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# Microsoft Development Tools Marketing Overhaul for FY '93

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## Situation Overview

### Microsoft's Decline in Development Tools on DOS and Windows

Calendar Year	MS Dvlpt Tools	Non-MS Tools	Total Dvlpt Tools	MS Share %
1989	\$56.0M	\$36.7M	\$92.8M	60.4%
1991	\$76.0M	\$143.1M	\$219.1M	34.7%
CAGR 89-91	16.5%	97.3%	53.7%	-24.2%

source: SPA Annual Reports 1989 - 1991, MS sales data

Borland is winning the war in development tools. According to SPA data, the worldwide market for development tools on DOS and Windows has grown from \$93M in 1989 to almost \$220M in 1991. Borland's incredible growth over this period has approached 100% per year, eroding our share from a commanding 60% to under 35%. In every major market in the world - except Japan - Microsoft has lost significant share.

While Microsoft's sharp decline and Borland's rise in any category is itself cause for alarm, the potential impact of our loss of leadership here could still be much larger. The leading development tool vendor enjoys strategic advantages in other software categories, including:

1. Influence over the platform for which developers write - the language vendor is a platform supplier to developers, with potential to influence portability and cross-app standards.
2. Credibility and prestige with technical influentials (such as MIS management, VARs, technical trade press) who affect app and system software purchases.
3. Leadership/control over the transition to vertical software constructed with horizontal application components - long-term impact on business model. Development tool leader can drive their own app sales by enticing solution builders to use their glue and app components in building custom systems.

Plaintiff's Exhibit

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To retain our technical credibility/influence and maximize control over developers, the platform, and the distribution/business model, Microsoft must regain lost leadership in development tools. For us to be successful in regaining our lost dominance in this category, we will need to:

- **consolidate the message** - create a single development tools family message that makes sense and positions our line of tools vis a vis each other..
- **modify the process** - for the things we do today, find faster, cheaper, better ways to do the same things that fit a development tools business model.
- **focus marketing resources on development tools** - leverage Microsoft's marketing machine to push development tool products more decisively than we have ever done before. Invest marketing dollars in winning back this category.

## Consolidate the Message - Vision

As software systems grow in size and complexity, the need for generalized, reusable software components and simpler ways to combine these components into custom solutions will also grow. We see the major tasks of component building and solution building becoming increasingly distinct. Microsoft will lead the industry in offering tools uniquely designed to address both sides of this development process, making it easier to solve specific business problems quickly.

This trend has profound implications on the revenue and distribution models for the industry. Increasingly, the dollars being spent on software will pass through the hands of VAR/MIS organizations rather than conventional retail distribution, and the ability of horizontal software vendors (i.e. Microsoft) will depend on our establishment of a VAR channel that will pay royalties for major application components.

### 1. Component Building

Reusable components are the most "horizontal" pieces with generalized interfaces that may be plugged into many different solutions. Such components include

- OLE Servers
- Custom Controls

These components may be created by major ISVs and delivered with their applications, they may be supplied by small development tool add-on vendors, or they may be developed internally in corporations where specific, non-standard components are needed. Building high quality reusable components is generally more demanding and requires more advanced software engineering skills and knowledge of technical OS specifics. This will typically be done by people who know more about computers than the business problem they are solving.

### 2. Solution Building

Given a good toolbox of reusable components, vertical solutions that meet specific business needs will be much easier to create. This will typically be done by less technical

people who know more about the business problem they are solving than about computers. The toolset needed by these people is oriented toward making it easiest to plug together existing components and specify their interaction with easily debugged and maintained code.

## Consolidate the Message - Products

Microsoft's development tools product line today is stronger than the market perceives. MS has the leading tools along the critical dimensions of performance and productivity. This fact alone gives us a justified claim to technical leadership.

Individual development tool messages support the claim:

- 1. Microsoft Visual Basic is the fastest way to create real applications.**  
Visual Basic is the most productive custom solution builder that makes it easy to plug together components ranging from custom controls to OLE server-supplied objects.
- 2. Microsoft C/C++ is the most comprehensive Windows dvlpt system available.**  
C/C++ is the most comprehensive software component builder available that helps you build the fastest, most versatile horizontal applications, custom controls, and OLE servers.
- 3. Microsoft offers a complete line of development tools for languages widely used in corporations, including "classic" languages such as COBOL and FORTRAN.**  
Microsoft supports your entire code base better than any other vendor, helping you integrate your existing code into new apps that take advantage of the new platform initiatives. In particular, as PCs augment and replace mainframes, Microsoft's tool strategy in support of application downsizing will require a greater depth and breadth, especially in COBOL.
- 4. Microsoft applications are the most interoperable and programmable applications available, helping developers create customized solutions quickly.**  
This includes Cirrus, Excel, and WinWord. When you have a problem that is based on primarily a database, spreadsheet, or word processing paradigm, using these major applications and their macro languages can be the fastest way to develop the custom solutions you need for your organization.

## Modify the Process

- 1. Tighter communications team**  
To make the communication process most efficient, we need a closer coupling of product management or other technical content sources and creatives. Increase the teamwork of people involved in creating technical communications/promotions material. At each step in the development of communications materials, we should examine the value added. Layers of people can inject noise into the technical content and increase time and cost to create. We need to create powerful messages, and suffer no loss of power in their articulation. Each organization involved in this process must contribute to the desired

amplification of our messages. The only effective measure of success is here is sales results. Clearly, the results of the past two years suggest that some dysfunctionality is present in our communication team.

## **2. Self-funding model**

We need to have a finance model for doing self-funding marketing programs with third parties. We need a mechanism for marketing budgets to be spent and then re-couped with external payments from conference attendance fees, booth space rental, seminar fees, ad space fees, etc.

## **3. Global focus and resource sharing**

On small products with lower budgets and high technical communications requirements, we need a way to leverage our work globally. We need to be able to implement and roll out worldwide marketing programs, including seminar series, channel promotions, and possibly even direct mail as they make sense to us and the subs.

## **4. Freedom to be fast and experimental**

To be competitive in this category, we need to be committed to experimenting with low-resource programs that don't fit the mold of our major retail businesses.

# **Focus Sales/Marketing Resources**

## **1. MOR resources dedicated to dealmaking for programming tools.**

This is a big channel for our tools and Borland has someone in the MOR faces constantly, making deals for co-promotions. The MORs have the best access to our competitors' user base. We need to be competitive with co-promotions in this channel to win dvlpt tools.

**Resources required: 1 head, 5 MORs X 4 catalogs/yr X \$20K/catalog = \$400K**

## **2. Field Sales Support**

Commitment to dedicate 1 full-time equivalent in each district (2 SEs half time or 1 dvlpt tools specialist) each from all 20 districts to give in-depth pitches on development tool strategy including VB, C, the "classics", and applications programmability. The market requires the expertise available for corporate, conference track sessions, and trade show demo duty. Possibility of consolidating these duties with Net, Data, or MAPI specialists.

**Resources required: 1/district X 20 districts = 20 US field salespeople. Int'l?**

## **3. Distribution Breadth**

Borland has about 2 - 2.5 times the distribution breadth that MS languages has. MS Channel marketing's commitment to get MS languages distribution up to 1500 accounts and 3000 outlets will yield significant share increase.

**Resources required: \$300K for dvlpt tool breadth promotions**

## **4. Trade Shows & Events**

Team in corporate events to orchestrate presence at developer-related shows, creating MS development tool booths combined with add-on vendor stations, build presence in conference tracks and staffed with SEs as needed. Consider MS developer conference.  
**Resources required: \$400K for dvlpt tools conference, 1 TS&E head**

#### **5. Consolidated Developer Research**

We should design and execute a broad research project to size and segment programmer market. Also, we should measure extent of app usage today as components of vertical solutions. A lesser priority is to explore psychographics and vendor/language preferences. Also need resource to manage ongoing market intelligence gathering, including ad hoc surveys, etc.

**Resources required: \$500K, 1 sol'n builder head in MRMA**

#### **6. Build a Self-Running Direct Mail Machine**

Create a self-running, self-sustaining direct mail machine that constantly tests and rolls out as appropriate. This should be staffed to run with minimal product manager involvement. This medium makes a lot of sense for development tools given the targeting and high-bandwidth communications possible.

**Resources required: 1 head in DM for dvlpt tools, self-financing mechanism**

#### **7. Seminar Series**

Build base of educated advocates for MS dvlpt tools. Use the self-funding model to create and roll-out 3 self-funding seminar series - targeted for component builders, solutions builders, and power users/app customizers.

**Resources required: \$600K startup marketing, 2 presenters (1 already planned for VB+Cirrus). Scale for international rollout.**

#### **8. Establish VAR Channel**

Work out the licensing, finance, and distribution models for large-scale VAR reselling of our apps and app components. Much bigger issue to be addressed separately.

#### **9. Education/Academic**

Ensure our dvlpt tools are used in secondary and higher education for the teaching of CS and other programming-related courses. Use DM to academic lists, advertising in academic mags, and some fraction of the sales force to speak at academic conferences. Continue to advertise and offer samplers of MS-languages plus 3rd-party textbooks.

**Resources required: \$300K + dedicated academic languages person**

#### **10. Advertising**

Ad campaign to communicate consolidated messages above tailored for corporate, ISV, or VAR/consultants.

**Resources required: \$1.2M**

#### **11. Establish sub-brand positioning**

Establish Microsoft's sub-brands for our C/C++ family of tools, our VB family of tools, and our family of programmable applications. To be proposed by specific product groups in the context of family marketing plans.

Resources required: \$1M per sub-brand mentioned above?

## Budget Summary

Dollars and resource estimates for the above programs summarized below:

Program	Mktg Budget	Dedicated Resources
MOR dealmaking	\$400K	1 MOR dealmaker
Field support	\$0K	20 field in US, int'l?
Breadth promos	\$300K	
Trade Shows & Events	\$400K	1 TS&E
Research	\$500K	1 MRMA
DM ongoing	\$0K (self fund)	1 DM
Seminar series	\$600K	2 presenters (1 already planned)
Education	\$300K	1 Education mktg head
Advertising	\$1,200K	
<b>TOTAL</b>	<b>\$3,700K</b>	<b>7 SMSD mktg, 20 SMSD sales</b>

## Next Steps

1. Assign owners to 11 focus areas above from SMSD and product groups to develop specific implementation plans, firm objectives, and better cost estimates. Do this immediately to estimate cost in resources and confirm feasibility.

2. Create consolidated message presentation and white paper on "Microsoft Development Tools Strategy"

Languages and apps programmability work together to build this presentation, get outside writer to flesh out into a white paper from the notes.