

From: Joseph Krawczak
Sent: Thursday, May 25, 2000 3:11 PM
To: Office Marketing Full Time
Subject: FW: Next Generation Office -- Microsoft Confidential



NGO doc

Attached is a very important memo that everyone should take an hour to read. With Office 10 we have a big release ahead of us. But, there have been some discussions started about the longer-term vision for where we want to take Office. In this memo Steven lays out some of the factors which influence our direction longer-term, and early thinking on what some of these directions could be. This is a radical memo, but also an exciting one. We are at an inflection point, and the future of Office after Office 10 is going to be very different from where we are today. There will be major implications to our customer value proposition, delivery vehicles, business models, and sales and marketing. There are a thousand questions not yet answered, but also a thousand new possibilities. We have a big job ahead of us launching Office 10. But, over time we will also be engaging in furthering the plans for Office's future. I or Steven would welcome any thoughts or comments you have.

-----Original Message-----

From: Steven Sinofsky

Sent: Friday, April 28, 2000 1:10 PM

To: Heikki Kanerva; Grant George; Antoine Leblond; Jeanne Sheldon; Richard McAniff; Kurt DelBene; Ralf Harteneck; Andy Schulert; Jeff Olund; Akio Fujii; Joseph Krawczak

Cc: Alex (Iskandar) Morcos; Andrew Kwatinetz; Andy Lee; Andy Schulert; Anil Bhansali; Antoine Leblond; Arthur De Haan; Beverly Sobelman; Brad Weed; Brendan Busch; Carl Tostevin; Chris Pratley; Dave Buchthal; Dave LeFevre; Diane Malone; Eric LeVine; Eunice Yan; Grant George; Greg Harrelson; Gwen Lowery; Hannes Ruescher; Heikki Kanerva; Ilse Nethercutt; Jay Massena; Jeanne Sheldon; Jeff J. Johnson; Jeff Olund; Jim O'Neill; John Zanni; Julie Larson-Green; Kazumi Komiyama; Ken Anderson; Kurt DelBene; Lauren Antonoff; Marc Niaux; Marc Olson; Mark Walker (Word); Martin Staley; Michael Angiulo; Michael Luce; Mike Kelly (Office); Nick Borelli; Osamu Adachi; Patrick Minahan; PJ Hough; Ralf Harteneck; Randall Boseman; Richard McAniff; Rob Howe; Rob Price; Robert Crissman; Ross Smith; Roz Ho; Russell Williams; Steve Shaffer (HR); Tara Roth; Terry Crowley; Thomas Paule; Todd Warren; Will Kennedy; Bob Muglia; John Vail; Ken Myer; Bob O'Brien; Tom Bailey; Bob Muglia; Bob Muglia's Direct Reports (Exchange DL); Steven Sinofsky

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As we approach our Beta1 date for Office10, and of course begin the path to shipping on 3/2/01, we also must start the planning process for the next release of Office. Based on feedback from Office10's product cycle, we are going to start a little earlier.

Absolutely nothing is more important than shipping Office10 on time—it is what matters to the company, to our customers, and to everyone on the Office team (and our extended team of contributors). The Office team rewards finishing!

However, there are numerous business and product challenges we face. The enclosed memo, *Next Generation Office*, details these challenges. But more importantly, it shows the incredibly exciting opportunities ahead of us. There is simply going to be no more exciting developments for Microsoft over the next two years than the changes we can make with Office—starting with Office10, and the focus on delivering on our vision, and transitioning to a new type of Office that is fully realized only with the addition of internet-based services integrated with Office.

I hope you find this memo helpful, but I also hope you find the challenges and opportunities it outlines as exciting as I do. I welcome your feedback and just as importantly I look forward to your efforts at making this vision a reality. Today we are holding a retreat with the GPMs and representatives from development and testing across Office and I am sure you will find they are all very excited about this vision and can talk more about how this relates to the work we are doing and the teams will be doing as we move forward.

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Please share this with your teams, but realize this memo is **Microsoft Confidential** and just in case I wasn't totally clear—3/2/01 is the most important thing we are doing!

--Steven

Created with Microsoft Office 2000 on Windows 2000

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Microsoft Office Memo

To: heikkik; grantg; antoine; jeannes; richardm; kurt; ralfha; andyschu; jeffo; akiof; josephk;
Cc: bobmu; <list>
Re: Next Generation Office (NGO) – Time For Some Serious Changes
Date: April 28, 2000
From: Steven Sinofsky

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Introduction

Office is at a crossroads—we are on the brink of shocking changes in the technology priorities of our customers and are facing a substantial disconnect between our product and what customers want. For two releases customers have been telling us that they don't have the need for upgrades and can't imagine what else is left to do with Office. At the same time we have continued to innovate roughly along the same path started back in 1992 with Office 4.x—improving the basic document process. As we close upon the development of Office10, the signs are upon us that we are truly at the end of one era and at the start of another, and if we don't act deliberately and precisely we run the very real risk of missing the transition. We have accomplished amazing things with Office, especially Office10. Over the years we have developed a product that is in daily use by perhaps 200 million people and each one of those customers gets tremendous value from our work.

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This memo is about how we build Next Generation Office (NGO), a generation that will build on our understanding of technology and our skills in turning that technology into useful products. As our past success in business and product development have surpassed even our most optimistic forecasts, the approaching challenges will be greater than those we have overcome. Microsoft is looking to us to meet those challenges and truly build another generation of the world's most popular software for getting work done.

The Office team has a long history of focusing on delivering the current release—we reward finishing. Despite our challenges ahead, I absolutely believe we need to remain fully focused on Office10. Office10 is an awesome product—it is going to be more exciting and more relevant than Office 2000, which is exactly what we set out to accomplish. It goes without saying, but we must do everything we can to finish Office10 in March when we say we will. Far too many opportunities have been missed by our team because of missed ship dates. At the same time we also have a long history of ensuring that everyone has an opportunity to participate in the planning of each release. At no time will this be more important than for NGO—with so many challenges and such uncertainty we will need all the creativity we can muster.

For the next generation of Office, we will be asking everyone to be more aware than ever of new technologies, new scenarios, and new ways of doing things. And, as you will see, we will also need to find a way to invest in a new product that is probably not something customers are asking for and might even be “less” than we think we would have done in the “old” days.

If the following paragraphs made you a little uncomfortable or maybe surprised you a little bit, then they have accomplished their task. As you read this memo, you might find some statements that question the decisions we have made or the path we have taken. This is intentional. There is no reason to be defensive or fret about things that could have been done differently in hindsight—this memo is about the future and about building Office with a different set of assumptions and a different set of priorities. The hallmark of the Office team is an ability to evaluate ourselves and think objectively about where we need to be, and I am counting on that as you read the following.

The Big Bet

The Next Generation of Office is not just an incremental addition to our “client-side” code, nor is it about developing stand alone server applications, or isolated “free services”. The Next Generation of Office is about creating a compelling *Internet User Experience* built on top of the Next Generation Windows Services (NGWS, an early document from SteveB). NGO is a product that is the seamless integration of our client,

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our server software, and our services. When we speak of “Office as a service” we mean that Office is the combination of a Windows application (like the world knows and loves) plus a wide variety of hosted services (extrapolate from Office Update) plus a range of significant server software (such as OWS or mail boxes). Although we might also include some element of support or custom engineering, “consulting”, or other people-based services, our bet does not explicitly require that—we are a software company through and through. We will fail if we do not deliver on that powerful combination.

As with every release of Office or our applications since the beginning, a key component, a big bet, of our strategy will be that we continue to focus on synergistic and cooperative planning with other groups at Microsoft, particularly Windows and Tools. Although sometimes it takes a little extra work, the efforts lead to amazing leaps for customers—whether it is faster dialogs in Windows or MDI from the earliest days, to improvements in user-interface based on our designs becoming broadly available to developers, investments like VBA or OLE that span the entire company and deliver countless benefits to end-users and solution providers, cutting edge innovations such as our internet work between Office 97 and Internet Explorer, technically challenging efforts such as Darwin that improved the setup and deployment of all applications on Windows, or the data access richness made possible through Excel and Access integrating with SQL Server and Jet—just to name a few. Over the next months Microsoft will roll out the NGWS wave of functionality that is available to us, and several members of our team are helping to shape that vision. The details are not quite ready, but the direction outlined here is very consistent with the features and services NGWS will provide. Additionally, as the product direction of NetDocs is established, we will further define the relationship between NetDocs, NGWS, and Office. There are many exciting technologies that will emerge and Office, as we have always done, will choose a number of key investments and work closely with other teams to deliver on the full vision for those technologies.

The fundamental tenet in the evolution of Office has been focus on meeting the needs of (i.e. designing the product for) the *influential end-user* (IEU) who actively pursues new releases of Office and encourages the use of Office by friends and coworkers. This tenet has served our product and business extraordinarily well. We have been incrementally, and sometimes radically, improving the way people get work done with their PCs for many releases of Office. There is no product anywhere by anyone that can match the capabilities of the Office product or the skills of the Office team at building productivity software. IEUs, however, are no longer focused on the document (and mail) creation tools that we create. IEUs are more involved in communication, coordination, and collaboration.

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We cannot let our past success taint our view of the new ways of getting work done. The internet has shown that there are often better ways of getting work done than we have provided in Office, such as being able to roam to any PC (or other device) and quickly and easily read your mail. It has also shown that there are lame ways of getting the same thing done, such as working on Office compatible word processing documents with a slow and buggy application written in a new language. We cannot fall into the trap that our failed competitors of the past have fallen into—imagine listening to WordPerfect engineers “prove” to each other that a GUI application could not be as “efficient” in words-per-minute typing as a character based application. In hindsight those folks just didn’t get it! It is always the case that at a technology inflection point or at the presence of a disruptive technology (both of those are fancy business school words—so this is such a well-observed phenomenon that phrases are coined, books are written, and classes are taught) the technology that went on to surpass the “huge and unstoppable” installed base appeared first to be inferior. The problem is that the new technology was inferior when measured by existing customer priorities. But when measured against new scenarios and priorities, it is in fact the existing technology that is inferior and fails to meet new customer priorities.

It is always tricky to use the phrase “customer” when we talk about Office because, as numerous esteemed program managers have said, “building Office is like ordering pizza for a hundred million people.” It is fairly clear that we have developed a mature segmentation of today’s customers (end-user, BDM, knowledge worker, IT manager, CIO, etc.) but our focus in resources and features has been on the “LORG customer” who is too often represented by the IT department. One thing is absolutely certain—we must look at the leading edge customers, the early adopters, the people that do not have huge infrastructure and organizational issues that slow their technology adoption. We cannot rest on our laurels or bond too strongly with today’s IT customers—they will simply be too far behind the technology curve or have too many internal issues that slow adoption (remember they are under the same pressures to consume technology that we are under to develop technology). At the same time there are IT people that will rally with us and we should build upon them (this might be a way to focus a Next Generation OAC). This is not new for us, even though it might seem so. The hallmark of any successful technology business is first developing a new technology that a small number of people adopt (Word 2, Excel 2) even though the market is not anticipating the product or expressing a need. Once the growth curve starts, a successful business begins the feedback loop and works very closely with customers (the development of the instrumented version, OAC, and even the executive briefing center). This changes the evolution of the product from radical steps to more incremental steps. These incremental steps are how a successful business is built and maintained but it makes it necessarily hard to enter a new market. Think of how impossible it would have been for the

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mainframe people at IBM to start selling PCs to the old MIS shops—ultimately these people were not the market for the growth industry of the PC. It is almost certain that the growth engine for NGO will not be today's existing "Desktop Computing" managers in corporations, but a new wave of early adopters. We of course will continue to invest in the product for our existing customers, but make no mistake that **we are heavily tilting our investments towards a new type of customer that seems tiny today (in number and in dollars) and will grow bigger.**

Just as customer priorities changed from single-application, type at full speed, professional PC users to multiple application, consistent and easy to use, and universally appealing, we see customer priorities aligning around roaming/mobile use, and communication and collaboration across the internet and wireless networks (i.e. cell phones and palm-sized devices). But this is just the beginning and we still cannot imagine all the possibilities these new priorities bring to our product, just as we did not envision wizards, IntelliSense features, PivotTables, HTML round trip, or FrontPage and Outlook, when we started Office.

As if the changing technological landscape was not enough, at the same time we are undergoing a transition where the very nature of how customers perceive software is changing. Customers are taking a much more expansive view of software than the traditional one-time CD installation of Office. Today's software experience is one that includes servers that store rich information and provide rich access to that information; the experience is one that includes services that people use without even thinking; the experience is also one where **software, the stuff we're the best at making, is the heart and soul of the solution to customer needs for synthesizing, analyzing, and delivering information and creating knowledge.** It is important that we not lose sight of that fact—no one should think that in the "future" a decision maker (a marketing manager, engineer, sales person, customer service representative, or just about anyone that uses a PC today) will simply prepare a "report" by going to the web and finding a pre-fabricated one on <http://reports-r-us.com>. The PC is a tool of empowerment—only Scott McNealy or Larry Ellison would have you believe that all the creativity in the world can be placed on servers by webmasters. Today this integrated experience is in its infancy, but the urgent needs of customers in these areas are increasing at such a rate that they are eclipsing customer needs in traditional space of "easier to use and more powerful applications".

NGO will be a different product than we could have ever imagined a few years ago. We will fundamentally improve the way our end-user and small business customers buy the product, experience the product, and how they create and share information. Our large organization (LORG) customers will of course see the benefits of this experience as our IEUs bring this experience into the workplace or as leading edge LORGs adopt the new services NGO has to offer.

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The need for tools that are at the center of a customer's communication and information experience is more important than ever, and as is the case today these tools will be built by the Office team. We are betting that we can build highly integrated solutions that meet the needs of customers by combining the rich experience in today's Office with new services that we create and write using the strengths of Microsoft's assets in server and operating system software. For us to build NGO we will need to make major changes in the way we think about our efforts. As is often helpful it is worth looking at how we got to where we are today.

On Evolving Office

A developer on Word 1.0 could not even imagine the scale of features, innovations, and development efforts in today's Office10. A program manager on Office 4.x looking at Office10 would marvel at the consistency and *relative ease* at which we default to achieving this experience. A marketing person getting ready to launch Office 97 would never have forecast such incredible sales as we achieved. We have come a long way and sometimes we forget just how much of a roller coaster ride it has been.

One way to look at the evolution of Office and how we will evolve Office for NGO is to look at the three axes of our development process: the business, the product, and the team. At each step in the evolution of Office we have made deliberate decisions and had an explicit strategy around each one of these. NGO is about making a new set of strategic decisions and acting on those with the zeal and focus that have brought us to where we are today. This evolution is summarized in Figure 1.

As we look at this evolution in a bit of detail, a key observation is that at each step in the evolution Microsoft has asked the Office team to do more. We did not abandon our previous learnings and efforts to move forward, but rather we built on top of them and continued to improve our understandings of the "old" world as we moved to the "new" world. As we move to NGO we will once again add to our arsenal of tools and techniques and build an even greater Office.

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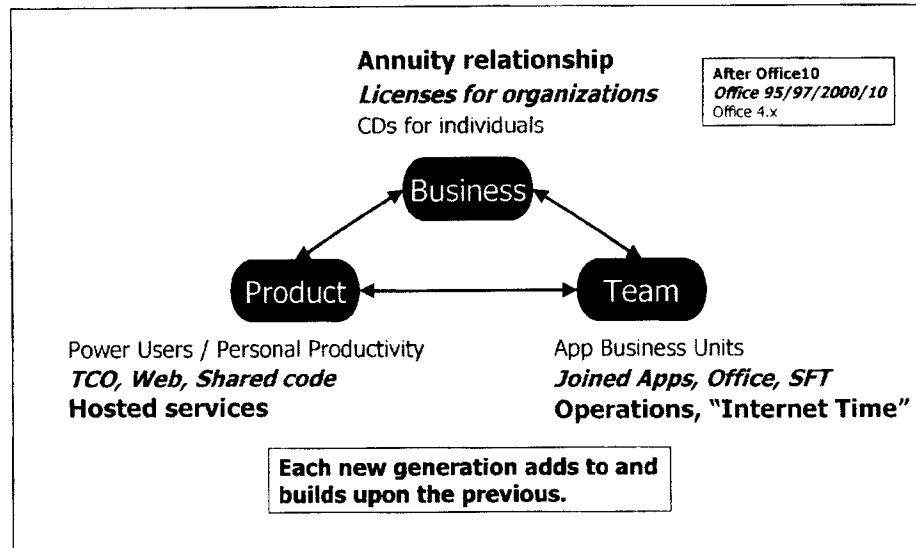


Figure 1. Axes of evolution of Microsoft Office.

Business

Office is one big business. Although we might look at the evolution of Office as just a product we continue to improve, it turns out that the part of Microsoft that markets and sells Office has been at work evolving the very business we are in. This work has created one of the most profitable businesses in the history of business. We owe a great deal of gratitude to people like Mike Maples, Pete Higgins, Jeff Raikes, Lewis Levin, and countless others.

When the Applications group at Microsoft was started, the business was very clear. The goal was to create **shrink-wrapped box** of software that people would buy at local computer stores one copy at a time. The target customer was thus the individual buyer. This person was actively involved in the PC experience and actively sought out the latest release of Office. This business was very good to Microsoft. But it had complexities involved in managing the “channel” and producing a product that could easily be distributed and supported one copy at a time (remember having to make fulfillment floppies when we moved to CD!).

Once enough of these engaged customers purchased Office and started to use it, organizations would come to Microsoft and ask for a “quantity discount” or “site license”. Selling **software as a license** is a natural evolution of a product that becomes a standard for an organization. The benefits of standardization accrue to both Microsoft and our customers—the easier sales cycle helps us (we get to sell some number of copies with one sale) and customers get improved pricing and support (by buying lots at once). The first thing that happened with licensing is that customers started getting one CD and a paper license entitling them to a legal number of copies, which implied that most customers stopped receiving the box

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and documentation (called *Select*). As the license sales evolved customers demanded licenses that covered more breadth of Microsoft's product line and more simplicity. This culminated in today's *Enterprise Agreements* (EA), which are multi-year sales that cover Office, Windows, and BackOffice for companies that want to standardize on a desktop. The interesting thing about this relationship is that it starts the move away from one shrink-wrapped copy at a time to more of a "relationship," since at the end of the EA term customers must renew to continue purchasing at the excellent terms they are offered. However, the risk for Microsoft is that customers choose to bypass the favorable terms and return to a lower volume purchase if we do not improve the product in a way that justifies this extensive relationship with Microsoft.

With the internet there has been a new look at "business models" which is a fancy way of trying to ask the question "what do we offer that people are willing to pay for and how much does it cost us to make and deliver". The internet has created a flurry of activity around providing software as an adjunct to some other service that customers pay for. There are many examples of this: businesses supported by advertising, businesses that offer free software for using some other service such as photo prints or investment tracking, businesses that provide free base services but upsell for more access time or disk space, or cell phones that come with software that synchronizes a hardware device with a PC. This creates an environment that essentially devalues software for most customers—it is a scary thought for us if customers perceive all of their software as a "free" add-on for devices or other services.

The key element of many of these businesses that distinguish them from the traditional one-time "transaction" of buying Office is that the business maintains an ongoing relationship with customers, often expressed as a "monthly bill" or **annuity** (often expressed as a "few dollars a month"). If the relationship goes away then so does the product (how useful is the OFoto software without buying prints, how useful is the AOL software without the monthly fee, etc.) This is a pretty cool business to be in for a lot of reasons. First and foremost is the ability to have an ongoing relationship with customers, where the product can continue to improve over time and more immediately address the needs of customers. On the other hand, it also means we have to provide a continuous stream of value to customers, lest they balk at the idea of having to pay regularly. It also means we move from a business where the cost of our product is expressed as R&D + CDROM (and an ever decreasing number of CDs due to EAs) to a model where the cost of our product is R&D + ongoing service operations. This is a radical departure from our current cost structure, and almost certainly means we will make less net profit, but we believe we can increase the size of our business.

It is very easy for a business person to look at the downsides of entering a less profitable business when our current business appears so strong. It has

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generally been the case that new technologies looked to be worse businesses in terms of “margins” than the old, and they often continue to be so. IBM mainframes are still more profitable than Sun workstations which are in turn more profitable than PCs. But the huge growth in the new business combined with the slowing growth in the old business means that the new guard will eventually overtake the old. Microsoft is going to transition all of its products to a model where the product is offered as a relationship based product, though of course for some customers, especially as we transition, we will continue to provide a one-time price though without the service element.

One might think that our challenge is to convince customers to just pay us every month for Office. This is not enough since no customer is silly enough to just change from a one-time purchase of \$100 to monthly payments. But this business model, when combined with new product features and a whole new way of delivering those features will succeed. **Our imperative: NGO will transition Office to a business where for the vast majority of our customers we have an ongoing relationship based on an exchange of money for ever improving software and services.**

Product

Office sure is a really rich product. This is the area that people are the most familiar with. The evolution of the Office product is well-documented and a very fun combination of excellent engineering, great engineering management, and a little bit of luck tossed in there. The product owes a great deal to people like Chris Peters, Jon DeVaan, Ed Fries, and countless others on the product team.

The model for “applications” in the early days of Windows PCs was very clear. The goal was to create a single program that allowed you to type documents, or spreadsheets, create databases, or sometimes create presentations. These were all viewed as separate “categories” which each received their own editorial coverage in places like PC Magazine. Each year like clockwork there would be an issue devoted to word processors, another issue devoted to spreadsheets. Our energies were focused exclusively on winning those reviews. The way we won those reviews was by targeting the engaged and influential end-user who spent the bulk of his or her time inside a single application. So we focused our Excel efforts on the financial community, our Word efforts on people that wrote long documents, and our database efforts on the database professional. We of course tried to always have something for every range of user, beginner to power user, but by and large the early days of our products satisfied the needs of power users because that was all there was. The vast majority of features in the product were for “personal productivity” which we often called “basic use”. And out of this effort came numerous amazing innovations such as wizards, toolbars, and IntelliSense—the mother of all “DAD” innovation.

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Around the time that Office 4.x shipped and certainly by Office 95, customers shifted thinking about the product from individual personal productivity applications to suites. Office did well in reviews, but issues started to arise around consistency and suite-wide power.

As Office became more of a standardized product we started to see our customers raise issues around how Office was not really a “good citizen” in corporate environments. We started to hear about how it cost \$5000 to “touch a desktop” and how IT managers (“Who?” we would ask) needed to talk to us about the challenges of installing thousands of copies of Office. We learned about locked down machines, customizing setup, and run from server—all things that we did not support in Office 4.x or Office 95. We learned that inconsistencies in the user-interface caused customers problems in trying to train people to use all of Office. We learned that people were using multiple applications and that we were measured not by the RAM usage of just Word, but the RAM usage of Word+Excel in an OLE embedding scenario. Yikes, we were not expecting that!

In response to this feedback, which clearly makes sense in the context of selling our software in vast licensing agreements, we began to change the way we thought about features for the product. We focused our energies on building a true “enterprise suite”. We undertook a major investment in technology like setup (first ACME then Darwin). We focused on building shared code that would could be leveraged across all of Office (first MOM and file dialogs, then Escher, command bars, AnswerWizard, etc.). We began major investments in really understanding how the IT departments at our larger customers use and deploy Office by creating the Office Advisory Council. We learned how to talk about and measure “TCO” or total cost of ownership. This was a major effort and the product development team responded with aplomb. With Office 97 and Office 2000 we embraced the technologies of the web and really brought these to millions of people. HTML roundtrip, FrontPage and other efforts sent the message to our large customers that web technologies can really help manage their businesses.

As we enter the next generation of Office, we need to create new types of features and technologies. Our focus will shift from adding more code only on the end-user’s machine to adding just enough code in the right place between the desktop and a server. We will need to bake this mindset into everything we do. To be very clear, NGO will spend far less effort on pure “App and MSO” code than we could ever have imagined and we will spend that time developing code that is a combination of hosted services and App/MSO integration. Some examples of features we already have along these lines would be Office Watson, Media Gallery, and Services on the Web. This is a huge change for us and will require people to learn new technologies and new ways of building Office. I am fully confident that the team that has managed to learn to integrate at least 8 major applications into a single development, built, test, release cycle is capable

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of making this transition. If we can learn how to go from 0% shared code to 60% shared code, then we can learn how integrate great services into the Office suite. **Our imperative: NGO will be a product that seamlessly melds the best of the world of internet services with the best of the world of personal productivity software.**

Team

Gosh, Office is a pretty impressive team. The third leg of the Office success story has been the amazing development and innovation of the team that builds and markets Office. Perhaps no element of our history has richer stories of “challenges” we have faced as we have tried to organize and orchestrate the development of Office. Getting us to where we are today has been the work of so many great managers—the Office culture of focusing on management, being a kind and predictable, yet challenging place to work is one that I know I cherish enormously. As we move to NGO we will call upon these skills and experiences to guide us through a challenge as difficult as those we have faced in the past.

In the era before recorded history, Office was organized by function. All the developers worked in one group, all the testers (what testers we had) worked in another, and all the “user ed” and “international” people were far off in another team. We didn’t have program management, product planning, usability, or much else. We quickly realized that in order to compete with Lotus and WordPerfect we needed a little bit more structure.

In order to compete effectively and to focus our energies on winning the important category reviews, Microsoft created “Business Units”. These BUs were entirely responsible for the planning, development, release, and marketing of each of our applications. This business focus was enormously successful as it allowed an all-hands effort to thrive as we won over customer after customer, reviewer after reviewer, and pundit after pundit building the world’s best word processor, spreadsheet, database, and presentation graphics program. Business Units turned out to be the perfect solution to going after those new markets. And a little cross-BU rivalry sure made things interesting in the hallways.

But we also learned that as we finished up Office 4.x our BU structure was starting to lead to a product that was not necessarily what our customers really wanted. Our customers had moved on to a different set of values—they believed we had the best category applications. What customers wanted was an efficient and consistent “suite” of applications that shared common idioms, worked seamlessly together, and performed better when used together than independent applications would perform. Try as we might the BU structure would not lend itself to settling debates over what color tooltips should be (note, readers new to Office this was an actual knock down, drag out battle to the death), what development tools to use, how to standardize our release or localization process, etc. Most of all, our

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BU structure could not release all the applications at the same time. It was painful. We had to reorganize around the Office concept. Many would say that at the time, the reorganization was even more painful than the problem it ultimately solved.

We created the idea of an Office team. This team was dedicated to building the office-ness of Office. The Office team was responsible for creating the shared infrastructure (dev, test, pm, loc) and owned defining an Office experience. Most of all the team was to spearhead innovations across the whole product. With this team in place we planned and executed on Office 95 and Office 97. These products really showed the benefits of harnessing the energy across our whole division as we had enormous leverage from consistent code bases to build from, a shared methodology, and most of all our business benefited from having a single ship date. Yet we also continued to have a great deal of tension between the Office team and the App teams. To lessen that, starting with Office 2000 we modified the Office team to create the notion of shared feature teams which would own from start to finish the idea of a shared feature (rather than rely on integration efforts from other parties). This reduced some of the pain of doing shared features and by Office10, we have gotten pretty good at sharing code, being consistent, and getting stuff done across the product (of course there are things we need to improve). On a personal note, I have had the opportunity to describe our development process to dozens of very successful product development companies and all sorts of academic folks that study this sort of thing, and the unanimous conclusion is that the ability of the Office team to integrate and share code, ideas, and methods across such a huge group is absolutely among the best in the world and totally unique. Despite the pain we feel sometimes even to this day, everyone should be very proud of the transition we have made.

As we move to NGO our organization will undergo a major change in how we go about organizing and planning on building our product. First and foremost we will be in the business of our product team running a service that must be available, reliable, scalable, and secure. This is **totally** different from creating some compiled C++ code that lives on a person's desktop for years. Those of you with friends in MSN can attest to just how different this world will be. The good news is that right here in the Office team we have two teams that today are running services and with Office10 we will have more. The OfficeUpdate team has been learning invaluable lessons as they keep our umbilical cord to our customers up and running all the time. And the FrontPage/OWS team has been building code that ISPs all around the world run day in and day out. With Office10 we will add services on the web and the Office Watson service as well. So we have some experience. But with NGO, every member of the team will be impacted by services. Every new feature will have something to do with services. There will be no business as usual code. We probably won't require everyone to get a beeper, but we will make sure that everyone that

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is writing, testing, and designing features is building them so they run 7x24, so they are secure, and so they scale to millions of people.

Intimately tied to the organization and product we choose to build is the timeline and schedule we have chosen to be on. It goes without saying that the reviewers would like a new release of Office about every six months—that sells more ads on their web site and keeps writers pretty occupied. At the other end of the spectrum our LORG customers would like a new release of Office probably...never. So we compromised and have settled on somewhere between 18 and 24 (ok, 30) months. There is much optimism for Office10's 3/2/01 date!

As we build new features in the product that are aligned with services we will necessarily be updating these services “continuously” as we learn from usage patterns how to improve things, as we add new “content”, and as we work to keep the site looking “new”. Obviously we will continue to build our core EXEs, but as we shall see the primary place we intend to add value in NGO is in the combination of services and the EXE, which means building a robust integration architecture in the EXE that can remain constant for some time (say 12-24 months) or easily (easily!) updated by visiting the site. We will continue to evolve core features of our applications and shared code, but these changes will be measured and spread over a life cycle of the product. **Our imperative: NGO's team will be fundamentally restructured in a way that enables us to effectively build and operate services that are integrated with our shared code and applications.**

The evolution of Office is challenging, but it is also exciting. It is hard, but it is also rewarding. Over the years we have put much thought into the changes we have made in the business, product, and team. We have acted deliberately and with as much precision as we could. Things do get harder as our team grows, as our product becomes more important, and as our business becomes bigger. But in every sense, without those “problems” few people would really care how we evolved Office. Making this transition work has the potential to change everything about Microsoft—Office is that important a product. To summarize, as we evolve the product, team, and business we have three imperatives:

- NGO will transition Office to a business where for the vast majority of our customers we have an ongoing relationship based on an exchange of money for ever improving software and services.
- NGO will be a product that seamlessly melds the best of the world of internet services with the best of the world of personal productivity software.

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- NGO's team will be fundamentally restructured in a way that enables us to effectively build and operate services that are integrated with our shared code and applications.

Observations and Learnings on Office 2000

It is worth taking a look at how we are doing with both Office 2000 and the development and marketing of Office. There are many observations that can be made and I chose to highlight a few that bring out the major issues we face as a team. Some of these are tough to read—the reasons behind making big changes in our business and product are to be found in observations like these.

It is still early in the life cycle for Office 2000, so some conclusions we could draw now might prove to be incorrect. Nevertheless, it is worth looking objectively at how the product is perceived and the challenges to our business. Office is so wildly successful as a business and product that it is far too easy to paint a picture of success. But given the pace of change in technology and some of the early “signs” we are seeing about our business, it is not entirely unreasonable to hold the view that we are nearing the end of the life cycle for the “2000” generation of products.

Perhaps the most critical theme to understand is that we have reached a point where our “trajectory” for Office runs the risk of being out of sync with the trajectory our customers are on or wish for us to be on. This is not due to a poor planning process or features that were misguided. This is due to how customer needs change over time. It takes us 2 years to build a release and during that time customer needs can change, and sometimes overnight. Some changes are in infrastructure—for example the advent of high speed connectivity in the home or the worldwide acceptance of wireless communication. Some changes are in technology shifts that takes place—for example, the rapid switch from traditional client/server applications (Visual Basic, Access) to very simple HTML+CGI database applications, or the rapid move to internet standards in mail. And some changes are due to the customer's own environment where priorities change—for example, the intense focus in every business on getting their .com site up and running to the exclusion of internal “knowledge management” processes that used to be the focus.

All the while these customer changes are going on we have been busy building a product that at the time we started met the needs of customers. This time shift creates a disconnect between what we are building and the needs of customers. As the needs, or perceived needs, of customers change the perceived (or actual) cost of using something they are not thrilled about using goes up. So for example, for some customers improving bullets and numbering in Word, or improving layout in PowerPoint, or even getting rid of that Outlook shutdown message are all good things. But the cost of getting those features in terms of risk to stability of their

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machine, retraining, or even the “baggage” of other changes that come along with those needed/wanted fixes make the cost too high. Figure 2 illustrates this disconnect in the innovation of our product over time.

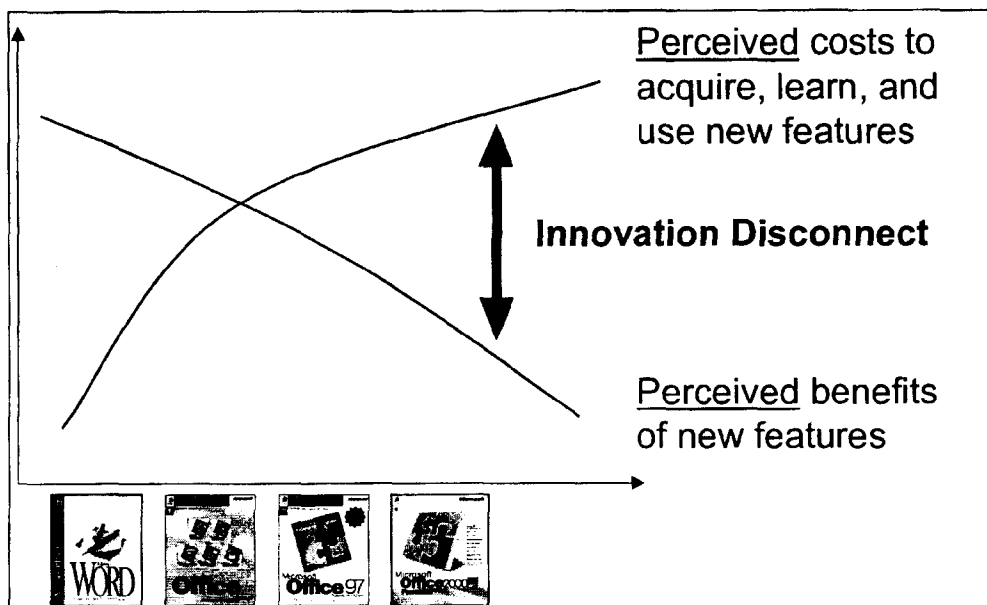


Figure 2. Illustration of the disconnect between features we develop and needs of customers.

There is good news—the vast majority of our customers are not as fast paced as those examples above. In fact, most customers are still following the path we are on. However, the leading edge customers the ones that drive the product purchase cycle or the ones that grab on to new features and use them have indeed undergone radical change. Their priorities are on communication (palm devices, cell-phones), roaming kiosk usage (using HotMail), and collaborating by exchanging email attachments with their co-workers as well as partners. They continue to create documents in droves, more than ever, and that is our core contribution to how they work—we can and will do more for these customers.

A few things worth highlighting that we have learned about Office 2000 and how the product is being received:

Lack of Intranet adoption and use, collaboration via email. Our big bet in Office 2000 was on enabling intranets to become a viable collaboration platform. This remains an incredibly exciting vision to customers. Unfortunately the combination of our own shortcomings in the product (many of which are fixed in Office10) and changing customer needs led to a less than successful rate of usage of these features. The predominant change has been the nearly universal move to email attachments as the primary mechanism for document storage, sharing, and retrieval. This has profound implications for Microsoft beyond Office (file servers are a huge business, and Exchange server is not). It goes without saying that even internally at Microsoft we have not seen the use we would have hoped for

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with the web features. We have put a great deal of effort into the email collaboration features of Office10 as well as addressing customer issues with intranets, so I am optimistic we will make major progress. We must also work to broaden the use of FrontPage with our larger customers and work to sell FrontPage as part of enterprise agreements.

Lack of End-user excitement. No item has caused more miscommunication and frustration between marketing and the field than the feeling that Office 2000 did not have “end-user excitement”. This is a challenging area and one that we have not been able to quantify. For example, we know that retail (i.e. end-user) sales are slow in the US, but we cannot correlate this with end-user excitement (or with lack of marketing, a lack of sales force expertise, an increase in piracy, or any one of 10 other possible causes). Of course we should not be too surprised since the vision for Office 2000 was explicit in that we were trading off a host of “random” end-user features for a focused vision. We do know that customers notice when the product looks a lot different and when that matches with their needs. As an example, one change really symbolizes this—PowerPoint’s All-In-One view is a major visual change that coincided with customers increasing their use of PowerPoint. As a result we saw several reviews mentioning PowerPoint as the most “changed” or “improved” application. I am very optimistic that we have a large number of very visible and discoverable new features in Office10, but we are not out of the woods until we learn if these line up with today’s customer demands.

Lack of emotional attachment. There was a time when with every release of Office there would be a frenzy of people trying to get on the beta list or showing up a preview demonstrations. We have lost a lot of that emotional appeal. Although it sounds superficial, one thing an emotional appeal brings is an element of forgiveness. When things go wrong, if people are emotionally attached they are more forgiving. For example, Macintosh users, arguably some of the most emotional around, don’t seem to mind that their machines boot really slowly or that everyone has to run an INIT manager to keep things stable. Of course gaining back an emotional attachment is no easy task. Often it can be done with major style changes, such as the iMac (still running that same old OS). But having that soul or passion around a product can also come from solving problems people have in unique ways—the Palm Pilot is a great example, since clearly there were tons of “organizers” on the market already. We must explore this issue and to the degree possible we should be explicit about being emotional. Sometimes this means thinking very radically about a product (i.e. purple computers).

Developer platform losses. For years we have invested in and relied on Office as a developer platform. Even to this day, Office remains an integral part of countless customized solutions. Yet, the energy being devoted by IT departments to developing new solutions in Office is not

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where it once was. Energies are being directed towards developing web-based applications for many parts of the business, while productivity and document creation scenarios are second to document storage and retrieval via the web. Our investments in what IT would call “client side” solutions are significant, and probably not in line with where our customers are investing. Our efforts on developing “reach” solutions with Office Designer have the potential to help achieve a higher level of relevancy with the leading edge developer customer.

Most new features are unnoticed. It is an unfortunate truth, but the reality is that most new features in Office go unnoticed by customers. In fact, to look at this issue in the harshest light it is probably the case that customers are far more likely to notice an incompatibility or new “flaky design” that we introduce in a release than they are likely to notice a new feature. The simple fact is that the breadth of our product and our inability to make features discoverable means that for customers to notice something new it has to overwhelm them or jump up and bite them on the nose. This problem is made more painful because of our own inability to stop working on features at times. There are areas we continue to invest in release after release, despite the lack of feedback and/or usage. At the same time, we face this dilemma when we go to communicate the product in the marketplace where new features in Office are not top of mind for the people that we look to in the press to communicate our work.

Selling “Knowledge Management” confused Office customers. A major element of the sales efforts this year was to focus on selling the collective efforts of Exchange, BackOffice, and Office as a “knowledge management” solution for customers. Unfortunately the product did not support this topic very well and the sales force had a difficult time nailing down exactly what customers wanted to hear with regards to the “KM” topic. We learned a great deal about how sensitive customers can be to being “oversold”. This was particularly acute with our digital dashboard efforts, which got off to a bang but quickly fizzled as customers realized that this was not an out-of-box experience and it still required extensive access to hard to reach corporate data.

Prevalence of Adobe Acrobat. We invested enormously in HTML as a universal viewing format in Office 2000 and Office10. However, it is worth taking note of the prevalence of Acrobat. Acrobat has become a fixture in the exchange of data—to the degree that sometimes people send Acrobat files out instead of simple Word, Excel, or PowerPoint attachments. We must not lose an important part of the document creation, distribution, and storage cycle.

Increase in Piracy. We believe we are seeing a rise in the rate of piracy of Office software in US, as well as other parts of the world. On the one hand, one could conclude that Office 2000 is so cool people are willing to break the law to use it. But I believe the reality is that people have the desire to use the product for numerous reasons (cool new features,

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enhanced capabilities or compatibility or the desire to stay current, etc.) but they do not feel the obligation to pay for it. In other words customers are not assigning a dollar value to the product even though they want to use it.

Sensitivity to Security and Privacy. As we see Office connected to many more customers through email attachments, and as we see the rise of Outlook usage we have seen an enormous increase in the security and privacy risks associated with Office. Whether it was the Office GUID issue, hidden meta-data, buffer overruns, or even an issue like the Office easter-eggs, customers are relentlessly critical of our efforts to provide a secure and private platform upon which to trust their business. Needless to say as we venture into the world of services and offering a continuous relationship with customers this will become much more critical. VBA-less Office is the type of feature that in our context we tend to think of as “exactly the wrong thing to do” yet in the context of where customers would like the product to be it “just makes sense”. There are more and more alternatives to Office-like functionality that do not have the asset of programmability and customers are quick to point that out.

Importance of XML. XML is becoming increasingly important as an element of Microsoft’s strategy. We led the way in using XML, but as the marketplace evolved we were not evolving in the same direction. With Office10 we have some of the key XML functionality for Microsoft’s products, yet we probably have not focused enough on making this an out-of-the-box feature for customers.

Expensive and Bloated. The bloatware tag we worked so hard to lessen with Office 2000 is still with us and probably approaching a level of permanence. Some of our competitors are directly focused on this element of Office, such as ThinkFree. As we work to embrace the context of new customers we must understand that elements of Office that were once a strength (Tools Options) become a liability. Additionally, the offering of a higher end SKU that included more functionality at a proportionally higher price was probably something that was the right idea at the wrong time. Just as PCs were dropping in price we introduced a release of Office that often topped the price of the computer (monitor not included).

Our Mission

Our mission with NGO is to take all that we have learned and our dreams for how to build a amazing release of Office that takes the empowerment of the PC, the availability of servers, and the breadth of services and to integrate them into an experience whose sum is greater than the parts.

An early way to think about this mission is to divide it into three core elements: **revolutionizing the experience, integrating feedback, and guarding the core:**

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- Revolutionizing the experience (50% of our “effort”). Rapidly and deliberately transition Office to the “Next Generation” combination of product, services, and servers to provide the Internet User Experience. The key to NGO will be defining an experience that people just “have to have” and making it indispensable to getting work done in the internet age.
- Integrating feedback (30% of our effort). Routinely get more use from our best work, sooner, by building an ongoing business relationship with leading edge customers. We want to provide customers with an ongoing and ever-improving Office experience. We can do this by having a regular annuity relationship with them and by constantly tuning the product to meet the needs of the market.
- Guarding the core (20% of our effort). Appropriately sustain the absolutely essential core of our Office suite so that we can continue to encourage our existing Enterprise Agreement model which will provide the bulk of revenues for the foreseeable future. We must measure our investments in architectural features that will take multiple milestones (unless we are deliberate in doing staggered development).

The cornerstone of building NGO will be building it on **internet time**. We spent a long time saying that there is no such thing as internet time or that it was not possible. As with changing customer needs, by our old definitions of a release—changing a million lines of code in a code base with enormous compatibility challenges, there is absolutely no way to do anything in less than 12 months. However, the new standard is to build much lighter weight features that have much less code—for a server process to be reliable, robust, and performant, it helps if it is small. We also want to get breadth of features rather than depth. We will accomplish this internet time by being extraordinarily strict about the changes we make to our core code, and we will make those changes with far fewer people than have been working on the code in Office10. Our customers are not placing a very high value on the “n+1st” feature of traditional application features, so we will do less of them.

The bulk of our efforts will go towards building the features, tools, and operational infrastructure to support our services along with the application and MSO code to support service integration at a very rich level across the suite. Of course, NGO will be file compatible and system file compatible. We will avoid making changes that add uncertainty to compatibility and deployability. We have shown with Office10 that we can do significant core EXE work in 2 milestones. With NGO we will almost certainly have only a single milestone. This is obviously a huge topic and one that will take the best thinking of our development and test managers, but I believe it is a market imperative that we shorten the cycle. Once we can get NGO to the market with supported services, we will

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begin to get feedback about what is used, what isn't working, etc. and this is exactly the type of immediate feedback loop we want to be part of. It will be incredibly exciting to see our work used and tweaked in "real time". We will take on the challenge of internet time in order to gain the benefits of this feedback loop that will engage customers.

What Does NGO Look Like?

By now you have either lapsed into a coma reading this or you are wondering about what NGO will look like. Of course I do not have all the answers. Over the next two months or so, many people across the company are working to define the core elements of what the operating system will provide to ISVs like Office in order to enable the different scenarios we have discussed. This section is really about brainstorming to show off the radical ways in which we want to re-think the Office product for NGO.

First, to be abundantly clear—NGO is primarily a product aimed at individuals, and not the LORG as a whole. We want to make NGO a product that individuals can benefit from and will bring into their experience at work. This is a huge challenge but it is key to successfully charging forward with the internet user experience. Recall our dilemma—our LORG customers are not clamoring for radical changes in the product along these lines, they want more TCO and more high end "LORG" features. NGO is first and foremost a tool for individual empowerment. We must deliver a product that absolutely, positively, and flawlessly integrates into a LORG environment. But at the same time we will be working to re-energize the individual user of Office. We are assuming customers have internet connections and are willing to be connected a lot to take advantage of the new work in Office.

Second, this individual user will buy Office in a radical new way. Rather than pay us up front for a perpetual license for Office, we will move forward with an annuity (some would say rental) approach. In fact, at the extreme you can imagine that the Office CD is free to all who ask. It simply is non-functional without a subscription to Office (like CDs for online services). Once you subscribe, as you use the product the server validates your ownership of Office and you continue to work. Oh there are thousand issues to work out at least—we are not blindly going down this path. But at the heart of this are two things: (a) owning Office has a much lower up front cost, and (b) owning Office means owning an always improving product. We will pay attention to how people use the product and make changes on an extraordinarily regular basis. It is also the case that this model might be less profitable as we transition to operating an ongoing service rather than merely distributing CDROMs.

Third, the Office group will be running a major service on the internet, office.microsoft.com. We will all be involved in operations. Developers,

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testers, and program managers will all be involved in keeping their features running, secure, and robust. There is no “operations” team that you will throw things over the fence to, but rather operations will be viewed as critical and integral to the product as development, testing, or program management—think of operations as adding to the core product team relationship. In fact, most “internet companies” say that half of their development goes to the back end server infrastructure to deliver the service, the tools to manage the service, and the mechanisms to monitor and measure the service. We should expect to write much less code and focus much more on what it takes to provide a service. We will look to our OfficeUpdate team and other groups in BPG and the company to provide best practices and leadership. But I fully expect the Office team to become the premier operations group in the company and for the Office hosted features to have richness and reliability that surpass expectations. These services are available on the internet—we will not duplicate them for our LORG customers “inside the firewall”. A core assumption with NGO is that companies, or at least the leading edge companies we attract with this product, will provide internet access to their employees. We will of course do work to ensure privacy of data and integrity needed for corporations, but having Microsoft own operations for these features is integral to the experience. We will get pushback for this, but we are prepared to hold our ground.

As we look to the core scenarios of NGO we will focus our NGO planning around four areas. Each of these areas approaches the idea of providing an integrated experience for PCs, servers, and services:

- **Extending the productivity experience to servers.** We will literally look at every scenario for today’s document creation and analysis and decide how to improve it with services. We will blur the line between editing commands and content we are providing to make the editing experience better. We will make it entirely natural to integrate access to personal documents, team documents, up-to-date research information (financial, geographic, industry specific), vertical content such as legal contracts, images, clipart, templates, and new features of our applications (such as machine translation).
- **Roaming, mobility and communication scenarios that benefit from the having an identity and storage on office.microsoft.com.** With NGO, you will be able to use your passport identity to gain access to your settings, personalization, and most importantly your server “personality” and apply that to any machine you walk up to. Since Office can be on any machine, though it is useless without a subscription, there is no need to worry if a kiosk machine has Office—we will make that possible. Office stores important information such as appointments and contacts that

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need to get to mobile devices of many types—through our service we will make that easy. By taking advantage of MSN Messenger we can seamlessly integrate “presence” across the suite so if you’re working on a shared document it is easy to find out which of the authors are available to chat about some revisions. Roaming use also needs to include access to your mail and schedule from any machine if you are using a Microsoft services that includes you mailbox whether this is HotMail or an Exchange 2000 mailbox.

- **New businesses that extend Office to help you get your work done more efficiently than ever before.** Today Office is a horizontal application that is good for everyone, but not the best it can be for any one person because it lacks the specifics that make it 100% relevant. Through services we can “finish” the job. We can partner with third parties to provide support for the distribution of documents (for example printing and binding), professional services help (public relations, financial, legal), tightly integrated services such as SAP or Reuters, or even real time consulting for the content of your documents. Our ability to build a “platform” for third parties on our service is a key advantage we will bring to our customers.
- **Enhancing our core code in ways that build on the first three areas.** We will of course not cease entirely the improvements in core code in Office. But we will be very strategic in how we approach major architectural changes in the product and what we do to the code. We will focus on building a shared infrastructure that enables the connection to services in a rich and deep way. And we will continue to pioneer new technologies and integrate them into Office, focused on the scenarios that matter the most. One example would be improving the fundamental task of reading on screen, an area that some would say was set back decades by the web. For example, we could offer a two-column view in Outlook and Word that takes advantage of large screens in new ways.

When we take the sum of these planning efforts, we will produce a product that is a collection of services (i.e. features that run in the “cloud” as far as the user is concerned) plus a set of servers (implementation of services running on Microsoft’s server platform) and client integration. All of these work together. It is critical to realize that in the world of NGO a service is a feature, just like we used to plan, spec, implement, and test features we will plan, spec, implement, test, and operate services. As you can see in Figure 3, NGO’s efforts are sizable in the services area. We will expect to spend the bulk of our efforts on services and on the work to integrate those services into our existing applications.

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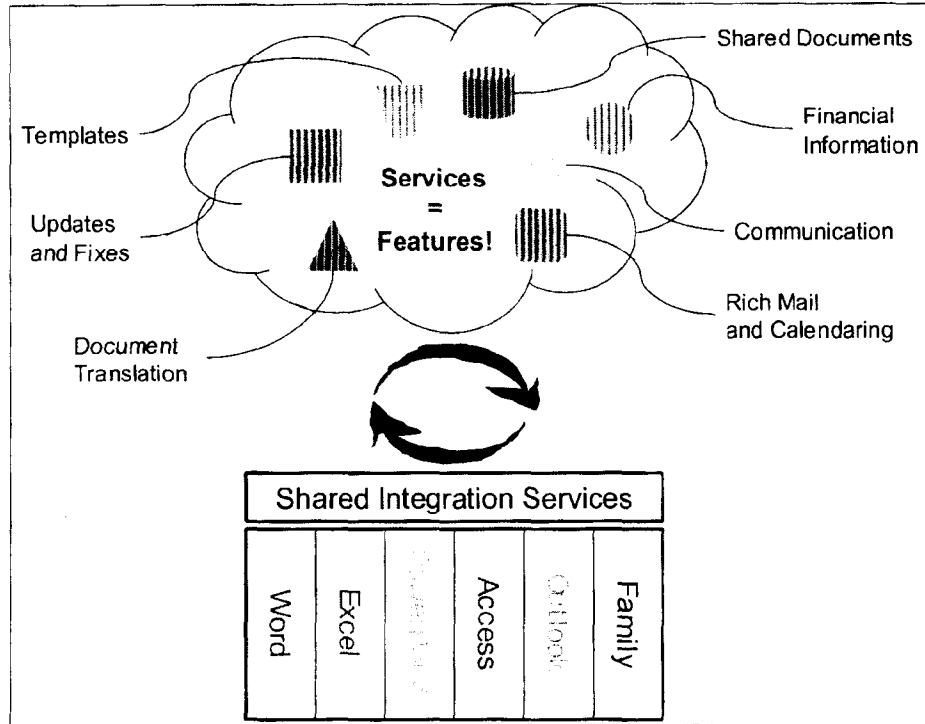


Figure 3. Conceptual view of the integration of Office and Services.

To summarize some thoughts on how our NGO product will be different, Table 1 looks at features in today’s “shrink-wrapped” world and provides a brainstorming idea for how that sort of feature would look in the service-centric world. Obviously missing are entire new ideas for services—this is left to the planning process for NGO.

Shrink-wrap centric product	Service-centric product for individuals and large customers
Shipping Office every 18-30 months, with customers seeing your work about 24 months after RTM once their company deploys Office.	Shipping core bits of Office once a year, with new and/or improved services appearing very frequently with customers seeing your work by just having it available as we release it.
Calling Microsoft product support and telling them Office crashed.	Having Office automatically connect to Microsoft.com, report the crash and suggest a solution if one is available.
Getting email telling you to download the latest service release.	Automatically being offered to the chance to download a service release and install it in the middle of the night when you’re not using your machine.
Shipping more and more clipart on CDROMs with Office.	Accessing a clipart collection that is always growing and being improved on officeupdate.microsoft.com.

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Shrink-wrap centric product	Service-centric product for individuals and large customers
Gathering customer feedback by surveys and other expensive mechanisms that rely on customers having a deep understanding of Office.	Gathering (anonymous and approved) information directly from the usage and access patterns of the services we offer and improving the Office experience based on this feedback.
Integration of GUI: windows, menus, icons, etc.	Integration of web pages and server side code (expansive view of today's page fetching) by using each technology for what it is best at doing.
Integrating shared code in MSO.DLL with our applications.	Integrating features and services on office.microsoft.com (expansive view of today's Office Update) with our applications.
Creating a new document by starting from a blank document even though you know someone has something good to start from.	Getting a tailored template from your personalized section of office.microsoft.com, finding the best practice in your company, or searching among thousands of pre-written document templates on office.microsoft.com.
Saving a document to your local hard drive or corporate LAN.	Saving a document to your personal and private (or shared) section of office.microsoft.com backed up and managed by Microsoft or a partner.
Roaming your settings via the Windows registry.	Roaming your settings and other personalizations easily from machine to machine on the internet via Passport.
Extending Office for specific customers with VBA.	Extending Office for specific customers by adding new services on office.microsoft.com.
Creating your own database of states and zip codes to use to validate your customer database.	Accessing the always up to date database on office.microsoft.com and validating your database directly against that.
Meeting or calling on the phone to talk about a faxed document or a document mailed as an attachment.	Sharing a document electronically in real-time and using instant messaging to discuss changes.
Elaborate, unreliable, or inconsistent mechanisms to share information with people outside your company.	Sharing information with people outside your company as easily as you share information inside your company.
Struggling to copy / paste and reformat information.	Easily incorporating heterogeneous information described by XML.

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Shrink-wrap centric product	Service-centric product for individuals and large customers
Forgetting where you are supposed to be because your printed schedule is out of date.	A service on office.microsoft.com automatically syncs with your schedule and sends you SMS phone message reminders.
Exporting a contact list to some intermediate file from your Outlook contact list to share with a business partner.	Easily publishing your contact list to a secure shared location on office.microsoft.com for use by a business partner. Changes are automatically synchronized between your copy and the shared copy.
Sitting hopelessly at an airport kiosk trying to get to your corporate email.	Easily tunneling through to your corporate mail server and using a roaming client to access your mail, schedule, contacts, and documents.
Trying to synchronize two PSTs manually to share contacts between home and work machines.	Storing your contacts on office.Microsoft.com and seamlessly keeping them in sync with local copies on your PCs and other devices.
Ship criteria for performance are dominated by boot-open-save scenarios.	Ship criteria for performance are dominated by HTTP page size, round tripping HTTP transactions, and time to complete service tasks.

Table 1. Comparison of the shrink-wrap perspective and the service perspective for developing product features.

Competition

It is both rewarding and scary to look at the current competitive landscape. We have managed to stave off an amazing number of entrants into the productivity space. But at this point so many are entering it is not a matter of “if” but “when” one of them will catch on.

A key part of the vision process will be identifying the major competitive issues and threats and establishing how Office will respond to these issues. This is an area we were weak on for Office10 and should improve.

We must not lose sight of the fact that our biggest competitor continues to be our existing products and the inertia they have. The cost and pain of upgrading still overwhelms any sense of benefit we seem to be able to communicate to customers. We learned that if we ever change our file formats again we can kiss the upgrade good-bye. Literally no one will ever upgrade if we change the Word and Excel file formats-I hope that fact is engrained in everyone’s thinking. We must always consider the major competitor to be the Office release that is already deployed and running.

Sun will continue to pose an enormous threat to Office with StarOffice. They are investing irrationally in the product seemingly to do nothing but cause us pain. They will make a huge amount of noise with their

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StarPortal project (and we will be there with Office Online) and they continue to give away *millions* of free CDs (yes they still need a CD) of StarOffice. **Every single person in Office should install, run, and be familiar with StarOffice.** There is no excuse. See <http://www.sun.com/products/staroffice/preview/>.

Rather than include descriptions and a list of 20 different Office competitors and services to look at, it would behoove every group program manager to own coming up with and maintaining a list of direct competitors to their area or services that are interesting, insightful, or competitive. This is a fast changing landscape with which everyone should be familiar. Our new product planning organization in office should also be a key keeper of this information.

Some of the products out there to look at include: AnyDay.com, i-drive.com, driveway.com, flashbase.com, myWebOS.com, ThinkFree.com, and HalfBrain.com just to name the ones that are top of mind this week. There are new entries every week. For a recent analysis of some of these please see Also see <http://office10/teams/word/planning/WebServices.htm>.

For the purposes of categorizing these competitors we might think of the following categories in Table 2:

Type of Competitor	Examples
Traditional Office	Office 97, Office 2000, Star Office, Lotus Notes client, WordPerfect Office (soon to be distributed free supported by advertising), Lotus SmartSuite
Web only productivity (i.e. no offline editing provided)	StarPortal, Office Online, HalfBrain, myWebOS, Lotus QuickPlace 2.0, Eroom.net, HotOffice, IntraActive InTandem, ww.firedrop.com
“New Office” applications that look like Office and require client side setup like Office, but are “internet” in distribution and business	ThinkFree
Web Services that assume Office integration	SmartOffice, WebEx
Products that are used instead of Office but require synchronization with Office	Smart phones, palm-devices, http://www.infinitemail.com , http://www.yodlee.com , http://mobile.yahoo.com , http://corp.visto.com , http://www.mydocsonline.com

Table 2. Competitive products for NGO.

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Next Steps

In order to reduce the confusion as we begin planning, it is important for us to develop a good understanding of our release timeline and resource commitments. We have an enormous amount of opportunity, but with that comes a lot of complexity to manage. There are some things that we know we will need to be ready to accomplish soon after we release the US Office10:

- Worldwide releases. Testing and Release will be quite busy for at least two months on the worldwide and SKU releases of Office10. We must respect and support these efforts.
- Sustaining engineering for Office10 and Office 2000. We will need to have our team and experts in place to address the needs of legitimate customer issues for Office10 and Office 2000.
- Service Releases for Office10. As we did for Office 2000, we will plan on two service releases for Office 2000 and follow the same approach. Our first service release will be from 1-6 months after we ship, depending on the immediate needs. The second release should be about six months later. If we do a very early SR-1 due to a lower than desired quality level in the initial release, it is likely we will do a third service release.

The following is a rough idea of the release calendar we will follow. This is tentative and meant to give a rough idea.

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Timing	Event
April 2000	<p>First Brainstorming retreat (4/2000) involving people from all the teams.</p> <p>Product planning begins initial research on potential customers and their potential needs and industry trends.</p>
May	Microsoft-wide 3-year outlook process.
June	<p>New Office 2000 template service (long-term beta) goes live on OfficeUpdate adding to the experience and feature set we provide to our customers.</p> <p>Office “Think Week” will be organized by product planning. More details to follow.</p>
June / July	<p>What’s Next retreats/meetings. Each of the shared teams and application teams should spend time writing down the list of <i>undones</i> and logical next steps for their area. We might not choose to implement these, but we should understand from our own perspective (without customer data) what areas we would follow up on. In fact we will likely do very few of these for NGO. But we want to make these decisions with full knowledge.</p> <p>Everyone should be experiencing, learning, and communicating—new products and services.</p>
July	Major wave of broad participation site visits to our RDP customers and early adopters for Office10. This is to understand the current customer environment.
Summer	Brainstorming and learning about the potential features for NGO, including learning about operations and beginning to understand the investments needed in education by the members of our team.
September	<p>New focus areas for the product should be emerging and we should use this month to have retreats to determine if there is critical mass for a shared feature team.</p> <p>At this point, management has the responsibility of identifying the leaders for the organization and we must be ready to begin the necessary organizational shifts.</p> <p>Next Generation Windows Services plans should materialize and we can identify possible areas for synergy.</p>
October-April	<p>Vision process for NGO.</p> <p>Business planning around subscription model takes place.</p>

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Timing	Event
March 2001	<p>Ship Office10.</p> <p>Product team wide memo shortly after US RTM summarizing the next steps, areas people should spend time learning about, and what is up for maintaining and sustaining Office 2000 and Office10.</p>
By end of March 2001	<p>Team organization is formalized and new leaders emerge (or old leaders in new areas). The teams begin to focus on their areas by specific research and scenario planning.</p> <p>We identify owners for major strategic initiatives and cross-division dependencies.</p> <p>Team building and team vision statements continue.</p>
April	<p>Team vision statements. Teams should begin to have an idea of their marquee features and should be able to write a press release for their work.</p> <p>We should be able to validate these ideas with key constituencies, both internal and external.</p> <p>Executive checkpoint meetings on key focus areas.</p>
By end of April	<p>Shared vision statement process. We take the proposed visions and roll these up to a shared vision. This will mean that some ideas are dropped and new ones are added.</p> <p>We have a proposed feature list for all the development milestones and we have specifications for MM1 features that we can schedule.</p> <p>Executive checkpoint.</p>
May	<p>Vision rolled out.</p> <p>Feature lists based on work from March-May created with specs in place.</p>
June 2001	<p>Project coding officially begins. Our goal is a single development milestone! (Lots to discuss here, so don't panic yet!)</p>
May 2002	<p>Ship NGO and NGO services go live for a million customers on Day 1.</p>

Table 3. Rough estimate for an NGO schedule/timeline.

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