

From: Leland Rockoff (Exchange)
Sent: Wednesday, February 03, 1999 11:59 AM
To: Tom Williams; John Vail (Exchange)
Subject: sorg



SORGWEB.ZIP



sorg findings v3.ppt



Shortcut to sorg
segmentation



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Impact of Value Added Resellers / Providers

VAR/Ps have a significant impact on the software purchase decision. However while their advice is highly influential in the purchase decision, whether VAR/Ps stock the product or are price competitive does not seem as important. 35% of all buyers in the study received advice from a VAR, 72% of whom requested the advice. This advice was highly trusted, with 48% of all those receiving advice completely trusting it, and 89% rating their trust for the advice in the top two boxes of a five point scale. As a result, a full 97% of those receiving advice purchased what the VAR recommended. However, critically, purchasing the product directly from the VAR was not as important with 57% of those receiving advice purchasing the product from the VAR/P.

Many differences are found between those SORGs who consult with a VAR/P before purchasing and those who do not. **Relative to those who DO NOT consult with a VAR/P before purchasing, those who DO consult with a VAR/P before purchasing productivity software...**

- Have weaker/fewer computer knowledge and skills.** Twice as many don't know type of modem(s) used in their company (30% vs. 15%) and half as many claim that their friends think as them as knowledgeable about computers (20% vs. 42%). They are less likely to use the internet to obtain information before next purchase (28% vs. 43%), less likely to be excited about computers (39% vs. 52%), more likely to assess themselves as novice users (16% vs. 6%), and less likely to assess themselves as advanced users (15% vs. 28%).
- Are more likely to currently have productivity suites and less likely to have stand alone or integrated packages.** The last time productivity software was purchased more bought a suite (73% vs. 60%), Two-thirds compared to less than half have purchased a suite after the PC purchase (63% vs. 46%). Last time software was purchased, only a few bought stand alone word processing (11% vs. 27%). They are less likely to use an integrated package in the company (72% vs. 93%)
- Are less likely to have a Non-Microsoft software title.** None purchased Corel WordPerfect v. 7 the last time (0% vs. 15%). They are more likely to have Word 97 (26% vs. 14%) and less likely to have WordPerfect V.6 (6% vs. 18%).
- Are influenced more heavily by recommendations and are more likely to use gain verbal information before productivity software purchase instead of secondary research and "hands-on" information.** They are More likely to have bought Microsoft instead of Lotus/Corel because of recommendation (18% vs. 7%). A recommendation is more likely to have been a help in deciding what to purchase (40% vs. 24%) and is more likely to be the MOST IMPORTANT reason in deciding what productivity software to purchase (23% vs. 8%). They have a higher tendency to wait for a recommendation before upgrading (19% vs 7%) and chose to upgrade to 32-bit productivity software based on a recommendation more often (among those who did upgrade; 16% vs. 0%). When deciding to buy productivity software, more believe that it is highly important to have a recommendation from: a professional service provider (45% vs. 24%), a friend or associate (55% vs 42%), and a VAR/P, Systems Integrator or other 3rd party (39% vs. 13%). Additionally, this group is more likely to use verbal information obtained from the following: advice from friends (72% vs. 48%), talking to Salesperson (25% vs. 18%), and consulting with a VAR/P. They are less likely to believe that it is highly important to have prior experience with the product when deciding to buy productivity software (55% vs. 67%) They are also less reliant on: reference materials/ads/reviews (48% vs. 61%), product usage (19% vs. 29%), and online research (18% vs. 30%)

□ **Are more concerned about what the brand is "known for." More believe that it is highly important that the brand of productivity software be known for.** Highly important is quality (59% vs. 44%), technical innovation (48% vs. 36%), and ease of use (67% vs. 52%).

□ **Are More concerned about available services and have more VAR/P-related services provided to them.** More believe that it is highly important that services are available from 3rd parties for the product (56% vs. 29%) and from the vendor (54% vs. 40%). VAR/P-related services include:

- Product support (80% vs. 39%)
- Hardware bought for them (63% vs. 35%)
- Network maintenance (66% vs. 29%)
- On-site consulting (66% vs. 25%)
- Software bought for them (56% vs. 21%)
- Employee training (50% vs. 19%)

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DAD SORG Segmentation Summary

This provides an overview of the market segmentation results of the DAD SORG Purchase process study fielded in November and December of last year.

Background

With the objective of identifying insights to drive continued SORG market growth, 504 individuals who had at least significant input to their organization's productivity software purchase decisions were asked over 100 questions over the course of 30-40 minutes. Topics included current software and hardware usage, current purchase behavior, and channel preferences and attitudes. The data was reviewed for overall insight into the SORG market and across key dimensions like channel used most often and size of company. Additionally, a market segmentation was derived by placing a variety of response from the survey through correspondence analysis followed by cluster analysis.

Conclusions

Our analysis identified a new, high-opportunity segment not currently addressed through our existing marketing tactics. In total, we identified a total of seven segments that can be placed into three broad categories:

1. those influenced by our current marketing tactics, either directly or indirectly,
2. those that are not influenced by our current tactics and are low potential, and
3. a segment not influenced by our current tactics but that represents high potential.

This last segment we call "Service and Support Oriented" represents a potential new target for DAD

Segment Profiles

Segments Influenced by Our Current Tactics:

- Segments Directly Influenced by DAD Marketing (30% of total): These segments are heavily influenced by primary sources of information such as product reviews.

IT Professionals /PC Enthusiasts (11%) – Typically involved in the software purchase decisions of the largest SORGs, members of this segment keep abreast of changes in software. They are heavy readers of the PC press and keep abreast of the latest information via online information including user groups and company web sites. In many cases they either serve in a formal IT function within the SORG, or have gravitated to an informal role as the company IT expert as a result of their affinity to technology. While they rely on VAPs for internet consulting services, but prefer to do their own research for productivity software rather than rely on either a reseller's or a colleague's advice. These organizations spend the most in total on productivity software annually (\$620) versus any other segment, reflecting the greater number of PCs in their companies.

Savvy, Home-Based Owners (19%) – Very small companies that leverage technology in general and productivity software in particular in their businesses. They are more likely to have Pentium PCs. Of the key decision-makers surveyed in this segment, a high proportion were owners/general managers. Like the IT Professionals, members of this segment prefer to do their own research into the best productivity software for their company. At a median of \$91, they represent the second most attractive segment on the basis of annual spending per installed base PC.

- Segments Secondarily Influenced by DAD Marketing (33%): These segments are strongly driven by the recommendations of others, either knowledgeable colleagues or VAPs. These knowledgeable influencers are certainly exposed to all the critical marketing messages that also reach enthusiasts.

Peer Advice-Driven Retail Purchasers (18%) – Composed proportionally of smaller and larger

SORGs, this segment is differentiated on the importance it places on the advice of friends and associates. Interestingly, while being heavily dependent on advice, this segment does not value the advice of resellers; either retail salespeople or VAPs. Rather, it appears that this segment does their "homework" prior to purchase, and only engages with the reseller once they have already decided what to purchase. This group also purchases predominantly through retail (71%).

Heavily VAP Dependent (15%) – Also composed proportionally of smaller and larger SORGs, this segment is heavily dependent on VAPs for software recommendations, sales, and broader system consulting and support. Specifically, they are more than twice as likely as the average SORG to consider the recommendation of a VAP as highly important and almost three times as likely to purchase their productivity software through a VAP. Attitudinally, they are significantly less engaged in computers than the typical SORG.

- **Low Potential Segments, Not Influenced by Our Current Tactics (22%):** Smaller companies in non-technology intensive businesses. While they may be reliant on PC-based accounting systems, they are not users of productivity applications.

Non PC-Reliant Businesses (16%) – Companies within this segment are most strongly characterized by their slow machines -- 64% have 486 or lower as their most common processor versus 42% for SORGs overall. They are also the segment most likely to not have any productivity software (39%). This segment skews directionally towards some non-PC-intensive industries including construction, wholesale and agriculture.

Novice, Small, Local Companies (6%) – Predominantly self-employed, members of this segment rely heavily on accounting software packages (80%). However none of those surveyed purchased any productivity software after their PC purchase, content to use either the packages that were pre-installed or to not use any productivity software (36%). Their very small businesses also skew directionally towards those not heavily reliant on productivity software including retail, health care, and construction. They are much more likely than the non PC-reliant businesses to consider themselves novice users (49% vs. 19%).

- **High Potential Segments, Not Influenced by Our Current Tactics (15%):** Not affected by the traditional IEU marketing model

Support and Service Oriented (15%) – These typically smaller SORGs are characterized by the extreme emphasis that they place on services and support, whether it be from VAPs, or the software manufacturer. Interestingly, while they rely heavily on VAPs for services overall (most notably custom software development – 44%), they do not purchase productivity software through the VAP channel at higher than average rates for SORGs. We suspect that two things might be happening. The VAPs may be sending these customers to other channels to avoid the time intensive, high-cost after sales support that this segment demands. Additionally, the VAPs might not be pursuing the business of this segment, preferring instead to concentrate on larger SORGs with higher total revenue per sale potential. The segment is also characterized by its lack of enthusiasm for the PC.

This segment represents a growth opportunity for DAD. They spend the most per PC of any segment for software overall (\$212), and for productivity software in particular (\$106). And interestingly, they are significantly less likely than the average SORG to be using a 32-bit suite (28% vs. 44%). This suggests that there could be significant potential should DAD develop a profitable approach to meet the support requirements of this segment, whether through VAPs or directly.

Next Steps

Market planning is working with the channel team to develop new sales models for the VAP segment. We will incorporate these learnings into our emerging plans for market testing in the summer/fall.

Desktop Applications Division

Purchase Behavior Study

Introduction

Background

Currently, small organizations (SORGs) represent 17% of Desktop Applications Division (DAD) USFG revenue and are expected to disproportionately fuel future DAD revenue growth. Currently, Microsoft is unsatisfied with penetration of this segment and is seeking to improve opportunities of switch rates from Corel and upgrade rates of 16 bit word processors/suites. Comprehensive marketing plans are being developed to address the SORG opportunity, as well as to initiate development of a new product specifically tailored to the SORG market. The over-riding desire is to increase legal 32-bit software penetration among this market.

Objectives

The primary goal of this study is to identify the most effective levers to increase legal 32 bit Word/Office penetration into SORGs and Home Offices.

Key areas to be investigated include the following:

- What impact do Value Added Resellers / Providers (VAR/Ps) have on these consumers?
- What differences are found between small and large SORGs?
- What motivates purchase? Why do customers enter the market?
- What influences SORG purchase decisions?
- What do they buy and why? Who is using Corel? What are the differences in decisions to purchase suites over those of individual apps?
- Where do they buy their software?
- How satisfied are they with their productivity software? What are their current upgrade plans? Why?
- How do 32 bit Office/WP users differ from 16 bit users?
- What media are the segments exposed to? What is the most effective way to reach them?
- How do the purchaser's level of influence, skill, and engagement influence the software purchase decision?

Method

All interviews were conducted by telephone using computer-assisted telephone interviewing (CATI). Respondents were contacted at home.

Interviewing dates were November 11 to December 31, 1997.

Sample

A random digit dialing (RDD) national probability sample was used. All respondents met the following qualifications:

- have a personal computer in the company that uses the Microsoft Windows operating system.
- have significant input, or is the final decision maker for productivity software purchase decisions
- purchased productivity software in the past 18 months or definitely or probably will purchase productivity software in the next 18 months.
- A total of 504 interviews were conducted.

Analysis Notes

In segment profile sections, the percentages shown for attributes classified as high importance, are the top 2-box percentages (8 or 9 rating on a 9-point scale).

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Segment 6 Provides a New Marketing Opportunity



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Key Takeaway Opportunity

For each segment, the average dollars spent per PC on productivity software and the average spent on all other types of software is found below. These represent the averages per year. Below these, the average number of PCs found in the companies that comprise the segments is found. (For instance, the companies that comprise Segment 1 have, on average, seven PCs and spend approximately \$86 on productivity software and approximately \$24 on all other types of software for each of the seven PCs in an average year.)

Based on the information resulting from this study, the analysis below, and marketing activity current in place from Microsoft DAD, the following is found.

Segment 6 Provides a New Marketing Opportunity



	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Segment 6	Segment 7
	Peer Advice-Driven, Retail Purchasers	IT Professionals, PC Enthusiasts	Heavily VAR/P Dependents	Non-PC Reliant Businesses	Novice, Small, Local Companies	Service and Support Oriented	Savvy, Home-Based Owners
Segment Size (% of total)	18%	11%	15%	16%	6%	15%	19%
\$/PC Productivity Software	\$86	\$48	\$66	\$44	\$19	\$106	\$91
\$/PC Other Software	\$24	\$39	\$53	\$0	\$0	\$106	\$42
Mean # PCs per Company	7.0	12.9	7.6	6.8	2.6	4.7	4.1

Rationale:

Currently, Microsoft either directly or indirectly has marketing activity directed at 63% of the market (Segments 1,2,3, and 7). 22% of the market (segments 4 and 5) provides a very low opportunity in which marketing resources are not currently being used for. The remaining 15% (segment 6) represent an opportunity to increase penetration and is not a segment that has marketing activity currently directed at it.

Segment 6 represents a new marketing opportunity for Microsoft DAD. This group spends the most money per PC on productivity software and on all other types of software in an average year. This group is made up of companies who lack in excitement about computers and therefore are less likely to have internal expertise. They rely on recommendations and advice but truly value support and service after the sale. Despite being fairly dependent on the VAR/Ps for broader systems support and consulting, they rarely, if ever, purchase packaged productivity software from them.

Companies in this segment do not have the latest software and many do not have 32-bit software. A higher proportion than any other segments currently use Stand-alone software titles and a lower proportion uses a 32-bit productivity suite.

The companies in this group are looking for support-oriented and service-focused resellers and providers. Should there be VAR/Ps available who are interested in this level of back-end support, 32-bit productivity software penetration could be increased.

What about the other Segments?

Current marketing programs exist for segment 2 (IT Professionals, PC Enthusiasts) and segment 7 (Savvy, Home-Based Owners) These segments respond well to marketing activity and have proven to be made up of

companies which are fruitful for Microsoft DAD. Although segment 2 does not spend more than most per PC on productivity software in an average year, the fact that the companies comprising this segment have, by far, the most PCs, the resulting revenue gained from this group outweighs all others. Conversely, segment 7 is made up of somewhat smaller companies in terms of number of PCs, but they spend more than most on productivity software per PC.

Segment 3 (Heavily VAR/P Dependent) is essentially being marketed to through the value-added resellers and providers who recommend Microsoft productivity software based on the technical merits of the various products. Essentially, the different Microsoft software suites, packages, and individual software titles are selling themselves.

Segment 1 (Peer Advice-Driven Retail Purchasers) need not necessarily be marketed to since they predominately seek the advice of friends and associates from other segments, presumably currently marketed to

Segment 4 (Non-PC Reliant Businesses) and Segment 5 (Completely Unengaged, Small, Local Companies) currently represent very low opportunity for Microsoft DAD and any resources allocated to reach these companies may be wasted. This group spends very little on productivity software per PC and virtually none on other types of software.

COMPLETE STUDY SUMMARY

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Burke

<u>Segment</u>	<u>Size</u>	<u>X-axis</u>	<u>X-index</u>	<u>Y-axis calculation</u>	<u>Y-axis</u>	<u>Y-index</u>
1	18%	(68%)	54	(19.5% + 29.6% + 27.1%) = 25%	(25%)	30
2	11%	(30%)	0	(13.7% + 10.1% + 22.7%) = 16%	(16%)	9
3	15%	(65%)	50	(44.4% + 61.1% + 63.8%) = 56%	(56%)	100
4	16%	(76%)	66	(14.5% + 33.6% + 25.8%) = 25%	(25%)	30
5	6%	(100%)	100	(20.5% + 6.8% + 18.7%) = 15%	(15%)	7
6	15%	(93%)	90	(27.2% + 51.7% + 45.2%) = 41%	(41%)	66
7	19%	(100%)	100	(13.4% + 9.3% + 14.0%) = 12%	(12%)	0

The SORG Map displays the seven segments identified in the SORG cluster solution. The size of each segment is depicted relative to all other segments. Placement on the map was determined by the following indices:

X axis = index between 0 and 100 based off of the % of companies within a given segment that have 4 or less computers. Essentially, the segments which contain the highest proportion of "smaller" companies are found on the right as the segments with highest proportion of "larger" SORGs are found on the left.

Y axis = index between 0 and 100 based off of the Dependency of the Segments on Value Added Resellers/Providers. This was calculated using the following three questions:

How important is a recommendation from a VAR/P, Systems Integrator, or other 3rd Party Computer Consultant in the decision to buy productivity software? (top-2-box percentage)

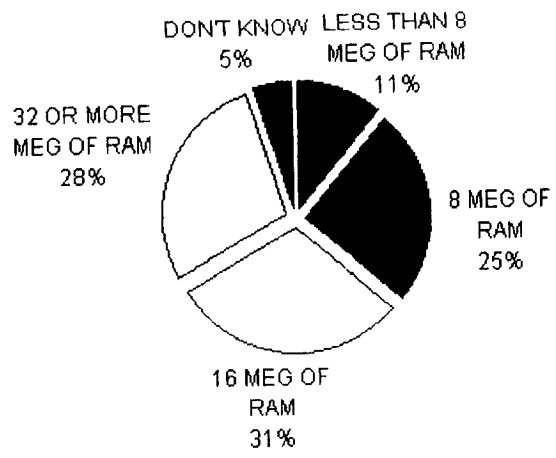
Whether a VAR/P provides design, install, configure, and maintain your productivity software. (percentage "yes")

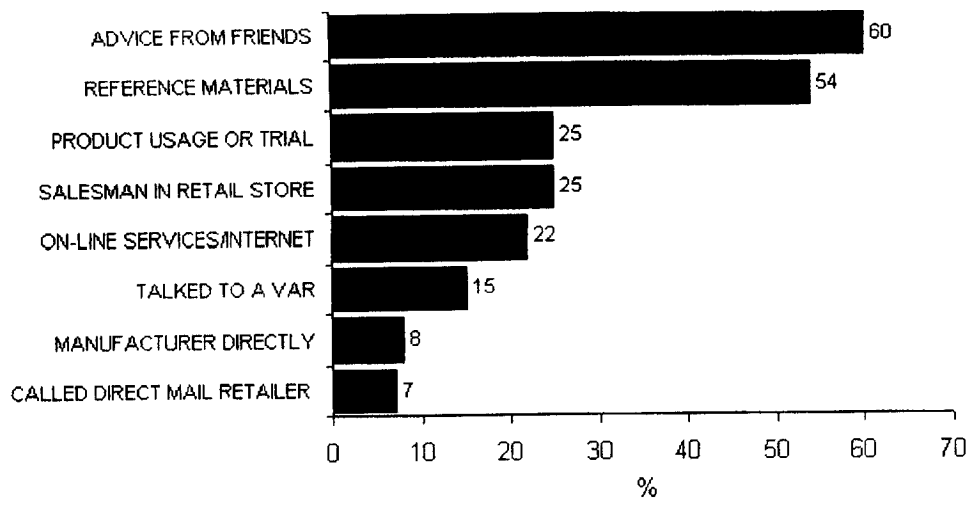
Whether company purchases through a VAR/P.. (percentage "yes")

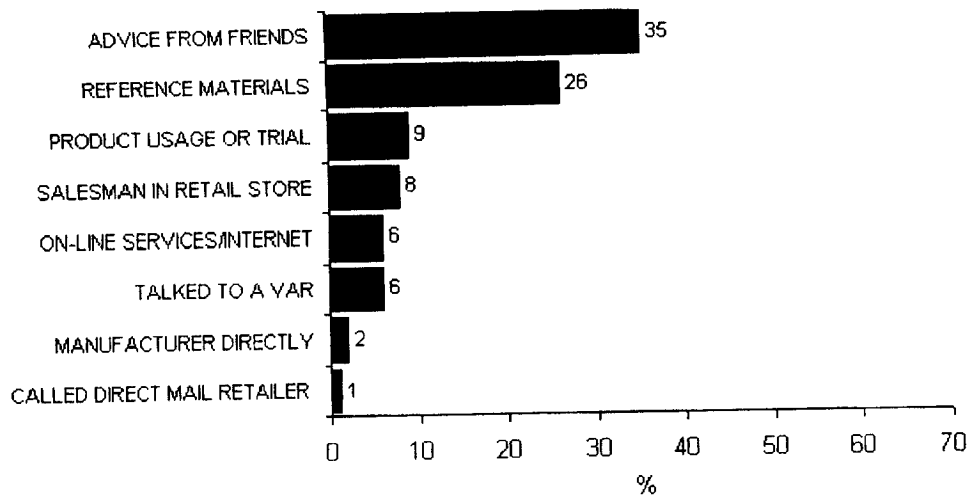
The three percentages are averaged for each segment and the indexed. Final coordinates and segments sizes are as follows:

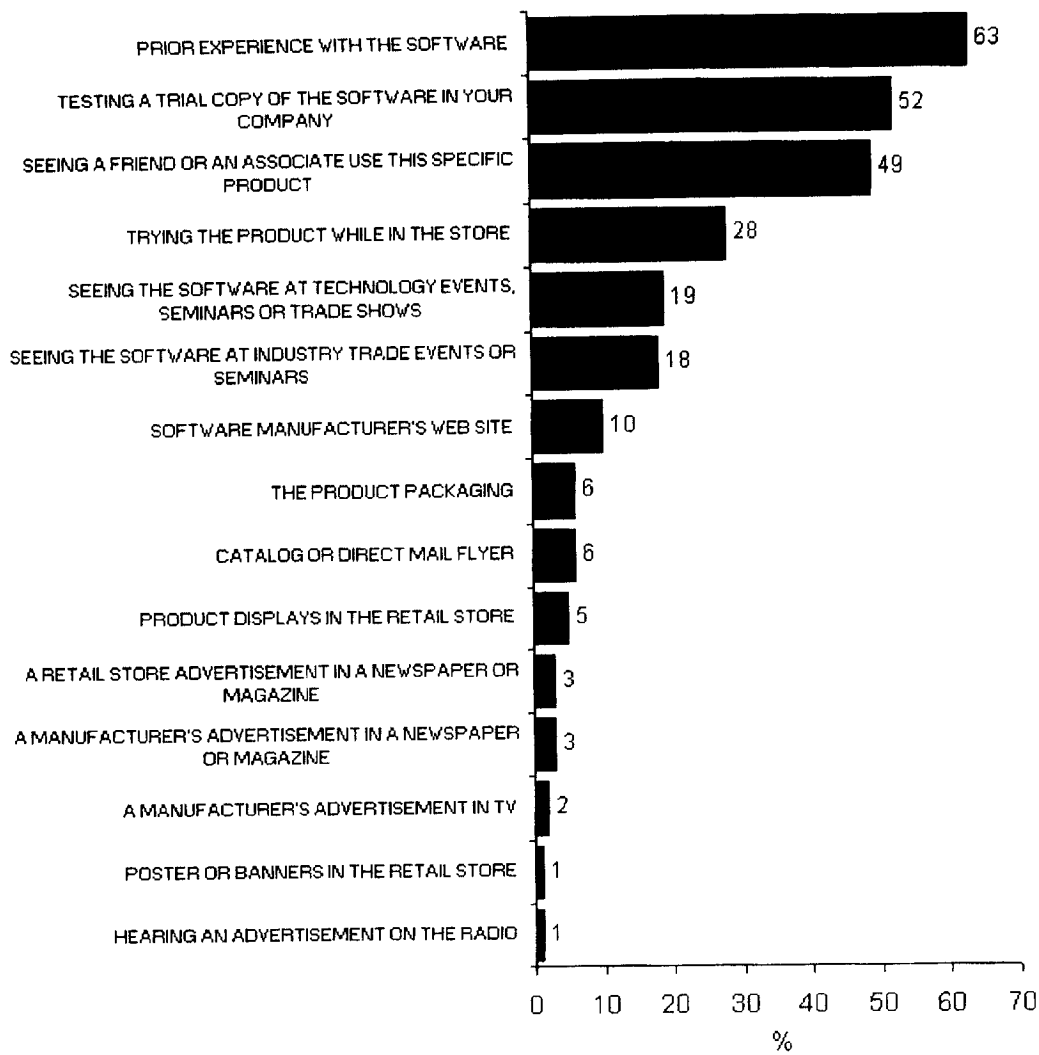
<u>Segment</u>	<u>Size</u>	<u>X-axis</u>	<u>X-index</u>	<u>Y-axis calculation</u>	<u>Y-axis</u>
1	18%	(68%)	54	(19.5% + 29.6% + 27.1%) = 25%	(25%)
2	11%	(30%)	0	(13.7% + 10.1% + 22.7%) = 16%	(16%)
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4	16%	(76%)	66	(14.5% + 33.6% + 25.8%) = 25%	(25%)
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6	15%	(93%)	90	(27.2% + 51.7% + 45.2%) = 41%	(41%)
7	19%	(100%)	100	(13.4% + 9.3% + 14.0%) = 12%	(12%)

- back to SORG MAP -

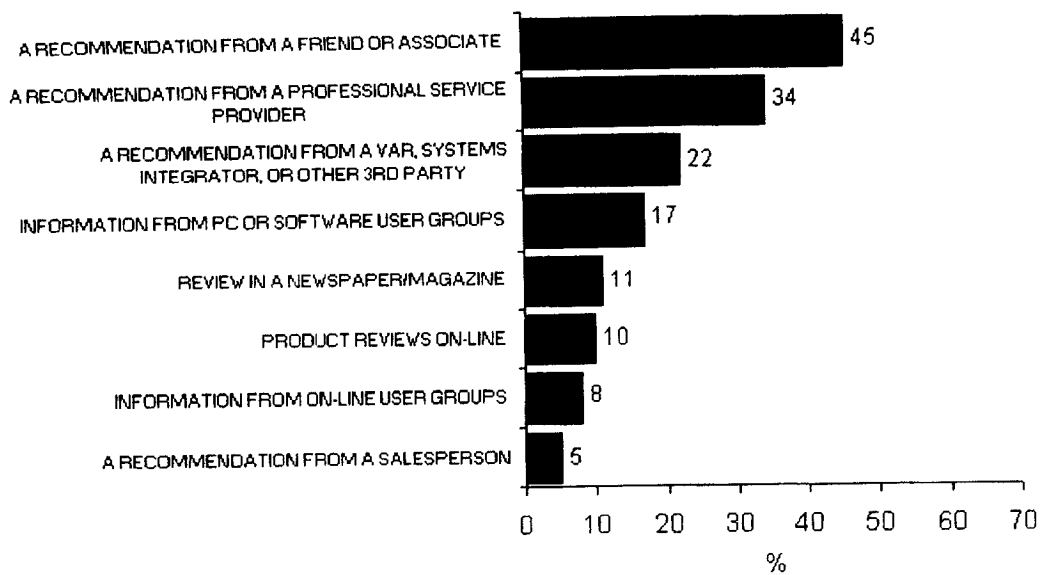


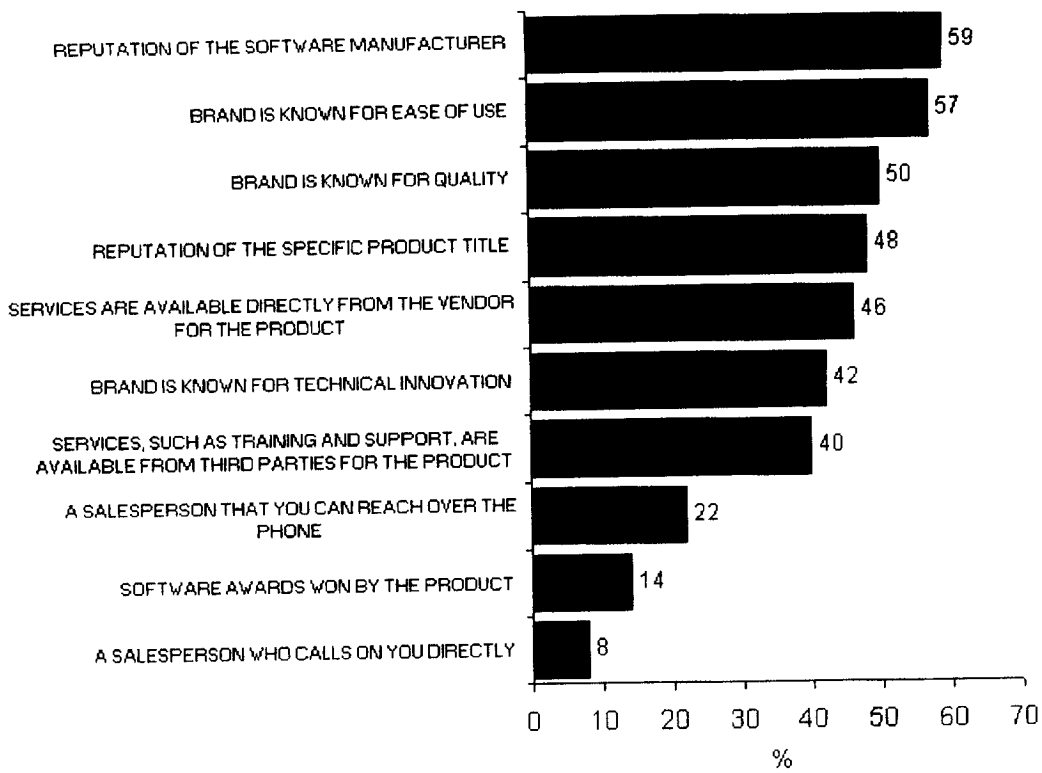


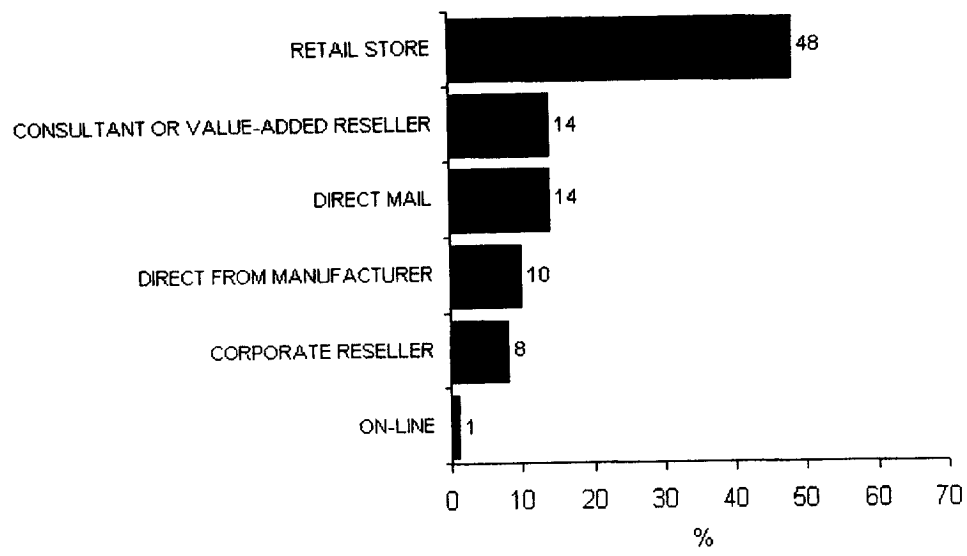


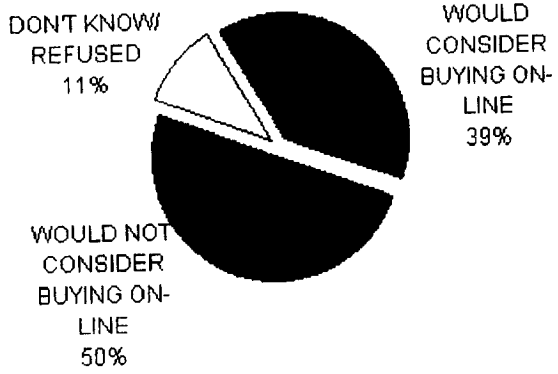


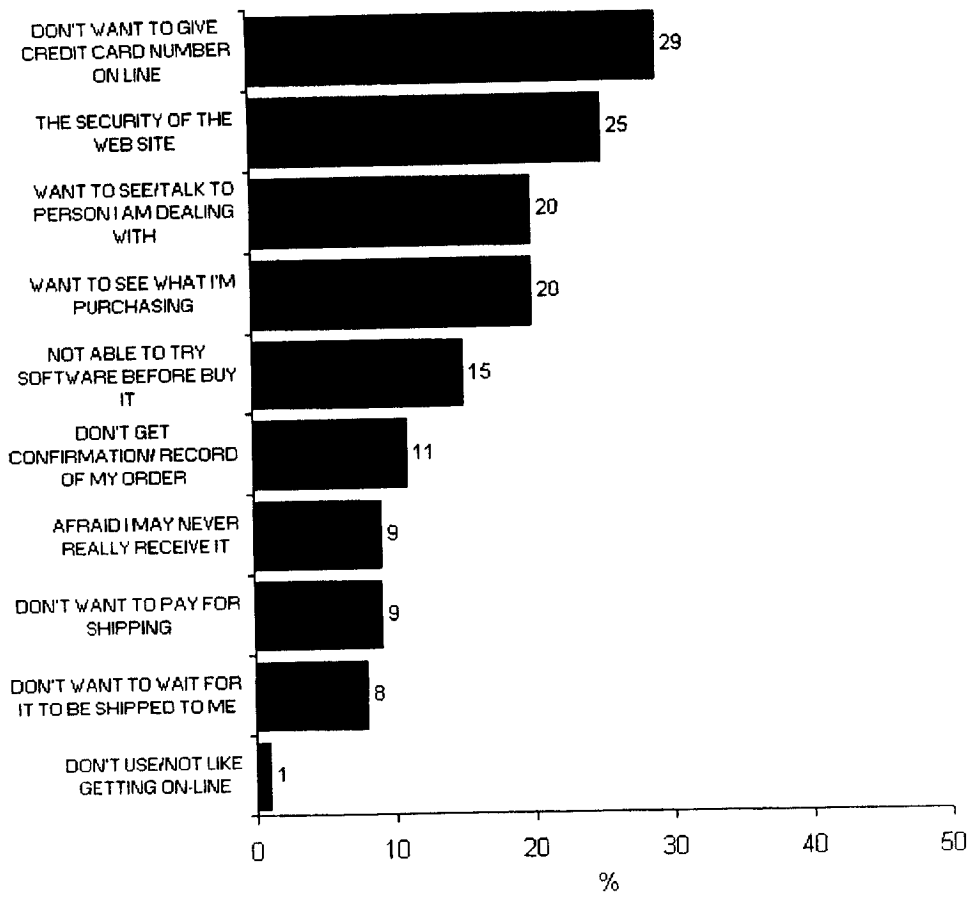
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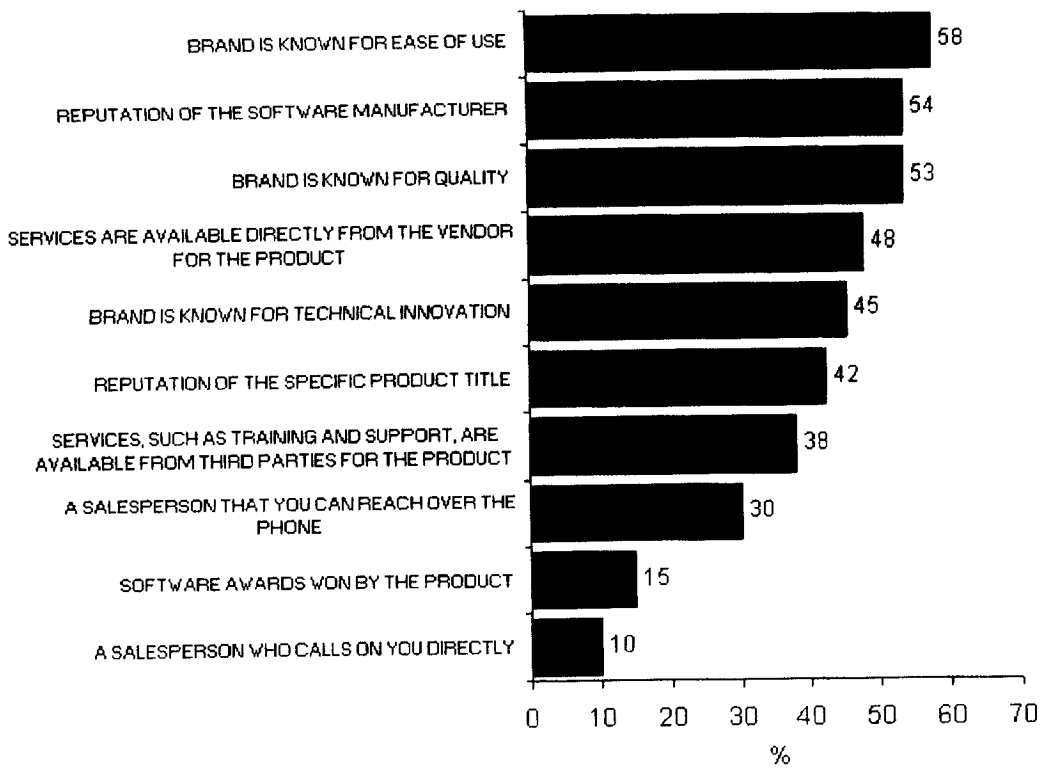




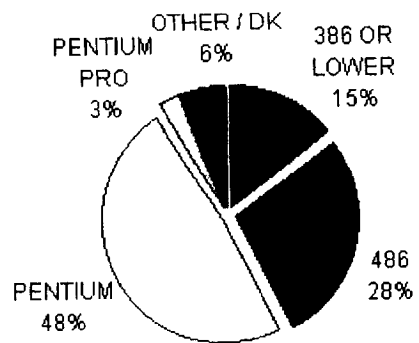


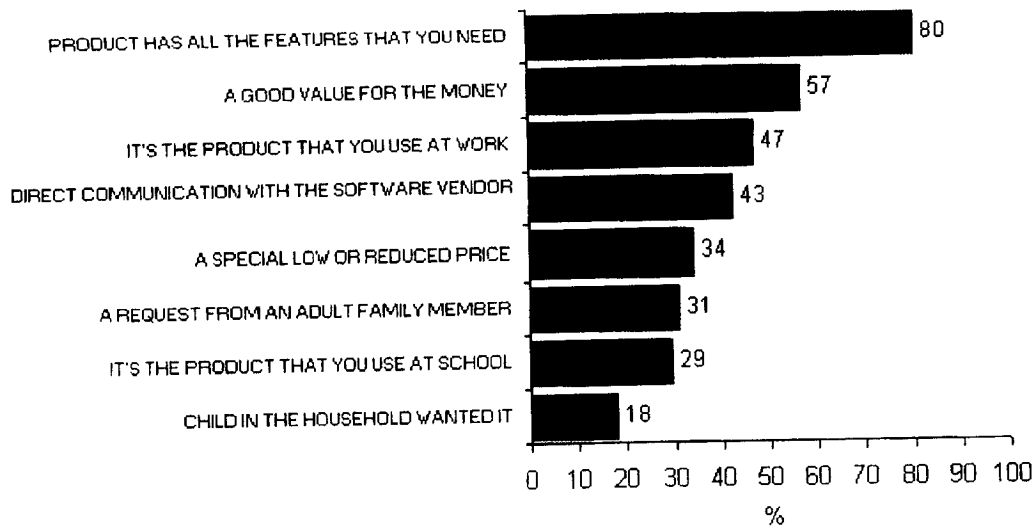


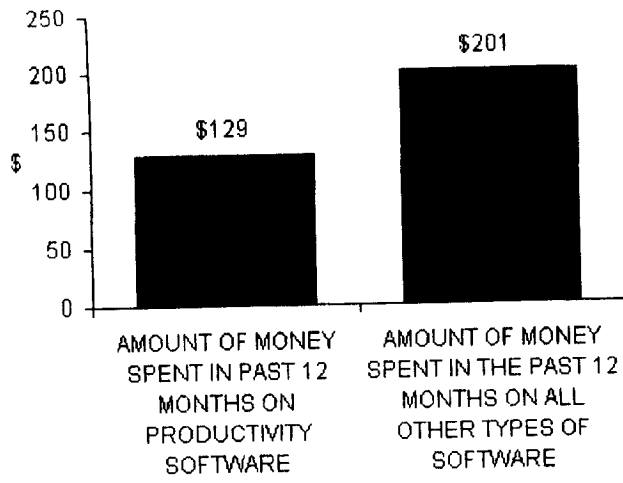


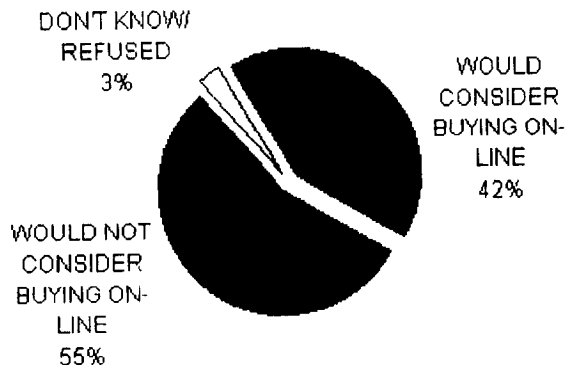


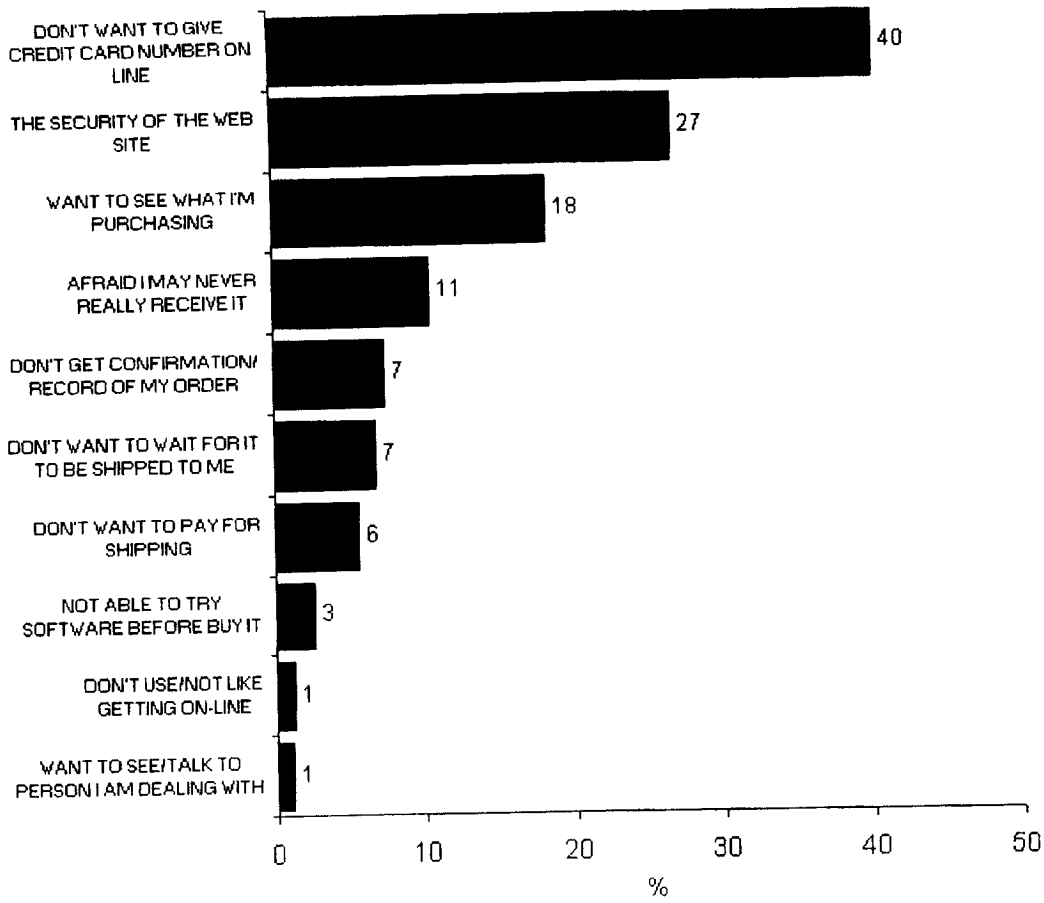
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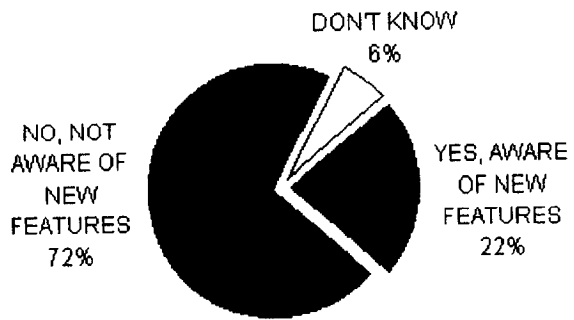


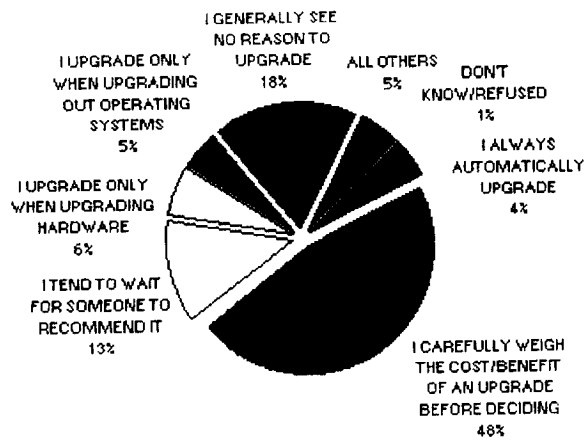


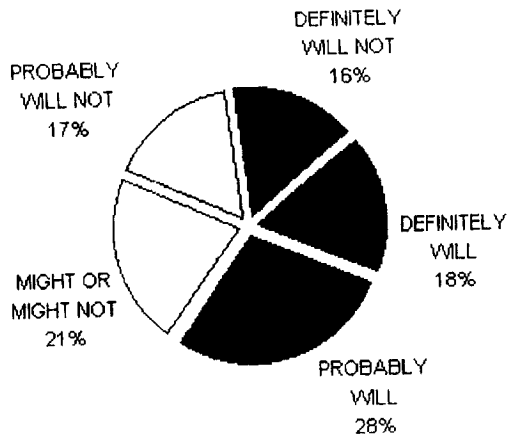








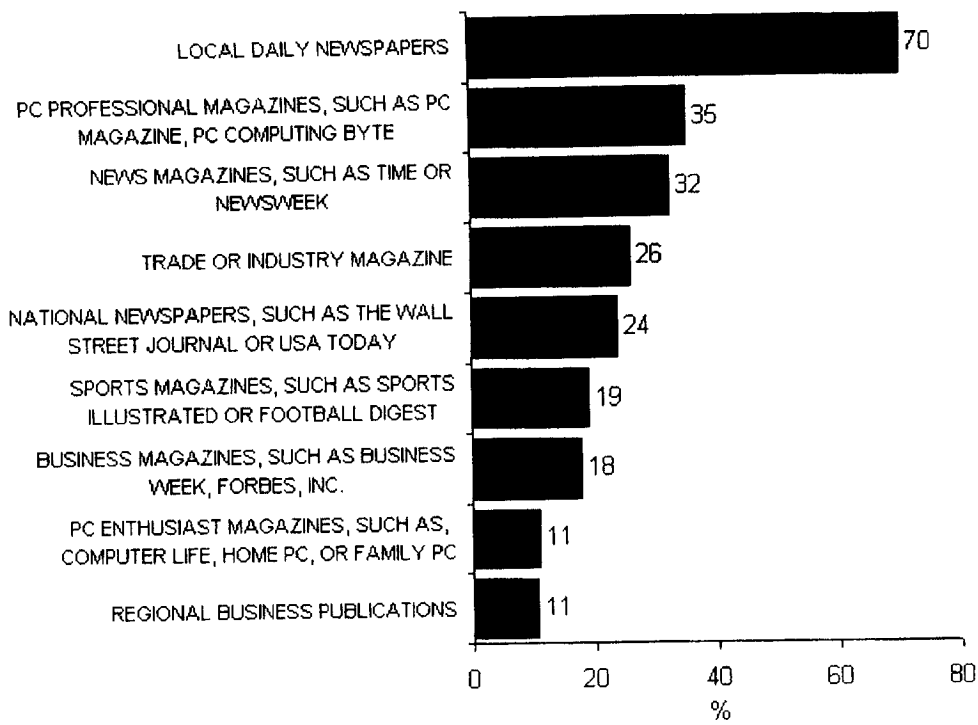


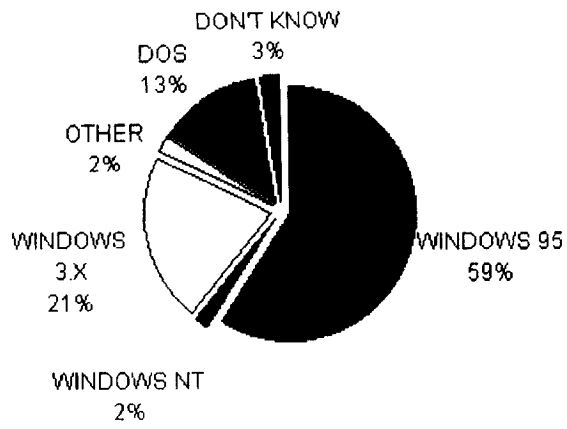


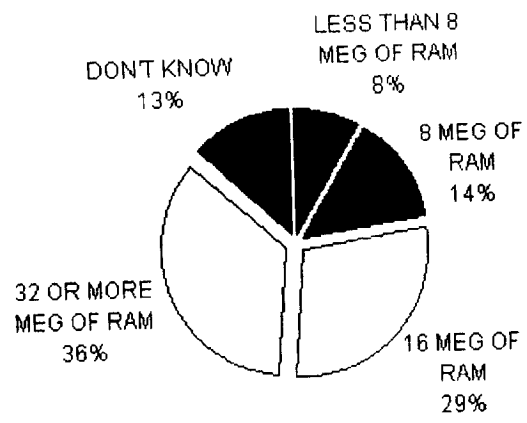
USE E-MAIL AT
HOME
66%

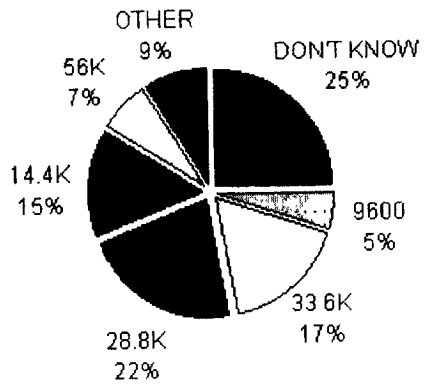


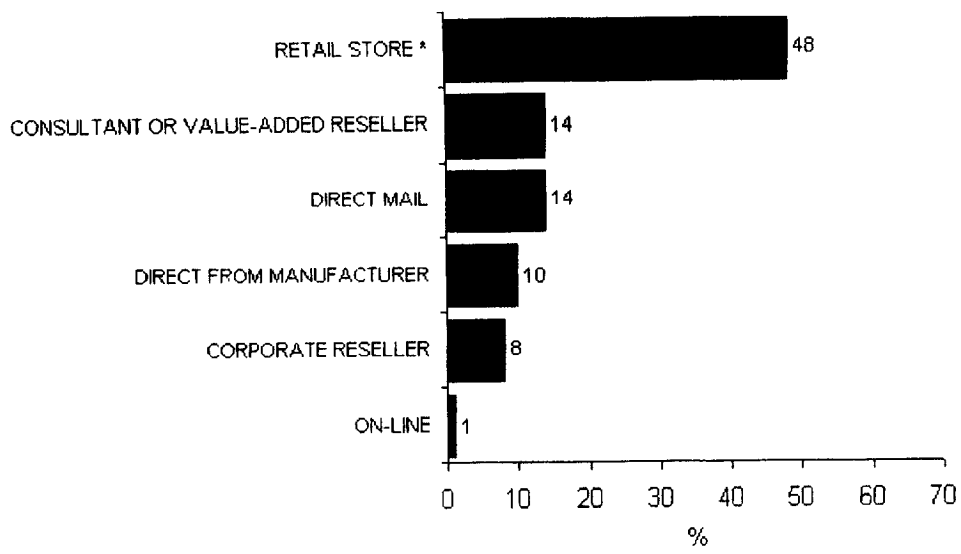
DO NOT USE E-
MAIL AT HOME
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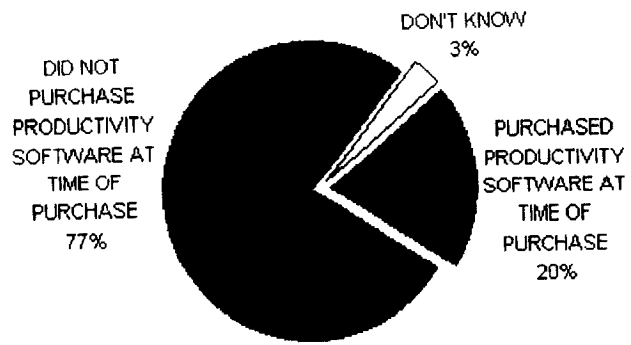


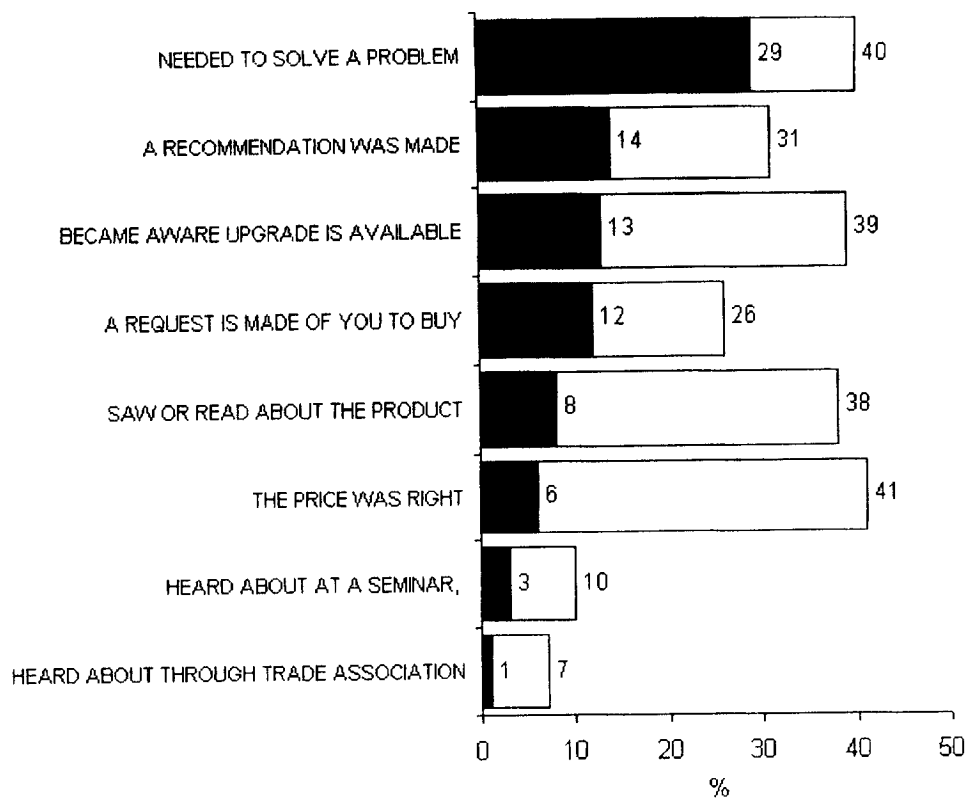


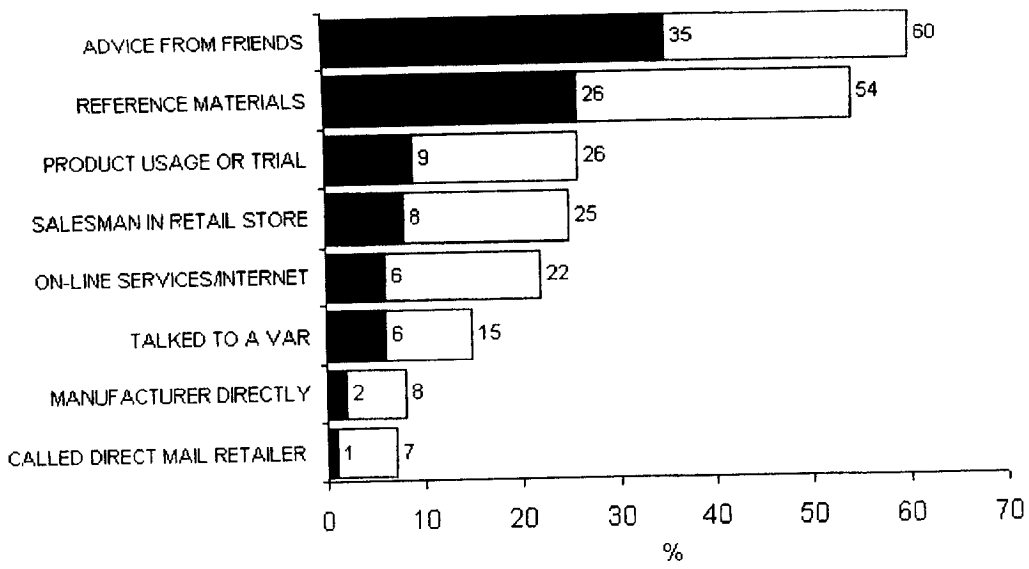


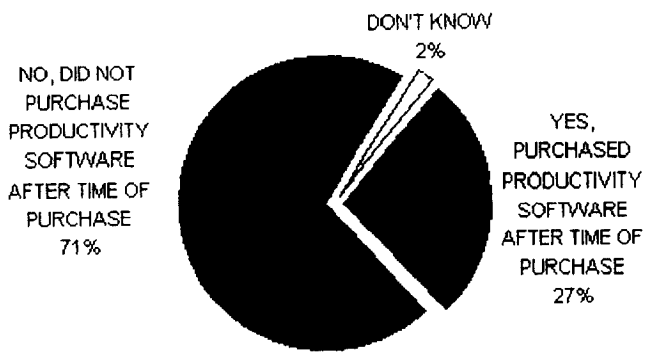


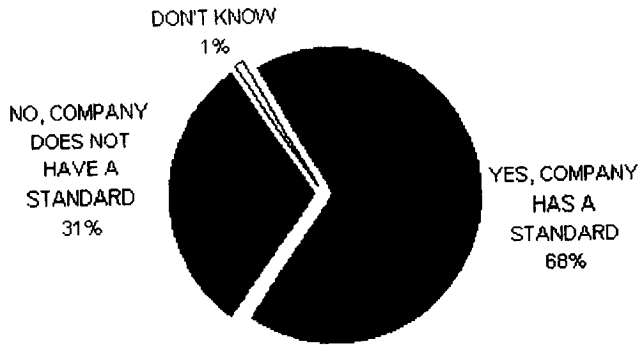


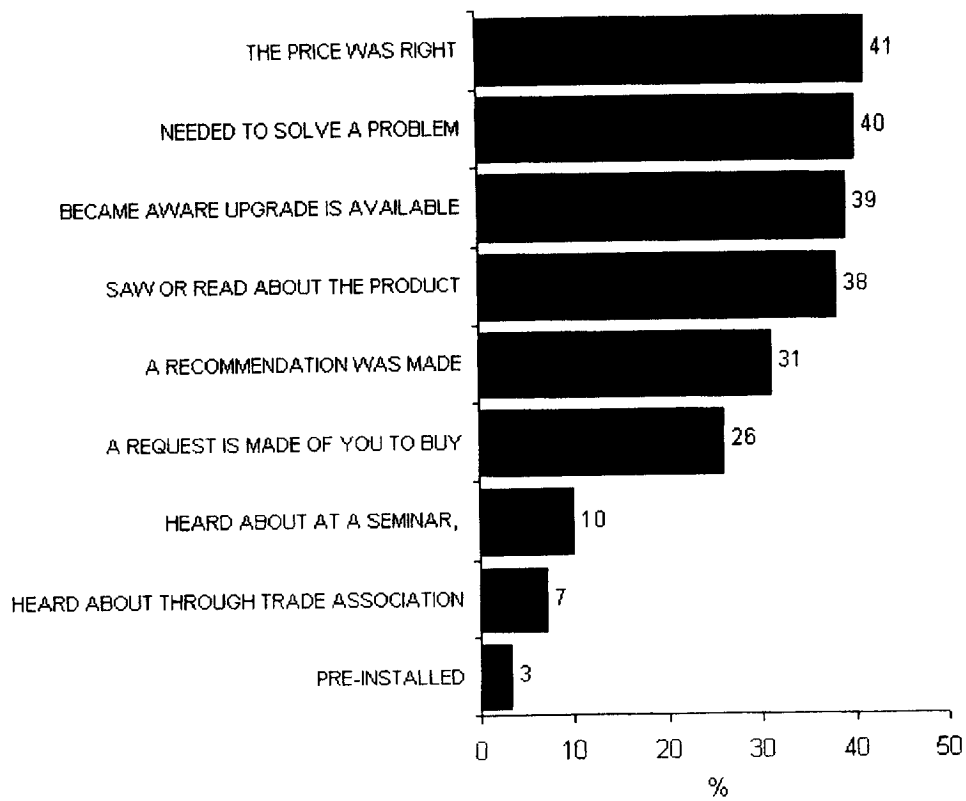


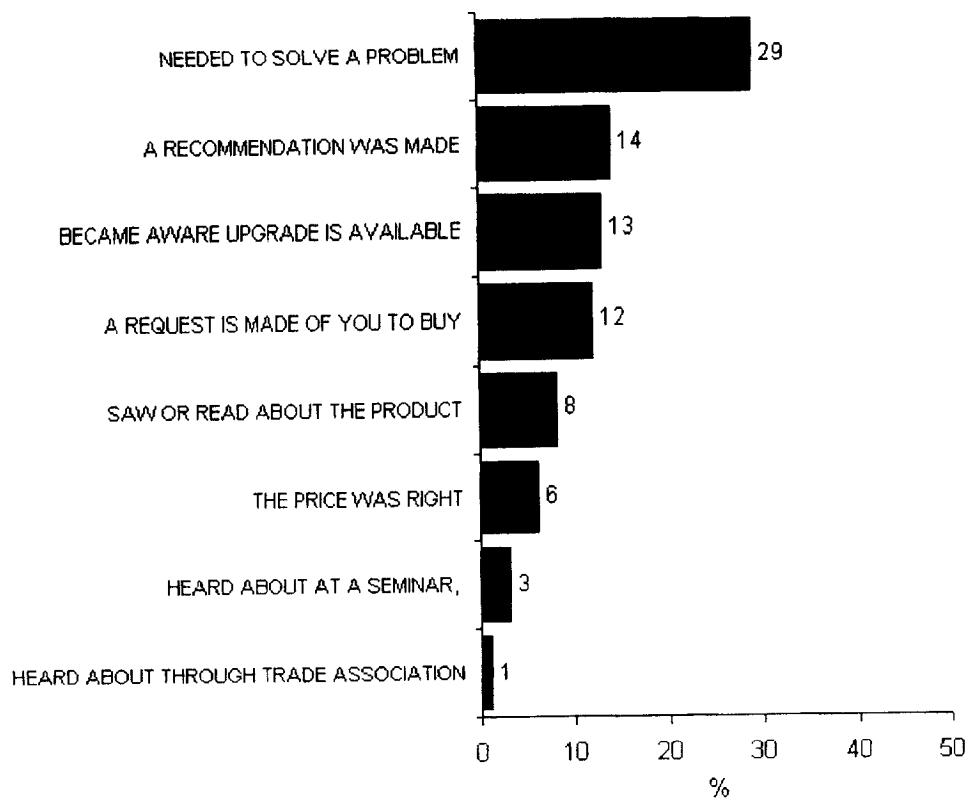












SORG Purchase Descriptors in Total (1)

The following charts, figures, and graphs present findings *in total*.

About half of SORGs primarily use productivity SUITES in their company - most of which are Microsoft suites. 52% of SORGs primarily use a productivity suite in their company. Of these, most (41% in total) are Microsoft Suites. A variety of versions of Microsoft suites primarily used. About 7% in total primarily use a Corel Suite with an additional 4% primarily using a Lotus suite.

The remaining SORGs primarily use a stand alone word processor (17%) or integrated package (14%). Another 13% do not currently have a primary productivity software and 5% just don't know for whatever reason. Microsoft Word is only slightly used more often as primary software than is WordPerfect (8% vs. 7%) However, Microsoft does dominate those who use integrated packages as their primary with 13% in total using a Works product and only 1% mentioning Claris.

PRIMARY PRODUCTIVITY SOFTWARE USED IN COMPANY

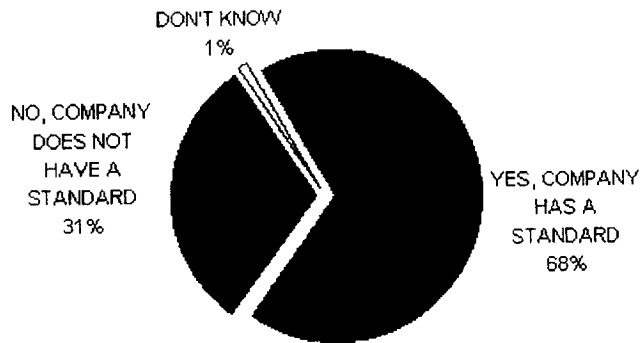
SUITES (NET)	52%
MICROSOFT SUITE (NET)	41%
MICROSOFT OFFICE 95 (STANDARD)	10
MICROSOFT OFFICE 97 (STANDARD)	6
MICROSOFT OFFICE 97 (PROFESSIONAL)	8
MICROSOFT OFFICE 95 (PROFESSIONAL)	8
MICROSOFT OFFICE VERSION 4 OR EARLIER	5
MICROSOFT OFFICE 97 (SMALL BUSINESS EDITION)	4
COREL SUITE (NET)	7%
COREL WORDPERFECT SUITE VERSION 8	2
COREL WORDPERFECT SUITE VERSION 7	3
COREL OFFICE PROFESSIONAL VERSION 7	1
COREL WORDPERFECT SUITE FOR 3.1X	1
LOTUS (NET)	4%
LOTUS SMARTSUITE 97	1
LOTUS SMARTSUITE 96	1
LOTUS SMARTSUITE VERSION 4	1
STAND ALONE WORD PROCESSORS (NET)	17%
MICROSOFT (NET)	8%
WORD 95	3
WORD VERSION 6 OR EARLIER	3
WORD 97	2
COREL (NET)	7%

WORDPERFECT VERSION 6 (DOS)	3
WORDPERFECT VERSION 6 OR EARLIER FOR WINDOWS	4
LOTUS (NET)	1%
LOTUS AMIPRO (ANY WINDOWS VERSION)	1
OTHER PACKAGES (NET)	1%
INTEGRATED SOFTWARE (NET)	14%
MICROSOFT (NET)	13%
MICROSOFT WORKS FOR WIN95	7
MICROSOFT WORKS VERSION 3 FOR WINDOWS	6
CLARIS (NET)	1%
NONE/NO PRODUCTIVITY SOFTWARE	13%
DON'T KNOW/REFUSED	5%

About two thirds have a company standard for productivity software.

The owner of the business is most likely to be the person who sets that standard (40%) with about 14% others claiming that an MIS, IS or IT department sets it. Some rely on other individuals within the company or executive committees.

WHETHER COMPANY HAS A STANDARD FOR PRODUCTIVITY SOFTWARE



- continue -

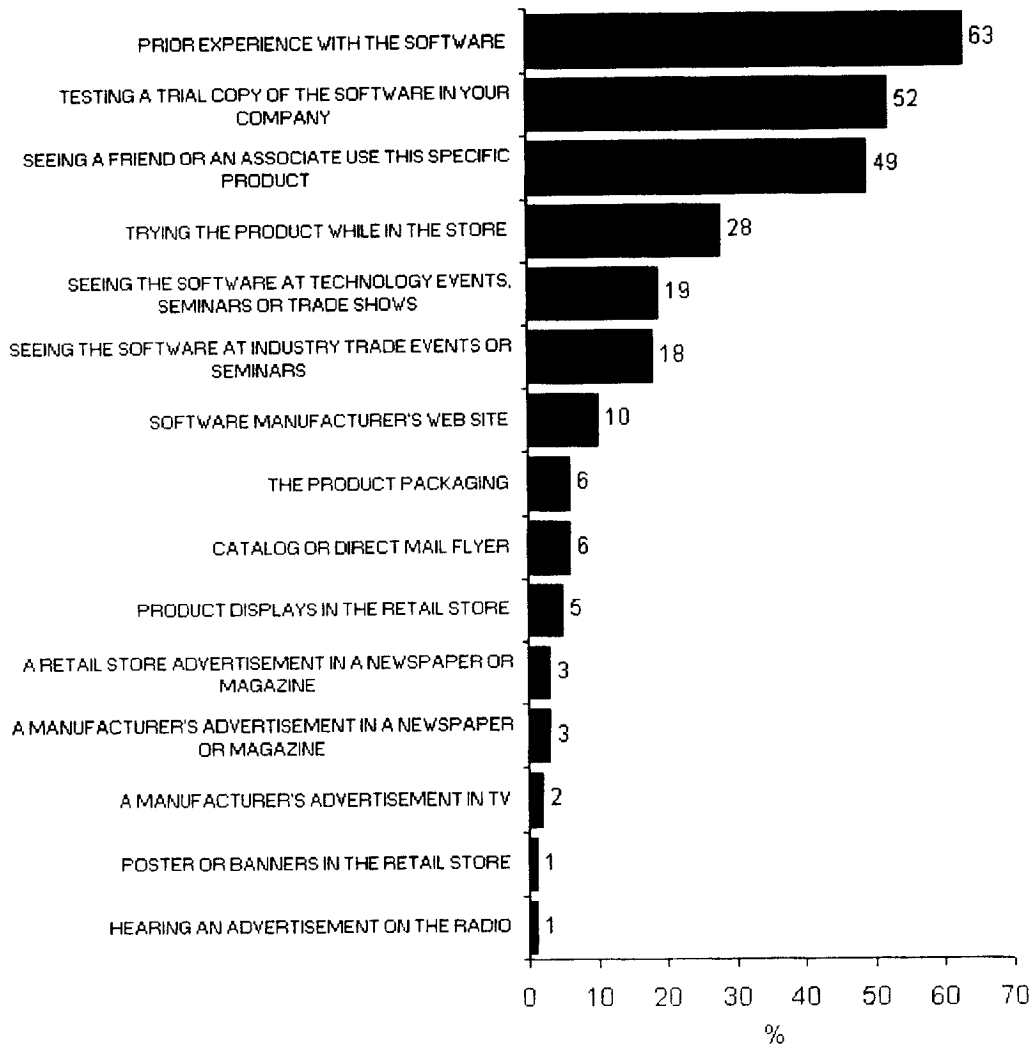
SORG Purchase Descriptors in Total (2)

<-- Previous Next -->

Hands on experience or trial is highly important to purchase. Prior experience, testing a trial copy, and seeing a friend or associate use a product are clearly seen as the most important awareness factors related to purchase consideration.

PRODUCT AWARENESS IMPORTANCE FACTORS

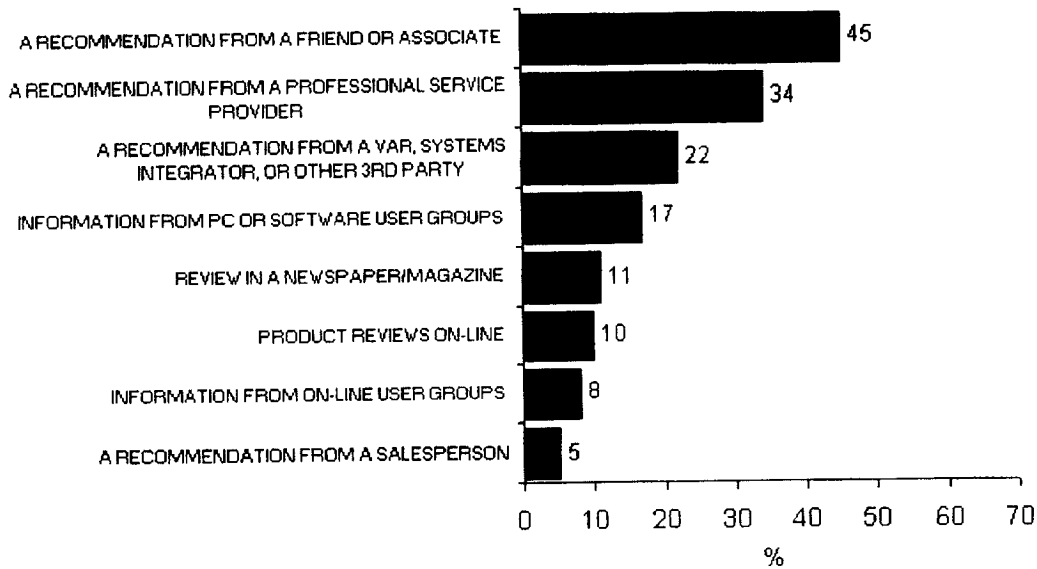
(TOP 2-BOX, 8 OR 9 ON A 9 POINT SCALE)



Recommendations are highly sought after. Recommendations from a friend or associate, professional service, VAR/P, system integrator, or other 3rd party source are highly impactful on purchase consideration.

RECOMMENDATIONS AND REVIEWS IMPORTANCE FACTORS

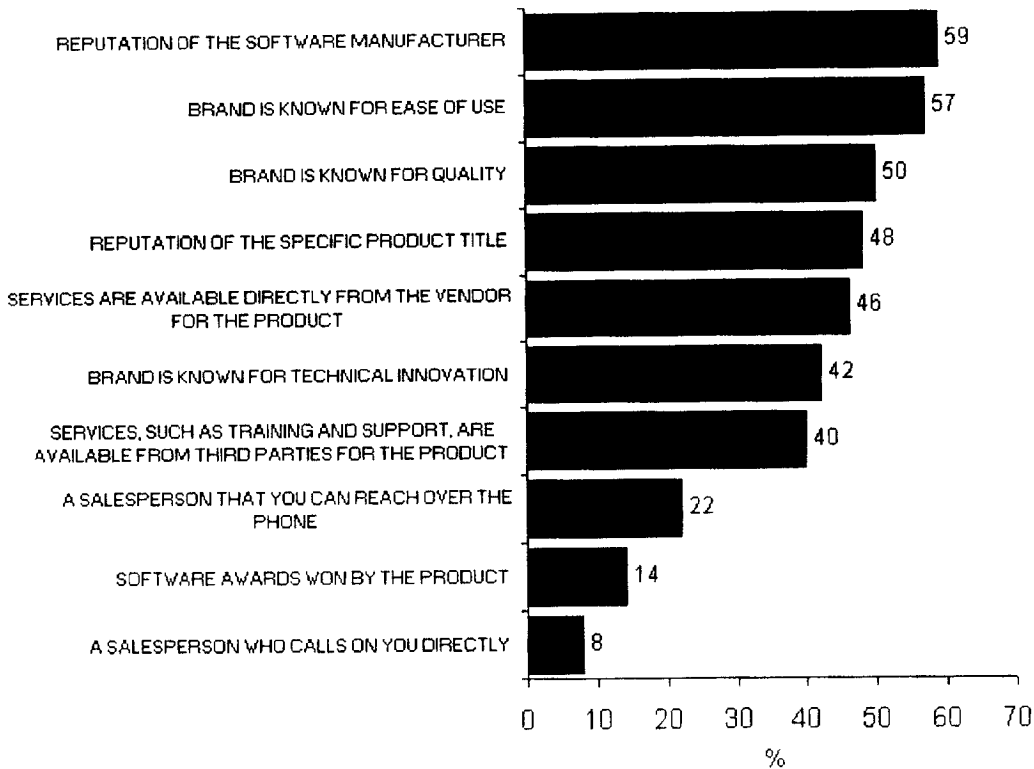
(TOP 2-BOX, 8 OR 9 ON A 9 POINT SCALE)



Reputations of manufacturers, brands, and titles are highly important. Above all manufacturer-related factors, the reputation of the software manufacturer is highly important to a larger proportion of SORGs. What specific brands are known for is also seen as highly important to about half of all SORGs.

MANUFACTURER IMPORTANCE FACTORS

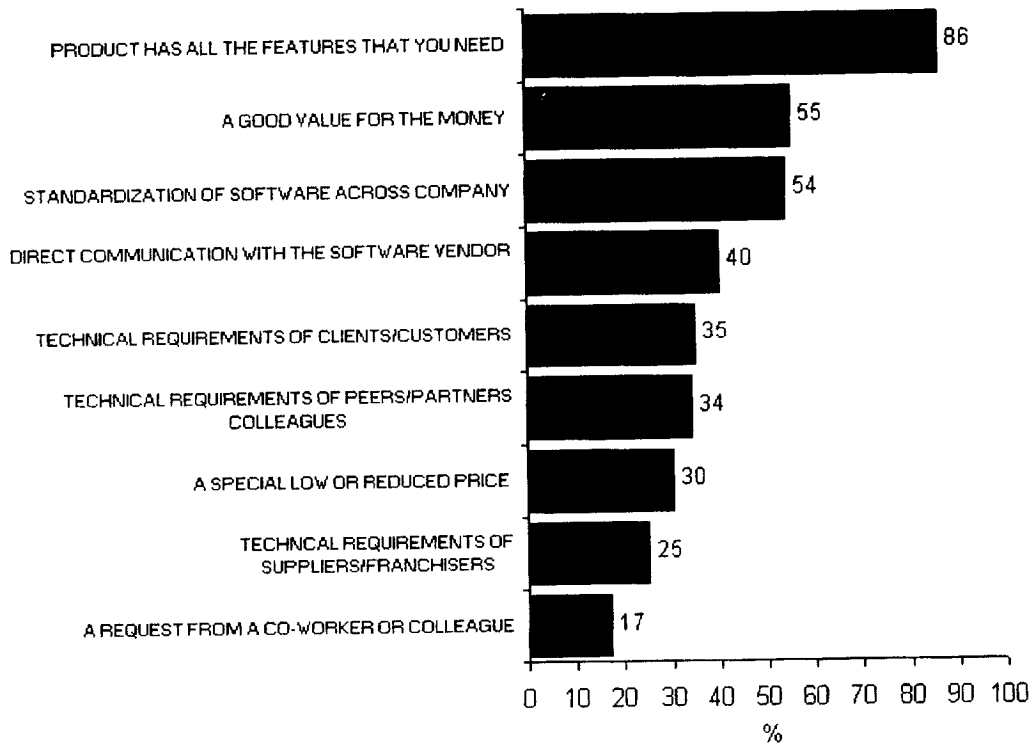
(TOP 2-BOX, 8 OR 9 ON A 9 POINT SCALE)



Product features are of paramount importance to purchase consideration. The most important factor related to business needs for SORGs is that the productivity software has all the features needed. This is highly important to 86%.

GENERAL BUSINESS NEEDS FOR PRODUCTIVITY SOFTWARE IMPORTANCE FACTORS

(TOP 2-BOX, 8 OR 9 ON A 9 POINT SCALE)

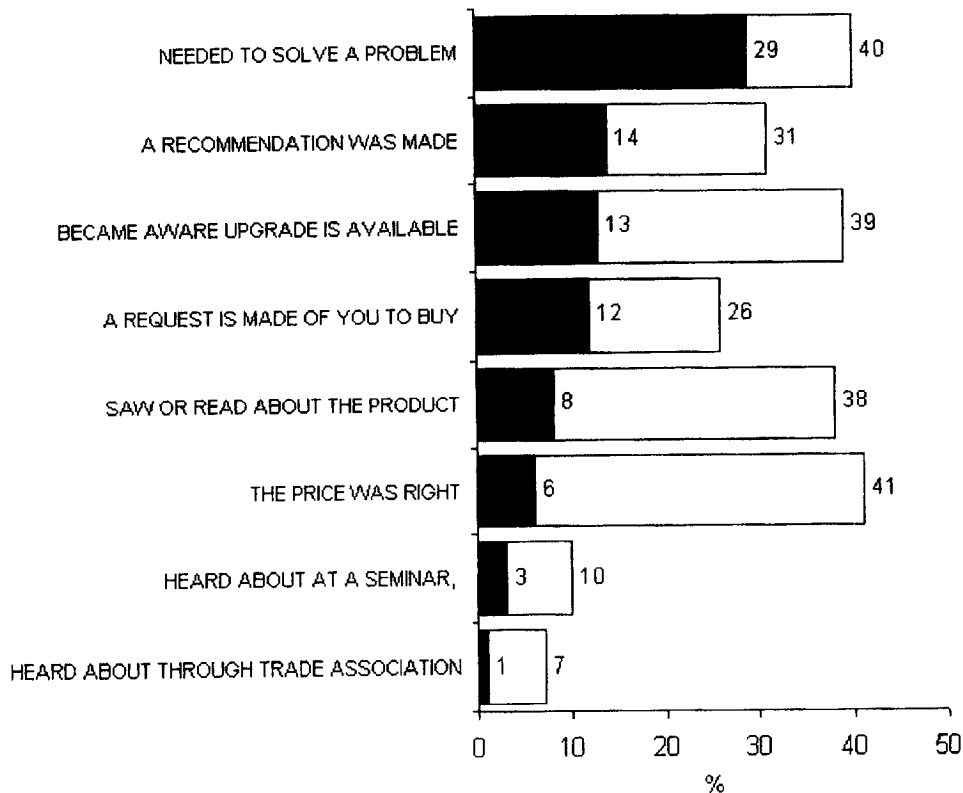


Needing to solve a problem is a driving factor in the software purchase decision. Six factors clearly rose to the surface as critical factors to the software purchase decision. Four factors group in the top tier, namely: the price was right (41%), needed to solve a problem (40%), became aware that an upgrade was available (39%), and saw or read about the product (38%). These were followed closely by two additional factors – a recommendation was made (31%) and a request was made (26%).

However, when asked to **select the SINGLE MOST important factor**, needing to solve a problem (29%) was clearly the driving factor. Other important factors were recommendation (14%), became aware of upgrade (13%), and request was made (12%). This clearly shows that price is *important* but, if the productivity software will not solve the problem the customer has, the price of it decreases in importance and is less of a driving factor.

WHETHER EACH IS SOMETHING THAT HELPED DECIDE THAT THE LAST PRODUCTIVITY SOFTWARE PURCHASE WAS NEEDED. WHAT WAS THE MOST IMPORTANT FACTOR THAT HELPED DECIDE THAT THE LAST PRODUCTIVITY SOFTWARE PURCHASE WAS NEEDED.

White: Was Something that helped decide
Red: Was the Most important factor that helped decide



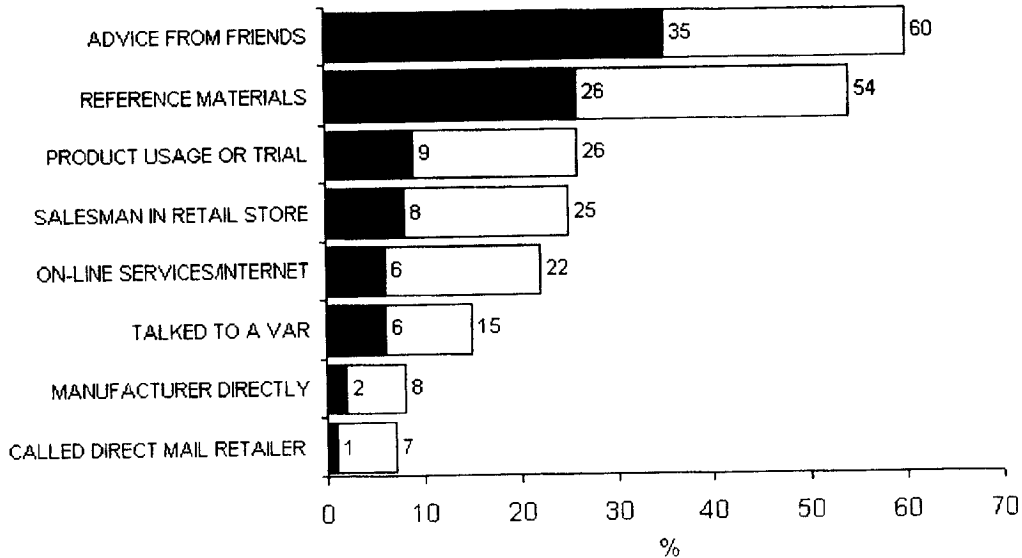
The most important sources of information in the purchase decision are advice of friends and reference materials. Advice from friends (60%) and reference materials (54%) are most often mentioned as the usual sources of information used to aid purchase decisions. About one in four (25%) usually use the product as a trial period. One in four (25%) also usually rely on a salesperson in a retail store for information. Slightly less (22%) use on-line services. 15% usually talk with a VAR when making a purchase decision. Only a handful rely on the manufacturer directly or call a direct mail retailer (8% and 7%, respectively).

When asked **which of the sources used is MOST important**, advice from friends is reported by more than one-third (35%). About one out of every four claims that reference materials are the most important. After these, no other source is thought to be the most important source by 10% or more.

- Interestingly, while those in the sub-segment of consumers who shop at retail stores most often do not find the advice of retail salespeople to be the most important (10%), those who shop through VARs do value the advice of their resellers more often as the most important source (25%). Those seeking advice are predominantly computer professionals (35%) and business colleagues (30%). The primary source of information is computer magazines (54%)

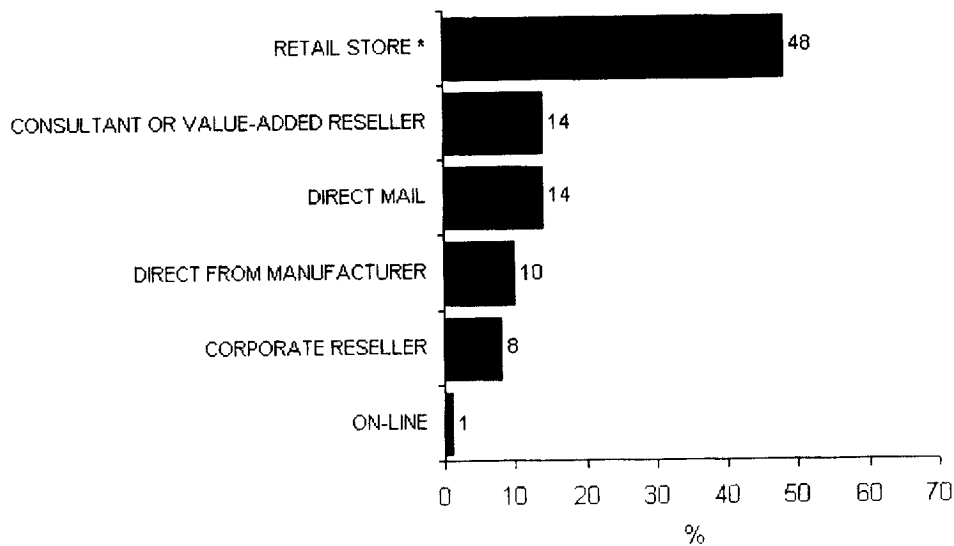
SOURCES OF INFORMATION USUALLY USE WHEN MAKING A PURCHASE DECISION. MOST IMPORTANT SOURCE OF INFORMATION USED WHEN MAKING A PURCHASE DECISION

White	Is a source usually used
Red	Is the Most important source used



Retail stores are the primary channel for SOGRs to purchase productivity software. 48% of buyers purchase at retail most often (41% purchasing at national retail accounts while 7% purchase from local retail outlets). Other important channels are VARs and Direct mail (14% each), direct from manufacturer (10%) and corporate reseller (8%).

WHERE PRODUCTIVITY SOFTWARE IS BOUGHT MOST OFTEN



*includes 7% local (unsegmented retail)

- continue -

SORG Purchase Descriptors in Total (3)

<-- Previous

Suites are purchased for the capabilities, features and performance more so than integrated packages which are purchased more for their ease of use and price.

Why did you buy....	Suite	Integrated Package
	%	%
Capabilities/Features	35	10
Performance	15	5
Ease of Use	8	15
Price/economy	3	14

Those who have not upgraded do not see the need to, are price sensitive, or are concerned about the quality. Those who have a 32-bit operating system with 16-bit productivity software were asked why they haven't upgraded to a 32-bit productivity software. Nearly four out of ten (39%) gave a lack of need response (current application does all that I need at this time (18%), don't see a need at this time (12%), don't need the new features in the upgraded package (10%)). This presents a marketing opportunity to create the sense of need for these companies. Following this, price consideration reasons were voiced (support costs (12%), software budget constraints (11%), an training costs (7%)). Some also questioned the quality of the upgrades available (software has technical problems (11%), platform stability (6%), product quality (3%)).

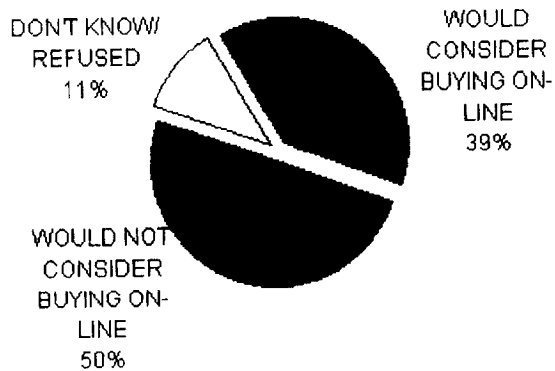
Those who use Lotus Suites are found to be very satisfied with it, mainly because only extremely loyal Lotus purchasers remain. Of the 17 companies identified as primarily using Lotus Suites, 14 of them claim to be very satisfied with it. This compares to approximately two-thirds of those using a Microsoft suite who claim the same. It is believed that competitive software such as Lotus and Corel will likely have higher satisfaction scores because, generally speaking, the companies using these products are more or less completely loyal to them. Other companies without full dedication to these companies and products have left them for Microsoft over the years.

Networked computing has permeated SORGs to a large extent, however much upside remains. 51% of SORGs have networked PCs, 61% of which are connected through a server while 28% are connected peer to peer. 43% of SORGs use e-mail in business (primarily Netscape clients – 20%), with the greatest number of SORGs exclusively using ISPs for email (47%). 79% of SORGs who use email have access to the Internet, while 15% use email without an Internet connection. 44% use the Internet for business (48% once a day or more) while only 22% have a company web site. 32% of those without a web site plan to have one within the next year (that's 25% of the total, which would project the total with web sites to be 47% a year from now).

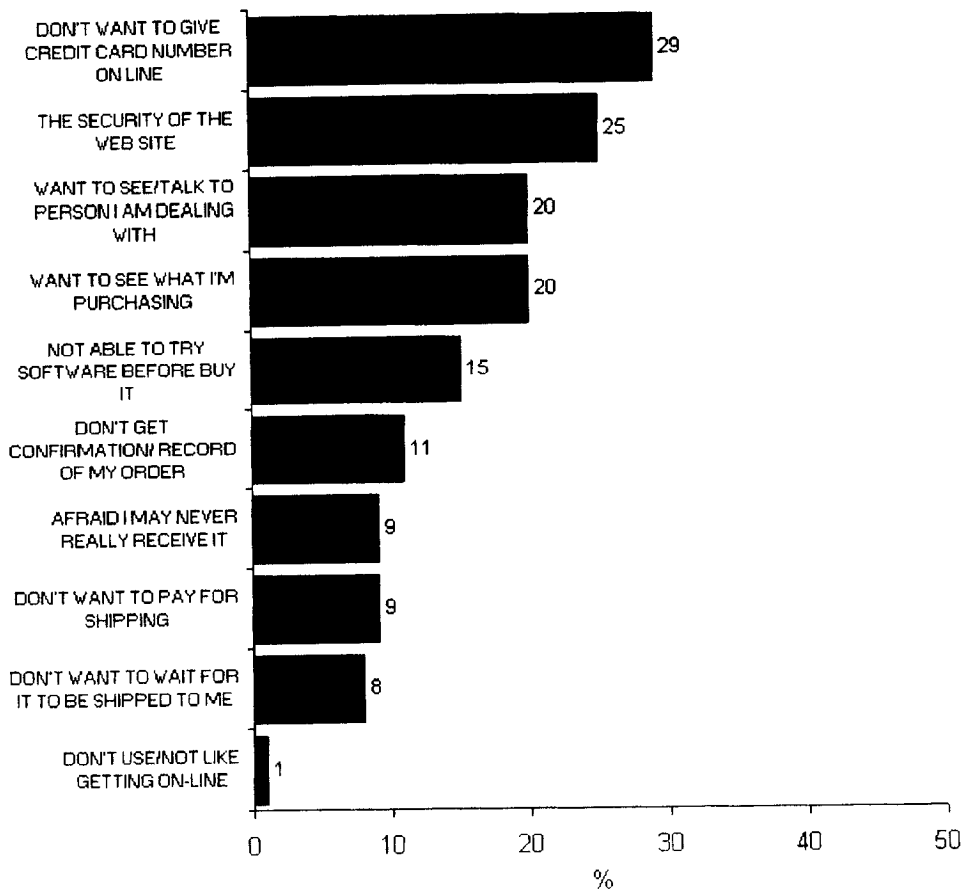
Piracy remains a tremendous barrier to purchase. Of those not purchasing productivity software with their last PC, the single most cited reason was "already had a copy, purchased for another PC" (24%). Importantly, this excluded replacement purchases: there was an alternative potential response "PC is a replacement machine, using software from PC replaced (17%) These results suggest that aggressive PC attach programs could go a long way in preemptively attacking piracy within SORGs

Online purchase consideration continues to increase however common concerns are still voiced. Nearly four out of every ten (39%) claim they would consider buying on-line. Those who would not consider fear the security of web (25%), specifically with credit card number transfer (29%) About one in five (20%) want to see what they are buying or see and talk to the person they are dealing with and 15% want to be able to try to the software before purchasing

CONSIDERATION OF PURCHASING SOFTWARE ONLINE

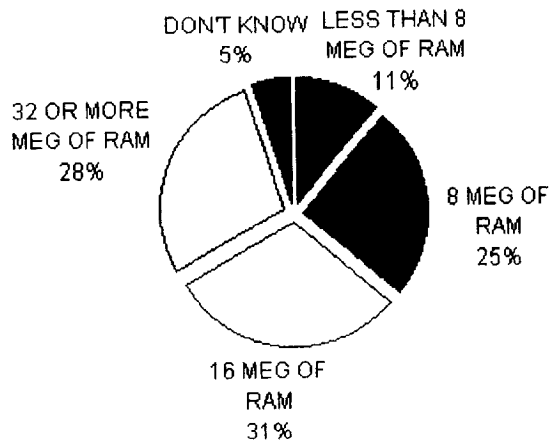


CONCERNS ABOUT PURCHASING ONLINE

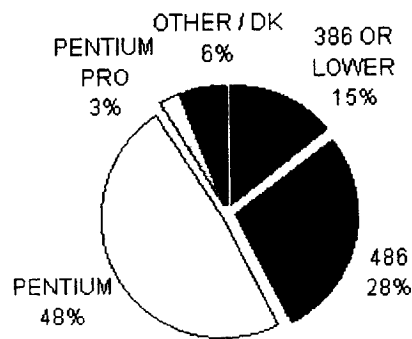


The media most often read regularly by SORG software decision-makers are local newspapers (75%) and trade/industry magazines (48%). PC professional magazines (42%) are more likely to be read regularly than business magazines (36%), new magazines (34%) or national newspapers like *The Wall Street Journal*. (30%)

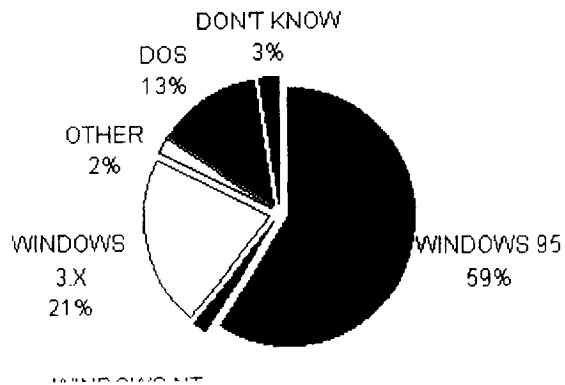
MOST COMMON CONFIGURATION OF PCs IN BUSINESS.



MOST COMMON TYPE OF PROCESSOR IN PCs IN BUSINESS

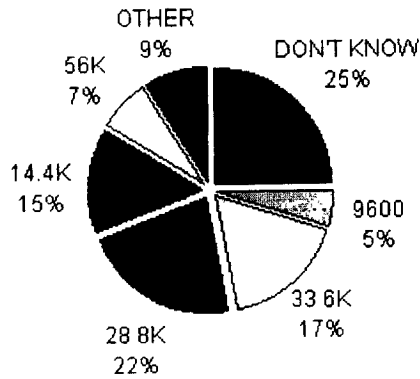


MOST COMMON OPERATING SYSTEM ON PCs

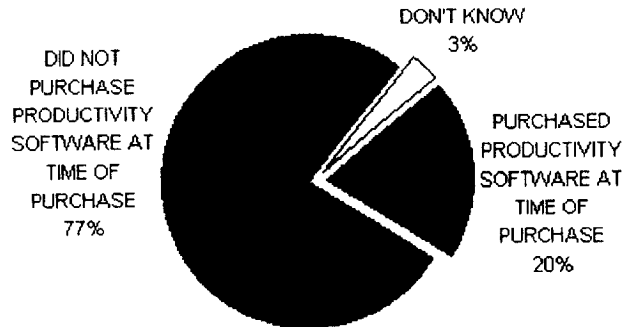


WINDOWS NT
2%

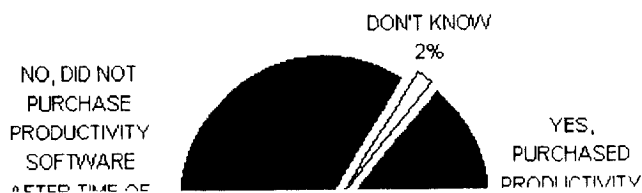
MOST COMMON OPERATING SYSTEM ON PCs



WHETHER PURCHASED PRODUCTIVITY SOFTWARE AT TIME OF PC PURCHASE



WHETHER PURCHASED PRODUCTIVITY SOFTWARE AFTER TIME OF PC PURCHASE



AFTER TIME OF
PURCHASE
71%



PROBABILITY
SOFTWARE
AFTER TIME OF
PURCHASE
27%

- continue -

Report Format

This web is intended to provide a means of quick access to pertinent information and findings in as much detail as needed.

Two main "centerpieces" have been created, each of which provide links to more specific detail.

- 1. The first is the Summary and implications Section. This provides a summary discussion of highlights. From this, links to specific findings can be utilized to show support for the given conclusion and to afford the opportunity to "drill down" to unique and specific areas of interest.
- 2. The second is a customized SORG "Map" of the Small Organization Market as it relates to the Desktop Applications Divisions' desire to gain a further understanding of purchase behavior. From this "Map," you can hyperlink to a number of key areas:

The SORG Market in Total

The impact of the level of dependency on Value Added Resellers/Providers

The impact of the size of the organization

Segmentation Analysis and Profiles

Segment 1: Peer Advice-Driven, Retail Purchasers

Segment 2: IT Professionals, PC Enthusiasts

Segment 3: Heavily VAR/P Dependents

Segment 4: Non-PC Reliant Businesses

Segment 5: Novice, Small, Local Companies

Segment 6: Service and Support Oriented

Segment 7: Savvy, Home-Based Owners

- continue -

Peer Advice-Driven, Retail Purchasers

IT Professionals, PC Enthusiasts

Heavily VAR/P Dependent

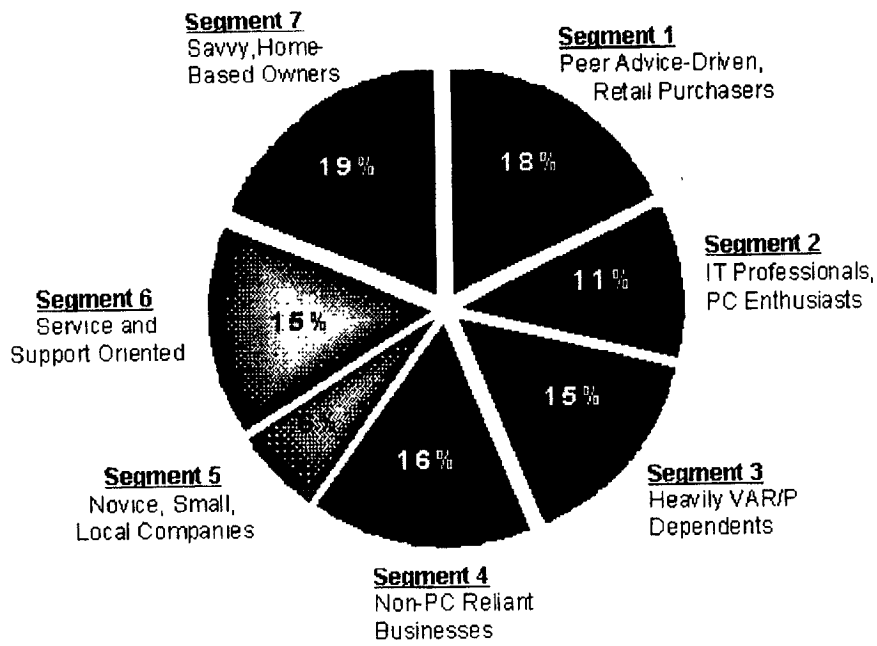
Non PC-Reliant Businesses

Service and Support Oriented

**Novice, Small,
Local Companies**

**MS/CR 0041844
CONFIDENTIAL**

**SAVVY
HOME-BASED OWNERS**



Segment 1

Peer Advice-Driven, Retail Purchasers

Segment description:

The "Peer Advice-Driven, Retail Purchasers" segment is not defined by the size of the companies that comprise it. The proportion of small companies is consistent with the proportion found in total. Because of this they have many average qualities in terms of the SORG market in total. Two areas really stand out with these companies, however.

This segment values, and is driven by, advice and recommendations from friends and other trusted sources. Despite being open to advice and recommendations from friends or associates, this group does not value VAR/Ps any more than other SORGs. Additionally, this group is not as concerned with services that might be available from a manufacturer.

This group purchases from retail stores more than any other SORG segment. Interestingly, this group does not show a greater reliance on advice from salespeople, however. A finding which is consistent with those who strictly value friends or associates advice. This suggests that these SORGs are entering retail stores with a product or products in mind based on their outside, personally-obtained recommendation and are not asking for salespeople's advice at the time of the purchase.

Impact of Value Added Resellers / Providers

- While this group clearly values recommendations and advice, no differences from total are found in terms of the impact of VAR/Ps.

Company Size (number of PCs)

- The segment is comprised of an average number companies with five or more PCs. The median number of employees is slightly lower than found in total and the median number of PCs is equal to the median of all SORGs.

Motivators of Productivity Software Purchases

- No differences from total are found.

Influential Sources Affecting Purchases

- This group is influenced heavily by personal recommendations. More than four out of every ten believe that advice from friends is the most important source of information before purchase. More than six out of ten believe that a personal recommendation is highly important. About six out of every ten think that a request to buy is highly important. Along with valuing recommendations and advice, one-third of this group is also more likely to believe that reference materials are the most important source of information.

Method of Productivity Software Purchase

- This group is more likely to purchase in retail stores with more than seven out of every ten claiming to do so.

Types of Productivity Software Purchased

- This group is less likely to have a software standard. This segment is more likely than others to currently be using Lotus Suites.

Upgrade Behavior

- No differences from total are found.

Purchase Intention for Productivity Software

- No differences from total are found.

Demographic Profile

- No differences from total are found.

Segment differentiators

Relative to that found in total, those in Segment 1 (Peer Advice-Driven Retail Purchasers).....

- Are less likely to have a software standard (53% vs. 68%)
- Are more likely to currently use Lotus Suites (14% vs. 6%)
- Are more likely to believe that advice from friends is the most important source of information (43% vs. 35%)
- Are more likely to believe that a recommendation is highly important (61% vs. 45%)
- Are more likely to believe that reference materials/ads/reviews are the most important source of information (36% vs. 26%)
- Are less likely to believe that services being available from the vendor is highly important (28% vs. 46%)
- Are more likely to believe that a request to buy the product from a co-worker or colleague is highly important (61% vs. 45%)
- Are more likely to usually purchase in retail stores (71% vs. 53%)
- Spend more, on average and per year, on productivity software (\$3,300 vs. \$2,000)
- Spend more, on average and per year, on all other types of software (\$1,700 vs. \$1,000)
- Have fewer employees (median: 12 vs. 14)

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Segment 2

IT Professionals, PC Enthusiasts

Segment description:

The "IT Professionals, PC Enthusiasts" segment is comprised of the highest proportion of companies with 5-49 PCs. These large SORGs act, in many cases, like small MORGs in that many have either formal or informal IT specialists who oversee the entire computer-related purchasing function for the company. The employees in these positions are "PC enthusiasts." Since it is their livelihood, these people keep abreast of changes in the productivity software industry. They are well educated and research heavily before purchasing. They utilize the internet extensively to research manufacturers, brands, and specific software titles. Some purchase on-line and a majority claim they would consider purchasing online in the future.

This group typically does not have a strong relationship with VAR/Ps because of their knowledge of the industry. Separate Microsoft research suggests that VAR/Ps call on larger SORGs. However, this segment being made up of over 50% IT professionals, does not need the outside technical expertise offered by VAR/Ps. Those who do use a VAR/P, mainly seek internet access and web development. Overall however, they do not value the general services offered by the VAR/Ps.

The identification of this segment is not new learning for Microsoft DAD. While this segment is very fruitful for Microsoft, they do not present *additional* marketing challenges towards the increase of productivity software penetration. They are well informed and seek out the best products for their needs. They often buy productivity suites. They spend nearly \$90 **per PC** on all software with more than half of that being spent on productivity software.

Impact of Value Added Resellers / Providers

- ∴ This group is less likely to use the standard services provided by a VAR/P. However, this group is twice as likely than others to have internet access and development provided by a VAR/P.

Company Size (number of PCs)

- ∴ The segment is comprised of the largest SORG companies. Seven out of every ten companies in this group have five or more PCs. The median number of employees is three times that in total and the median number of PCs is more than double.

Motivators of Productivity Software Purchases

This segment is motivated by the need to solve problems in their business.

Influential Sources Affecting Purchases

This group is influenced heavily by the internet. They are more than three times as likely to use the internet as a source of information before purchasing and next time they need to purchase almost nine out of every ten are likely to do so. They are more likely to read a review on-line and value the information from on-line user groups. A manufacturer's reputation is highly important and they will visit the manufacturer's web sites more often than others. They believe that testing a trial copy is important before purchase. This group does not value friend or associate recommendations as much as others.

Method of Productivity Software Purchase

- Although still a relatively small percentage, about 15% are likely to purchase on-line with two-thirds of this group claiming that they would consider purchasing on-line. The majority of the remainder of purchases occur at retail stores (about half) and through direct mail (about one in four)

Types of Productivity Software Purchased

- This group has the highest proportion of companies who currently use productivity suites (three out of four), almost all of which are 32-bit. This group is more likely to have a productivity software standard, often times established by an MIS/IT department. They are more likely to abide by these standards as well. MS Office 95 is much more likely to be the standard with this group than companies in other segments with slightly more than one out of every five companies using it.

Upgrade Behavior

- This group is more likely to upgrade within the next six months than that found in total. However, this group is more likely to carefully weight the cost / benefit of upgrading before purchase.

Purchase Intention for Productivity Software

- Four out of every five are likely to purchase in the next 18 months, compared to about five out of every ten found in total.

Demographic Profile

- This group is more likely to have faster and newer hardware and software. They have more PCs connected through a network, use e-mail more often, and use the internet for business more often. Those questioned were younger and a higher proportion male. They are thought of as knowledgeable by their friends, excited about computers, and about four out of every five self-asses themselves as an "advanced" user. They read trade or industry magazines, PC professional magazines, and PC enthusiast magazines at a higher rate than others.

Segment differentiators

Relative to that found in total, those in Segment 2 (IT Professional, PC Enthusiasts).....

- Are more likely to have Pentium processors most common in their business (63% vs. 49%)
- Are more likely to have faster modems installed (28.8 or faster, 76% vs. 46%)
- Are more likely to currently use productivity suites (77% vs. 59%)
- Are more likely to have purchased the productivity suite (84% vs. 63%)
- Are more likely to have a software standard (81% vs. 68%)
- Are more likely to have MS Office 95 (Professional) as standard (22% vs. 10%)
- Are more likely to have MIS/IT set the company standards (39% vs. 14%)
- Are more likely to have their standards reviewed every 6 months or more often (36% vs. 19%)
- Are more likely to abide by the software standard (highly recommended or strictly enforced, 88% vs. 71%)
- Are more likely to have had a problem needing to be solved that helped decide purchase (59% vs. 40%)

- Are more likely to use the internet as a source of information before purchasing (72% vs. 22%)
- Are more likely to think the internet is the most important source of information (40% vs. 6%)
- Are more likely to use the product itself as a source of information before purchasing (42% vs. 25%)
- Are less likely to rely on friends or associates for advice before purchasing (37% vs. 60%)
- Are more likely to read a review online (61% vs. 20%)
- Are more likely to believe that a manufacturer's web site is highly important (34% vs. 10%)
- Are more likely to believe that testing a trial copy within the company is highly important (70% vs. 52%)
- Are more likely to believe that information from an online group is highly important (29% vs. 8%)
- Are more likely to believe that product reviews online are highly important (33% vs. 10%)
- Are more likely to believe that a manufacturer's reputation is highly important (75% vs. 59%)
- Are more likely to NOT have used a VAR/P during the last productivity purchase (86% vs. 63%)
- Are more likely to have internet access and development provided by VAPs (43% vs. 20%, 27% vs. 14%)
- Are less likely to have any other services provided by a VAR/P
- Are more likely to purchase online (15% vs. 3%) and consider purchasing online (63% vs. 38%)
- Are more likely to plan to upgrade within 6 months (43% vs. 20%)
- Are more likely to carefully weigh the cost / benefit of upgrading (74% vs. 46%)
- Are more likely to use the internet the next time to obtain information (top-2-box; 88% vs. 35%)
- Are more likely to go to the manufacturer's web site for information (76% vs. 63%)
- Are more likely to be a national or international company (79% vs. 44%)
- Have, on average, more PCs connected through a network (9.7 vs. 4.1)
- Are more likely to use e-mail (90% vs. 43%)
- Are more likely to use the internet for business (85% vs. 44%)
- Are more likely to have web site (59% vs. 22%)
- Are more likely to use financial software (35% vs. 39%), graphics packages (43% vs. 24%), and contact management software (33% vs. 11%)
- Are more likely to be thought of as knowledgeable by friends (65% vs. 30%)
- Are more likely to be excited about computers (66% vs. 46%)
- Are more likely to self-assess themselves as advanced status (78% vs. 44%)
- Are more likely to read trade or industry magazines (63% vs. 50%), PC professional magazines (68% vs. 42%), or PC enthusiast magazines (28% vs. 16%)
- Are, on average, younger (38.4 vs. 42.5)
- Are male (76% vs. 62%)
- Have more employees in company (median:45 vs. 14)
- Have more computers (mean: 12.9 vs. 6.5)
- Are more likely to purchase in the next 18 months (79% vs. 54%)
- Are more likely to use Windows 95 OS (90% vs. 79%)

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Segment 3

Heavily VAR/P Dependent

Segment description:

The size of the companies which comprise the "Heavily VAR/P Dependent" segment do not tend to be disproportionately larger or smaller than what is found with the SORG market, in total. These companies are, however, heavily dependent on VAR/Ps. They rely on these resellers and providers not only for recommendations and advice on what to buy, but also for the follow-up services they offer.

As a result of relying so heavily on VAR/Ps, this group is more likely to purchase productivity suites and to do so after the PC purchase; findings that are consistent with those who utilize VAR/Ps as their source of recommendations.

This group purchases directly from the very people recommending this software. More than four out of ten purchase directly from the VAR/P. This is more than two and one half times the proportion of companies found in total who do the same (43% vs. 16%). They are less excited about computers than other SORGs and are insecure about choosing the appropriate productivity software title for themselves. They do value quality and manufacturer reputations and feel that a VAR/P would not steer them wrong in this regard.

They spend about the average amount per PC of all SORGs in terms of productivity software. Although this group spends less on non-productivity software, they do spend twice as much than other SORGs on these titles.

Impact of Value Added Resellers / Providers

- 1. Virtually all, three times that found in total, consulted with a VAR/P before their last purchase. More than 40% of this group (nearly three times that found in total) are likely to purchase from a VAR/P. This group is more likely to have purchased because of a recommendation made, are three times as likely to think that talking to a VAR/P is the most important source of information, twice as many believe a recommendation from a VAR/P is highly important.

Company Size (number of PCs)

- 1. The segment is comprised of an average number companies with five or more PCs. The median number of employees and PCs is slightly greater than found in total

Motivators of Productivity Software Purchases

- 1. No differences from total are found.

Influential Sources Affecting Purchases

This group is influenced by VAR/Ps much more so than any other segment. Aside from the advice and recommendations received from VAR/Ps, other personal and professional recommendations are influential. The reputation of the manufacturer is highly important 75% of this group. Quality and ease of use are also influential.

Method of Productivity Software Purchase

- This group is nearly three times as likely to purchase from a VAR/P than all other SORGs. 43% usually purchase their productivity software through this means.

Types of Productivity Software Purchased

- This group has the highest proportion of companies who currently use productivity suites (three out of four), almost all of which are 32-bit. This group is more likely to have purchased a productivity suite after the PC purchase.

Upgrade Behavior

- This group is more than twice as likely to wait until someone recommends a title before upgrading.

Purchase Intention for Productivity Software

- No differences from total are found.

Demographic Profile

- This group is made up of companies that are not as excited as other SORGs about computers with only about one-third claiming to be excited.

Segment differentiators

Relative to that found in total, those in Segment 3 (Heavily VAR/P Dependent).....

- Are more likely to currently use productivity suites (78% vs. 59%)
- Are more likely to have purchased a productivity suite after PC purchase (16 out of 19 vs. 47%)
- Are more likely to have purchased because of a recommendation made (23% vs. 14%)
- Are more likely to think talking to a VAR/P is the most important source of information (17% vs. 6%)
- Are more likely to believe that a recommendation is highly important (56% vs. 45%)
- Are more likely to believe that a recommendation from a pro service is highly important (52% vs. 34%)
- Are more likely to believe that a recommendation from a VAR/P is highly important (44% vs. 22%)
- Are more likely to believe that a reputation from a software manufacturer is highly important (75% vs. 59%)
- Are more likely to believe that services (training and support from 3rd party) highly important (63% vs. 40%)
- Are more likely to have consulted with a VAR/P last time (99% vs. 35%)
- Are more likely to have all VAR/P-related services provided (approximately twice as likely for all)
- Are more likely to purchase from a VAR/P (43% vs. 16%)
- Are more likely to wait for a recommendation before purchase (23% vs. 10%)
- Are less likely to be excited about computers (32% vs. 46%)

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Segment 4

Non PC-Reliant Businesses

Segment description:

The "Non PC-Reliant Businesses" segment of the SORG market is somewhat similar to Segment 1 in terms of the average proportion of smaller-sized companies and lack of dependency on VAR/Ps. However, this segment differentiates itself by having many qualities which suggest that productivity software and PCs in general do not play a vital role in their business. Supporting evidence for this is the size of these organizations relative to the number of PCs in the company. The computers they do have are generally older and slower as well. They do not use the internet or e-mail as much as others do.

Additionally, this group has a seeming lack of interest in productivity software, and in fact, nearly 40% do not have any productivity software. Findings suggest that the times they do purchase productivity software is because of compatibility issues with clients and suppliers. A small group from this segment (but a higher proportion found in total) purchases from Corporate Resellers.

Some of the companies in this segment include construction agriculture, and wholesalers, companies which do not currently rely on their PC and productivity software as core to their business. This is supported by the fact that there are significantly fewer owners and managers, and more administrators managing the software purchase decision for these companies.

Impact of Value Added Resellers / Providers

• No difference from total are found.

Company Size (number of PCs)

- The segment is comprised of an average number companies with five or more PCs. The median number of employees is greater than found in total however the median number of PCs is equal to the median of all SORGs.

Motivators of Productivity Software Purchases

- A slightly greater proportion of this segment is motivated by the need to be compatible with client/customers and suppliers/franchisers.

Influential Sources Affecting Purchases

- No differences from total are found.

Method of Productivity Software Purchase

- Although still a relatively small percentage, 17% (about twice that found in total) usually purchase productivity software from a corporate reseller.

Types of Productivity Software Purchased

- This group is less likely to have *any* productivity software (39%). This segment has much less usage of productivity suites and has almost no usage of integrated packages. About one-fourth (twice as much than found in total) purchase productivity software more infrequently than once every three years.

Upgrade Behavior

- These companies are more likely to see no reason to upgrade or only upgrade when purchasing new hardware or a new operating system

Purchase Intention for Productivity Software

- No differences from total are found.

Demographic Profile

- This group is more likely to have slower and older hardware and software with nearly two-thirds having a 486 or lower as the most common type of processor in the company, and one-third using Windows 3.1 or lower most often. Only about a fourth use e-mail and they are less likely to use the internet for business. A higher percentage of those questioned were female

Segment differentiators

Relative to that found in total, those in Segment 4 (Non-PC Reliant Businesses).....

- Are more likely to have 486 or lower as most common processor (64% vs. 42%)
- Are less likely to use productivity suites (37% vs. 59%)
- Are less likely to use integrated packages (14% vs. 23%)
- Are more likely to not have any productivity software (39% vs. 13%)
- Are more likely to think tech requirements of suppliers/franchisers is highly important (37% vs. 25%)
- Are more likely to think tech requirements of clients/customers is highly important (47% vs. 35%)
- Are less likely to purchase productivity frequently (less than every 3 years; 23% vs. 12%)
- Are less likely to use e-mail (23% vs. 43%)
- Are less likely to use the internet for business (70% vs. 56%)
- Are more likely to be female (49% vs. 39%)
- Are larger (median number of employees; 20 vs. 14)

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Segment 5

Novice, Small, Local Companies

Segment description:

The "Novice, Small, Local Companies" segment of the SORG market is the smallest compared to all others; both in terms of the segment size and the size of the companies which comprise it.

These are predominately local service companies who, like segment four, do not necessarily rely on their PC or productivity software to run their business. They are self-employed and most use an accounting software package, but none have bought productivity software after their PC purchase. Those who do use their PC, mostly simply use what came pre-installed. They are not likely to upgrade or purchase in the near future. Not surprisingly, these companies consider themselves to be Novice PC users.

Impact of Value Added Resellers / Providers

- This group is not likely to use or consult with a VAR/P.

Company Size (number of PCs)

- The segment is comprised of the smallest SORG companies. All of the companies in this group have four or fewer PCs. The median number of employees is almost three times less than that in total, and the number of PCs is much less as well with the mean number of PCs being 2.6 compared to 6.5.

Motivators of Productivity Software Purchases

- This segment is not motivated to purchase, however about two-third are more likely to purchase because of the price being right.

Influential Sources Affecting Purchases

- No differences from total are found.

Method of Productivity Software Purchase

- No differences from total are found

Types of Productivity Software Purchased

- This group is less likely to have productivity suites, integrated packages, or stand-alone titles. None of these companies bought any productivity software after the time of the PC purchase. However, four out of every five of these companies are likely to use accounting software (vs. about half, in total). Most of these companies use what came pre-installed on their PC.

Upgrade Behavior

- ☐ This group is less likely to upgrade with more than one out of every four claiming that they generally see no reason to upgrade.

Purchase Intention for Productivity Software

- ☐ This group is much less likely to purchase in the next 28 months (less than half the intention of that found in total).

Demographic Profile

- ☐ Three out of four of these companies operate in the local community (compared to half, in total) and half consider themselves as Novice PC users.

Segment differentiators

Relative to that found in total, those in Segment 5 (Novice, Small, Local Companies)....

- ☐ Are less likely to use productivity suites (37% vs. 59%)
- ☐ Are less likely to use stand-alone (10% vs. 27%)
- ☐ Are less likely to use integrated packages (12% vs. 23%)
- ☐ Are less likely to have bought after PC purchase (0% vs. 20%)
- ☐ Are more likely to have purchased because the price was right (63% vs. 41%)
- ☐ Are more likely to generally see no reason to upgrade (27% vs. 10%)
- ☐ Are more likely to operate only in the local community (75% vs. 49%)
- ☐ Have, on average less PCs (2.6 vs. 6.5)
- ☐ Are more likely to use accounting software (80% vs. 56%)
- ☐ Are more likely self-employed (59% vs. 32%)
- ☐ Are more likely to self-assess themselves as Novice users (49% vs. 24%)
- ☐ Have, on average, less employees (15 vs. 74)
- ☐ Mostly use what came pre-installed on their PC.
- ☐ Are less likely to purchase in the next 18 months (22% vs. 54%)

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Segment 6

Service and Support Oriented

Segment description:

The "Service and Support Oriented" segment of the SORG market is interested in computer services being available to them. In terms of purchases of productivity software, they have average SORG qualities.

What separates this group is the fact that they consider service from VAR/Ps or other 3rd party suppliers to be very important. The fact that, relative to the proportion who consult with a VAR/P, a very small number actually end up purchasing from a VAR/P suggests one of two things. We suspect that two things might be happening. The VAPs may be sending these customers to other channels to avoid the time intensive, high-cost after sales support that this segment demands. Additionally, the VAPs might not be pursuing the business of this segment, preferring instead to concentrate on larger SORGs with higher total revenue per sale potential.

Despite appearing to be made up companies who are less excited about computers, this segment does spend money on software. Last year, this group spent the most of any segment per PC on productivity software and three times the average on all other types of non-productivity software.

Impact of Value Added Resellers / Providers

- This group is one and half times more likely to have all VAR/P-related services provided, namely: product support, hardware purchase, network design, installation, configuration, support and maintenance, on-site consultation, and **custom software solutions development**. Productivity software is purchased at the same rate as is found in total.

Company Size (number of PCs)

- The segment is comprised of a higher percentage of SORG companies with four or less computers than is found in total, with about nine of ten companies being under this criteria. The median number of employees and number of PCs is equal to that found in total for each

Motivators of Productivity Software Purchases

- No differences from total are found.

Influential Sources Affecting Purchases

- This group is influenced heavily by those who offer services and support to them. Over half believe training or support from a 3rd party is highly important and six out of ten believe that services directly from the vendor are important. Additionally, communication with the software vendor is seen as highly important to over half of this group

Method of Productivity Software Purchase

- No differences from total are found

Types of Productivity Software Purchased

- This group is more likely to use stand-alone software than that which is found in total. Those using Suites are less likely to be using a 32-bit suite.

Upgrade Behavior

- Some in this group will tend to wait until someone recommends a software title before upgrading.

Purchase Intention for Productivity Software

- A large degree of indecision is found in terms the likelihood to upgrade with nearly half saying that they might or might not.

Demographic Profile

- Only about one-third of these companies appear to be excited about computers (vs 46% in total). They are about half as likely to have a company web site.

Segment differentiators

Relative to that found in total, those in Segment 6 (Service and Support Oriented).....

- Are more likely to use stand-alone software (39% vs. 27%)
- Are less likely to be using a 32-bit suite (28% vs. 44%)
- Are more likely to believe that advice from friends is most important source of information (45% vs. 35%)
- Are more likely to believe that services (training/support from 3rd party) is highly important (53% vs. 40%)
- Are more likely to believe that services (directly from vendor) is highly important (60% vs. 46%)
- Are more likely to believe that a request from a co-worker is highly important (28% vs. 17%)
- Are more likely to believe that direct communication with software vendor is highly important (56% vs. 40%)
- Are more likely to have all VAR/P-related services provided (approx. 1.5 times as likely for all)
- Are less likely to have a web site (12% vs. 22%)
- Are less likely to be excited about computers (33% vs. 46%)

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Segment 7

SAVVY HOME-BASED OWNERS

Segment description:

This segment of the SORG market is comprised of a higher proportion of smaller companies which depend heavily on productivity software. A disproportionate number of these companies are home-based businesses which seem to rely on their PC and productivity software.

A higher proportion of owners were questioned in this segment; owners who are involved with higher technology and cutting edge software to improve or maintain their businesses. This group certainly appears to be more computer savvy and does not value advice and recommendations as much as others. They do not seek the opinions or recommendations of VAR/Ps.

They spend slightly more than others on productivity software and all other types of software and some point to price as a motivator to, or not to buy.

Impact of Value Added Resellers / Providers

- This segment is much less likely to have consulted with a VAR/P before their last purchase.

Company Size (number of PCs)

- The segment is comprised of the highest proportion of small SORG companies. All of the companies in this group have four or fewer PCs. The median number of employees is half that found in total, however.

Motivators of Productivity Software Purchases

- About half decided to buy last time because the price was right.

Influential Sources Affecting Purchases

- This group is influenced by prior experience with the product with about three out every four in this segment believing that to be very important

Method of Productivity Software Purchase

- This segment is twice as likely than all others to purchase productivity software directly from the manufacturer (about three out of ten).

Types of Productivity Software Purchased

- While no differences from total exist in terms of suites, integrated packages, and stand alone applications, this group is more likely than others to have financial software

Upgrade Behavior

- No differences from total are found.

Purchase Intention for Productivity Software

- No differences from total are found.

Demographic Profile

- This group is more likely to have faster and newer hardware and software. Nearly two-thirds have Pentium processors most common in their businesses. They are less likely to have any PCs networked. More than one out of every five are self-employed and working out of their home

Segment differentiators

Relative to that found in total, those in Segment 7 (Savvy, Home-Based Owners).....

- Are more likely to have Pentium processors most common in their business (62% vs. 49%)
- Are more likely to have decided to buy because price was right (50% vs. 41%)
- Are more likely to believe that prior experience with product is highly important (76% vs. 63%)
- Are less likely to have consulted with a VAR (3% vs. 35%)
- Are more likely to purchase productivity software directly from manufacturer (29% vs. 14%)
- Are more likely to NOT have any PCs networked (67% vs. 49%)
- Are more likely to have financial software (43% vs. 29%)
- Are more likely to be self-employed working in the home (21% vs. 13%)

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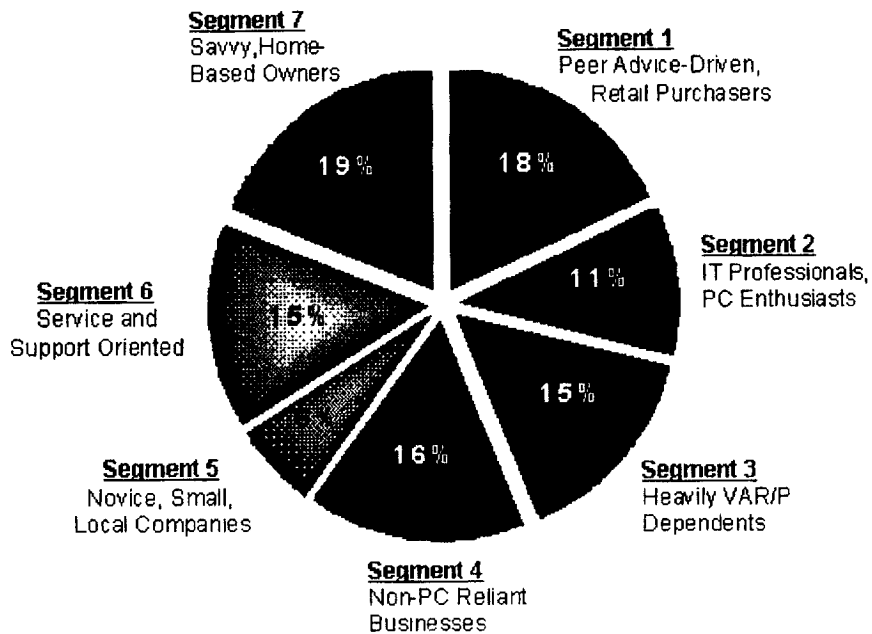
Segmentation Analysis

Segmentation analysis has been defined as:

"The process of partitioning markets into groups of potential customers with similar needs and/or characteristics who are likely to exhibit similar purchase behavior." - Art Weinstein

This analytical technique was performed using a wide variety of factors, attributes, and variables from the survey instrument. From these raw inputs, a correspondence analysis was conducted as a means of data reduction. The most important dimensions of disparity were identified and respondents were then clustered and segmented on their individual dimension coordinates. This multivariate technique is believed to result in the most meaningful segments created by all possible "drivers" of purchase behavior.

The following seven segments in the pie chart have been identified. Clicking on a "wedge" links to a profile of that segment. These can also be seen by VAR/P dependency and size in the [SORG "MAP"](#).



- continue -

Impact of Company Size (number of PCs)

Many significant differences based on company size exist. Examined are the differences in SORGs with 1-4 PCs versus those with 5-49 PCs, as this is break distinguishes the larger SORGs who are the target for the SBS server from the rest of the market.

Larger SORGs (5-49 PCs) are more likely to be spurred to buy software to solve a problem, while they are less likely to enter the market based on recommendation. Not surprisingly those in smaller SORGs are more likely to personally be the ones with problems to be solved instead of another department or a colleague in the same department.

When asked the single most important source of information in the productivity software purchase decision, smaller SORGs are much more likely to rely on advice than personal research. Specifically, they are more likely to rely on advice from friends and associates and salesmen in retail stores, and less likely to rely on reference materials such as reviews or product usage or trial. Larger SORGs are more likely to have an MIS, IT, or IS department made up of PC enthusiasts who are the hardware and software "experts" for the organization. Therefore, larger SORGs rely less on advice and recommendations.

An initial hypothesis that professional service providers, such as lawyers and accountants, are particularly influential to smaller SORGs is supported. However, the absolute level of influence currently exercised by these professional service providers is relatively low. Of those citing the request of an outside party having initiated the software purchase process, smaller SORGs were more likely to have received a request from lawyer or accountant. Smaller SORGs definitely put more stock in this advice, rating the recommendation of a professional service provider higher in importance.

Smaller and larger SORGs also differ by channel used to purchase productivity software. Smaller SORGs are more likely to go through retail, while larger SORGs are more likely to purchase through direct mail and corporate resellers.

Networked computing is much less prevalent in smaller SORGs. They are much less likely to have a network overall. Smaller SORGs are also much less likely to use e-mail in business, use the Internet for business, or have a company web site. And those smaller SORGs without a web site are more likely than their larger SORG counterparts to not expect to have a web site in the future.

Specific differences found between smaller and larger SORGs

1. Age and Speed of PC

Smaller SORGs have older, slower computer equipment. One in five of their computers is a 386 or lower (22% vs. 9%)

Larger SORGs have newer, faster computer equipment. Over half of these PCs have a Pentium processor (52% vs. 36%). Over half have 33.6K modem or faster (inc. ISDN and T-line; 58% vs. 28%).

2. Computer knowledge and skills

Larger SORGs have "experts" in house. Larger SORGs are more likely to have MIS, IT, and IS departments which are made up of PC enthusiasts.

Smaller SORGs have weaker/fewer computer knowledge and skills: Over three times as many don't know type of modem(s) used in their company (29% vs. 8%) and they are less likely to use e-mail (37% vs. 62%).

Smaller SORGs are less likely to have any PCs connected through a network (61% vs. 17%)

Larger SORGs utilize the internet more. They are more likely to use the internet to obtain information before purchasing (49% vs. 31%), more likely to be willing to purchase productivity software online (53% vs. 33%), and are more likely to use the internet for business (64% vs. 37%).

g. **Types of productivity software used.**

Smaller SORGs are more likely to be associated with Integrated packages. They are more likely to have had an integrated package come pre-installed (16% vs. 8%), more likely to use an integrated package in their company (26% vs. 15%), and are more likely to have an integrated software as standard (16% vs. 6%).

Larger SORGs are more likely to be associated with Productivity Suites. They Are more likely to have had a productivity suite come pre-installed (38% vs. 26%), more likely to have purchased a productivity suite at the time of the PC purchase (of those who purchased at the time of the PC purchase; 61% vs. 37%), more likely to have purchased a productivity suite after the PC purchase (of those who purchased after PC purchase; 69% vs. 39%), and Are more likely to use a productivity suite in their company (78% vs. 52%).

h. **Company Standards**

Smaller SORGs are less likely to have a standard but those who have a standard are more likely to have software standards set by the owner (of those with standards; 50% vs. 18%)

Larger SORGs are more likely to have company standards. They are more likely to have a software standard (75% vs. 66%), more likely to have a productivity suite be the software standard (81% vs. 54%), and are more likely to have software standards set by the MIS, IS or IT department (34% vs. 5%).

i. **Influential Sources Affecting Purchase**

Smaller SORGs are more likely to value friend and associate recommendations. They are more likely to believe advice from friends or associates is the most important source of information before purchasing (40% vs. 25%) and more likely to think that seeing a friend or associate USE the specific product to be highly important (53% vs. 40%).

Larger SORGs are more likely to use research and "hands-on" information before productivity software purchase. These include: Reference materials/ads/reviews (72% vs. 47%), Product usage (39% vs. 20%), and Online research (43% vs. 14%).

j. **Amount of Money Spent Per Year on Software**

Larger SORGs spend about five times as much per year on productivity software (median: \$1,500 vs. \$300)

Larger SORGs spend about six times as much per year on all other types of software (median: \$1,000 vs. \$170)

k. **Purchase Intent and Frequency**

Larger SORGs purchase more frequently within a years time (54% vs. 29%)

Larger SORGs are more likely to upgrade in the next year (55% vs. 38%)

l. **Smaller SORGs are more likely to purchase from retail stores** most often (53% vs. 21%)

m. **Larger SORGs have more VAR/P-related services provided to them.** These include:

Network maintenance (50% vs. 35%)

On-site consulting (48% vs. 32%)

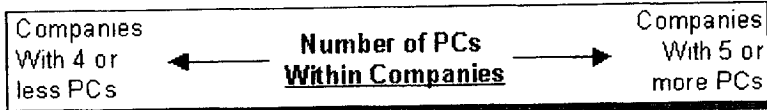
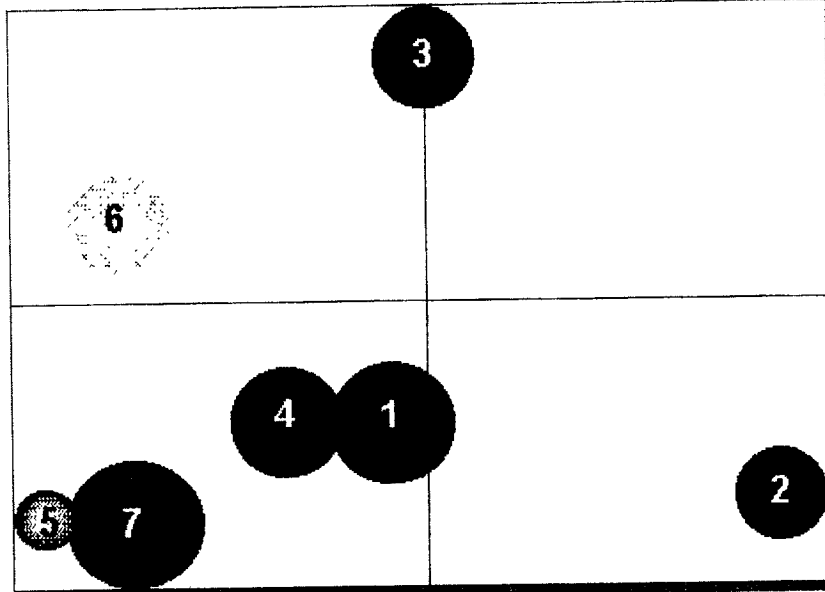
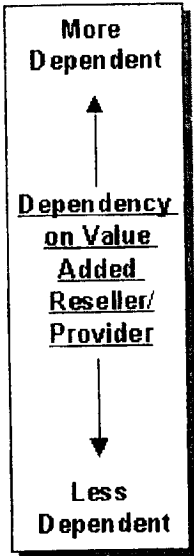
Custom software solutions (37% vs. 26%)

Internet access (30% vs. 16%)

Inter/Intranet development (20% vs. 12%)

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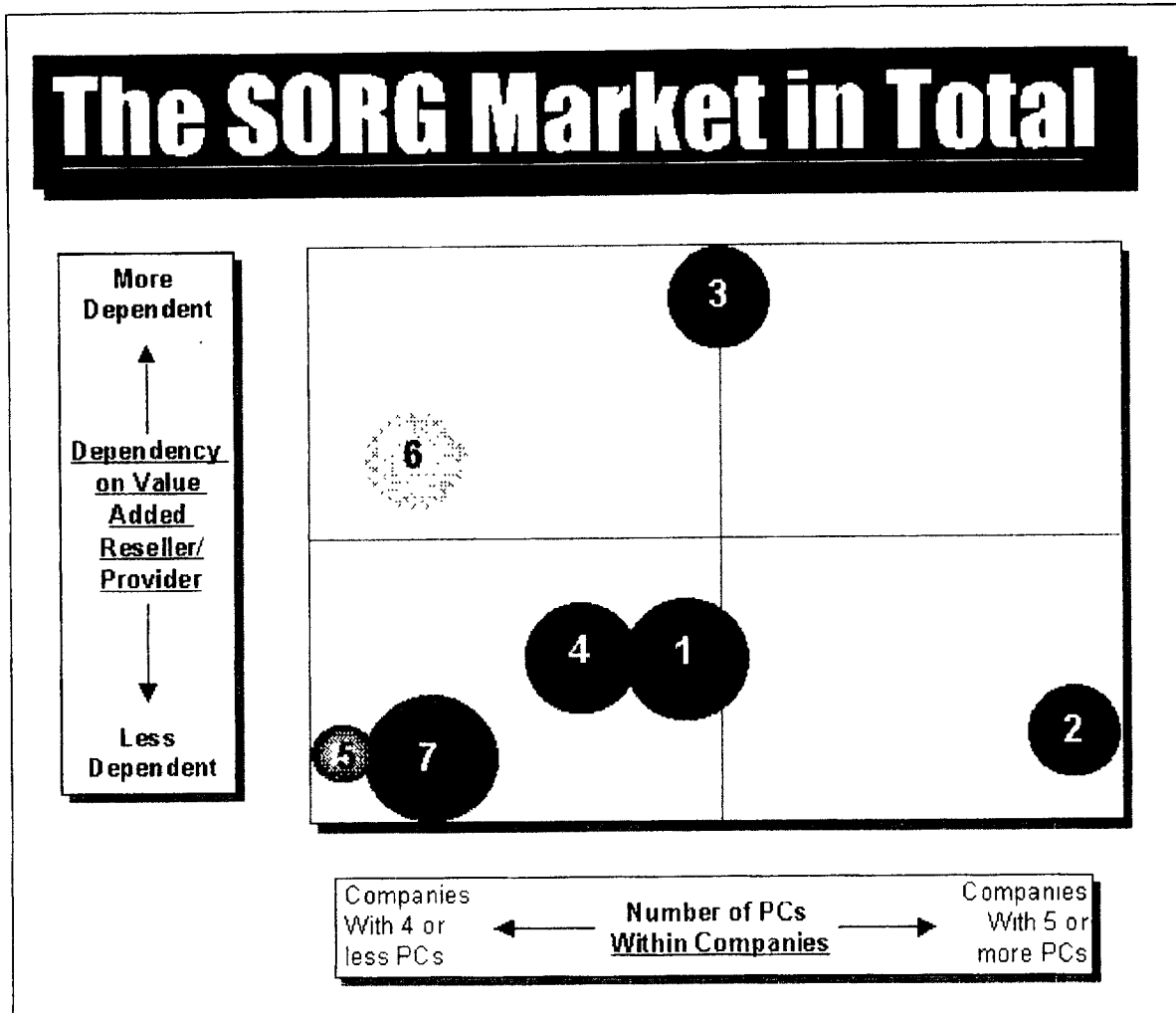
The SORG Market in Total



SORG "Map"

The following map plots the seven segments from the segmentation analysis based on an index of two key dimensions found in the SORG market; size of the company (based on the number of PCs) and dependency on VAR/Ps.

Clicking on the SORG title of the map describes findings in total for this market. Clicking on either of the two axes labels discusses their impact on purchase behavior, and clicking on a "segment bubble" links to specific profiles and descriptions.



- Segment 1: Peer Advice-Driven, Retail Purchasers
- Segment 2: IT Professionals, PC Enthusiasts
- Segment 3: Heavily VAR/P Dependents
- Segment 4: Non-PC Reliant Businesses
- Segment 5: Completely Unengaged, Small, Local Companies
- Segment 6: Service and Support Oriented
- Segment 7: Savvy, Home-Based Owners

How the SORG MAP was created




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Please try the following:

- Click the  Refresh button, or try again later.
- If you typed the page address in the Address bar, make sure that it is spelled correctly.
- To check your connection settings, click the **Tools** menu, and then click **Internet Options**. On the **Connections** tab, click **Settings**. The settings should match those provided by your local area network (LAN) administrator or Internet service provider (ISP).
- If your Network Administrator has enabled it, Microsoft Windows can examine your network and automatically discover network connection settings.
If you would like Windows to try and discover them, click  Detect Network Settings
- Some sites require 128-bit connection security. Click the **Help** menu and then click **About Internet Explorer** to determine what strength security you have installed.
- If you are trying to reach a secure site, make sure your Security settings can support it. Click the **Tools** menu, and then click **Internet Options**. On the Advanced tab, scroll to the Security section and check settings for SSL 2.0, SSL 3.0, TLS 1.0, PCT 1.0.
- Click the  Back button to try another link.

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- Click the [Back](#) button to try another link.

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Key Takeaway Opportunity

Summary and Implications

While many differentiating characteristics exist for segments of the Small Organization (SORG) market, in order to understand how certain companies, or groups of companies, uniquely behave, describing the SORG market in total is an important initial framework. The following overall conclusions and findings can be made of this market.

- About half of SORGs primarily use productivity SUITES in their company - most of which are Microsoft suites
- About two thirds have a company standard for productivity software.
- Hands on experience or trial is highly important to purchase.
- Recommendations are highly sought after.
- Reputations of manufacturers, brands, and titles are highly important
- Product features are of paramount importance to purchase consideration.
- Needing to solve a problem is a driving factor in the software purchase decision.
- The most important sources of information in the purchase decision are advice of friends and reference materials.
- Retail stores are the primary channel for SORGs to purchase productivity software
- Suites are purchased for the capabilities, features and performance more so than integrated packages which are purchased more for their ease of use and price
- Those who have not upgraded do not see the need to, are price sensitive, or are concerned about the quality.
- Those who use Lotus Suites are found to be very satisfied with it, mainly because only extremely loyal Lotus purchasers remain.
- Networked computing has permeated SORGs to a large extent, however much upside remains
- Piracy remains a tremendous barrier to purchase
- Online purchase consideration continues to increase however common concerns are still voiced
- The media most often read regularly by SORG software decision-makers are local newspapers and trade/industry magazines

Companies within the SORG market tend to be primarily defined by two main themes; size (number of PCs) and their dependency and relationship with Value Added Resellers/Providers (VAR/Ps). While differences other than these two factors do exist between SORGs, determining the impact that they have on the market as a whole provides the foundation for further segmenting. Some key interactions between size and VAR/P relationship take place and are, at least in some cases, more of a cause and effect phenomenon. The following discusses the differences found between companies on these two measures.

Impact of Value Added Resellers/Providers on Purchase Behavior

Summary

Many differences are found between those SORGs who consult with a VAR/P before purchasing and those who do not. **Relative to those who DO NOT consult with a VAR/P before purchasing, those who DO consult with a VAR/P before purchasing productivity software...**

- Have weaker/fewer computer knowledge and skills
- Are more likely to currently have productivity software and less likely to have stand alone or integrated packages
- Are less likely to have a Non-Microsoft software titles
- Are influenced more heavily by recommendations and are more likely to gain verbal information before productivity software purchase instead of secondary research and/or "hands-on" information
- Are more concerned about what the brand is "known for."
- Are More concerned about available services and support and have more VAR/P-related services provided to them

Impact of Company Size on Purchase Behavior

Many significant differences based on company size exist. Examined are the differences in SORGs with 1-4 PCs versus those with 5-49 PCs. This break distinguishes the larger SORGs who are the target for the SBS server from the rest of the market.

Summary

Specific differences found between smaller and larger SORGs

- Age and speed of PC
 - Smaller SORGs have older, slower computer equipment:
 - Larger SORGs have newer, faster computer equipment:
- Computer knowledge and skills
 - Smaller SORGs have weaker and fewer computer knowledge and skills:
 - Smaller SORGs are less likely to have any PCs connected through a network
 - Larger SORGs utilize the internet more
- Types of productivity software used.
 - Smaller SORGs are more likely to be associated with Integrated packages
 - Larger SORGs are more likely to be associated with Productivity Suites
- Company standards
 - Smaller SORGs are less likely to have a standard but those who have a standard are more likely to have software standards set by the owner
 - Larger SORGs are more likely to have company standards
- Influential sources affecting purchase
 - Smaller SORGs are more likely to value friend and associate recommendations
 - Larger SORGs are more likely to use research and "hands-on" information before productivity software purchase
- Amount of dollars spent per year on software
 - Larger SORGs spend about five times as much per year on productivity software and about six times as much per year on all other types of software
- Purchase intent and frequency
 - Larger SORGs purchase more frequently within a years time
 - Larger SORGs are more likely to upgrade in the next year
- Smaller SORGs are more likely to purchase from retail stores most often
- Larger SORGs have more VAR/P-related services provided to them

Additional Findings of Interest

- Accounting software, such as Peachtree and Quick Books, is highly penetrated into SORGs. Overall 56% of SORGs use such packages. 29% use financial software such as Quicken Money. While usage of accounting and financial packages is consistent across smaller and larger SORGs, larger SORGs are more likely to use graphics packages like Corel Draw (41%-vs-19%) and contact management software like Act! (20%-vs-8%).

As a result of the SORG market **segmentation analysis**, seven segments have been identified. In some instances, the two key variables discussed above (VAR/P and size) serve to differentiate the segments. In all cases however, other unique findings are found. To gain a visual perspective of how these segments have been defined on these two key variables and how they relate to one another, go to the **SORG MAP**.

Segment 1 Peer, Advice-Driven, Retail Purchasers

Segment 2 IT Professionals, PC Enthusiasts

Segment 3 Heavily VAR/P Dependents

Segment 4 Non-PC Reliant Businesses

Segment 5 Novice, Small Local Companies

Segment 6 Service and Support Oriented

Segment 7 Savvy, Home-Based Owners

How to increase penetration of legal 32 bit productivity software.

Key Takeaway Opportunity

Complete Study Summary

- continue -

**MS/CR 0041876
CONFIDENTIAL**



Desktop Applications Division Purchase Behavior Study

Small Organization (SORG) Segmentation

CONTINUE

Prepared Exclusively By:



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MS/CR 0041878
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SO RG MAP

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VAR/Ps

Company Size

Segmentation Analysis

Segment 1
Segment 2
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Cluster Solution

In- Market Likely Online Buyers	Task- Oriented Heavy PC User	Not In- Market Child Influenced	In- Market Art- Oriented Direct Buyers	Not In- Market Trial- Oriented	Price- Oriented Buyers	Brand- Oriented Take Work Home Buyers	Total
1	2	3	4	5	6	7	

Impact of Value Added Resellers / Providers

VAR/Ps have a significant impact on the software purchase decision. However while their advice is highly influential in the purchase decision, whether VAR/Ps stock the product or are price competitive does not seem as important. 35% of all buyers in the study received advice from a VAR, 72% of whom requested the advice. This advice was highly trusted, with 48% of all those receiving advice completely trusting it, and 89% rating their trust for the advice in the top two boxes of a five point scale. As a result, a full 97% of those receiving advice purchased what the VAR recommended. However, critically, purchasing the product directly from the VAR was not as important with 57% of those receiving advice purchasing the product from the VAR/P.

Many differences are found between those SORGs who consult with a VAR/P before purchasing and those who do not. **Relative to those who DO NOT consult with a VAR/P before purchasing, those who DO consult with a VAR/P before purchasing productivity software...**

- r. **Have weaker/fewer computer knowledge and skills.** Twice as many don't know type of modem(s) used in their company (30% vs. 15%) and half as many claim that their friends think as them as knowledgeable about computers (20% vs. 42%). They are less likely to use the internet to obtain information before next purchase (28% vs. 43%), less likely to be excited about computers (39% vs. 52%), more likely to assess themselves as novice users (16% vs. 6%), and less likely to assess themselves as advanced users (15% vs. 28%).
- r. **Are more likely to currently have productivity suites and less likely to have stand alone or integrated packages.** The last time productivity software was purchased more bought a suite (73% vs. 60%), Two-thirds compared to less than half have purchased a suite after the PC purchase (63% vs. 46%). Last time software was purchased, only a few bought stand alone word processing (11% vs. 27%). They are less likely to use an integrated package in the company (72% vs. 93%)
- r. **Are less likely to have a Non-Microsoft software title.** None purchased Corel WordPerfect v. 7 the last time (0% vs. 15%). They are more likely to have Word 97 (26% vs. 14%) and less likely to have WordPerfect V.6 (6% vs. 18%).
- r. **Are influenced more heavily by recommendations and are more likely to use gain verbal information before productivity software purchase instead of secondary research and "hands-on" information** They are More likely to have bought Microsoft instead of Lotus/Corel because of recommendation (18% vs. 7%). A recommendation is more likely to have been a help in deciding what to purchase (40% vs. 24%) and is more likely to be the MOST IMPORTANT reason in deciding what productivity software to purchase (23% vs. 8%). They have a higher tendency to wait for a recommendation before upgrading (19% vs. 7%) and chose to upgrade to 32-bit productivity software based on a recommendation more often (among those who did upgrade; 16% vs. 0%). When deciding to buy productivity software, more believe that it is highly important to have a recommendation from: a professional service provider (45% vs. 24%), a friend or associate (55% vs. 42%), and a VAR/P, Systems Integrator or other 3rd party (39% vs. 13%). Additionally, this group is more likely to use verbal information obtained from the following. advice from friends (72% vs. 48%), talking to Salesperson (25% vs. 18%), and consulting with a VAR/P. They are less likely to believe that it is highly important to have prior experience with the product when deciding to buy productivity software (55% vs. 67%). They are also less reliant on: reference materials/ads/reviews (48% vs. 61%), product usage (19% vs. 29%), and online research (18% vs. 30%)

• **Are more concerned about what the brand is "known for." More believe that it is highly important that the brand of productivity software be known for.** Highly important is quality (59% vs. 44%), technical innovation (48% vs. 36%), and ease of use (67% vs. 52%).

• **Are More concerned about available services and have more VAR/P-related services provided to them.** More believe that it is highly important that services are available from 3rd parties for the product (56% vs. 29%) and from the vendor (54% vs. 40%) VAR/P-related services include:

- Product support (80% vs. 39%)
- Hardware bought for them (63% vs. 35%)
- Network maintenance (66% vs. 29%)
- On-site consulting (66% vs. 25%)
- Software bought for them (56% vs. 21%)
- Employee training (50% vs. 19%)

- continue -

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SORG Purchase Behavior Findings



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Agenda

- Overall findings
 - Awareness
 - Consideration
 - Other insights
- Segmentation analysis

2

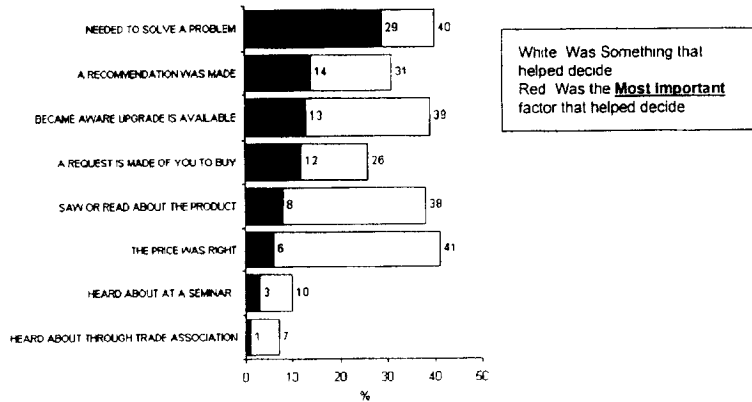
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DAD SORG Purchase Behavior Research

OVERVIEW

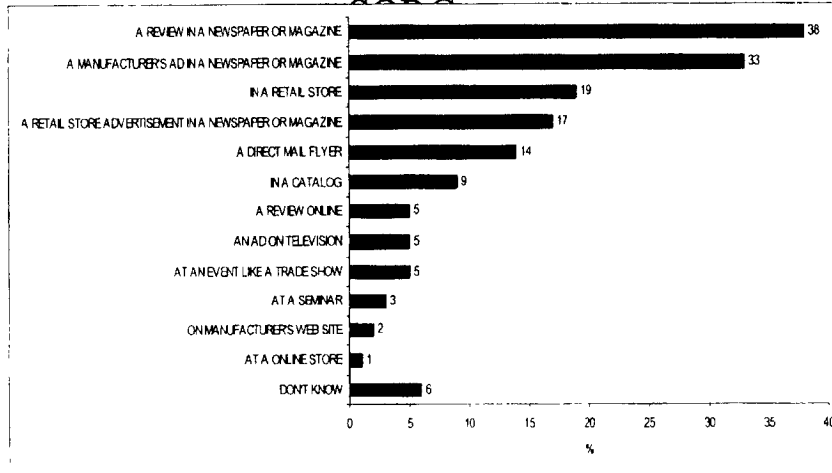
- Objective: Identify opportunities to improve DAD PC attach in SORGs
- Methodology: Telephone survey of 504 SORGs Nov/Dec 1997 who have either purchased productivity s/w in the past 18 months or plan to purchase in the next 18 months
 - Current software used
 - Key factors influencing software purchase decision
 - Channels
 - Much more
- Conclusions:
 - Overall, current marketing tactics remain effective in reaching the segment
 - There is an opportunity to improve product and/or messages to make Office more compelling for SORGs
 - There is an opportunity to add focus to reach the "Service and Support Oriented" segment (11% of PCs and 15% of SORGs)

SORGs Initially Enter the Market to Solve Problems



Qs 37&38 Why did you initially start to investigate this type of software

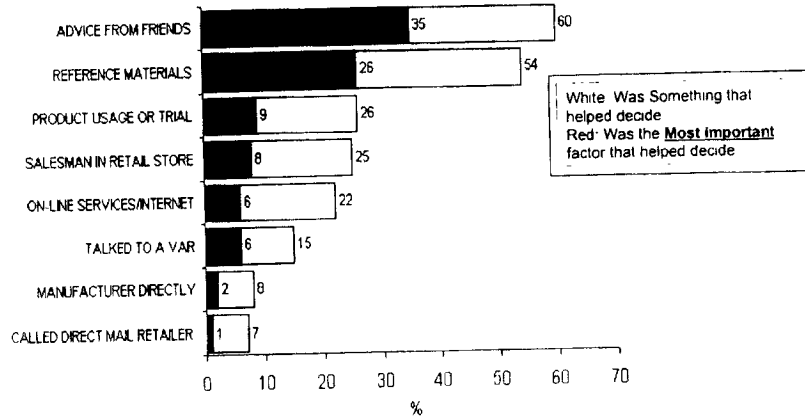
Reviews and Ads Drive Awareness for



Q37D Where did you see or read about the software?

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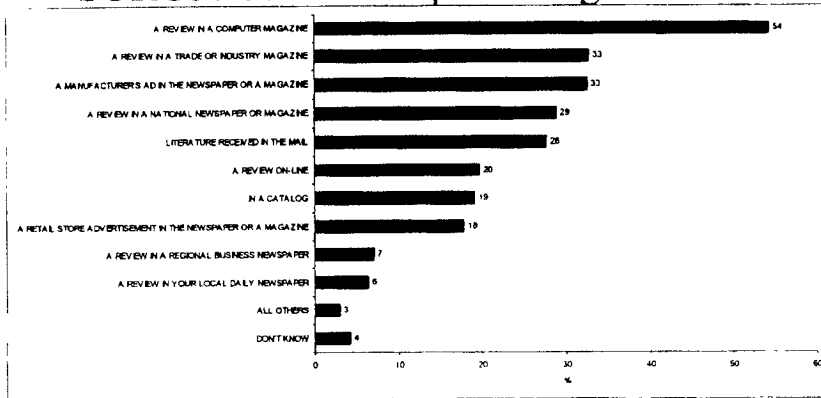
Advice From Friends and Reference Materials are the Most Important Sources of Info for SORGs



Qs 39&40 Which sources of information do you use before purchasing productivity software

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SORGs Look to Computer Mags for Info



Q198 What sources do you usually use for information about productivity software?

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VARs Have an Impact on Prod S/W Purchase

- There is an extremely strong correlation between receiving advice from a VAR and purchasing the software that was recommended
 - 35% of all buyers received advice from a VAR
 - 72% requested this advice
 - 89% trusted this advice
 - 97% of those buyers receiving specific advice purchased the product that was recommended by the VAR
 - Only 57% purchased the product directly from the VAR

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SORGs Don't See a Need to Upgrade

- The majority of SORGs are not running the latest version and do not have plans to upgrade
 - Only 19% of SORGs are running Office 97 as their primary productivity software
 - Of those SORGs that are not running the most recent version of their productivity software (both MSFT and competitors), 58% do not intend to upgrade within the next year
- These SORGs do not see a need to upgrade
 - Of the SORGs who already have a version of Office, 40% have either no plans to evaluate Office 97 or have evaluated and decided not to deploy
 - The driving factor is "no need" (53%)
 - Of the 19% of SORGs running 16 bit productivity apps on 32 bit systems, "no need" was cited as the overwhelming explanation (49%)

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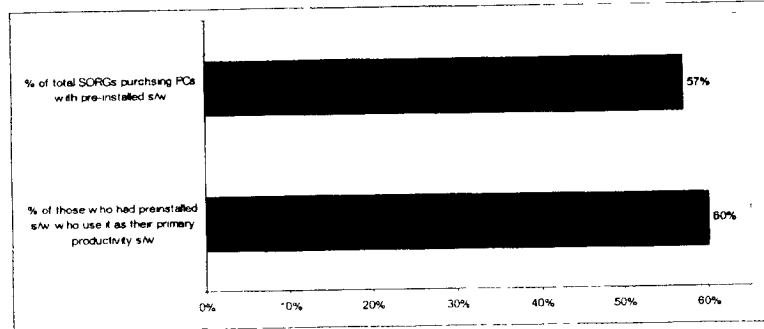
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Pre-Installed Software Plays a Significant Role in the SORG Market

34% of SORGs use the software pre-installed with their last PC purchase as their primary productivity app

Incidence and usage of pre-installed software



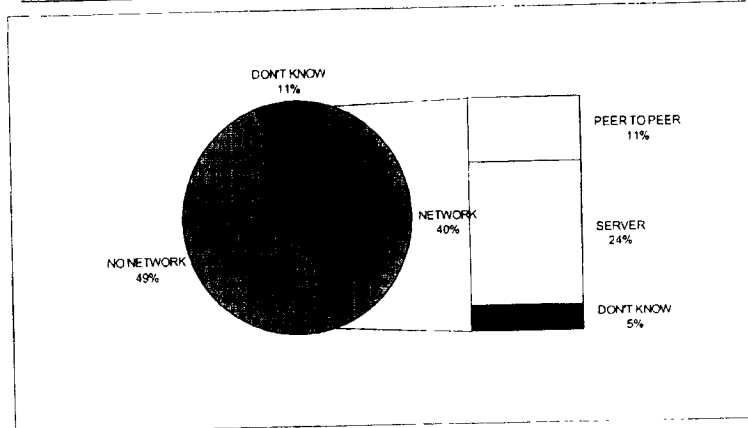
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A Lot of Upside for Servers

Network Penetration of SORGs



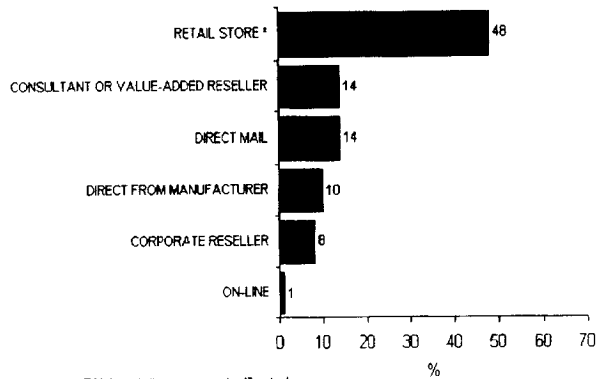
- > 43% of SORGs use email in their business
- > 22% of SORGs have a web site

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Retail is the Overwhelming Preferred Channel for Productivity SW



Q5.2 Where does your company most often buy productivity software

12

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Segment Profiles

- (1) Peer Advice Driven, Retail Purchasers (19% of PCs) - Heavily seek advice of friends and colleagues, but not retail salespeople or VAPs
- (2) IT Pros, PC Enthusiasts (22%) - Prefer to make their own evaluation; read review and white papers, surf internet. Skew strongly to larger SORGs
- (3) Heavily VAR Dependent (17%) - Use VAR channel to purchase software in addition to other services and support. Heavily rely on advice of VAR for software productivity purchase
- (4) Non-PC Reliant (17%) - Slow machines and no/old productivity software
- (5) Novice, Small Local Companies (2%) - Use accounting packages but not Productivity suites
- (6) Service and Support Oriented (11%) - Rely on VARs for services, especially customer s/w development. Smaller companies spend the most per desktop
- (7) Savvy, Home-Based Owners (12%) - Very small companies that do their own research

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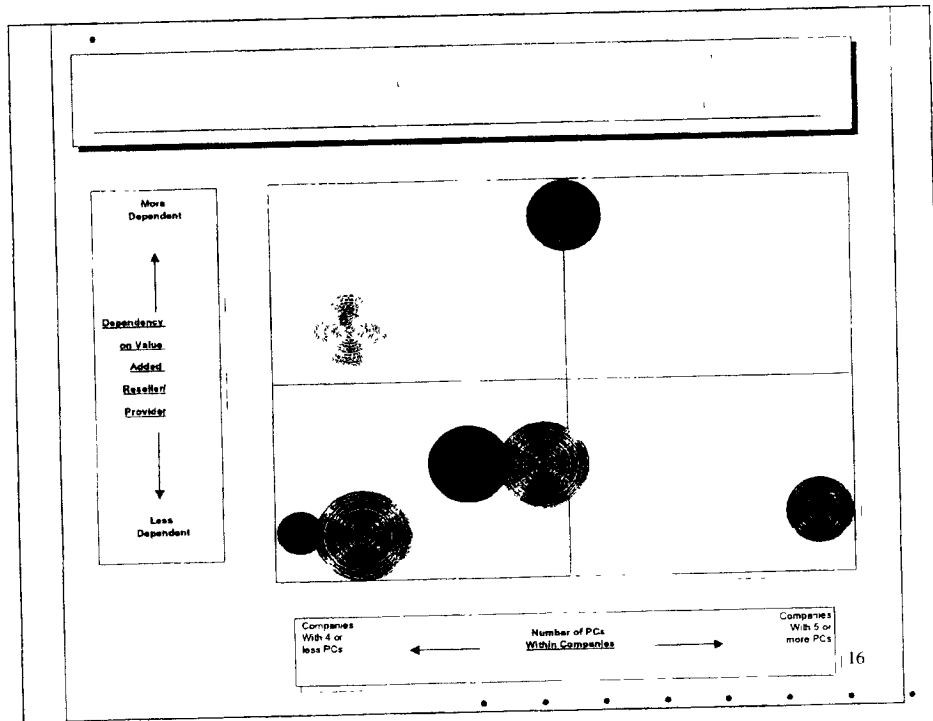
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SORG Segment Map Detail

	Total	Q1	Q2	Q3	Q4	Q5
% of PCs within the SORG market	100	100	100	100	100	100
% of organizations within the market	100	100	100	100	100	100
Mean # PCs to Orgs	105	105	105	105	105	105
Q1: What is the approx. number of employees worldwide in your company, all locations? (readers)	14	12	15	18	20	15
Q2: What is the approx. number of personal computers in your company worldwide in an office? (readers)	10	8	10	12	15	10
Q3: What is the approx. number of personal computers in your company worldwide in an executive's office? (readers)	8.5	7.0	8.0	9.0	10.0	8.0
Q4: What operating system is used on most of the PCs in your company?	100	100	100	100	100	100
DOS	100	100	100	100	100	100
Win 3.1	2	2	2	2	2	2
Win 95	2	2	2	2	2	2
Win NT/9	2	2	2	2	2	2
Q5: Which productivity software is the primary productivity software used in your company?	100	100	100	100	100	100
32 Bit Suite	45	45	45	45	45	45
16 Bit Suite	45	45	45	45	45	45
Standard Word Processor	10	10	10	10	10	10
Integrated Apps	15	15	15	15	15	15
None	13	14	13	14	13	14
Q6: Which productivity software is the primary productivity software suite in your company?	100	100	100	100	100	100
Microsoft	45	45	45	45	45	45
Lotus Corp	11	11	11	11	11	11
Q7: How important are each of the following factors when buying productivity software for your business? (1 = rating 1 or 9)	100	100	100	100	100	100
A recommendation from a friend or executive	45	45	45	45	45	45
Reviews in a newspaper/magazine	15	15	15	15	15	15
Recommendation of a VAR	25	25	25	25	25	25
Service and support are available from your vendor for the product	40	40	40	40	40	40
Services are available from the vendor	40	40	40	40	40	40
Q8: How often do you contact with a VAR, or a computer software consultant? (1 = at least once a month)	100	100	100	100	100	100
1	12	12	12	12	12	12
2	12	12	12	12	12	12
3	12	12	12	12	12	12
4	12	12	12	12	12	12
5	12	12	12	12	12	12
6	12	12	12	12	12	12
7	12	12	12	12	12	12
8	12	12	12	12	12	12
9	12	12	12	12	12	12

SORG Segment Map Detail (cont.)

	Seg 1	Seg 2	Seg 3	Seg 4	Seg 5	Seg 6	Seg 7
Q49 & 50 Use a VAR, SI or computer SA consultant to: Design, configure, support or maintain networking, file and print Device custom software solutions specifically for your company	36	30			3	10	1
Provide in-house or internal development	14	13				19	1
Buy software for your company	31	27	22		28	19	1
Buy hardware for your company	41	36	30		26	26	1
Install, configure or maintain your productivity software	21	30	18		24	17	1
Product support for your productivity software	32	34	19		17	17	1
Buy productivity software for your company	14	12	7		7	17	1
Q51 Where is productivity software bought most often: Retail	48	17	23	44	37	50	29
Direct mail	14	11	11	11	11	11	23
VAR	14	0	0	0	0	0	0
Online	14	0	0	0	0	0	0
Q80 How much money spent on all types of productivity software (S/PC)	894	541	399	166	436	0	840
Q83 Have PCs connected together through a network	40	42	1		4	1	1
Q84 Networked through server	24	24	20		20	21	22
Q85 Number of PCs connected together through a network: mean	4.1	3.8	4.7	4.7	4.6	4.8	3.7
median	3	3	3	3	3	3	3
Q86 Use email in your business	43	48	51	51	51	32	35
Q86 Email software: Netscape	12	16	20	12	12	0	13
Microsoft	3	3	3	3	3	0	0
Custom	3	3	3	3	3	0	0
Lotus	1	1	1	1	1	0	0
None	77	30	12	49	29	64	65
Q87 Does your company have a web site	56	54	50	50	50	29	4
Q89 Does your company use accounting software such as QuickBooks	40	38	37	37	37	48	46
Q89 I am excited about computers (% in 83)	24	27	4	27	28	28	23
Q89 I am excited about computers (% in 84)	24	27	4	27	28	28	23



SORG Opportunity Identification

<p>Addressed by Current Tactics</p>		<p>1 Peer Advice-Driven Retail Purchasers (18%)</p> <p>2 IT Pros/PC Enthusiasts (15%)</p> <p>3 Heavily VAP Dependent (15%)</p> <p>7 Savvy, Home-Based Owners (19%)</p>
	<p>Not Addressed by Current Tactics</p>	<p>4 Non-PC Reliant Businesses (16%)</p> <p>5 Novice, Small Local Companies (6%)</p> <p>6 Service and Support Oriented (15%)</p>
		<p>Low Potential High Potential</p>

EMAIL
ATTACHMENT
WILL NOT
OPEN

TOPLINE RESULTS – SORG PURCHASE BEHAVIOR STUDY

This summarizes some initial findings from the DAD purchase behavior study. This is far from the definitive review of these results -- additional data is still pending (open-ended responses and additional banners) and analyses are underway (segmentation). However this first cut alone provides valuable insights into this segment.

Overall Findings

Needing to solve a problem is the driving factor in the software purchase decision. Six factors of the ten originally surveyed clearly rose to the surface as critical factors to the software purchase decision. Four factors group in the top tier of -- price was right (41%), needed to solve a problem (40%), became aware that an upgrade was available (39%), and saw or read about the product (38%). These were followed closely by two additional factors -- a recommendation was made (31%) and a request was made (26%). However, when asked to select the single most important factor, needing to solve a problem (29%) was clearly the driving factor. Other important factors were recommendation (14%), became aware of upgrade (13%), and request was made (12%). The purchasers themselves typically owned this problem (41%), followed by executive management (24%). Requests predominantly came from executive management (44%). Awareness was driven by information in newspapers and magazines over retail activities -- read review (38%) and saw an ad (33%) over saw the product in the store (17%) and saw a retail store ad (17%).

The most important sources of information in the purchase decision were advice of friends (35%) and reference materials (26%). Advice from resellers was less important overall -- talked to salesman in retail store (8%) and talked to VAR (6%). Interestingly, while even those in the subsegment of those who shop at retail did not find the advice of retail salespeople important (8%), those who shopped through VARs did value the advice of their resellers (25%). Those sought for advice were predominantly computer professionals (35%) and business colleagues (30%). The primary source of information was computer magazines (54%).

VARs have a significant impact on the software purchase decision. However while their advice is highly influential in the purchase decision, whether VARs stock the product or are price competitive does not seem as important. 35% of all buyers in the study received advice from a VAR, 72% of whom requested the advice. This advice was highly trusted, with 48% of all those receiving advice completely trusting it, and 89% rating their trust for the advice in the top two boxes of a five point scale. As a result, a full 97% of those receiving advice purchased what the VAR recommended. However, critically, purchasing the product directly from the VAR was not an important factor, as only 57% of those receiving advice purchased the product from the VAR.

Retail stores are the primary channel for SORGs to purchase productivity software. 48% of buyers purchase at retail most often -- 41% purchasing at national retail accounts (retail as classified in the Microsoft taxonomy) while 7% purchase from local retail outlets (unsegmented within the Microsoft taxonomy) Other important channels are VAR - excluding unsegmented retail - and DMR (14% each), direct from manufacturer (10%) and corporate reseller (8%)

Networked computing has permeated SORGs to a large extent, however much upside remains. 51% of SORGs have networked PCs, 61% of which are connected through a server while 28% are connected peer to peer. 43% of SORGs use e-mail in business (primarily Netscape clients -- 20%), with the greatest number of SORGs exclusively using ISPs for email (47%). 79% of SORGs who use email have access to the Internet, while 15% use email without an Internet connection. 44% use the Internet for business (48% once a day or more) while only 22% have a company web site 32% of those without a web site plan to have one within the next year (that's 25% of the total, which would project the total with web sites to be 47% a year from now)

Explanation of notation: Numbers in parentheses separated by an "s" pass the test for statistical significance of their margin of difference at the 95% confidence interval. Those separated by "ns" are not significantly different at the 95% level

Not surprisingly, piracy remains a tremendous barrier to purchase. Of those not purchasing productivity software with their last PC, the single most cited reason was "already had a copy, purchased for another PC" (24%). Importantly, this excluded replacement purchases: there was an alternative potential response "PC is a replacement machine, using software from PC replaced (17%). These results suggest that aggressive PC attach programs could go a long way in preemptively attacking piracy within SORGs

Small versus Large SORGs

While few meaningful differences in purchase behavior were noted across many of the sub-groups (std vs. pro purchasers, Msft vs. competitive purchasers, channel most often used, etc.), there were many significant differences based on company size. Initially, we examined the differences in SORGs with 1-4 PCs versus those with 5-49 PCs, as this break distinguishes the larger SORGs who are the target for the SBS server from the rest of the market.

Larger SORGs (5-49 PCs) are more likely to be spurred to buy software to solve a problem (35-s-26), while they are less likely to enter the market based on recommendation (10-ns-15). Not surprisingly, coming from smaller organizations, those in smaller SORGs are more likely to personally be the ones with problems to be solved (48-s-26) instead of another department (6-s-21) or a colleague in the same department (1-s-14)

Our traditional marketing model is not as highly leveraged to smaller SORGs as larger ones. When asked the single most important source of information in the productivity software purchase decision, smaller SORGs are much more likely to rely on advice than personal research. Specifically, they are more likely to rely on advice from friends and associates (40-s-25) and salesmen in retail stores (10-s-4), and less likely to rely on reference materials such as reviews (24-ns-31) or product usage or trial (7-s-14).

Our initial hypothesis that professional service providers, such as lawyers and accountants, are particularly influential to smaller SORGs was supported by the research. However, the absolute level of influence currently exercised by these professional service providers is relatively low. Of those citing the request of an outside party having initiated the software purchase process, smaller SORGs were more likely to have received a request from lawyer or accountant (11-ns-3). And smaller SORGs definitely put more stock in this advice, rating the recommendation of a professional service provider higher in top two box scores for importance on a nine point scale (38-s-23).

Smaller and larger SORGs also differ by channel used to purchase productivity software. Smaller SORGs are more likely to go through retail (53-s-36), while larger SORGs are more likely to purchase through direct mail (21-s-11) and corporate resellers (11-ns-6)

Interestingly, the influence of VARs was the same across smaller and larger SORGs. Despite the fact that larger SORGs rely on outside computer professionals much more heavily overall, there is no corresponding difference in their purchase behavior. Large SORGs consult VARs more frequently, with 29% consulting a VAR at least once a month versus only 16% for smaller SORGs. In particular, they are more likely to rely on VARs for network design and support (50-s-35), technology needs assessments (48-s-32), custom software development (37-s-26), training (36-s-26) and Internet access or web hosting (30-s-13). However, small and large SORGs reported receiving advice from VARs at the same levels (35-ns-34) and purchasing the recommended software at the same levels (100-ns-91). Also, they are similar in their overall usage of the channel to purchase productivity software (15-ns-13).

Networked computing is much less prevalent in smaller SORGs. They are much less likely to have a network overall --(61-s-17) have 0 PCs networked. Smaller SORGs are also much less likely to use e-mail in business (37-s-62), use the Internet for business (37-s-64), or have a company web site (15-s-43). And those smaller SORGs without a web site are significantly more likely than their larger SORG counterparts to not expect to have a web site in the future (54-s-39)

Explanation of notation: Numbers in parentheses separated by an "s" pass the test for statistical significance of their margin of difference at the 95% confidence interval. Those separated by "ns" are not significantly different at the 95% level.

Additional Findings of Interest

- The media most often read regularly by SORG software decision-makers were local newspapers (75%) and trade/industry magazines (48%). PC professional magazines (42%) were more likely to be read regularly than business magazines (36%), new magazines (34%) or national newspapers like *The Wall Street Journal*. (30%)
- Decision-makers in smaller SORGs are more likely than their larger SORG counterparts to consider themselves novice users (29-s-10). They are less likely to regularly read either trade/industry magazines (48-s-58) or PC Professional magazines (62-s-35), and are more likely to be female (44-s-23)
- Accounting software, such as Peachtree and Quick Books, is highly penetrated into SORGs. Overall 56% of SORGs use such a package. 29% use financial software such as Quicken Money. While usage of accounting and financial packages is consistent across smaller and larger SORGs, larger SORGs are more likely to use graphics packages like Corel Draw (41-s-19) and contact management software like Act! (20-s-8)

Next Steps

We will continue to drill into the data in general, as well as perform segmentation analyses on the results.

Explanation of notation: Numbers in parentheses separated by an "s" pass the test for statistical significance of their margin of difference at the 95% confidence interval. Those separated by "ns" are not significantly different at the 95% level.