Raikes

Microsoft Memo

TO: US Staff
FROM: Jeff Raikes
DATE: April 21, 1992
RE: FY93 Planning Objectives – Draft v2.0

CC: Mike Maples, Steve Ballmer

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DRAFT

Feedback Welcome.

Thanks. Jeff
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Introduction

This memo describes the key strategic objectives to guide FY93 planning for the US group. The content primarily comes from the planning session held in Phoenix March 4-6, and is enhanced by follow-up discussions with members of the exec staff, the US group staff, and several others that affect and influence our FY planning.

To complete the planning objectives, there are a number of issues to be resolved – review of the product forecasts, establishment of metrics, etc. I will continue to update this memo as the issues get resolved.

The US Group

With the creation of the Office of the President, our sales, marketing and support were consolidated under Steve Ballmer. These efforts are organized to cover three geographical regions – the US, Europe, and International (ie. rest of the world). To more clearly fit into this organization, and to get away from using a vague acronym (SMSD), I now refer to our "division" (actually a set of divisions) as the US, or sometimes the US group.

The US group still consists of the same staff, same division, and same missions. I just want a simpler, more clear name. I also want to emphasize the continuing importance of international leverage. This simplification of our division name does not lessen our goal to make sure that international can take advantage of efforts in the US and at headquarters. Similarly, we should increase our knowledge of efforts outside the US, and how they might be applied to our challenges here in the US.

FY93 Strategic Objectives for the US Group

The following list of 10 objectives is the output from the planning session held in Phoenix, March 4-6. We also settled on a theme for FY93:

> "Doing more for our customers by making it easier"

The theme borrows from the tagline and key message of our TV advertising. It particularly emphasizes the importance of customer focus – making it easier for our customers to understand us and do business with us.

One of the keys to solid objectives is measurability – having good metrics. You will note in reading the objectives that I've highlighted the types of metrics important to measuring progress on the objectives. During the month of April I will be meeting with a number of people to gain closure on the key metrics.

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│              FY'93 Objectives               │
│                                             │
│ 1.    Revenue and Profit                    │
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│ 2.    Drive Windows penetration             │
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│ 3.    Drive Office application share        │
│                                             │
│ 4.    Launch Sparta - drive volume          │
│                                             │
│ 5.    Build design wins with Solution Providers │
│                                             │
│ 6.    The Other Campaign                    │
│                                             │
│ 7.    Build the "3rd Party" Channel         │
│                                             │
│ 8.    Easier to communicate with us         │
│                                             │
│ 9.    Easier to do business with us         │
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│ 10.   Easier for our people to succeed      │
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1. Revenue and Profit

Our most important objective is to achieve the revenue and profit goals of the US group. We expect to finish FY92 with net revenues of $870M and burdened operating income (BOI) of $166M, or 19% of revenues. Achieving these targets would result in revenue growth of 55% and BOI growth of 45%.

FY93 product forecasting is under way. The revenue obejctive will be set after review of and agreement on the US group product forecasts. The review meeting is scheduled for 4/16.

The BOI income objective will be 20%. But I will reserve 3% – a buffer – because of uncertainty in the economy, and thus, in our revenue forecasts. So one way of looking at the plan produces a BOI target of 23%. I will allow "buffer plans" for the usage of the 3%, but those programs will not be approved prior to the fiscal year. We will consider approval of the buffer plans at pre-determined milestones during the fiscal year, when we'll review our progress vs revenue plan, and the economic picture. I will include Mike Maples in the review and approval of any buffer plans.

The Campaigns – Objectives #2-6

The "Campaigns" can be looked at as a mapping of the following items across our key customer segments:

- Message

- Revenue target

- Marketing $ or resources

- Sales resources

The following matrix is a representation.

Campaigns, by segment	Windows Penetration	Office Apps Share	Sparta	Solution Builder	Other
General User	Message, Revenue, Marketing $, Resources, etc.				Empower individual, but consistent sales and marketing, so
Influential User					that these products
Solution Provider					can make their plan.
MIS Mgmt					

The business plan process will determine the resource mapping across the matrix.

2. Drive Windows Penetration.

Windows should become an "automatic purchase." Today it is a no-brainer to buy DOS with your PC — we should ultimately achieve the same with Windows. FY'93 will be a key year toward this objective as we leverage the momentum of Windows v3.1, introduce Windows NT, and do battle with OS/2 v2.0.

Metrics:

- Penetration of machines

- Platform wins (corporate standardizations)

- Minimal platform losses to OS/2

- Usage (ie. limiting "shelfware")

- Clear positioning of the Windows strategy

I will meet with Brad Silverberg to set the metrics.

3. Drive Office Application Share.

We are the leading vendor of graphical applications, but that position is at risk in FY93 due to the Windows applications introductions of Lotus and WordPerfect. We have lost momentum in the Mac market, and are threatened by Mac WordPerfect and Mac 1-2-3. The momentum of Win Word v2.0 and Mac Word v5.0, the introduction of Excel v4.0, and the attractiveness of our Office product are critical elements to drive our market share. Specific goals for Office are important to increase the number of customers that buy into the Microsoft family of applications.

Metrics:

- Market share for Word and Excel on the Mac, Windows, and PC[1] platforms, and the ratio of Office.

- Corporate design wins (eg. win x% of accounts switching from DOS word processors other than WordPerfect, win y% of accounts switching from DOS WP, never lose an existing Mac Word or Excel account.)

- Position Microsoft as the leader for graphical Office apps, and as the leader for providing an Office family (ie. establish multi-application as a category and take the leadership position)

I will meet with Pete Higgins to set the metrics.

4. Launch Sparta - drive volume.

Networking and the number of PCs connected to LANs continues to grow rapidly. And the demand from our customers for added value to support collaborative or workgroup computing is growing even more rapidly. This opportunity is not lost on our competitors: Novell continues to strengthen their position, Lotus is establishing themselves as the leading vendor of groupware, and LANTastic, Novell and others pursue the fast growing peer-to-peer market.

We must leverage our systems software leadership – the ability to define the platform – and the broad appeal of Windows to establish the "workgroup platform." During FY93 we will introduce Sparta and establish it as the workgroup platform.[2]

Metrics:

- Sparta volume

- Positioning of Sparta as *the* platform for workgroup computing

I will meet with Brad Silverberg to set the metrics.

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[1] We will set share goals for the PC platform because it is important that we get customers to buy Windows applications. As we have seen in the past, customers will buy Windows and continue to use DOS apps. This is not acceptable since we know they will use competitive apps. PC platform share shows our progress in getting customers to move to our Windows applications, and Windows platform share shows our position relative to the other Windows applications. Note however that including the PC platform in this objective does not mean we'll be setting share goals for PC Word.

[2] How we compete with Notes is a common question, so I'd like to explain my view. Sparta is a key part of a "1-2-3 Knockout" assault on Lotus Notes. In phase 1, we "out-flank" Lotus by establishing a broad workgroup position for the mass-market with Sparta. In phase 2, we come out with a Sparta v2.0 that includes low-end BBS, undermining the position of Notes for info-sharing apps, and in phase 3, we deliver the knock-out punch by leveraging Win 4 (and NT?) to provide the rich back-end competitive with Notes and more fully integrated with the facilities of the OS.

5. Build "design-wins" with solution providers.

Solution providers refers to a broad class of people or business entities who use our products to provide solutions to others. It includes both corporate and non-corporate developers, consultants, systems integrators, and other 3rd parties. The users of the solutions may be customers or clients of the providers, or internal users (eg. in the case of an MIS group providing solutions to its internal "customers").

More and more of our products are being used as components in a broad range of solutions. And the leverage for sales of our products is very significant. For example, a corporate EIS[1] built on Excel, can result in 1000's of copies of Excel being sold to the users of the EIS.

The goal of this campaign is to build "design-wins". We want the broad range of solution providers to increase the number of Microsoft products they design into their solutions – think of this as breadth of design-wins. We also want to increase the volume that results from being a part of solutions – think of this as depth of coverage. We need to investigate whether our campaign should focus on breadth, depth, or both.

While this is a less product specific campaign than the others, there are two products I expect to be cornerstones for this campaign – Cirrus[2] and Windows NT.

Metrics:

- Cirrus volume

- NT volume

- Clear articulation and positioning of the Microsoft strategy for solution providers, encompassing the broad spectrum of platforms and tools from Microsoft and key ISV partners.

6. Other Campaign

The "Other Campaign" is the clear definition of processes that will empower consistent sales and marketing efforts for the products outside of the strategic campaigns. These products will get sales attention proportionate to their revenue contribution[3]. The goal is for each product, or sub-group of products to make plan, while not fragmenting the focused sales and marketing efforts behind the strategic campaigns.

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[1] EIS – Executive Information System – generally a menu-driven system allowing the user to explore charts, tables, and other information representing critical business results.

[2] Alternatively, the Cirrus "cornerstone" may become MS database tools, as FoxBase is incorporated into our strategies and plans. The DABU marketing team is hard at work on the FY planning that will provide us guidance on this issue.

[3] Readers of this memo should keep in mind that our #1 objective is the FY93 revenue plan. Therefore, certain products (such as MS-DOS) will certainly get significant sales attention due to their significant contribution to meeting revenue plan.

To accomplish this, we must streamline our marketing efforts. We are considering new organization and process models that define the guidelines for individual marketing, streamlines the process to make better use of both Product and US Marketing resources, and focuses a greater percentage of the US Marketing resource on the strategic campaigns. We also may wish to look at creative alternatives for sales resources.

I will work with my staff, and also the product division VP's to define the metrics.

7. Build the 3rd Party Channel.

There are a broad class of people and companies that leverage our products to build solutions for their clients (both internal and external to their companies). We must develop the "channel" that serves these 3rd parties and enables them to sell, support, and service our products as components of their solutions.

I will work with MikeNe and RussW on the metrics for this objective.

Making it Easier – Objectives #8-10

The next three "objectives" are really more themes for the divisions of the US group to use in setting organizational objectives that accomplish the mission embodied in the theme. Each division leader should define the metrics they will use to measure progress in these areas. I will review with them during the next 4 weeks.

8. Make it easier for our customers to communicate with us.

We need to create and deliver customer focused communications. The strength of our broad product line is dependent on conveying the synergy of our products. We must communicate with our customers on a regular basis and make it easier for them to understand us. They should be able to easily understand our strategies and plans and the value for their business and/or computer use.

9. Make it easier for our customers to do business with us.

Our customers should consider it easy to do business with Microsoft. We want to be their preferred vendor – the one they think of first when they have a software need, and the one they would prefer in the case where all other things are equal. This goal requires attention to their needs in a wide range of areas: terms and conditions, support and service, purchasing options, etc.

10. Make it easier for our people to succeed.

We need to make it easier for our sales people to sell, easier for our marketing people to market, and easier for our support people to provide quality support. This will require improvements in our processes both within groups and between groups. In some cases it may require organizational changes. Other groups are often internal customers, and we need to be similarly dedicated to the satisfaction of our internal customers.

Additional Objectives

In Phoenix, I proposed a list of key objectives for FY'93 that were less broadly actionable for the US group. This simply means that while the majority of US group resources may not be pursuing these objectives. they are very important to the management team. Many of them will result in broadly actionable objectives in the future. I will continue to develop and refine this list of objectives during the FY planning process.

Additional Objectives

Image definition

Define comprehensive channel strategy for competitive advantage

Leverage for international