TO: Dave Wright, Business Manager, Microsoft
CC: Candace Grisdale, HP OEM Acct. Rep., Microsoft
Bengt Akerlind, Dir. OEM Sales, Microsoft
Joachim Kempin, Sr. VP OEM Sales, Microsoft
Mike Spitz, HP OEM Acct. Rep., Microsoft
Webb Mckinney, GM, HPD, Hewlett-Packard
Duane Zitzner, VP, PPG, Hewlett-Packard
Greg Schmidt, Procurement Manager, HPD, Hewlett-Packard
Richard Walker, Marketing Manager, HPD, Hewlett-Packard

Dave,

We were very disappointed in your response to our long and drawn out request to modify the "standard Microsoft" Windows95 boot-up sequence.

As was clearly stated on many occasions to you and other members of the OEM team, Micorsoft's mandated removal of all OEM boot-sequence and auto-start programs for OEM licensed systems has resulted in significant and costly problems for the HP-Pavilion line of retail PC's.

Our data (as of 3/10/97) shows a 10% increase in W95 calls as a % of our total customer support calls (increase from 23.72% to 33.51%). This data is measured against a base of 109K calls for the pre-OSR2 "Microsoft Mandated Changes". The base for the post- measure is 28K. This is enough to ensure a high degree of significance to the data.

Our registration rate has also dropped from the mid-80% range to the low 60% range.

There is also subjective data from several channel partners that our system return rate has increased from the lowest of any OEM (even lower than Apple) to a level comparable to the other Microsoft OEM PC vendors. This is a major concern in that we are taking a step backward in meeting customer satisfaction needs.

These three pieces of data confirm that we have been damaged by the edicts that the Microsoft issued last fall. Prior to that time we made significant and successful investments to insure that our retail HP Pavilion PC customers had the best Out of Box experience and were properly introduced to their new PC's at a level
of complexity that they were comfortable with.

From the consumer perspective, we are hurting our industry and our customers. PC's can be frightening and quirky pieces of technology intq which they invest a large sum of their money. It is vitally important that the PC suppliers dramatically improve the consumer buying experience, out of box experience as well as the longer term product usability and reliability. The channel feedback as well as our own data shows that we are going the wrong direction. This causes consumer dissatisfaction in complex telephone support process, needless in-home repair visits and ultimately in product returns. Many times the cause is user misunderstanding of a product that presents too much complexity to the common user.

We strongly protested the changes last fall and were flatly refused any leeway. We also, as of October of 1996, began to request what we would be able to do in the future. We were continuously put off as to what the future policy would be. But we were led to believe that we would be granted some options. We prepared for that possibility by implementing in HTML, which we were told would be consistent with the "future". Now, in the end of March 1997 you tell us that although we have good ideas, that Microsoft will not allow us to implement the changes we have carefully (and with some compromises) have requested.

This situation must change. We find Microsoft control over our Customer's Out of Box experience totally unacceptable.

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Our Customers hold HP accountable for their dissatisfaction with our products. We bear for the cost of returns of our products. We are responsible for the cost of technical support of our customers, including the 33% of calls we get related to the lack of quality or confusion generated by your product. And finally we are responsible for our success or failure in the retail PC market.

We must have more ability to decide how our system is presented to our end users.

If we had a choice of another supplier, based on your actions in this area, I assure you would not be our supplier of choice.

I strongly urge you to have your executives review these decisions and to change this unacceptable policy.

Regards,

John Romano
HPD R&D Manager
Hewlett-Packard