



Changing Channels

Ken Poje
Manager, Channel Strategy
SunSoft, Inc.

Today's Speakers

◆ Ken Poje

- ◆ Manager, Channel Strategy, Sun Microsystems, Inc.

◆ Nova Spivack

- ◆ Executive VP, EarthWeb, Inc.

◆ Stephen England

- ◆ VP of Publishing Operations, Micro Warehouse, Inc.





Channel Segmentation

Ken Poje
Manager, Channel Strategy
SunSoft, Inc.

[Today]

- ◆ 220+ part numbers
- ◆ 3220 SKU's
- ◆ All products through all channels
- ◆ Service: one size fits all



[Today (cont.)]

- ◆ Worldwide implementation
- ◆ No authorization
- ◆ Two tier
- ◆ Open sourcing



【 \$\$Show Me the Money!\$\$ 】

- ◆ Vendor perspective
 - ◆ Reseller channels are a cost effective way to bring products to market
- ◆ Reseller perspective
 - ◆ Channels don't sell what they don't make money on

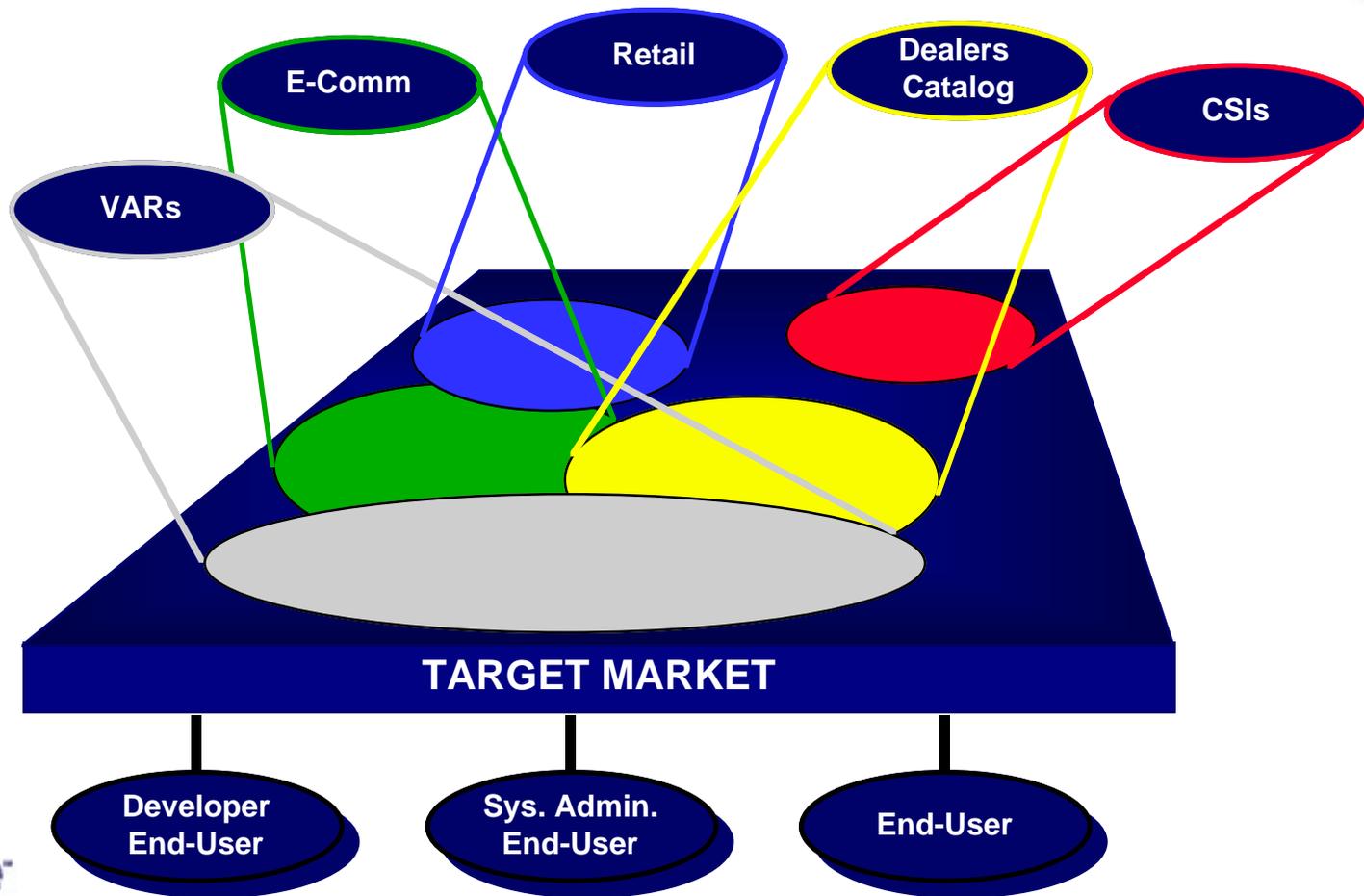


[Channels Don't Do What They Don't Do!]

- ◆ Different channels have different capabilities and address different needs
- ◆ End-users always attempt to source products from channels that best meet their needs



Channel Market Coverage



[Product/Service/ Channel Segmentation]

“A Customer Centric Strategy”



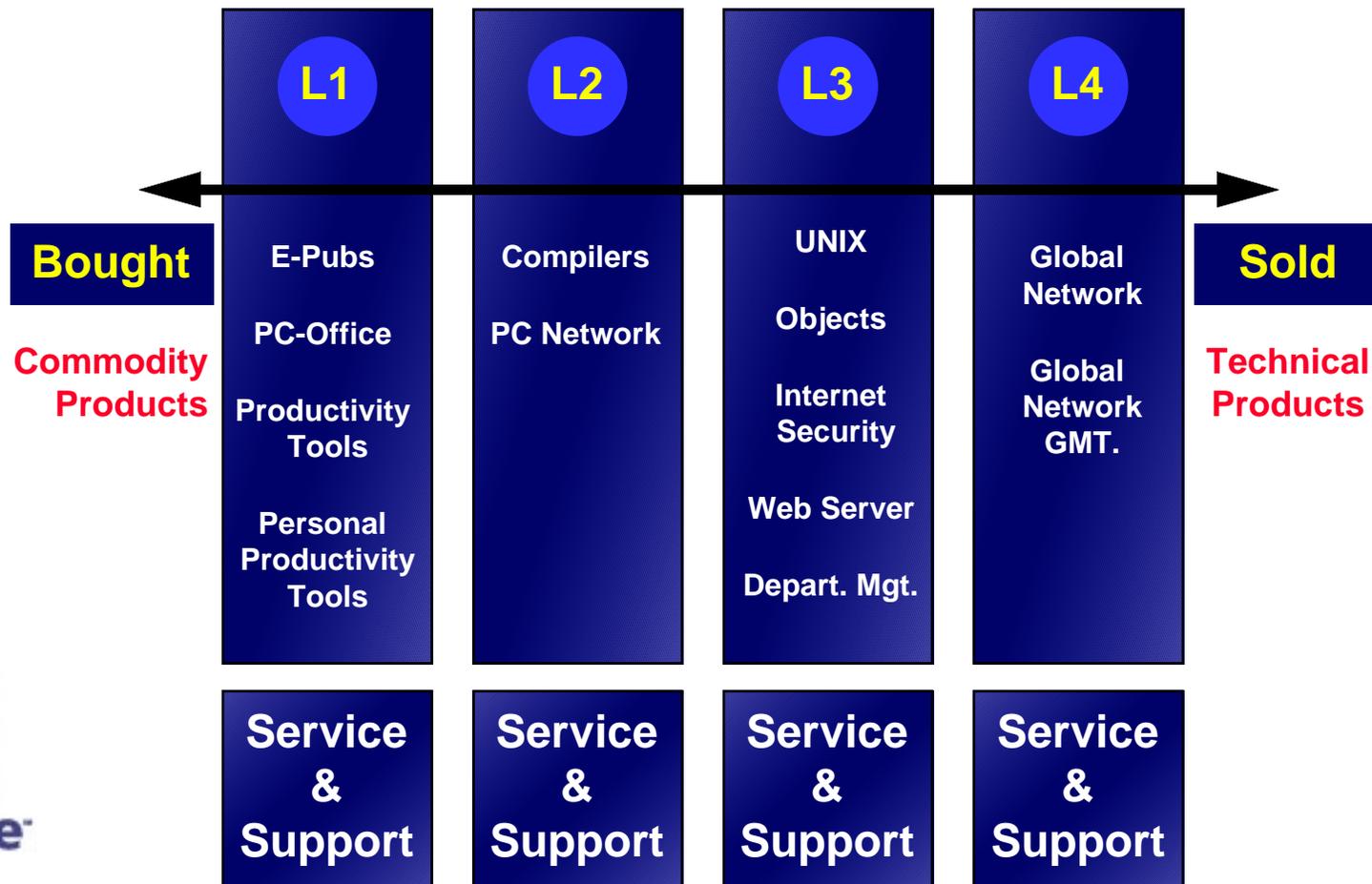
[Product/Service/Channel Segmentation (cont.)]

- ◆ Aligning the *Right Channels* with the *Right Customers*
- ◆ Selling the *Right Products* through the *Right Channel*
- ◆ Providing the *Right Business Propositions* with the *Right Channels*



JavaOne

Product/Service/Channel Segmentation (cont.)



Channel Capabilities vs. Segmentation

Channel Types

Level 1

Retail
E-Comm
E-Dist
OEM

Level 2

Dealers
Catalog
PC/SIs
OEM

Level 3

VARs
SIs
OEM
GSIs
Agents

Level 4

CSIs
Direct Sales
Evangelist
OEM

Channel Capabilities

POS
Availability
Regional/National
Presence
Easy to Buy
Easy to Sell
Pull Channel

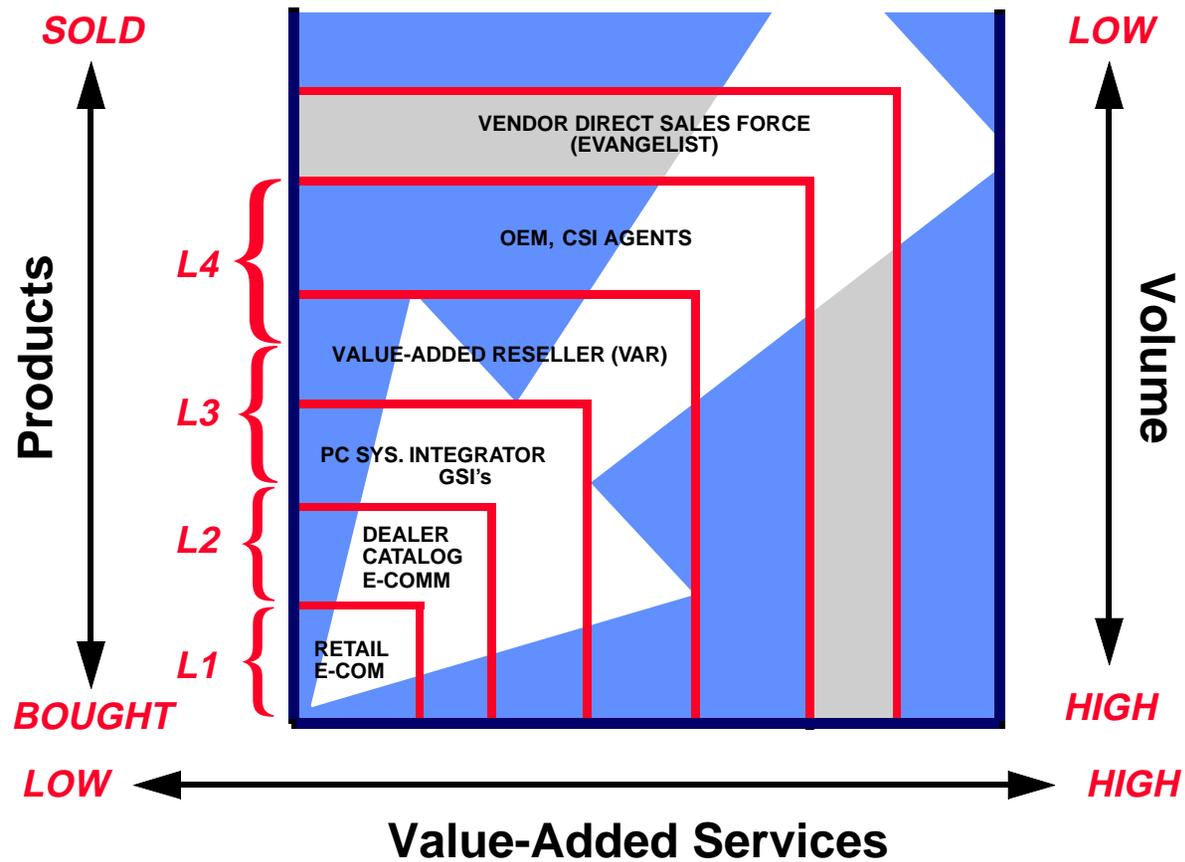
Outbound/Outside
Sales
Horizontal
Pull Channel
PC Expertise

50% Revenue from
Services
Strong Outbound
Sales
Support Oriented
Technically
Proficient
Customer Training
Integration
Capability
Push Channel

Enterprise Focused
Large Technical
Staff
Global
80% Revenue on
Services
Can Handle Long
Sales Cycles
Re-engineer
Push Channel
Business Solution
Focused



Product/Service/Channel Segmentation (cont.)





Changing Channels

Nova Spivack
Executive VP
EarthWeb, Inc.



[EarthWeb Background]

- ◆ Mission: Build and leverage the premiere channel for information, products, and services for Net developers
- ◆ Founded in 1994, 70+ People in NYC and Palo Alto
- ◆ Privately held corporation; Funded by Warburg Pincus Ventures, LP





Net Developers: a New Market

- ◆ People who develop or integrate IP-enabled software, services or content:
 - ◆ Webmasters/Net Publishers
 - ◆ IT Managers/Systems Administrators
 - ◆ Software engineers
 - ◆ Content engineers
 - ◆ Internet Power users



[New Needs]

- ◆ Net developers need:
 - ◆ Content
 - ◆ Community
 - ◆ Marketplace
 - ◆ Products
 - ◆ Services





[The Problem]

- ◆ Internet development is becoming more complex
- ◆ No single place to go to get information, resources, community
- ◆ No shelf space in stores for small products, big ticket products
- ◆ Few VARs focus on Internet solutions
- ◆ No established online or offline Internet product channels





Developer.com: The Complete Solution

- ◆ A single brand that will reach developers through multiple channels
- ◆ An online service that aggregates the information and resources developers need
- ◆ A community of like-minded developers/customers/contributors
- ◆ A global marketplace where developers can buy and sell Internet products





Developer.com: Show me the money!

- ◆ Advertising
- ◆ Sponsorships
- ◆ Transaction Fees
- ◆ Content Licensing
- ◆ Brand Licensing
- ◆ Premium Online Services/
Subscriptions
- ◆ Software Products Sales



Developer.com: The Past

- ◆ 1995: Gamelan launched
- ◆ 1996: Gamelan named Official Directory for Java
- ◆ 1996: New Directories launched, Japanese version
- ◆ 1997: ChatPlanet launched
- ◆ 1997: EarthWeb Direct launched
- ◆ 1997: Developer.com launched, JARS and Webware online acquired





Developer.com: The Present and Future

- ◆ 1997: EarthWeb Press launched with Macmillan
- ◆ 1997: Major online content and commerce partnerships launched...
- ◆ 1997: EarthWeb Software Publishing launched
- ◆ 1998: Developer.com premium services launched
- ◆ 1998+: Localizatin, Tradeshow, the magazine, the cable channel, the musical?



[Developer.com: Vital Stats]

- ◆ Approx 400,000 visits/month
- ◆ 2 million pages served/month
- ◆ 5 million ads served/month
- ◆ 30% of traffic is international



Developer.com: Features

- ◆ Content
 - ◆ Original editorial
 - ◆ Aggregated editorial
 - ◆ User-Contributed content
- ◆ Community
 - ◆ Discussions, chats, directories, calendars
- ◆ Commerce (EarthWeb Direct)
 - ◆ Secure online shopping and delivery



EarthWeb Direct

- ◆ The online marketplace for Internet products
- ◆ 200+ products, 50+ vendors in 3 months
- ◆ Sales agent business model
 - ◆ 20%-30% transaction fee to vendors
- ◆ A la Carte services:
 - ◆ Transactions
 - ◆ Delivery
- ◆ Secure online credit card ordering



[Future Channel Enhancements]

- ◆ Secure delivery
 - ◆ Wrappers, Internal Locks, Monitors, Meters
- ◆ Automatic distribution and updating
 - ◆ Castanet, BackWeb...
- ◆ Software On-Demand
 - ◆ Adware, Micro-transactions, subscriptions





Changing Channels

Stephen England

VP of Publishing Operations

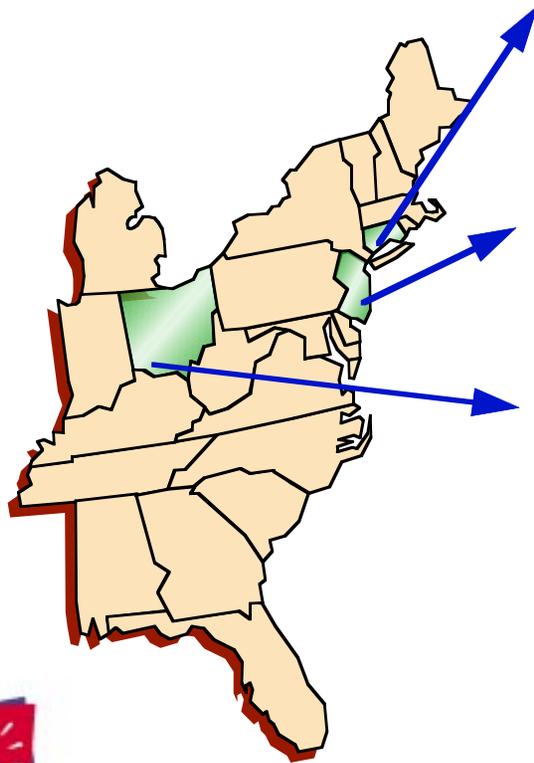
MicroWAREHOUSE, Inc.

Company Profile

- ◆ \$1.9 Billion+ Revenue Run Rate
- ◆ 2 Million+ Active Customers in 15 Countries
- ◆ Carry All Major Manufacturers
- ◆ “The World’s Leading Catalog Retailer of Brand Name Computer Products”



Our Locations



- ◆ **Norwalk, Connecticut**
 - ◆ 517 Staff
 - ◆ Executive Offices
 - ◆ Marketing/Catalog Creation
 - ◆ Purchasing/Accounting
 - ◆ Outbound, Government, Education
- ◆ **New Jersey — Lakewood and Gibbsboro**
 - ◆ 1,442 Staff
 - ◆ Inbound Telemarketing
 - ◆ Outbound D&B 100, Major Accounts, Business to Business
 - ◆ 173,000 Square Feet
- ◆ **Wilmington, Ohio**
 - ◆ 495 Staff
 - ◆ Warehouse and Shipping
 - ◆ 318,800 Square Feet
- ◆ **International**
 - ◆ 1,200+ Staff
 - ◆ International Headquarters
 - ◆ Country Offices
- ◆ **Total**
 - ◆ 3,600+ Staff



[International Overview]

	US	Canada	UK	France	Germany	Holland	Sweden	Denmark	Norway	Finland	Australia	Japan	Mexico
MAC													
PC													
LAN/DC													

* Not Part of European Network

- MacWarehouse
- MicroWarehouse
- Lan/DataComm
- Inmac
- USA Flex



Partner With the Market Leader

TOP TEN HARDWARE SALES

In Millions	(PC-related sales)		
	1996	1995	GROWTH
1 CompUSA	\$3,025.0	\$2,375.0	27.4%
2 Best Buy	\$2,833.0	\$2,371.0	19.5%
3 Circuit City Stores	\$1,756.0	\$1,482.0	18.5%
4 Computer City	\$1,726.0	\$1,415.0	22.0%
5 Micro Warehouse	\$1,500.0	NA	NA
6 Office Depot	\$1,374.0	\$988.0	39.1%
7 Micro Center	\$833.33	\$697.9	19.4%
8 CDW Computer Whse	\$810.0	\$500.7	61.3%
9 Office Max	\$793.0	\$476.0	66.6%
10 Sears	\$672.0	\$629.0	6.8%

SOURCE: CRW RESEARCH

TOP TEN OVERALL SALES

In Millions	(PC-related sales)		
	1996	1995	GROWTH
1 CompUSA	\$4,250	\$3,235	31.4%
2 Best Buy	\$3,327	\$2,771	20.1%
3 Office Depot	\$2,250	\$1,600	40.6%
4 Computer City	\$2,135	\$1,750	22.0%
5 Micro Warehouse	\$1,900	\$1,375	38.2%
6 Circuit City Stores	\$1,850	\$1,570	17.3%
7 Micro Center	\$1,110	\$890	19.4%
8 OfficeMax	\$1,075	\$671	60.2%
9 Staples	\$1,035	\$718	44.2%
10 CDW Computer Whse	\$920	\$630	46.0%

SOURCE: CRW RESEARCH

TOP TEN DIRECT-MAIL SALES

In Millions	(PC-related sales)		
	1996	1995	GROWTH
1 Micro Warehouse	\$1,900.0	\$1,375.0	38.2%
2 CDW Computer Whse	\$845.0	\$568.4	48.7%
3 Global Direct Mail	\$670.0	\$445.7	50.3%
4 Multiple Zones	\$500.0	\$380.0	31.6%
5 CompUSA	\$476.0	\$310.0	53.5%
6 Creative Computers	\$342.0	\$325.0	9.2%
7 Insight Direct	\$320.0	\$245.0	30.6%
8 PC & Mac Conn	\$276.0	\$225.0	30.6%
9 Micro Center	\$168.4	\$141.0	19.4%
10 Damark	\$128.0	\$108.3	17.6%

SOURCE: CRW RESEARCH

TOP TEN SOFTWARE SALES

In Millions	(PC-related sales)		
	1996	1995	GROWTH
1 CompUSA	\$715.0	\$545.0	31.2%
2 Egghead	\$331.0	\$735.0	-55.0%
3 Best Buy	\$324.0	\$286.0	13.3%
4 Micro Warehouse	\$300.0	NA	NA
5 Computer City	\$256.0	\$210.0	21.9%
6 Office Depot	\$250.0	\$122.0	104.9%
7 Micro Center	\$188.4	\$157.8	19.4%
8 Electronics Boutique	\$172.0	\$131.1	31.4%
9 Wal-Mart	\$150.0	\$110.0	36.4%
10 Babbage's Etc.	\$138.2	\$228.1	-39.4%

SOURCE: CRW RESEARCH



Recreated from CRW, Volume 7, Issue 160, 1/6/97

Revenue Overview

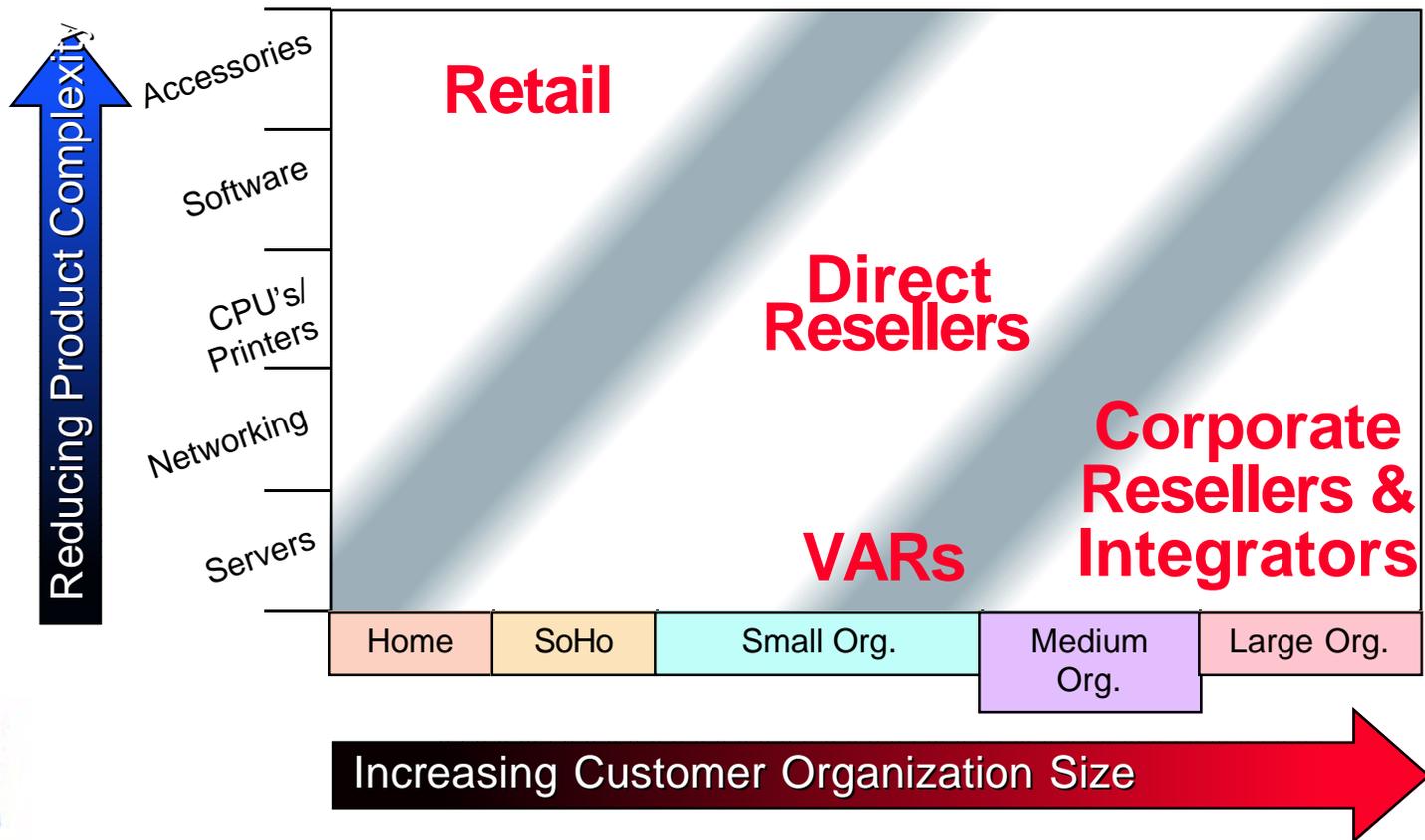
1996 Fiscal Year — With USA Flex Aquisition*

	Domestic	International	Total
Mac	\$712.9 (35.4%)	\$216.2 (10.7%)	\$929.1 (46.1%)
Wintel	\$651.8 (32.3%)	\$435.4 (21.6%)	\$1,087. (53.9%)
Total	\$1,364. (67.7%)	\$651.6 (32.3%)	\$2,016. (100.0%)

* Based on pro-forma and estimated net sales revenue for trailing twelve months.

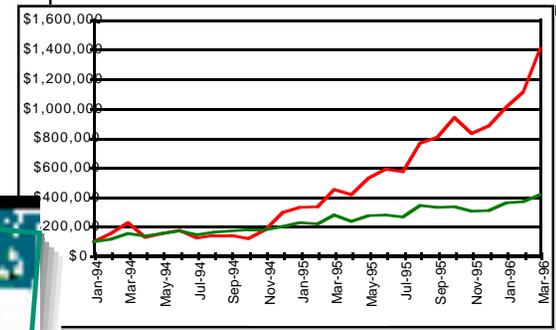
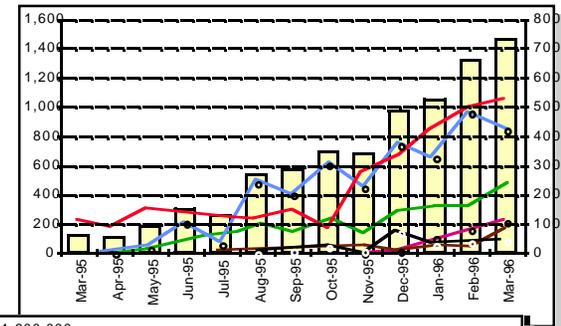


Market Structure



Vendor Investment

- ◆ Investment Broker Approach
 - ◆ By Catalog
 - ◆ By Category
 - ◆ By Geography
 - ◆ By Size of Promotion
- ◆ Planned Vendor Expenditure
- ◆ Quick, Detailed Feedback



[Cpm Rates — PC]

	Circulation	Cost (1X 4/C Rate)	Cpm
Pcweek	260,000	\$32,100	\$123.46
PC Magazine	1,020,000	48,670	47.72
Computer Shopper	500,000	20,242	40.84
Windows Sources	400,000	15,625	39.06
Windows Magazine	550,000	20,545	37.35

MicroWAREHOUSE	1,250,000	\$11,590	\$9.27
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Microsystems WAREHOUSE	600,000	\$9,010	\$15.02
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Inmac	700,000	\$7,770	\$11.10
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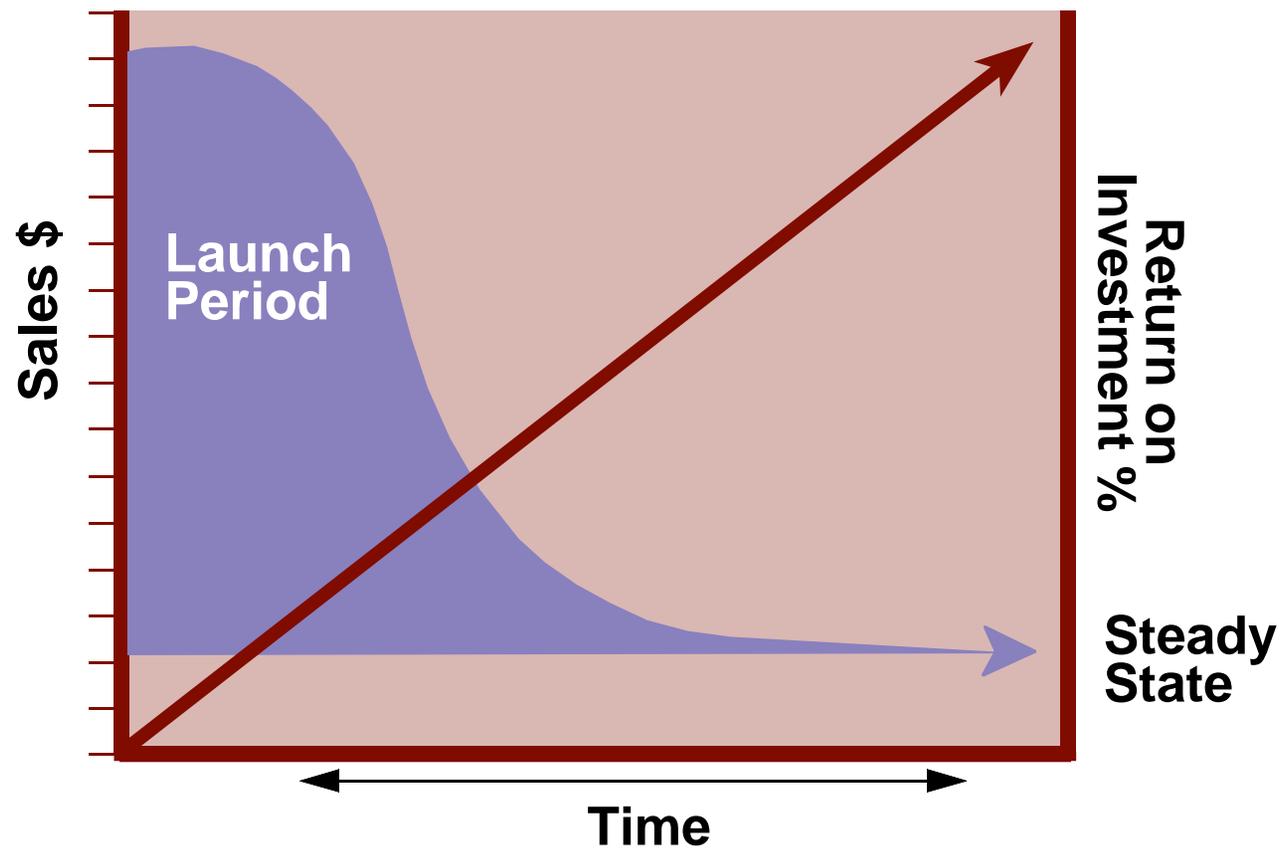
Catalog Full Pages



- ◆ “White Pages” vs. “Yellow Pages”
- ◆ Market-making Strategy
- ◆ Real Estate for Complex /New Product Positioning
- ◆ Cost-effective for Single Headline Family of Products
- ◆ Essential when Competition is a Full-page Level

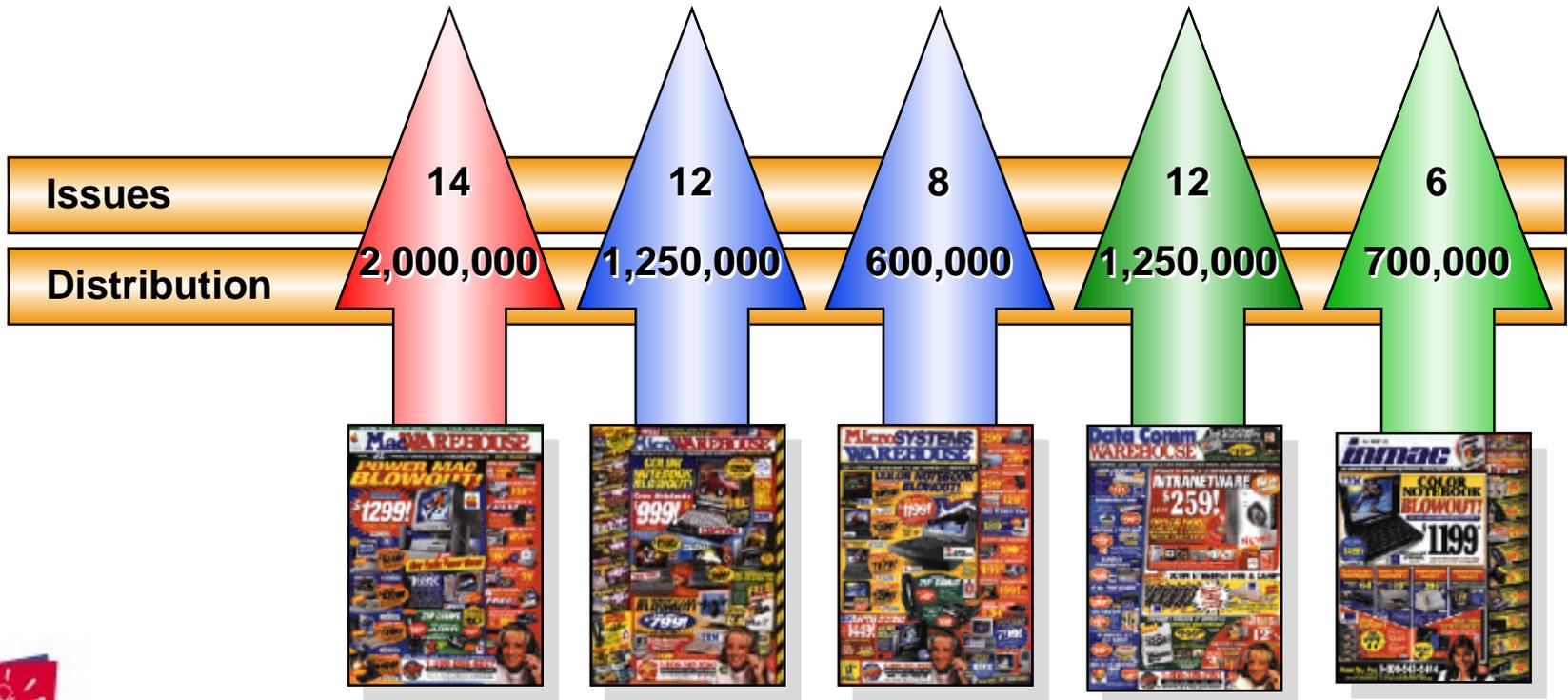


Return on Investment



MicroWAREHOUSE US

1997 Catalogs



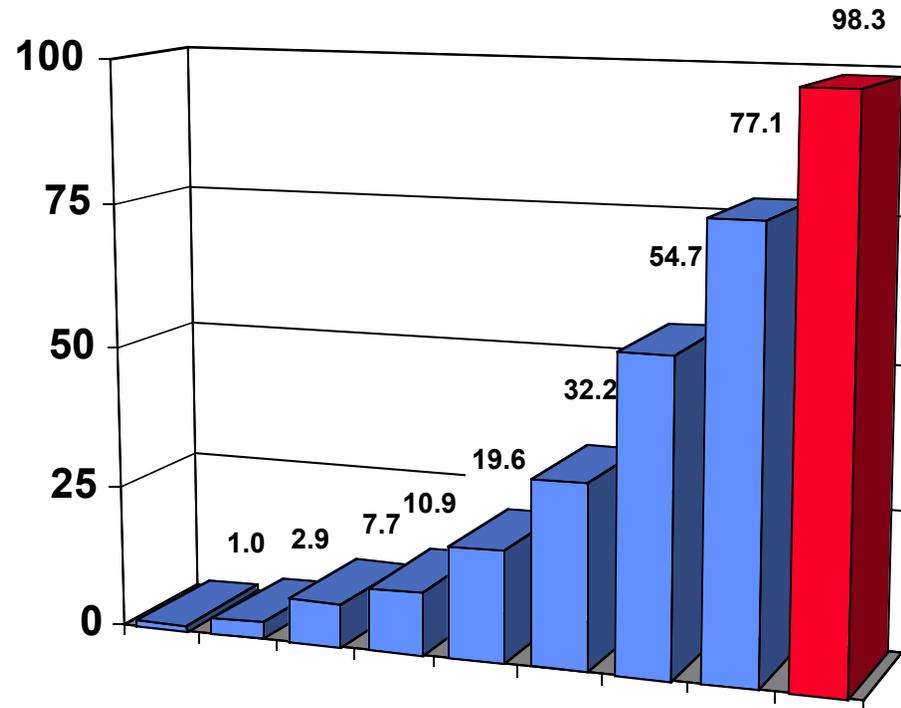
European Catalog Circulation

	UK 	France 	Germany 	Sweden 	Denmark 	Norway 	Finland 	Holland 	TOTAL
									
PC	450K	220K	200K	80K		30K		100K	1,080K
LAN/DC	250K	150K	200K	80K				100K	780K
SUPPLIES	300K	300K	200K	80K				100K	980K
MAC	200K	120K	100K	75K	45K	30K	25K	55K	650K



1996 Results — Q4

Catalogs Distributed*



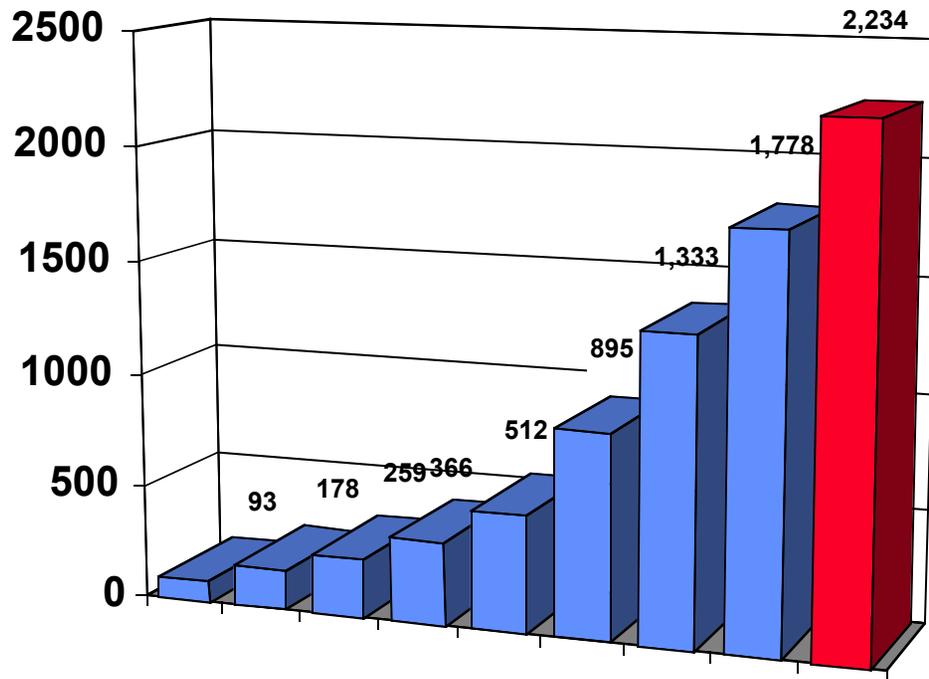
(Millions)



*Not Including Inmac Catalogs

1996 Results — Q4

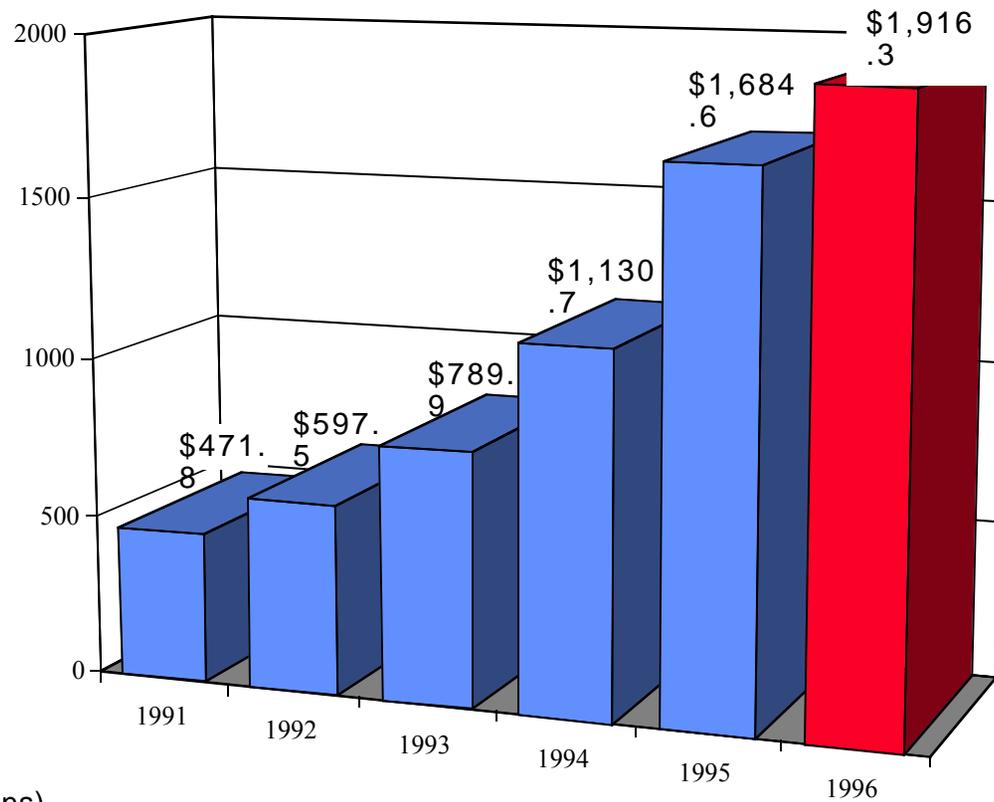
Active Customer Base



(Millions)

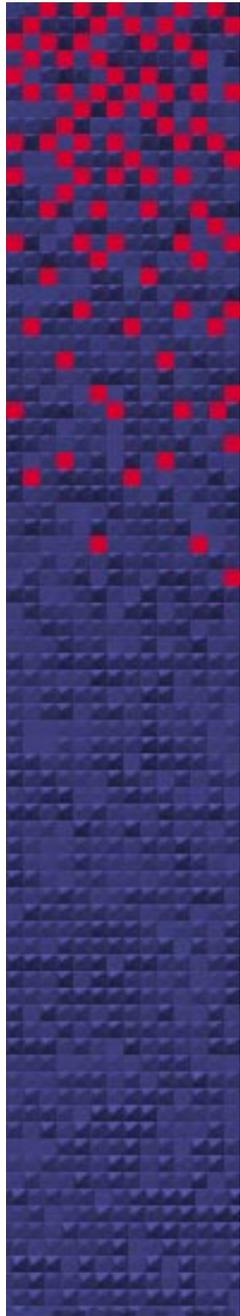
1996 Results — Q4

Revenue Growth



(Millions)





JavaOneSM
Sun's 1997 Worldwide Java Developer Conference™