VJ98 SKUs and Pricing - Proposal

Strategic Objective

Kill cross-platform Java by grow the polluted Java market

Market Situation

- Cross-platform capability is by far *the* number one reason for choosing/using Java
- There is distrust about Microsoft's commitment to Java and about it supporting the Java standards
- All Java tools have low SCI compared with non-java tools, VJ has the lowest SCI (6%) of all Java tools

Target Market Segments

1. Java Developers

- Fading confidence in cross-platform Java
- LCD applications are not compelling
- Need to make Java investment payoff

From the perspective of who is making the purchase decision, the Java market has two sub-segments:

Individuals

Individual currently make up a large percentage of Java tools purchases (or downloads in the case of free tools and development kits) They are picking up Java out of interest created by the Sun PR-hype machine They see the opportunity to add a skill that is demand to their resume and possibly increase their income and stature

These individuals exist in all types of companies and schools. What differentiates them is that they are investing their own time, money and effort without necessarily the support or prodding of their employer, and thus have higher price sensitivity.

Corporations (MIS, VAR, ISV, Schools)

Corporations (especially large ones) have been fairly slow to adopt Java. They are concerned about the maturity of Java, the risk associated with committing to unproven technology, as well as how much return on investment they will get from Java. That said, many of them are starting to evaluate Java's potential and some are starting pilot projects to test out what kind of benefits they can get from writing applications in Java

Windows Developers

- Want faster development
- Want power of C++ w/o the complexity
- Need full access to Win32 API
- Need clear advantage to move from current tool

GOVERNMENT EXHIBIT 259
PENGAD-Bayonne, N.J.

SKUs & Pricing

Since cross-platform capability is the fundamental desire in Java market, VJ98, being primarily the tool for Java development for Windows, does not cater to the current market demands. Thus the Java market needs to be made aware of the pitfalls of cross-platform Java and needs to be educated in the merits of Java development for windows The proposal for VJ98 SKUs is an effort to balance the considerations:

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- Since the product philosophy of VJ98 is drastically different from that of VJ1 0 and 1 1, it is critical to raise awareness of the 'new VJ' and generate trial even though it is a year old product.
- It is important to cater to the needs and price-sensitivity of the first sub-segment in Java market, as it is of substantial size.
- With Java being pitched (by MS) as just a language for Windows development, VJ is more squarely lined up with VB and VC as windows development tools Thus the pricing and SKUs of VJ need to be more aligned with those of VB and VC.
- Since VJ98 will serve as one of the key differentiating components between VS97 and VS98, its pricing need to support the VS pricing philosophy

Proposed SKUs

- **Learning Edition** – to cater to the needs of 'individuals' sub-segment in Java market Compared with the Professional Edition, this edition will not have the features that are critical for Java development for commercial/business use (database access, server-side development, deployment).
- **Professional Edition** – to appeal to the second sub-segment of Java market and Windows developers
- **Trial Edition** – Professional Edition with try-before-buy wrapper
  - 3-month time-bomb: to raise awareness and generate trial (expected to be two-thirds of free distribution)
  - 6-month time-bomb: for bundling with books (expected to be one-third of free distribution). Even though for this segment of the market the upsell to Learning Edition will be a more effective upsell, the wrapped, time-bombed Professional Edition is preferred for bundling with books to encourage the books coverage of *all* features of VJ The 6-month time-bomb is to align with the average 6-month use of a technical book The try-before-buy wrapped Learning Edition, though more suited for this segment, is not recommended to avoid additional development efforts and SKU complexity.

Pricing

	Reseller Channel		**Direct**		**Other Channels**
	Physical	**ESD**	**Physical**	**SBN**	**Books, Mag, Shows**
Trial Edition (time-bombed Pro Ed)	--	free	--	free	free
Learning Edition	$99	$99	$99	--	--
Professional Edition	$499	$499	$499	--	--
v1 1 to 98 Learning Ed Upgrade (net of rebate)	$49	$49	$49	--	--
Competitive to 98 Learning Ed Upgrade (net of rebate)	$79	$79	$79	--	--
v1.1 to 98 Pro Ed Upgrade (net of rebate)	$99	$99	$99	--	--
Competitive to 98 Pro Upgrade (net of rebate)	$249	$249	$249	--	--
Academic Edition	$49.95	?	$49.95	--	--

Qualifying products for competitive upgrade listed in Appendix A

Rationale:

- $99 price is to cater to the majority of current Java market (Appendix A: 91% of all Java tools sold are priced under $100)
- $499 price is primarily to be consistent with VB and VC pricing and to support the VS pricing philosophy However, with this price point, there is the risk of pricing VJ98 out of Java tools market

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(Appendix A: >$400 product is merely 1% of Java tools sales in FY97, and 2 8% of Java tools sales Jan-July97)

- $249 competitive upgrade price is to provide a <$250 price point in order to counter the above mentioned risk
- The $99 and $49 version upgrade prices are to reward the existing VJ customers for the first year of loyalty

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