To: FY95 WWSMM Attendees
From: Brad Chase
Date: April 4, 1994
Subject: **Desktop Operating Systems Mission**

Executive Summary

FY'95 is the year of Chicago in the Personal Operating Systems Division. Our success will be entirely defined by how well we do in introducing this product. The challenges we face, and the efforts required by various groups, are summarized as follows:

Estimated revenue summary by Region	FY95/million USD	FY96/million USD
US	225	105
International	360	162

	Key Chicago Launch Tasks	Key Target	Key competitive tasks
Product Marketing	• Clear, compelling positioning • Control PR messages/ get positive reviews • • Innovative tactics to attack the consumer market	• 15% pentration of the Windows installed base in the first 6 months, 20% in the first 12 months	• Hammer home the lack of long term viability for OS/2 • Remove need for middleware
OEM	• OEMs shipping Chicago on day one	• Incremental royalties over today's MS-DOS/Win 3.1 rates	• Cut off counterfeit • No OEM wins for PNW, DR DOS, PC-DOS or OS/2
End User/ Reseller	• Broad distribution • Broad Direct Mail coverage at minimum cost	• 70% of upgrade targets sold within 3 months of launch[1]	• No shelf space for OS/2 or Personal NetWare/NDOS 7
Organizational			
Large Account Sales	• Lay early groundwork for positive evaluation	• Chicago wins in 25% of large Windows accounts within 12 months	• Use EMS, NT and Chicago to keep Notes at bay
Medium and Small account sales	• Build a Chicago business case for SPs	• Entire SP channel trained and armed before launch	• Use WfW/Chicago as entre with Novell VAR's
DRG	• Chicago-exploitive versions of major apps	• 50% of the top 100 apps by 90 days after launch	• Notes • Appware • OS/2

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[1] We need to ensure that each subsidiary has sufficient demand generation plans to avoid subsequent returns of product as in previous launches. We should not indiscriminately sell in product just to meet this goal.

PSS	• Trained MS and 3rd party engineers at launch.	• No deterioration from current service levels.	• Keep customers happy on electronic forums

Product packaging strategy

Chicago Packaging

Chicago packaging strategy defines only one version of Windows with a simple, compelling positioning. OEM and retail Chicago are the same bits. However, we are working on a "Frosting" product which is inspired by the strong success of the Font Pack that was offered along with Windows 3.1 and will represent our effort to upsell people that are buying the Chicago upgrade with an extra set of bits that enhance the Chicago product and represent an impulse purchase.[2]

The SKU's implied by this are shown below:

SKU	Who it's for	Approx Street Price	Comments
Floppy Disk Upgrade	Customers running any version of Windows	$99US	Current thinking has it around 10 disks
CD Upgrade	Same as above	Same as floppy	Will include all drivers as well as some extra bits that are not yet determined.
Floppy FPP	Customers running MS-DOS, OS/2, or Novell DOS	$200	Not a bootable product, but will upgrade customers at left. This will be a low volume SKU.
Floppy "frosting"	Anyone buying chicago	$49	Content still under discussion.

Marketing Strategy

Short Term (pre-Chicago)

Desktop OS marketing strategies before Chicago ships are:

- WfW: Position as WfW as the "next release" of Windows, "Win 3.2 in all but name" with focus on speed. This has been done with notable success in Canada, U.K. and Nordic. Worldwide sell-through for WfW in December and January was over half a million retail units. The January numbers eclipsed Windows 3.1 which also had it's strongest month in the last half a year.
- Windows NT: As a desktop OS, position towards the high-end, workstation market as a Unix-like competitor and as a platform for mission-critical application development
- MS-DOS: In the short term we must respond to the US court ruling by revving MS-DOS to version 6.21 in the United States. All other countries will continue to ship MS-DOS 6.2 as is until further notice. In the US, MS-DOS 6.21 will ship within a couple of weeks without any compression in the product. We are examining our compression options. If we find one that we believe is not infringing, we will rev to MS-DOS 6.22 around the world and will immediately sticker the 6.21 boxes in the US and include a coupon for a free update to that release. We are hoping that a 6.22 product with new compression could be released by the end of FY'94.

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[2] We may move some features targeted at administrators into the Resource Kit.

Chicago time-frame

Customer Segments/Sales Strategies

Customer Segment	Segment Description	Sales Strategy
Opinion Leaders	Press and highly influential users, such as beta or early experience testers, and those active on electronic forums.	Use traditional PR tactics and new "information highway"-based tactics to create a buzz and build pre-launch momentum.
"First Wave" (Traditional Upgraders)	Defined as users who typically upgrade their operating system; about 20% of all users.	Create a sense of "coolness" through pre-launch coverage in the trade press.
"Next Wave" (Non-traditional upgraders)	Defined as users who buy software and have purchase influence but typically do not upgrade their operating system; about 40% of all users.	Use non-traditional vehicles, channels, bundles and big ideas to reach deep into the installed base of Windows users.
Small/Med Organizations	Any organization that has a "one-to-many" buying pattern but does not have direct contact with the MS field sales force.	Attack through the Solution Providers network.
Large Organizations	Those companies, governments and universities in direct contact with the MS field sales force.	Do an "Early Experience" release of Chicago within 3-4 months of official RTM to large organizations and other influential people that are more equipped to handle rough edges on the product. Use this first release to address last minute issues and make Chicago feel like a 1.1 release out of the gates.
VAR's/SP's	Especially good customer for Chicago due to improved connectivity and manageablility.	Train them and explain how they can make money with Chicago
OEM's	Any manufacturer whose business model necessitates bundling Windows.	Build demand for Chicago by convincing OEM's to invest in PnP hardware and systems design before Chicago launches.
Developers	Commercial vendors and in-house authors of Windows applications.	Get 32-bit apps at launch . Smother with information, create a sense of inevitability of success, and provide clear direction on how best to exploit new services in Windows.

Communication Methods

- Positioning: Current thinking is that the overall positioning statement for Chicago is

"Windows Chicago makes the possibilities of computing easier for everyone."

Support points will feature heavy emphasis on:

1. Easy (to learn, use, manage, connect, etc)
2. Protect your investment (absolute compatibility, runs on today's h/w, easy transition [progman/fileman retained])
3. More productive/more power/faster: Some point related to the 32-bitness, multi-tasking, etc of the system.

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We will be doing more testing over the coming weeks to validate the overall statement and flesh out the support points.

- Naming/Logo: We are leaning towards Windows'95 as the name at present with Windows 4.0 being the other leading candidate. The logo will likely be fairly similar to the current logo, but will include the new name below and will likely say "Designed for Windows 95" on the logo given out to OEM's/ISV's/etc.
- Advertising: Unnecessary for the First Wave, although expected to be tested in a larger and more expensive role in Second Wave communications.
- Other communication methods (Direct mail, collateral, point of sale, etc.): Not expected to play a major role except in specific targeted marketing efforts

PR Strategy

As always, PR will be the most important communications tactic for all customer segments. We have the following key objectives:

⇒ Drive proactive packaging of messages to the weeklies;
⇒ Organize and deliver information on key Chicago technologies (Plug and Play, Networking, Manageability, Ease of Use, Compatibility/Investment protection, Architecture/plumbing, Information Exchange, Multimedia, Mobile) for publication by the monthly press;
⇒ Proactively communicate product positioning points versus the competition;
⇒ Overcome objections of the analyst community and turn them into Chicago advocates;
⇒ Design a clever Next Wave campaign that gets Chicago covered in non-traditional press and other PR vehicles;
⇒ Use tradeshows/events to make major announcements and convey momentum for Chicago.

Marketing Spending

PSG marketing efforts have always relied heavily on PR. The biggest change in the PSG marketing model is a shift to a more intensive appeal to the Next Wave. Market research indicates that awareness is a huge problem in the Next Wave, and we have failed to date to devise an inexpensive yet effective way to speak to them. Should we decide to use tactics such as advertising and event marketing, the cost of marketing would increase.

Support

Major support issues are:

- Launch staffing levels: The lesson from MS-DOS 6 is that packed PSS lines fuel the perception of product problems and create frustrated, vocal customers. The old PSS model of staffing to 80% of peak demand is too risky with high-volume, high-visibility products. In the future we will staff to 100% of peak demand, but consider ways to level support requirements such as a staged rollout of the product.
- Launch resources: Inital forecasts indicate that Chicago may require as many as 800 additional technicians in the U.S.; flexible outsourcing of product support is an inevitability. Obviously, lots of creative thought needed here.
- Third party support: Solution providers and other third party support providers will be trained to support future releases.

Distribution Strategy

- Breadth: Target Chicago breadth is 20K outlets in the U.S. as compared to the MS-DOS 6 Upgrade, which hit a Microsoft-record 13K outlets at launch. Potential channels include video and record stores.
- International: Spend more time helping the subs achieve distribution objectives.
- Leverage: Use partners to create inexpensive, incremental breadth. Example: DOS for Dummies got us a new channel (bookstores) and resulted in 1,000 incremental outlets in the U.S. at almost no cost
- CD: Chicago may be first test of distributing encrypted bits on CD
- OEM: Use OEM's as a vehicle for distributing the CD containing encrypted bits
- On-line: Could be used to deliver patches and small step-up products

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Packaging/Licensing Model

In addtion to the alternatives dicussed in the "Product Stategy":

- CD-only sku: Options are a CD-only sku or including a CD in all floppy sku's. CD-only sku's have not done well to date. However, since the cogs savings are so large, our goal is to make the CD sku so appealing that no CD-ROM drive owner will buy the floppy sku. For example, the CD-only sku would include printed documentation, come in the same size package as the floppy sku, and include extra bits. Another alternative is to charge more for the floppy sku.
- "Highest and best use": We are currently exploring the best use for the remaining space on the CD sku: Encrypted MS products such as Consumer or Office, multimedia clips to encourage purchase of the CD sku, on-line documentation, catalogue selling, etc.
- Resource Kit: May be used to offload corporate features to save on cogs in the floppy sku

Programs and Initiatives

Aside from marketing and PR, the major programs under consideration include:

- Early evaluators: Seed huge numbers (250K in the U.S.) of final beta units to build momentum, squelch the perception of a .0 release, and prepare for the support burden of the full scale launch.
- Major Ad campaigns targeted at Next Wave awareness and also for tactical purposes such as to reward hardware and software vendor support around launch.
- Large scale promotions with companies we may not have previously been affiliated with (MTV, AT&T, MCI, Sony???)
- Information highway marketing: Use the information highway to create a building buzz on Chicago (we are setting up an internet infoserver called Voice of Microsoft)

Competitive Marketing Strategies

OS/2

- Push, Push, Push OEMs to ship Chicago and not just license it
- Position as a Windows utility and a dead-end
- Focus, focus, focus on driving ISVs to Win32
- Conduct thorough technical analysis of all OS/2 product releases
- Aggressively publicize product incompatibilites, present and future, and other shortcomings via PR and the information highway
- ISV support for Microsoft's object strategy to counter OpenDoc, DSOM.

Novell

- Provide great Microsoft Netware client to keep Novell client off the desktops and demonstrate to customers that we want to work with Netware.
- Position Personal Netware as not adding any value over the Netware 4.0 client.
- Position DR DOS as "as incompatible as ever".
- Conduct thorough technical analysis of all product releases.
- Aggressively publicize product incompatibilites, present and future, and other shortcomings via PR and the information highway
- Aggressively communicate Microsoft's object story to fight AppWare.

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Apple

- Position Mac System as an OS past its prime and losing ISV momentum
- Neutralize Apple's remaining ease-of-use advantage - "They still do some things easier, but unlike the past, now we do some things easier." Highlight the button as an ease-of-use innovation.
- However, avoid getting into an ease-of-use battle with Apple
- Get ISV's to adopt OLE2 to counter OpenDoc

Key success factors

- A Chicago that delivers performance, stability, compatibility, and features that work as promised
- OEM's adopt Chicago quickly
- Clear, consistent, compelling positioning. Unified messages from Microsoft.
- Chicago-exploitive software(Win32/OLE2) and hardware(PnP)
- Positive PR and reviews, positive word of mouth from beta testers and corporate evaluators.
- Increased awareness among the Next Wave group of users.

Priorities and Deliverables

Clearly this plan details more activities than some subsidiaries will be able to execute. The priorities that we feel every subsidiary needs to focus on are:

- Implementing the PR and, to the extent possible, the beta plans ahead of the launch to generate awareness and interest
- Ensure that OEM commitments and pre-installations are secured in your market
- Upgrade the "First Wave" using direct mail and any of the other tactics we provide
- Reach the distribution targets for your market.

What you can expect from corporate and when are detailed below:

Item	Status
• Business Plans	First drafts have been delivered to sub PM's. Final plans will be available by M6
• PR Messages and responses	Ongoing
• Marketing materials (Reviewer's guide, whitepapers, demo scripts, etc)	Some on server now. Others rolling out over coming months.
• Product training	Before M6 releases (April/May)
• Subsidiary planning template	When product training delivered
• Product Positioning and support points	??
• BOM's/SKU's/Mfg details	Ongoing
• New int'l ODK release process to address timing issues	
• Help with planning as needed/requested	Ongoing

What we need from you:

Item	Status
• 1st draft Chicago forecasts	3/28 (done)
• Feeback on business plans/positioning/naming, etc	Ongoing
• PM's in subs have the resources and support they need (GM assistance, field attention, etc)	Ongoing