Please review & comment

Thanks

Smith

To: Brad Silverberg, Steve Ballmer, Rich Abel
From: Jonathan Roberts
Re: 2nd Half FY 91 Marketing Plan
Cc: List

Executive Summary

Status

Windows 3.0 has enjoyed phenomenal world wide sales (World Wide Sales exceed 2 million units), strong ongoing PR in both the trade and business press, and has achieved unprecedented awareness among general business users and extensive trial among influential end users. Windows 3.0 has also achieved broad support from both OEMs, with over 50 licenses, and ISVs, with every major vendor committed to the platform.

Despite Windows 3.0 success, there are a few product obstacles that are preventing wide scale adoption with in corporations. The lack of immediate application support from Lotus and WordPerfect and a good Windows data base are the biggest obstacles preventing wide scale migration to Windows. The Summer release of Lotus for Windows and Spring release of WordPerfect for Windows will address this. Both releases validate the Windows environment, and the Windows marketing team will work to ensure that we get the maximum PR value out of their release.

Users are also waiting to fully adopt or recommend Windows because they are having problems with UAEs, Networks, performance on 286 machines, hardware configuration and installation difficulties, and an in ability to effectively run DOS apps under Windows. Until users feel comfortable with Windows and are able to resolve all of their product difficulties, they will not recommend it, nor will they be able to adopt it as a standard within their work groups.

Marketing Objectives

Our 2nd half FY 91 marketing programs target two broad audiences. The first, are current Windows 3.0 owners. As discussed above, a significant portion of them have not successfully adopted Windows as their fulltime operating environment and are not completely comfortable recommending it. Non Windows owners are our second audience. This group still needs to be introduced to Windows and most often Graphical Interfaces in general. Our most important marketing objective is to address the product and support issues of our current product owners, since their recommendation of Windows is our greatest marketing asset. Our second marketing objective is to continue to encourage new users to try Windows.

Summary of objectives:
-solve early adopter problems
-work with them to adopt Windows as their fulltime work environment
-get them to recommend Windows.
-continue to grow the market and encourage market momentum (including leveraging Word Perfect and Lotus announcements)

Strategies and Tactics

In order to achieve these marketing objectives, we will execute the following programs and strategies.

Provide depth information to current owners

In March we will launch a direct mail program targeting Windows 3.0 owners. The direct mail piece will answer commonly asked Windows questions, provide users an opportunity to attend a technical workshop, and gives users an opportunity to purchase additional technical information for cost of materials. This mailing and associated programs will go a long ways towards addressing the adoption issues listed above.

Executive Summary

Deepen understanding of environment and reach new users
PR, with an emphasis on testimonials, will help deepen users understanding of how to migrate to Windows. Ongoing PR in the business press will also reach new users and expand awareness of Windows.

Deepen understand of environment and address adoption obstacles
Windows World in May, which includes many technical tracks, will also deepen the market's understanding of Windows and the steps involved in migrating from DOS.

Reach educate market on breadth of Windows Applications and reach new users
Windows Discovery Fairs, which will run from May through October, will introduce Windows to general business users who have not yet purchased it.

Sales Objectives

In the U.S., Microsoft sold approximately 700,000 copies of Windows and the OEMs distributed roughly 280,000 additional units. In the second half of FY 91 we expect that Microsoft will sell nearly 400,000 units and distribute 600,000 units through OEM bundles.

Unit shipments(000)	1H FY91	FY91 Proj
Retail	360	250
Update	190	40
Mouse	150	100
OEM	280	600
TOTAL:	980	990

Market and Competition

Inertia: we're currently on only 4% of the installed base 286/386 and have about a 20% runrate on new 286/386 machines sold. Moving people, who are content with their DOS Apps, over to Windows is our greatest challenge. Unlike other applications, Windows has no direct competition. There is no other product which runs on DOS, thus allowing an easy migration to a graphical interface, and is supported by a wide base of applications. GeoDos is the closest direct competitor yet to emerge. Nevertheless, are primary focus should not be on alternative GUIs, but on converting the mass of fairly apathetic DOS users over to Windows. Other competition is:

-GeoDOS: runs better on 8088 and 1mg 286 machines. The most immediate impact of GeoDos is that it has captured the imagination of the press and is causing reviewers to question the relative performance of Windows. In short, GeoDOS has become a distraction.

If GeoDOS gets application support and OEM bundles, we could lose share to them in small and medium size businesses, the home market, and in education, where there is a high percentage of 286 and lower machines and few standards. If mainstream applications write to GeoDOS, or GeoDOS is acquired by a large software company, we are also vulnerable in large business where 8088 and 286 machines represent upwards to half of all PCs.

-Apple Macintosh: the new $1,000 Macintosh Classic is comparable to a 286/VGA with 2MB of RAM. With this machine Apple will most likely reverse they're slip in overall market share, however it is doubtful they will seriously impact Windows sales.
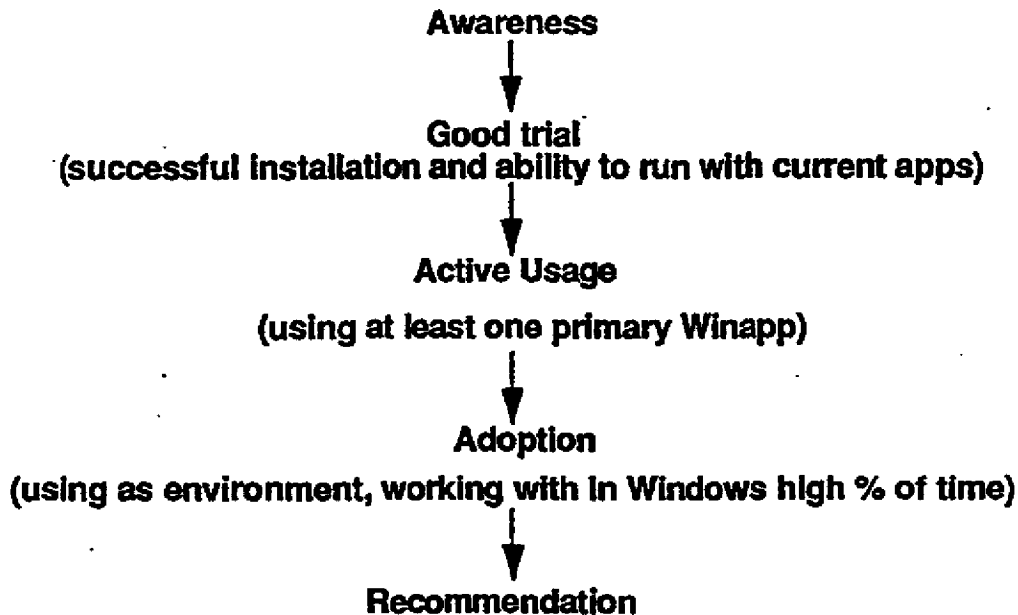
-DesqView: far superior DOS App task switcher than is Windows. Despite very aggressive advertising, QuarterDeck has been unable to blunt Windows momentum. They have lost the strategic battle, Windows is perceived to be the application for the future. DesqView will most likely lose share as Windows adoption increases.

Strategy and Positioning

A principle part of our strategy is to encourage influential end users to recommend Windows. With most users of software there is very little ripple affect once they adopt a product. They simply use the software to complete their daily tasks. Influential End Users, however, go one step further, and actively recommend a package once they have adopted it. Again, positive Word of Mouth among IEUs is a software products greatest marketing asset.

Market research indicates that a large percentage of the initial purchasers of Windows are "power users", and play a role in recommending software with in their work group. Consequently, by turning our current Windows 3.0 owners into active recommenders of Windows, we have a great opportunity to substantially impact our market momentum. Our strategy is to move Windows Influential End Users down the "adoption cycle" shown below. The Adoption Cycle gives us good insight into the steps a user has to go through before they can recommend Windows and it provides us with useful a paradigm by which we can focus and measure our marketing programs.

Awareness

Good trial
(successful installation and ability to run with current apps)

Active Usage

(using at least one primary Winapp)

Adoption

(using as environment, working with in Windows high % of time)

Recommendation

In most software adoption cycles there are the following steps: awareness, consideration, trial, and then purchase. Because of the low price point of Windows, once somebody is aware and has considered purchasing Windows, they generally just buy it. Consideration and pre-purchase trial play a much smaller role with Windows than they do with other more expensive packages.

After people are aware of Windows and have purchased it, the next step of the adoption cycle is to ensure that they can get Windows installed and running on their machine. Currently, people are encountering difficulty in installing Windows, particularly on non standard configurations, and a great many are having difficulty running their DOS applications under Windows. Improvements in 3.1 and more resources in PSS will go a long way towards making this easier. In the near term, we plan to provide people with more information on PIF files and other tips and tricks through a direct mail campaign.

The next step in the adoption cycle is active usage of Windows, or using Windows with a Windows Applications. As mentioned in the competitive overview, if people simply wanted to switch back and forth between DOS apps, they would be better served with DesqView. The real benefits of Windows are realized when using it with Windows Applications. Our advertising and in box Applications catalog all encourage people to use Windows Applications.

Finally, once somebody is using Windows with a Windows App, we need to seduce them into working with in Windows the majority of the time by encouraging them to use more Windows Apps and helping them to work with their existing apps. The more time users spend working with Windows, the more they will like it, and the more likely they are to recommend it. If we do not succeed in encouraging people to use Windows as an environment, Windows will continue to be a niche product and will not obtain the dominate market share 386 based machines that it deserves.

Positioning

When we launched Windows, our positioning was that "Windows instantly transforms the way you use your PC". Since the launch we've modified our positioning so that it focuses more on the benefits of moving to Windows and minimizes the perception of radical change. Our new positioning is:

Windows gives you easy access to power
-Easy to use interface.
-Great output is easy
-Easy to use multiple applications
-Easy migration from DOS.

Programs

Advertising
Audience: Influential End Users
Objective: Deepen understanding of Windows benefits

A new Windows 3.0 Ad which communicates the benefits of working in Windows and highlights the easy migration to from DOS will begin running in the January weeklies and February monthlies.

An additional 3.1 product announcement ad will be developed in February. The ad will overview enhanced features and stability enhancements (in a subtle way) of 3.1.

Resource Required:
Product Management to establish ad objectives and review creative and copy.

Distribution
Audience: resellers
Objective: maintain breadth of distribution and increase market presence with resellers who recommend product and influence purchase.

With in the channel, Windows will concentrate on programs that increase sales in three channel segments, totalling approximately 2000 outlets:

Egghead and Superstores
USSMD field will work with accounts on securing depth stocking and category displays.

Corporate Acct resellers
Marketing funds will be used to promote the Windows line, and purchase evaluation units of Windows and Microsoft Windows Applications.

Outbound Indirect Channel
From February to June we will target 1650 hardware resellers who concentrate on selling hardware and software solutions to small and medium business. Unlike most resellers who primarily fill orders, hardware resellers are responsible for hardware and software solutions to their clients. Like Influential End Users, the these resellers need to be stepped through the Adoption Cycle. Converting these resellers to Windows advocates represents a huge opportunity for Microsoft. They account for approximately 45% of USSMD total sales, however Microsoft software is only on 10% of the machines they sell.

They will be provided with incentives to stock Microsoft Windows and Applications, provided with evaluation copies of our software, and given a high degree of technical support.

Required Windows Marketing Resources
The Windows Marketing Team needs to provide Adoption Kits, personnel, and materials for a series of Technical Workshops in the Spring.

Corporate Account Programs
Audience: Microsoft's 300 named accounts
Objective: Provide a high level of support and identify and resolve account specific obstacles.

Transition Team

Three members of the Windows Transition team will continue to focus on identifying and resolving corporate account product issues.

Resource:
3 fulltime members

Support Coordinator Program

This program targets key support people (MIS or IC professionals) within our Named Accounts for special support. Their primary need is access to up-to-date technical and support information. With in nine months we expect to have at every large customer site, Support Coordinators will receive. option Kits; CD-ROM with knowledgebase, Application Notes, Press Releases, etc; product evaluation copies, special PSS support; regular technical workshops

Resource:
Transition Team is responsible for producing technical material and providing technical workshops.

Direct Mail

Audience: Windows owners, both corporate and individuals.

Objective: Provide the technical information necessary to successfully adopt Windows.

In late March, Microsoft will launch a substantial direct mail campaign targeting Windows owners. The purpose of the campaign is to answer commonly asked questions, offer more technical materials, and give users an opportunity to attend a technical workshop.

Resource needed:
dedicated transteam member to create adoption kit; 50% of product marketers time to coordinate telesales, corpcom, and O and M creative teams; and four Transition team members to provide technical workshops.

Education

Audience: Primary audience during this period are faculty members in higher education

Objectives: Encourage education specific software development. This will promote active usage in education accounts.

To succeed with Windows in the education market it is important to focus on two areas: 1) generating end user demand by working with OEMs, USSMD education sales force, and campus bookstores; 2) generating education specific software written by and for faculty members. Educational software give faculty members a reason to move Windows personal use, research and within their labs and classrooms. Since end user sales in the educational market occur mostly in the Fall timeframe, the spring promotion will concentrate on encouraging faculty members to write Windows applications.

Specifically, we will launch a direct mail campaign in February offering Windows 3.0, the Windows SDK, C6, and Petzold's Programming Windows book. Proposed price for this offer is $309. This is a $110 discount off of standard pricing for these products.

In addition to the direct mail campaign, we will seed two Universities with MSU's Programming Windows course tapes, and a subscriptions to Microsoft On-Line. This will encourage active development at these schools and will move them quickly along the learning curve. In return these Universities will commit to writing public domain, Windows applications for the education market, and they will serve as peer references for other universities.

Finally, we will work with Educom to sponsor two monetary awards for the first two Windows programs that win the "best" rating for educational software. This will encourage academic developers to write their applications under Windows.

Resource Needed:
30% Product Managers time to coordinate direct mail program and academic seeding program.

OEM
Audience: OEM accounts who currently have Windows licenses
Objective: Encourage OEMs to help their users to successfully adopt Windows.

In order to increase the number of OEM Windows licensees and to ensure that the Windows units shipped become effective "sockets", Microsoft needs to work more closely with our OEM accounts. More OEMs will license Windows if those that are currently licensing it are successful. OEM account experience shows that those OEMs that commit to Windows by bundling it with appropriate hardware, supporting it with marketing programs, and optimally, pre-installing, are most successful.

Also, it is important to work with OEMs to ensure that the Windows they ship is used. If Windows 3.0 becomes shelfware, we lose a potential recommender of Windows, and our momentum will be blunted.

Currently, Microsoft focuses on managing high level relationships and acquiring licensees. In the second half of FY 91, Windows Product Marketing needs to work with OEM account management on the following:
-Determine accurate shipment and system configuration data so that we can ensure that Windows is being shipped with the appropriate hardware, and so that we have a better understanding of the size of our business.
-Work with our OEMs to design great Windows machines.
-Work with OEMs on developing strong reseller channel programs
Resources:
Dedicated Windows Product Manager to work with OEM account managers, USM OEM Programs Manager, and applications OEM Product Manager.

Windows World
Audience: Influential end users, PC coordinators in large companies, consultants, corporate decision-makers, press and analyst.
Objective: provide an annual forum to communicate detailed product information and encourage industry support for Windows

Windows World will take place between May 20 and May 23. It will coincide with Spring Comdex. Anticipated attendance is 40,000. The show will consist of applications and hardware tradeshow area and a series of seminars. Seminar tracks will cover the following topics: in depth look into Windows Applications, Windows connectivity, Windows implementation issues, Windows in depth (architecture, optimizing Windows, hardware considerations, etc).

Windows Discovery Days
Audience: general business users in small and medium size business
Objective: introduce non Windows owners to Windows Computing.

Windows Discovery Fairs will take place between May and October of. The Fairs will tour the top 30 cities in the U.S. and three in Canada. The objective of the fairs is to build awareness and trial of Windows among general business users in small and medium size businesses. We expect to draw a minimum of 5,000 customers in each city for a total reach of 150,000 people. The Fairs will take place on a Friday and Saturday in each city. The event will be a combination of mini tradeshow, consisting of 30 ISV and OEM booths, and feature presentation. The presentation will be a multi-media event promotes the key benefits of working with Windows and Windows Applications.
Resources:

Group Product Manager and Product Manager time to plan the Fairs. One and possibly two transition team members to tour with the event.

Addendum

FY 91 Unit Shipment Assumptions

Retail Shipment: assumes avg monthly volume from Dec-May of 50k units for six months and a blank month prior to Win 3.1.

Update Shipments: assumes avg monthly volume from Dec-May of 2.5k units and 40k of 3.1 updates in late FY 91.

Mouse Shipments: assumes avg monthly volume from Dec-June of 20k units.

OEM shipments: figures are extremely speculative since no FY91 OEM data has yet been made available to product management, and current royalty reports do no require actual Windows unit shipments to be reported.

Data above reflects an estimate of OEM shipments during July-Oct.

CUSTOMER	MONTHLY VOL.
Zenith	30,000
Unisys	7,500
Compuadd	2,000
Northgate	5,000
AST	3,000
NEC (US)	6,000
Wang	3,000
Positive	2,000
TOTAL	58,500
Pct of total OEM customer base volume (est.):	80%
U.S. Runrate first half FY 91.	65,000

Competition

As a new competitive entrant, GeoDOS deserves a brief analysis.

GeoDOS

Description: GeoWorks (formerly Berkeley Softworks) GeoDOS is a graphical environment that runs on low-end PCs--including XT-class machines--that don't have enough processor power or memory to support Windows 3. GeoDOS runs within a 60K hand-written assembly language kernel that's capable of delivering useful application power on any 512K 8088 personal computer. GeoDOS looks much like Windows 3.0. It is positioned as a Powerful Graphic-Oriented Environment complete with the GeoManager (Program Manager), icons, pull down menus, dialog boxes, etc. GeoWorks ships with the following applets; GeoWrite, GeoDraw, GeoComm, GeoPlanner, GeoDex, Calculator, and Notebad. The total package called GeoWorks Ensemble will cost $195. ISV commitment to GeoDOS is uncertain at this time. Developers currently have to write applications is assembly code using a a Sun Sparc Station. An extensive set of native C tools should be available early in 1991.

GeoWorks has generated a high degree of industry interest. Soft-Letter, Byte, Compute, Software Industry Bulletin, PC Week, have all written very favorable articles. Steve Gibson's column, in the December 10th issue of InfoWorld, echoed a sentiment share by a number of pundits when he wrote: "PC/GEOS infuriates me by apparently being what Microsoft Windows should have been."

Marketing Objectives and Programs by Audience

Product:

marketing will continue to work with Program Management on identifying and prioritizing key product barriers that need to be addressed in 3.1. Transition team members will continue to serve on UAE, Networking, and Printing product task forces.

Windows 3.1 will also be rolled out late in FY 91. A separate marketing plan will follow.

General End Users:

expand Awareness of Windows through business press coverage and advertising, Windows Discovery Fairs, and ongoing Permanent Seminar Team presentations. Help ensure successful experience by equipping their local computer enthusiasts with the necessary tools to support them.

Corp Accounts:

equip corporations with the tools necessary to fully use and implement a Windows solution. This includes the distribution of Adoption Kits, Technical Workshops, and enrollment in the Support Coordinators Program (a relationship program for MIS/PC support personnel, similar to IBMs program). The Windows Transition Team will continue to identify and resolve site specific product obstacles.

Influential End Users:

equip a large number of Influential End users with the tools necessary to fully adopt the Windows Environment. We will provide them with Informational Newsletter, Adoption Kits, and Technical Workshops. We will also use a new enthusiast press ad to educate them on the key benefits of Windows and the easy migration path from DOS applications.

Resellers:

continue Windows category presence in retail oriented resellers and dramatically increase the amount of Windows through outbound resellers. Outbound resellers will be provided with Adoption Kits, Technical Workshops, special access to PSS support.