Product Plan: Microsoft Office

To: Pete Higgins, Hank Vigil, Robbie Bach, Mark Kroese, Mary Engstrom
From: Kathleen Schoenfelder, Dean Hachomovich, Dave Malcolm
cc: Chris Graham, Philippe Goetschel
Re: Microsoft Office Product Plan v 0.1
Date: 10-Feb-93

The Microsoft Office has grown significantly in importance in the past year. With the advent of increased suite sales, the next releases of Microsoft Office represent significant opportunities to deliver superior interoperability and additional functionality. The rough draft that follows represents preliminary product plans for the next three releases. We welcome your input and feedback.

CURRENT SITUATION

Market Situation

Over the past several years the software market has undergone a consolidation. Nearly 90% of the Windows and Macintosh software market is controlled by four main competitors: Microsoft, Lotus, Borland and WordPerfect. During this time, the dominant software platform has transitioned from DOS to Windows. For the first time in May 1992, the SPA reported that the revenues for Windows software surpassed that of DOS.

These trends have created several opportunities:

- The paradigm shift has provided a foothold for Microsoft to become the dominant applications vendor in most major categories for Windows and the Macintosh. Upgrades have grown to approximately 30% of most applications unit sales and will continue as the majority of the market moves from DOS to Windows. Customers migrating to Windows often replace their existing applications by choosing the Microsoft Office. Recent research indicates that 80% of Office purchasers qualified for at least one single-app upgrade.
- Customers are beginning to use multiple applications and are beginning to demand that their applications work well together. The average number of applications per Windows and Mac desktops has grown to over 7. In addition, sales of Office have increased from 20% to more than 40% of Word and Excel's business.
- Category growth has been almost exclusively attributed to Windows applications. Overall revenues for Windows applications has doubled in the last year to nearly $200m per month WW. New category niches are being introduced as information, communications, and consumer electronic technologies collide.

As a product, the Office now accounts for 40% of Word and Excel's business and we expect it to increase to as much as 60% by the end of FY 93. FY 93 forcasted sales for Office for Windows (both full packaged product and Upgrades) are 525k units and $180mm in revenues in the U.S. alone. As Office becomes the predominant way in which customers purchase Microsoft applications, we need to develop a broader view of Office and the opportunity it presents. This plan will address some of the most significant challenges and issues.

Competition

Lotus

Lotus is Microsoft's most significant competitor across several software segments, with revenues of $XXXmm in FY 1991. Historically, Lotus has been a single product company, dominating spreadsheets with its DOS version of Lotus 1-2-3. But in the last three years the company has aquired, or contracted outside resources to create, Ami Pro (Word Processing), Freelance Graphics (Presentation Graphics), cc:Mail (Electronic Mail), and Notes (Groupware) to market an entire suite of desktop applications. The company has re-defined its strategic direction to focus on "Working Together"--a combination of product compatibility and groupware emphasis.

Lotus Smart Suite is the only direct competitor to Microsoft Office. Since its introduction in April 1992, Smart Suite has been aggressively marketed through pricing promotions and awareness advertising/direct mail. However, it has not yet gained a signficant share of the market except within corporate accounts that have a strong commitment to Lotus. In CY 92, Smart Suite sales were $40mm worldwide, approximately 12% of that of Office. Most recently, Lotus has begun to tie its sales of Smart Suite to the success of Notes.

Lotus Strengths	Lotus Weaknesses
• groupware/technology leadership • industry alliances--Novell, IBM, Apple • large DOS installed base • broad product line • recently refocused/restructured resources for marketing push • strong name recognition in applications	• lack of strong presence on Windows • incomplete line (no database) • fragmented product line (multiple spreadsheet versions, email) • lack of applications available for the Macintosh • financial resources

Borland

Borland is an extremely important competitor, both from their increasing strength in the PC tools market as well as their dominance of the database market (65% share). Borland's three main business units are spreadsheets (Quattro Pro), databases (dBase, Paradox, SQL Link and ObjectVision) and PC tools (Turbo C and Pascal, Borland C, C++, Basic and Assembler). Borland's acquisition of Ashton Tate makes them the third largest PC software developer with approximately $510 million in revenues.

Borland has become an aggressive software marketer in the last few years, especially in direct marketing. They have recently announced their corporate identity as The Data Company. Their products directly compete with Microsoft in the area of data management. Most notably, the company's financial stability is directly dependent on its success in databases and spreadsheets. They are technically strong and are well-regarded both within the industry and by customers.

Borland has not offered product bundles to compete with Office, except informally with WordPerfect. However, in January they announced a QPro/Pdox bundle that offers upgraders both products for $199 SRP.

Borland Strengths	Borland Weaknesses
• high customer/developer satisfaction • frequent product updates/technology leadership • installed base of ~5mm xbase users • perceived experts in languages, development tools • direct marketing expertise/aggressive pricing	• domestic channel resistance • lack of complete applications line--no WP • weak international presence • not perceived as a windows leader • unclear product futures/confusion from acquisition • low corporate presence

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	• financially weak

WordPerfect

WordPerfect recently went public with initial reported sales of $450mm. Although the majority of their revenue is generated by word processing, they also have several other products including an integrated software package (WordPerfect Works), a presentations program (PresentationPerfect) and workgroup applications (WordPerfect Office). WordPerfect has enjoyed the dominant share of DOS word processing--the largest software segment--since their founding. The company has gained a loyal following through their personal marketing approach and focus on customer satisfaction.

WordPerfect Strengths	WordPerfect Weaknesses
• installed base • extremely high customer satisfaction and product support • strong name recognition in applications • focused resources • cross-platform offerings	• weak windows presence • incomplete product line- No SS or DB • weak international presence

OFFICE PRODUCT STRATEGY

Office Product Objectives

1)	To increase the number of Microsoft applications per desktop and lock out competitors from gaining a foothold in various categories
2)	To increase the perceived value of Microsoft applications by providing enhanced capabilities via interoperability
3)	*To provide an opportunistic environment to introduce new software or capabilities to the* desktop

Microsoft Office Content

Office contents

Office Classic

The version of Office currently shipping is v3.0 and includes Word 2.0, Excel 4.0, PowerPoint 3.0, Mail 3.2 and a unified setup.

Extended Edition

The 'extended' edition of the Microsoft Office will include the above products plus Access v1.1. It is planned to release concurrently with T3 in July.

Smart Suite contents

Lotus Smart Suite contains Lotus 1-2-3, Ami Pro, Freelance Graphics, a cc:Mail client, and The Organizer (a recently acquired PIM that is being redesigned for group use).

Product Release Schedule

Microsoft Product Releases

Due to the importance of Office as a product SKU, it is becoming critical that we ship new *versions simultaneously with release of the application's full packaged product.*

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Product	Q1 FY 94	Q2 FY 94	Q3 FY 94	Q4 FY 94
Word 6.0	6/19/93			
Excel 5.0		9/20/93		
Access 2.0		10/20/93		
PowerPoint 4.0		11/20/93		
Office v3.5	**6/19/93**			
Office v4.0		**10/20/93**		
Office v5.0			**1/20/94**	

Competitive Product Releases

During Q1 and Q2 of FY 94, there will be a number of new releases both by Microsoft and our competitors. It is likely that Lotus will ship products that support OLE 2.0 prior to the release of Microsoft applications and Lotus is already touting its unified programming language, LotusScript. Both these advances threaten to diminish Microsoft's leadership in application integration.

Product	Q1 FY 94	Q2 FY 94	Q3 FY 94	Q4 FY 94
WordPerfect	DOS v6.0	W v6.0		
Lotus 1-2-3	W v2.0 - July			
Ami Pro	v4.0 - August			
Notes				
Quattro Pro	W			

Key Product Release Goals

Microsoft Office is the desktop solution for making it easier to use applications together. Versions 3.5 thru 4.5 will continue to focus on making it even easier to use applications together in three key ways

- the synergy between the applications will increase, both in terms of applications similarity as well as making cross-applications tasks easier
- the applications will become more modular, share more resources and become a single, unified environment on the desktop
- the product will begin to deliver on a broader definition of an "Office environment", delivering key enhancements to make it easier for users to interact in an office setting and exploit other technology/communication advances

Office v3.5

The most important goal of the v3.5 release is to to make Office not just a product bundle, but an integrated working environment for the user. During this time, Microsoft will begin to promote our applications synergy, but will not be able to demonstrate the benefits until the release of Excel 5.0. In the interim, we will begin to create a unified desktop model by improving Office setup experience and resulting workspace. This will also result in bringing common resources to the forefront (spelling, fonts, clipart) and will help the user to better utilize these functions and recognize the benefits of an integrated environment.

The second goal is to enhance the integration between Access and the other products in the Office. The most marketable "feature enhancement" in v3.5 will be the addition of another Office SKU that includes Access. However, until the v2.0 release of Access, the product will look and feel distinct from the other apps. By providing wizards for cross-app functions we can circumvent existing integration deficiencies and improve the value of the products.

Feature Priorities

Integrated Setup/environment

- UI gives a clean experience. Importance of initial feel.
- Uninstall works and is obvious to the user.

- Configurable by components: the user can easily choose between functionality and hard disk space.
- Results in a information-centric workspace.
- Fix broken things in existing setup config (eg dictionary fixer for upgraders other than Word).

Features to Integrate Access

- Mainly Cue Cards, perhaps Wizards: Mail merge to Word, interchange with Excel Value adds (Details TBD)

Improve everyday experience

- Tactical templates
- Tip-a-day feature (follow Word's lead; make it cross-app)
- Emphasize "Shared Resources" (eg fonts, applets) as Office assets
- ClipArt Browser: InsertClipArt, launches applet that will just insert picture but the UI is optimized for browsing and previewing the ClipArt. Developed in the Consumer Division, currently approaching RTM,
- Font Assistant: the FontPak group has approached us about bundling fonts and utilities to manage font sets that we can fine tune for Office, as well as T3 AutoFormat templates. We are working out details.

Office v4.0

By the release of Office v4.0 with Excel 5.0, Microsoft will be able to deliver on many of the promises of application synergy. For this release, it will be critical that Office emphasize existing product similarities as well as develop extended integrated features. The release of Office in October will also give us adequate time to develop product functions such as cross-app workbooks, wizards and cue cards. During this product cycle, we will capture a large number of new users through cross-selling and upgrading, making it also important to focus on the initial product experience and enhancing the learning of cross-app functions.

Feature Priorities:

Integration/Interoperability (Synergy)

- OLE templates (pre-wrapped compound documents) and the compund document construction wizard: builds the most common compound documents for the user.
- Cross-app workbook (allows the user to mix document types into one handy package)
- Taking data between a Ppt presentation and a Word doc trivially.
- Automation: VBA Cue Cards to help users build VBA solutions

Training/Initial usage

- Office-specific documentation: cross-app online doc, CBT, manual

Workgroup

- Totally TBD.

Office v4.5

By the release of Office v4.5 (PowerPoint, Access?) in 1/94, Microsoft Office will have set the standard in application synergy. It will then become important to extend the concept of the Office environment to include everyday tasks as well as support of developing technologies such as telephony.

Feature Priorities:

Expand Office Environment

- "Post-it" screen saver
- Telephony: phone dial-up, modem, etc.

Interoperability (Synergy)

- Tactical templates

Chicago Office

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- Doc Manager is ready

MICROSOFT OFFICE MARKETING

Business Objectives

Retain 85% market share in the 'suite' category
Grow to 60% of Word and Excel's average runrate
Expand distribution to 1900 reseller sites
Increase awareness
Cross-sell

Positioning

Customer Needs

- Products that are easy to learn, use and support.
- An easy/safe choice that provides a complete set of functions.
- High quality products that will not be an investment dead-end.
- Products that work together to support varied tasks.
- Products that allow you to share information and support your workgroup process.
- A solution that will continue to grow or can be modified to accomodate your needs.
- Easy transition from what they use now.

Key Product Attributes

- Easy: Works the way you do/Focus on information, not the tool
- One package: Complete/Value/Solution
- Integrated: Work together/Compatible
- Consistent: Similar/Familiar
- Power: Sum is greater than the parts
- Best: Leading/Popular

Office Sales Architecture

End user productivity

- Ease of use = Usability
- Product synergy

Information as an asset

- Access to data
- Workgroup productivity
- Building solutions

Managing technology

- Migration/Coexistence
- Minimizing risk

Positioning Statement

Microsoft Office is four easy-to-use (leading) programs designed together to add up to one powerful (integrated, the leading) business solution.

Key Messages

1) Office consists of four easy/popular applications

- Word, Excel, PPT's shipments and revenues on the Mac/Win platforms are highest
- Word, Excel, PPT's reviews and awards
- Word, Excel, PPT's customer-driven development (ABP, Usability, IV, etc.)
- *Office is the most popular desktop solution* (Reseller hot lists, etc.)

2) The products in Office were designed together

- Microsoft has a broad line of applications, shared technology and expertise (IDG)
- The applications have a similar look, using the same commands, menu bars, dialog boxes, etc.

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- Easy to use together, easier to learn once you've learned one (Usability for app synergy, customer case studies, etc.)

3) Together, they add up to one integrated solution

- Easy to share text, data and graphics (OLE support, integrated product features)
  - Allows you to focus on the information, not the tool
- Product share functions and tools (unified spell checking, OLE automation, modular, etc.)
- Multiple applications work more the way you do (changing usage patterns, etc.)

Target Audience

Marketing Strategies

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