

Agenda

- ◆ SWOT
- ◆ FY 94 Objectives

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Strengths

- ◆ Windows/Office penetration
- ◆ Good product flow
- ◆ Smart, motivated people
- ◆ Winning image

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Weaknesses

- ◆ No high end channel
- ◆ Poor tools
- ◆ Low leverage/ spread thin
- ◆ IBM relationship

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Opportunities

- ◆ Define customer interaction models for 90's
- ◆ Be catalyst for client/server solutions
- ◆ Become the only broad name in s/w
- ◆ Increase \$'s/PC from existing product line

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Threats

- ◆ Novell (despite inkemur)
- ◆ Lotus
- ◆ Industry isolation
- ◆ Inward focus/ lack of responsiveness
- ◆ Failure to empower our people
- ◆ Price

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A Word on Price

- ◆ Competitive and version upgrades—mandatory, not a price cut (avoid cannibalization)
- ◆ The bundle— an innovation that is good for MS revenue and share
- ◆ The introductory sale (not permanent)
- ◆ OEM low royalty bundles— bad but we will compete successfully
- ◆ Be alert— don't panic

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FY 94 Objectives

- ◆ Revenue and profitability
- ◆ Expand OS profitability
- ◆ Gain Office share
- ◆ Build higher profit on-going end user relationships

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FY 94 Objectives

- ◆ Develop "value added" business
- ◆ Test consumer business initiatives
- ◆ Enhance Microsoft image
- ◆ Empower our people

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Revenue and Profitability

- ◆ Grow revenue 20-25%
- ◆ Limited revenue growth from new geographies or share improvements
- ◆ Revenue upside in upgrade, add-on and Windows penetration gains
- ◆ Manage to 21% after-tax target
- ◆ Geographic and business goals
- ◆ Invest in future businesses
- ◆ Conservative headcount growth → leverage

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Expand OS Profitability

- ◆ Increase Windows penetration
- ◆ Reduce naked machines
- ◆ Sell higher asp Windows versions
- ◆ Sell more Windows add-ons
- ◆ Tailor products and distribution for these goals

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Gain Office Share

- ◆ Strong on-going focus
- ◆ Articulate obvious end user benefit of new releases
- ◆ Maintain customers with upgrades
- ◆ Promote the Office upgrade
- ◆ Differentiate with Access and other Office goodies

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Build Higher Profit On-going End User Relationships

- ◆ Expand and segment registration base
- ◆ Implement better database tools
- ◆ Package upgrades, information and support for on-going relationships
- ◆ Build end user enthusiasm
- ◆ Charge for relationship programs as appropriate
- ◆ Define distribution plans

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Develop "Value Added" Business

- ◆ Focus on client/server opportunity
- ◆ Massive education, information, and individual certification effort
- ◆ Promote referenceable case studies
- ◆ Implement product service policies and strong developer and integrator support
- ◆ Build team of zealous MS methodology developer (verticals and custom) SP's

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Develop "Value Added" Business

- ◆ Reorient MCS and MSU to this mission
- ◆ Cultivate valuable SP integrator relationships
- ◆ Set large account expectations
- ◆ Repackage product line to drive revenue in this business
- ◆ Manage headcount/ force leverage
- ◆ Use Windows NT as the "hook"

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Test Consumer Business Initiatives

- ◆ Experiment with new distribution, selling, partnership models
- ◆ Try to build a "critical mass" product
- ◆ Attempt new approaches to market product lines
- ◆ Test in a few large markets only

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Enhance Microsoft Image

- ◆ Broaden through leadership image PR/ ads
- ◆ Use consumer products intrigue to broaden audience
- ◆ Invest in K-12 adoption in some markets
- ◆ Do PR with referenceable SP's to improve image as a partner
- ◆ Avoid gratuitous competitor bashing

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Empower our people

- ◆ Communicate clear business strategies and goals
- ◆ Encourage broad business thinking
- ◆ Manage people based on their year plans and goals
- ◆ Better tools and education

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Empower our people

- ◆ Push ability to act as close to customer/market as possible
- ◆ Make clear where coordinated strategies or actions are necessary
- ◆ Encourage similar leverage of third parties
- ◆ Keep things as simple as possible

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