.9%	5.7%	1.5%

General observations:

- CompUSA appears to be getting the lowest price from Disti
- Staples gets a uniform (1.5%) price above disti
- WM pays significantly more (presumably because the figure includes the DTS cost) but for a Win 98, they were competitive in price
- The clubs pay more but like the WM scenario, for "strategic" SKUs such as AOE, they get a very competitive prices.

Let me know if you have questions.

Joseph

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