DOJ - Legal

From: Lewis Levin
To: Bill Gates
Cc: Mike Maples; Pete Higgins
Subject: RE: Infoworld 1-2-3 Release 4 review
Date: Thursday, September 16, 1993 11:44AM

Right after the Lotus release appeared on the wire there was a huge flurry of email among Excel product marketing, PR, Pete, Hank, and me. Our first reaction was that Lotus had misused the rating. A review like this is not really a comparison though the benchmarks and some anecdotal comments are included for context. We contacted Walkenbach, the reviewer, and Stewart Alsop. Both said that they used the same tests, criteria, and weighting so the new score was comparable to past scores and that they had given Lotus permission to site the results.

So, IW wouldn't back down even after being in print though there is no real calibration between the comparative done nearly a year ago and a recent one product review--they didn't re-examine the other products; they just calculated a score for 1-2-3 rel 4 by itself. At this point, IW knew our concern but we did not see any benefit in beating them up or demanding some sort of retraction they wouldn't have granted. After the initial replies they gave us, we decided we were better off concentrating our energies on the upcoming comparative review which was already in progress--and to not burn our bridges to John Walkenbach who is writing the upcoming spreadhseet comparative review for InfoWorld (and also for PC World).

As Marianne points out in her mail below, on its own 123 rel 4 is a good product and editors seemed geared up for a sort of comeback story. But, there are several things we have done that have helped our position a lot:
1. Back in May when most of the news about rel 4 was out but it hadn't officially announced we sent editors and spreadsheet influentials a history of Excel innovations so they would be reminded that things appearing for the first time in Lotus were not original. Most reviewers pointed out many specific examples of borrowing even if their overall tone was positive towards Lotus.
2. Marianne, Pete, and I felt that the real damage would come when people like Walt Mossberg and Peter Lewis started quoting the trade sources and confirming to a broader audience than reads InfoWorld that somehow 123 rel 4 was now "back". So, we sent a fairly informal letter pointing out the recent hype in the spreadsheet category, suggesting that now maybe Lotus is back in the game, but they are going to get hit pretty hard by Excel 5. The pretext for the letter was notice of Pete's upcoming visits to business press columnists.
3. A series of leaks and planted stories have actually given Excel 5 pretty high profile:
   - Starting in the spring we did a variety of press tours: programmability which focused on VBA, synergy which focused on OLE 2 and ui consistency between XL5 and T3; data access which focused on Query Tool and ODBC; and long lead time visits for the XL 5 launch.
   - I instigated a momentum release once we confirmed we were the leading spreadsheet revenue producer for trailing 12 months. This is one of the best press releases I have ever seen. Marketing and PR did a really good job--and quickly. Reuter's picked this up and covered it in their discussion of the crazy Borland pricing. Rick Sherlund privately confirmed our numbers and concurs we are the biggest spreadsheet company.
   - Both InfoWorld and PC Week have had front page stories about Excel 5 features they got from beta sites. We helped influence the stories a little bit and we got some good public speculation about Excel 5.
   - We permitted Craig Stinson to cover PivotTables in a PC Magasine article (Sept 28 issue) on multi-D spreadsheets. The Excel 5 sidebar is quite favorable and the Improv write-up is actually quite critical. He actually mentions Excel's outlining as the first example of a spreadsheet feature that deals with levels of data aggregation.
   - We sent our Excel "intellisense" white paper to IW and PC Week and both covered it. Marc Ferranti did a good job covering Tip Wizard--which several beta sites (unplanted by us) also praised. This would have been front page with a screen shot, but we also gave IW a screenshot and PC Week wouldn't give us front without an exclusive.

On balance, we did a pretty good job raining on Lotus' parade but there are several ways we should have done better. We weren't fast enough out of the blocks to influence early coverage 1-2-3 relative to Excel 4. We should have been more pro-active in influencing review criteria for first looks of competitors.. We were sort of caught between versions of Excel and weren't sure whether to bolster Excel 4 in comparisons with 123 rel 4 or start building towards Excel 5. We chose the latter. This is the first time we've been last of the three products so we have been getting up to speed on launch and long lead PR and have been

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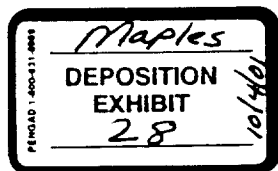
in react mode on the review criteria.   However, because most of the people writing about rel 4 and QP 5 were well aware of Excel 5 we didn't get any more of this "long in the tooth" stuff that Jeffrey Tarter was saying about Excel 4. Most reviewers pointed out areas where 1-2-3 was catching up, but they did praise version manager, designer frames, the new data query stuff, and overall improvements in usabilty and performance.

It's hard to fault the InfoWorld review of 1-2-3 rel 4 on facts. Near the beginning it does a good job citing things that came from Excel. Further on, it stops and there are lots of things where Excel is not cited as first (drawing layer, discontiguous ranges, print area not required, data entry into a range, automatic date recognition, and autoformat). In the text, Excel is cited as the overall performance winner even though the table is downright confusing.   I don't think the article has any unwarranted praise of rel 4 (except everyone gives more credit to the workgroup abilities of version manager which they must not have tried because it is incredibly hard to use with Notes and very restrictive). The only big problem is that nearly everything that is praiseworthy about 123 is also true of Excel (and more) but this doesn't come out in a piece which is about 123.

Marianne covers a lot of the same ground in her mail:

From: <MSA@or.wagged.com>
To: <microsoft!peteh>
Cc: <marthai@or.wagged.com>; <SANDRA@or.wagged.com>; <microsoft!monicah>
Subject: FW: walkenbach review of 1-2-3/4
Date: Wednesday, September 08, 1993 12:41PM

Pete, wanted to respond on your question prompted by 1-2-3/4 review in Infoworld, and "are we doing everything we can to influence these Lotus reviews." Following are my thoughts and Sandra's, who has owned the Excel review process.

As you know it is always extremely difficult to influence a competitive review when it is not being done as a comparative. However we always strive to do so. Lotus currently has a few perceptual advantages its using to its benefit 1) its finally produced a decent Windows product after slipping so badly last year, 2) it's created mindshare for Workgroup computing with both Version Manager and Notes, 3) its widely seen as the "come back" company of 1993. Another point worth noting is that Lotus currently has the newest shipping spreadsheet product on the market. Because of this, it simply has the "chronology" advantage ,which of course, it will lose in a very short time.

Second note that in our goal of having 1-2-3/4 positioned as a catchup product, editors have agreed: but they think Excel 4.0 is a great product and it is a current product so they basically believe that we are at near parity. If it were not for perceived benefit of Version Manager I think Lotus would still be perceived as behind. But editors like this. Also, there is a lingering effect of Improv which bought Lotus points for perceived "creative contribution" to SS category.

We have compiled a complete 1-2-3 Release 4.0 coverage summary ranging from news to first looks coverage. In additionSandra drafted a memo outlining the net result of the coverage and compared it to the coverage Excel 4.0 received. If you'd like a copy of this coverage summary please let me know.
  The net is:

  --Editors are not in "comparative" mode right now. They are looking at 1-2-3 as a separate experience and they flat out like it.
  --Coverage of 1-2-3 seems positive but we got much better coverage for XL 4: for instance we got 4 covers. Lotus has gotten none.
  --Only one pub (PC World) actually says it thinks 1-2-3 is better. No other editor says this.

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--Early word on XL5 is incredibly strong. The sooner the product ships the better we will feel.

What have we done?:

However, over the past 3-4 months we've worked proactively to enable the leadership position of Microsoft Excel to strongly impact Lotus coverage.
 - We provided strong leadership quotes for inclusion in the Lotus 1-2-3 announcement coverage. These quotes helped position Excel as the reigning innovative and marketshare leader. It also helped create momentum for Excel 5.0.
 - We published an Excel momentum press release which reinforced our leadership position. Stating best selling spreadsheet from June 1992-Mayl 1993, over 2 million switchers and 5 million Excel users worldwide. The contents from this release was picked up by Kiro, WSJ and Reuters. MS is now routinely referred to as the #1 SS company.
 - We brought John Walkenbach (author the 1-2-3R4 first look, InfoWorld) as well as all the other top spreadsheet writers into MS for day long "indoctrination" meetings which included; customer driven development, integration/application consistency, usability lab tour and a sneak preview of Excel 5.0. All of this took place in late May early June during the time 1-2-3R4 reviews were being laid out and written. Primary goal was to impact their opinions of 1-2-3 by getting them excited and focused on the futures of Excel 5.0 (new bar of measurement)
 - Sent all writers, editors copies of the Excel innovations fact sheet. This document highlighted all the innovations throughout the life of Excel. This enabled us to ensure Lotus didn't get credit for any undeserved innovations. We believe this document encouraged editors to use XL references in their 1-2-3 R4 reviews.
 - Long-lead Excel 5.0 product tours in mid-July to demo and position Excel 5.0 and negotiate proper timing of coverage. We also used this time to along with our experience, reputation and relationships to lend input to the proper criteria to be used in this years review cycle.

Back to the IW review: As you know Lotus publicized fact that their current review score was higher than 6.9 that XL received in comparatives. When following up with John Walkenbach after the 1-2-3 R4 review was published he revealed the process by which InfoWorld scores its reviews. First they have John make score recommendations for each test/category. Then the staff decides whether or not to take the recommendations or replace them with its own. In the case of this review 3 scores were revised. Two were performance oriented scores which are legitimate. The third was a "value" rating. John gave it a good and InfoWorld gave it a "very good." John did not agree with this particular scoring based on his own evaluation.

You will note that we complained to IW after being moved from a 9.3 to a 6.9 when they re-did criteria, but we DID win the last comparative and they thought we were jerks for complaining.

Also we know Lotus approached Infoworld and got approval to make the "higest rated ss" claim. It was granted.

One other FYI on Walkenbach: he shared his feelings regarding Microsoft Excel: He loves VBA, thinks its very powerful yet easy to work with. Thinks Excel 5.0 will "blow" the competition away in any/all comparative reviews.

Let me know if there is more information I can supply.

From: Bill Gates
To: Lewis Levin
Cc: Mike Maples; Pete Higgins

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Subject: Infoworld 1-2-3 Release 4 review
Date: Sunday, September 12, 1993 4:10AM

What is the story on this? I havent seen it or any mail on it except the lotus press release.

Did they really beat the current version of Excel?

I am amazed at how we have let size/speed stuff and other uniqueness of Excel be ignored by the press more and more.