From: John Vail
Sent: Friday, May 19, 2000 2:33 PM
To: Russell Stockdale
Cc: Joseph Krawczak
Subject: FW: Office Services thoughts

Russ, this is the deck I mentioned after Steven's presentation earlier this week. The context of this deck was to provide Steven with a basis for how the marketing team views services and our need to do something for Office 10 and 11. Shortly after I sent this message I received Steven's NGO memo -- I thought it was a really good start but it didn't address the full scope of BobMu's world. As I understand it, you're the luck guy that gets to lead this effort. That said, this deck is hardly the answer to all the world's questions about services but it might provide you with some background info from the Office marketing perspective. I would certainly be happy to discuss your thoughts on this topic at any time. Let me know what you think. Thanks.

John

-----Original Message-----
From: John Vail
Sent: Wednesday, April 19, 2000 1:59 PM
To: Steven Sinofsky
Cc: Joseph Krawczak
Subject: Office Services thoughts

Joe recommended I send this slide deck to you to look at. I am not going to make the hard sell here because I think there are a huge number of issues surrounding the whole services debate and I am not a program manager or a product visionary. That said, the concept of services has been eating at me for a while now so I threw together a quick set of slides based on conversations with AndyK, JZanni, Christine, Joe and anyone else that would listen.

Now I will sell... fundamentally it comes down to this:
- no other groups at MSFT seem to realize that we have well over 120M paying customers --> seems like an obvious advantage to be exploited
- MSFT is in need of a unifying theory for productivity-centric services -- from my POV I don't see anyone coming down from the mountain to spread the gospel
- Office needs new revenue sources & we need to find ways to build strong businesses around new products/services coming out of BobMu's world

So here's the deck. Let me know if you have any questions/comments. Thanks.

John

Office Web Services
v3.ppt

Office/BPG Services Discussion

John Vail
4/18/00

Agenda

- Situation Analysis
- Office 10 Services Proposal
- Business Model & Marketing Implementation Details

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Situation Analysis
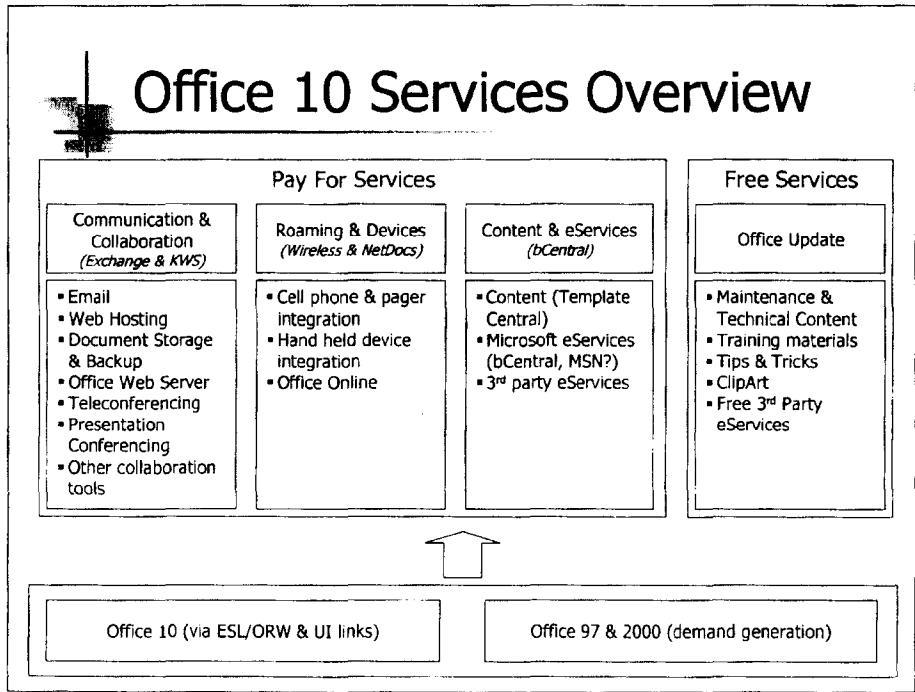
- Office Business
  - Home/SORG $/PCIB continues to lag MORG/LORG
  - Customers don't perceive Office value beyond the product box
- Microsoft's current service strategy don't leverage huge Office IB
  - Lack of significant product & marketing integration between Office and MSN
  - NetDocs doesn't address realistic customer needs nor does it provide a transition plan
  - Heretofore unknown or random parts of the company are going to do services – none are going to drive the level of integration needed to sustain the Office business
- Office annuity/services user research results
  - Office customers want functionality beyond the box – expect a closer relationship with Microsoft
  - They want things that will make their Office user experience better
  - Office users are willing to pay but not a lot
- Competition/Marketplace
  - AOL, MSN, & Yahoo are natural points of concentration but there is little if any integration with Office
  - While Microsoft is late to start the services market is still very fragmented
- Business Conclusions/Thoughts
  - Office should be a point of integration for a bunch of services just like we were for the individual applications
  - Looking for a new revenue curve to smooth out revenue declines – changing user perceptions regarding Office needs to happen sooner rather than later

Office 10 Services Proposal

- Goals
  - Build BPG-wide services business that enables Microsoft to provide greater ongoing value to customers & drives emerging BPG businesses
  - Build a 'annuity' revenue stream for BPG similar to AOL 'opt out' business model
- Strategy
  - Leverage Office IB to build the BPG services business (Exchange, bCentral, Wireless, NetDocs)
  - Use Office as focal point to drive integration & aggregation of services – just like what we did for individual applications
  - Develop services that increasingly require latest versions of Office on the client to drive upgrades
- Branding
  - Branding/Naming should heavily rely on the 'Office' brand
  - bCentral, KWS and other BPG products/services are included as part of the overall 'Office' service package offerings
  - Other BPG products/services should have 'standalone' businesses to reinforce the perceived value of the aggregated collection of 'Office' services

Office 10 Services Overview

Pay For Services			Free Services
Communication & Collaboration *(Exchange & KWS)*	**Roaming & Devices** *(Wireless & NetDocs)*	**Content & eServices** *(bCentral)*	**Office Update**
• Email • Web Hosting • Document Storage & Backup • Office Web Server • Teleconferencing • Presentation Conferencing • Other collaboration tools	• Cell phone & pager integration • Hand held device integration • Office Online	• Content (Template Central) • Microsoft eServices (bCentral, MSN?) • 3rd party eServices	• Maintenance & Technical Content • Training materials • Tips & Tricks • ClipArt • Free 3rd Party eServices

Office 10 (via ESL/ORW & UI links)	Office 97 & 2000 (demand generation)

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Office 10 Services Details

- Audience
  - IEU is the primary target – similar to the cell phone model where the IEU usage paved the way for broader market usage
  - IEUs are in organizations of all sizes – we get coverage & influence across our customer base
  - It may be too soon to create highly specialized services unless they are already underway (bCentral)
- Timing
  - V1 would ideally coincide with Office 10 availability – this gets us into the market as quickly as possible
  - Once V1 is available we would immediately jump into a V2 release & beyond
  - Office 11 might actually be the delivery mechanism for the V3 or V4 release
- Target platform
  - Office 10 but we should also provide down-level features as well to broaden out the usage the service
  - Over time we should focus more on delivering higher value functionality that requires client upgrades

Marketing Execution Thoughts

- Customer acquisition
  - Acquiring Customers from within the product
    - Proactive – ESL/ORW registration – user automatically gets free trial for some (if not all of the currently available Services)
    - Passive – Office 10 UI links back to Office Services
  - Subsidiary demand generation tactics
    - Straight forward block & tackle programs to increase awareness & drive adoption – Office Update, seminars, EM/DM, ads, etc.
    - Software trials – user experience has to be sticky – you can't leave because you can't take your stuff with you or the value is so high that users want to stay
  - 3rd Parties – we could consider some form of franchising strategy
- Services & Packaging
  - Make sure there is a substantial barrier to moving to another service provider – proprietary integration points
  - Keep offers simple – possibly 3 offers
  - Need to consider the implications of bringing on additional services
- Geographies
  - Focus on North America first, move to Japan & Western Europe as more resources are dedicated and as business model is better understood
  - ROW – this is less of a priority and could likely wait until Office 11 without significant business risk

Issues

- Needless to say there are many... here are a few choice items...

- Can we afford to include additional development requirements in Office 10 such as ESL/ORW integration & UI links?
- Will the KWS team be able to scale up to the demands of Office services?
- How do you convince 4 or 5 VPs to subordinate their offerings to the 'Office' brand/business?
- How do we balance 'build/acquire/aggregate' strategy?
- How do we go beyond 'IEU Services' into 'Enterprise' services?
- How do we rationalize the partner story?
- How do we rationalize the bCentral offering for web/doc hosting?
- How do we know customers will pay for these services on a sustained basis?
- How do you accommodate new services being brought online without minimizing incremental value?