

PX 554

Microsoft OFFICE



DRAFT v0.9

FY94 OFFICE MARKETING PLAN

Attached is the first draft of the FY94 Office marketing plan. This plan provides the marketing analysis, strategy and tactics for the Office line of applications. It also provides specific focus on the "Year of the Office" (YOO) efforts to launch the new versions of our products that will ship this fall on the Windows platform and this winter on the Mac. Given the timing of these releases, this first iteration of the plan places more emphasis on Windows platform programs and issues, however the final plan will include more of a Mac focus so that we capitalize on our cross platform advantages. Its also worth noting that this first draft covers the Office SKUs plus Word, Excel, Access, Project, PowerPoint, and Visual Basic for Apps. We are working now to incorporate Fox, Mail, and other applications into the plan where appropriate to provide the most complete solution possible. Individual marketing plans from each of these groups will be available shortly. Finally, there are some areas of the plan that have not been fleshed out in full detail yet. These will be noted in the draft, and we will work with the appropriate groups to solidify those areas prior to the final version of the plan.

We're very interested in getting your thoughts on the plan. Please send your comments, suggestions, and questions to RobbieB or MarkK. If you have specific questions on tactical areas, feel free to contact the "owner" of that tactical area directly; owners are listed in the plan for each marketing program.

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Office Marketing Contacts

	Hank Vigil, Director of Office Marketing (Group Alias "ofcmktg")	
Robbie Bach, GPM Office Marketing Strategy (Group Alias "ofcstrat")	Mark Kroese, GPM Office Product Planning/Push (Group Alias "ofcprod")	Kirk Mosher, Team Lead, Macintosh Marketing (Group Alias "ofcmac")
<ul style="list-style-type: none"> • TamaraM, Group assistant • John Sage, Mktng team lead • Denise Rabius, Direct mkting • Kelli Jerome, Channel mkting • Mike Hard, Evcnt Marketing • TBH, Segment Marketing • Marlee Anderson, Research/Office PM • Tina Chen, PR • Bob Norton, Business analysis 	<ul style="list-style-type: none"> • Sherri Hart, Group assistant • Matt Mizerak, Push team lead • Eva Camp, International • Scott Raedeke, Solutions mkting • Elizabeth Collet, Competitive analysis/evidence • CJ Liu, Sales tools • TBH, District mkting • Dave Malcolm, Product planning • Judy Chase, Add-on products • Elliot Ng, Demos/presentations 	<ul style="list-style-type: none"> • Renee Watremez, Mac-specific mkting programs • Bridget Bakken, Mac Office product manager • Dave Martinez, Mac event mkting

I. Situation Analysis

Microsoft Office has become the most important product at Microsoft. This is a reflection of the broad acceptance of graphical operating systems and changing software usage and market dynamics. Currently, we are leaders in delivering a line of leading applications, but our position is tenuous. The rapid transition to Windows makes the market volatile and competitors are beginning to react. In FY 94, it will be necessary to change the traditional single-product marketing model to focus on selling an entire line of applications. The following section summarizes current market trends, the key implications of those trends, and how the Microsoft Office compares to the competition in this environment.

A. Market Trends

[SOME OF THE DATA IN THIS SECTION NEEDS TO BE CONFIRMED AND UPDATED TO INCLUDE THE LATEST INFORMATION]

1. Transition to Windows Applications.

Windows Dominant in New PCs.

Since the introduction of version 3.0 in 1990, Microsoft Windows has become the predominant PC operating system. Windows currently ships with 80% of all new Intel-based PCs. While it is still a minority portion of the installed base, the transformation of the installed base to Windows is accelerating with roughly x% of active users having Windows on their machines by the end of FY94. During this time, there has also been a rapid shift in the sales mix of DOS and Windows applications. In the major categories of word processing and spreadsheets, Windows products have taken the lead in new product sales with over 70% of sales in both categories. For the first time in May 1992, total Windows applications sales eclipsed total DOS application sales. Overall revenues for Windows applications worldwide doubled in CY92 to nearly \$200 million per month.

DOS Applications Still Lead in the Installed Base

Despite increased Windows penetration with new purchasers, many PC users continue with DOS versions of applications. As recently as 1992, 50 percent of Windows users still used their existing DOS applications within Windows, and counted the task-switching feature of Windows as the major benefit. Even in 1993, 25 percent of Windows users were not using Windows applications, 75 percent of these even exiting to the C: prompt to run their DOS applications. With Windows installed on 80 percent of new machines, many users did not actually make an active decision to adopt Windows but instead found the transition to Windows "inevitable".

Microsoft Share on Windows

As more competitors have entered the Windows software category, Microsoft's overall share has dropped significantly. While our products still represent more than 50% of the total revenues for Windows applications, this position is tenuous. Our goal is to grow market share to 60% of Windows products across all major categories. It is critical to hold onto at least 50% share to avoid a costly and inconclusive market share war among three or more competitors who split the market equally. Right now, Word and Excel market share are bouncing back and forth between 50% and 55%. The key to FY94 is stabilizing and raising this number in the face of aggressive product introductions by competitors, especially Lotus.

2. Increased Competition in the Software Market

Consolidation of the Software Market

Over the past several years the software market has undergone a consolidation. Major vendors such as Ashton Tate have been absorbed by the new leaders in the market. With PCs being used as components in mission-critical systems, businesses are demanding stability from their PC software vendors. In 1993, over 80 percent of the Windows and Macintosh software market is controlled by four main competitors: Microsoft, Lotus, Borland and WordPerfect. It has become clear that the business software market will only support a handful of developers. Rather than creating protected markets, the consolidation has increased the degree of competitiveness in the industry.

Software price erosion

Software prices have fallen from an historic high of \$325 per application to \$129 per application or less in some cases (Word/XL average revenue per unit is around \$150 today). IDC predicts that software prices will continue to fall over the next two years. With much of the price decline attributable to the "upgrade" market, full packaged product SRPs have become less meaningful to customers, particularly large corporations where discounting has been heaviest across all SKU types. Significantly, Microsoft increased the trend by introducing major applications, such as Access, at lower-than-standard prices. The advent of "introductory" \$99 pricing has raised customers' anticipation of software deals or sales. Software sets, such as the Office, have also contributed to the price erosion perception. The net effect with users has been some increase in price sensitivity.

Less differentiation in individual categories

After their initial "DOS ported" versions of Windows applications, competitors have begun to ship credible, and often award-winning, Windows products. The realm of recognizable competitive advantage for individual applications is becoming narrower. Product reviews are often won by slim, esoteric margins, such as recent spreadsheet reviews where Excel beat out Quattro Pro by very narrow margins.

3. Emergence of Software Lines.**Trend Toward Multi-app Desktops**

In the place of product feature differentiation, there is an opportunity to differentiate our products based on integration amongst the component applications. With the success of graphical operating systems, people are using more applications than in the DOS environment. In 1992, the average number of applications per desktop was 7.9 for Windows and 7.1 for the Macintosh. As PCs become integrated in everyday business tasks, cross application usage has also increased in order to accommodate working with heterogeneous data. PC Watch reports that 90 percent of spreadsheet users also own a word processor, and 60 percent of word processing users have spreadsheets. Overall, less than 10 percent of PC users have only a single business productivity application.

Success of Office

In its first two years of sales, Microsoft Office was only a niche business. The product was positioned as a one-box solution for users moving to Windows and was largely purchased by individuals or small businesses. Even today, 75 percent of Office purchasers acquire the product within 3 months of either a new machine purchase or purchasing Windows itself. However, unit sales have quadrupled from approximately 10k per month to nearly 40k, with most of the growth occurring in the last year. Nearly 60% of these sales are now to our named accounts and fortune 500 companies. Office has now become the predominant way in which users purchase Microsoft applications. Microsoft Office now accounts for almost 50% of Word and Excel's total unit volume. In FY 94, we anticipate the penetration of Office to continue, growing to nearly 60% of individual app run-rates.

4. Expanding Markets**Windows reaches "general users"**

With Windows becoming the dominant platform across all PCs, we are beginning to reach into less involved computer users. Two years ago, the typical Windows application user was an enthusiast who had high interest in actively improving their PC experience. The new user is characterized by several traits: they are less involved with the product, less likely to be a computing enthusiast and less aware of Microsoft applications. These users are less able to distinguish between the operating system and the application. Within this segment, it becomes necessary to market a complete Microsoft solution, systems and products.

Macintosh broadens its base

The Macintosh market used to be more of an IEU market than the Intel market--individuals who were very knowledgeable about computers and software, strongly loyal to their brand and more involved with computing. Today, the Macintosh platform is more of a general user platform. Macs and Windows PCs now coexist more peacefully in American corporations, as the Mac has become an accepted graphical platform. This provides Microsoft with an opportunity. We are the only company that has a cross platform product line and strategy (i.e. core code) and we should market that asset to both Windows and Mac audiences. However, a higher percentage of Macintosh general users compute in the home or in

school and there the trend is away from business applications to more accessible integrated software. While our market share position is secure and we have an opportunity to exploit our cross platform story, we are in danger of losing penetration on the Macintosh platform.

The Microsoft installed base will generate much of our revenue

An increasing portion of our business is generated by our installed base. As we become the leader in Windows software, we will need to become as proficient at marketing to our existing customers as we are to users of our competitor's products. We must persuade them to upgrade the products they currently have and to do more business with Microsoft.

5. New channels of distribution

Broader market penetration and price competition has led to changing economics in software distribution channels. Few resellers can sustain the volume to compete solely on price, requiring all others to find other areas of differentiation. Most resellers who deal with corporate accounts provide a range of software services including installation, support, and network maintenance. Microsoft has begun to expand its distribution reach by creating a new Solution Provider channel. In addition, the Solution Provider channel can provide the services that were traditionally expected as part of mainframe or minicomputer software, such as customized solutions with off-the-shelf applications.

B. Strategic Implications

With the market in a state of rapid transition to Windows, we face both an opportunity and a challenge. While we are the leader in nearly every Windows software category and should benefit the most from this transition, our share leadership is at risk as our competition finally delivers good Windows apps and attempts to upgrade its DOS installed base. Since these installed bases are still the largest segment of the market, we must win the upgrade battle in order to maintain leadership in applications software. With new versions for all major Microsoft applications as well as our competitors second or third generations windows apps due, fiscal year 94 will be the year that the Windows applications market transitions to maturity. As evidences by the strategic implications below, the Microsoft Office is the key component to winning this competitive battle.

1. Buying Criteria are changing

While 'Best of Breed' played the pivotal role in capturing Windows applications share among early adopters, it will no longer be the sole criteria for software purchase as the market expands. Individual product differentiation has become increasingly difficult; the next generation of competitive comparisons will be made at the product line level. Therefore our marketing will be driven by several factors:

- ✓ Product synergy. With 2 to 3 business applications becoming standard on the desktop, the ability of applications to work well together becomes critical. Microsoft must deliver and market a line of applications that provide benefits that are differentiable from the competition.
- ✓ Reduced brand loyalty. With increased price competition and reduced product differentiation, users will be less likely to remain loyal to a single application. This is both an opportunity for Microsoft as well as a risk. It will be easier to convince users to switch, however it will be more difficult to hold onto customers and develop the loyalty that makes upgrading to future versions automatic.
- ✓ Development/vision leadership. As companies look for other differentiating factors beyond pure product features, we will need to prove that we can provide visionary leadership from a technical level as well as practical leadership in delivering products that are proven easy to use. We have an opportunity to capitalize on Microsoft's industry position as the perceived technical innovator.
- ✓ Cross Platform. With PC networks assuming the primary role of information sharing in corporations, cross platform compatibility will become more of a consideration, especially to IS professionals. Again, we can capitalize this as long as the criteria is Mac/Win compatibility and not UNIX.
- ✓ Applications as information 'solutions'. As IS and corporate developers downsize mainframe applications, they are looking to packaged applications to provide the same functionality that they demanded from larger platforms. These requirements include providing custom solutions that meet specific business needs, data access and enabling workgroup productivity. Standard applications such as Word, Excel, Access are excellent building blocks for this new generation of applications and the Office can be a great integration/delivery mechanism.

2. The upgrade battle is accelerating

Despite our significant share gains word processing, spreadsheets and database, the DOS installed base--which includes some 5 million DOS WordPerfect, 4-5 million Lotus 1-2-3, and 3 million dBase users who are candidates to move to Windows--continues to be the battleground for Windows application market share. Its quite possible that more DOS users will switch to a Windows application in the next twelve months than any other previous period. In addition, new releases of windows products from Lotus, WordPerfect and Borland will be significantly improved, making winning the upgrade battle even harder. In 12-18 months, this phase of market transition will decline -- we need to win this battle now.

3. The IEU model is alive and well, but average end user is becoming less 'involved'

While some aspects of the buying criteria have changed, our fundamental model of the IEU/GBU buying process is still valid. General business users and less sophisticated users seek the qualified opinions of IEUs and Fringe IEUs. For their part, IEUs continue to be influenced by the published opinions of the press. This implies that we must continue to "activate and arm" our installed base, and work with the press to remain the recommended purchase within all Windows applications categories.

4. Capturing more of the desktop is critical for continued success

With the rapid transition to Windows, the software market has become more price competitive. In order to reach our revenue goals, we need to sell more applications onto each desktop. Although the Office represents a discount on purchasing each application individually, the total revenue to Microsoft is higher. It is also critical tool to prevent competing applications from gaining a foothold on the desktop. Currently, the majority of Microsoft's installed base owns only a few applications. One of our largest market opportunities is to convert our existing customers to the Office. In addition, many of the people moving from DOS apps to Windows are buying new machines and new software to go with them -- they are prime candidate for the Office.

C. Products: Microsoft and Competition**Microsoft Office**

As a product, the Office now accounts for almost 50% of Word/Excel's business. We expect it to increase to as much as 60% by the end of FY94. It is now available in 9 languages and is sold by 38 subsidiaries; for the first 6 months of FY93 International sales of Office represented over 50% of Office worldwide revenues. In short, in FY 94, Office will become the predominant way in which customers purchase Microsoft applications. Here is some market share and demographic information on the Office and its component apps:

Office Market Share

We estimate that the Office outsells its nearest competitor, Lotus SmartSuite, by a factor of 8 to 1. Microsoft Office holds 85% share of "suite" run-rate.

Word Market Share

Currently, Word for Windows holds roughly 55% of the Windows word processing market, with WordPerfect for Windows and AmiPro for Windows accounting for 30% and 15% of the market, respectively. Combined, our WinWord plus PC Word share account for 36% of the DOS/Windows market. Between June and December, WordPerfect 6.0 for DOS, AmiPro 4.0 for Windows and WordPerfect 6.0 for Windows will all ship.

Excel Market Share

Excel also holds roughly 55% of the Windows spreadsheet market, while Lotus holds 30% and Borland holds 15%. This share dropped below 50% following QPro/W shipment last fall but has since recovered to this level. Over the next six months, this number will be under pressure both from Improv (which had a \$99 introductory price) and from 1-2-3 v4.0 which will ship in June. Borland will also ship v2.0 in the fall at roughly the same time as Excel v5.0.

PowerPoint Market Share

PowerPoint holds 48% of the Windows presentation graphics market, while Lotus holds 20% and SPC holds 19%. PowerPoint's share held constant through the introduction of both competitor's Windows versions during a period of significant category expansion.

Mail Market Share

[INFORMATION TO BE ADDED HERE]

Access Market Share

Since its introduction in November 1992, Access has shipped more than 800,000 units worldwide. This aggressive penetration of the market makes Access the Windows database market leader, although it remains to be seen how many units Paradox for Windows is able to sell during their first six months of shipment.

Office Demographics

The average Microsoft Office customer is significantly different from those who purchase individual application or upgrades. Fifty-three percent of Microsoft Office registered owners work in companies with over 1000 employees. This compares to 37% of Word owners and 34% of Excel's. Office users tend to make their purchase based on a major change in their computing, either the purchase of a new machine or buying Windows. Word of mouth and reseller recommendation are key factors in the purchase decision. While the top four reasons why people purchase Office are product-related, price is becoming more of a factor. Ninety-seven percent are satisfied with their purchase.

Lotus

Lotus has re-defined its strategic direction to focus on "Working Together"--a combination of product compatibility and groupware emphasis. Lotus SmartSuite is the major direct competitor to Microsoft Office. It SmartSuite contains Lotus 1-2-3, AmiPro, Freelance Graphics, a cc:Mail client, and The Organizer (a recently acquired PIM that is being redesigned for group use). Since its introduction in April 1992, it has been aggressively marketed through pricing promotions and awareness advertising/direct mail. However, it has not yet gained a significant share of the market except within corporate accounts that have a strong commitment to Lotus. In CY92, SmartSuite sales were \$46mm worldwide, approximately 12% of that of Office.

Lotus Strengths	Lotus Weaknesses
<ul style="list-style-type: none"> • Large DOS installed base • Groupware/Notes leadership • Strong name recognition in applications • Broad product line • Industry alliances--Novell, IBM, Apple • Recently refocused/restructured resources for marketing push 	<ul style="list-style-type: none"> • Lack of strong presence on Windows • Incomplete line (no database) • Fragmented product line (multiple spreadsheet versions, email) • Little company loyalty from customers; reputation for missing product deadlines

Threats to Microsoft:

- A SmartSuite with a new and improved Lotus 1-2-3W 4.0 will help reposition SmartSuite as "best of breed." Lotus needs to regain technical leadership in the next 12 months.
- Lotus may acquire the end user database product, Approach, which has been touted for its ease of use and integration with other desktop products. This application would round out their desktop suite.
- Lotus will establish groupware as the logical "middleware" level on the desktop and exploit the leadership they have with Notes. Lotus has begun to tie its sales of SmartSuite to the success of Notes, supporting a stronger workgroup story than MS Office.
- Lotus has announced their intention to have a Mac version of Smart Suite in CY93.
- Lotus will continue to push on their "working together" message and attempt to upgrade the 1-2-3 users to the entire suite. At the technical level, the SmartSuite applications will support a common macro language (LotusScript), ODBC, and probably OLE 2.0. Timing is unclear, although 1-2-3 v4 does not appear to have either LotusScript or OLE2 support.

Borland

Borland has always been an aggressive software marketer, especially in direct marketing. After a "difficult" launch of QPro/W, they have focused on using price over the past few months to attract users (\$99 for QPro/W, \$139 for Paradox for Windows, and \$199 for a QPro/W+Paradox bundle.) They have also begun shipping a "suite" bundle with WordPerfect that includes QPro/W, WordPerfect, and Paradox at aggressive prices (\$399 for all users, \$299 competitive upgrade). Overall, Borland has focused on their strength in data management and their financial success is directly dependent on their success in databases and spreadsheets. They are well-regarded for their

technical strength and have a good reputation for innovation. QPro/W has approximately 15% share of the Windows category and 10% of the DOS only category. Paradox and dBase combined have over 70% of the DOS database market; still too early to tell how much of the Windows database market Paradox for Windows will capture.

Borland Strengths	Borland Weaknesses
<ul style="list-style-type: none"> • Frequent product updates/technology leadership • Perceived experts in languages, development tools • Aggressive marketing and pricing • Direct marketing expertise • Installed base of ~5mm xBase users • High customer satisfaction ratings 	<ul style="list-style-type: none"> • Lack of complete applications line -- no WP or presentation graphics • Recent troubles shipping upgrades on time • Unclear database product differentiation • Domestic channel resistance; Relatively weak int'l presence • Financial challenges

Threats to Microsoft:

- Borland does produce good products and will try to differentiate themselves by claiming technical leadership through product awards and technical vision. Borland has released high-quality products that have been recognized as "best of breed" in the spreadsheet market, particularly among IEUs and analysts.
- Borland will leverage their database position to continue their thrust into spreadsheets and the desktop.
- Their alliance with WordPerfect provides them with a suite type product; still unclear if this is compelling to any set of customers. Its also unclear how closely they can work with WordPerfect to sort out some of the "interop" issues to make this bundle more compelling.
- They have been stressing their object oriented programming model for some time now and more recently have been talking about their common macro language (ObjectPAL), their data access technology (IDAPI), and their workgroup approach (OBEX). The key issue is whether they can deliver these in enough product categories in a timely way.

WordPerfect

Although the majority of their revenue is generated by their dominance in word processing, WordPerfect also has several other products including an integrated software package (WordPerfect Works), a presentations program (WordPerfect Presentations) and workgroup applications (WordPerfect Office). WP Office combines email, scheduling and calendaring all in the same user/message database, and will be available for DOS, Windows and Mac. The company has gained a loyal following through their personal approach and focus on customer satisfaction. WordPerfect is attempting to reach beyond their traditional base with their new WISE, "Beyond Words" strategic positioning. With roughly 30% of the Windows WP market and commanding market share in the DOS only market, it is anticipated that WordPerfect will go public this spring with initial reported sales of \$600mm.

WordPerfect Strengths	WordPerfect Weaknesses
<ul style="list-style-type: none"> • Extremely high customer satisfaction and product support • DOS installed base • Strong name recognition in applications • Focused resources • Cross-platform compatibility 	<ul style="list-style-type: none"> • Incomplete product line -- no SS, DB, or presentation graphics • Initial Windows products weak • Recent difficulty getting products shipped in timely way • Relatively low int'l presence

Threats to Microsoft:

- They have been more aggressive recently in pursuing alliances with other companies. The joint bundle with Borland could give them a stronger foothold in the suite area to compete with Microsoft Office.
- A strong product release for WordPerfect for Windows this fall could make it difficult for Microsoft to continue converting WPs installed base.
- A consistent use of the cross-platform positioning could neutralize Word's Windows leadership.

Claris

Claris is the most significant competitor to Microsoft on the Macintosh platform. Their sales of Claris Works have surpassed Microsoft Works and with the increased market focus on lower-end machines, is beginning to threaten traditional Office sales. Claris Works v2.0 for the Mac was recently released and is anticipated to be an even stronger product with seamless integration between its components. Claris also offers a full line of applications for the Macintosh, although they have not yet marketed a bundle. Overall, these products have not made major inroads in our core Word/XL business.

[NEED TO ADD RECENT CLARIS FINANCIAL INFORMATION HERE]

Threats to Microsoft:

- With Claris Works due on the Windows platform by FY94, Claris will put pressure on our entry level business and will show solid integration without the overhead of OLE2.
- As Macs move more towards consumer channels, ClarisWorks could continue to garner a higher percentage of Mac desktops. This effect doesn't show up in our WP or SS share data -- therefore, we really need to focus on Mac penetration as a key measure for Mac Office in FY94.

Competitive Product Releases

During Q1 and Q2 of FY94, there will be a number of new releases both by Microsoft and our competitors. Lotus will ship new versions of their entire suite and will increase the integration with Notes for improved workgroup computing. This will be shipped as SmartSuite v2.0 in June/July. Looking out a bit further, the next versions of some of their products (probably beginning with AmiPro v4.0) may include LotusScript and will certainly include a common charting module and more workgroup capabilities. WordPerfect and Borland will also be revising their key products this fall. A summary table of the various planned releases is provided below.

Product	July-Sept 93	Oct-Dec 93
WordPerfect	DOS v6.0	Win v6.0
1-2-3	Win v4.0	
AmiPro	Win v3.01	Win v4.0
Freelance	Win v2.01	Win v3.0
Notes	v3.0	
Quattro Pro		Win v2.0
SPC Harvard Gr		Win v2.0
Claris	Win v1.0	

II. Strategic Objectives

The release of new versions of the Office and the addition of new products to the line will further distance Microsoft from its competitors. To retain leadership across a broad line of applications, we must achieve the following objectives:

- ✓ **Establish and maintain Office leadership**
- ✓ **Move the Installed Base to Office.**
- ✓ **Win the DOS App Upgrade Battle with Office**
- ✓ **Reach out to small business**
- ✓ **Target the solution developer's market.**

A. Establish and Maintain Office Leadership.

Leadership can be defined in several dimensions: product leadership, market share leadership, and strategy/vision leadership. Today, Microsoft position along these dimensions vary. In many categories we are market share leader for both Macintosh and Windows, but we are not universally recognized as product leaders. Among MIS and analysts, the perception of Microsoft as a visionary leader in applications is being eroded by competitors such as Lotus with releases of Notes and Improv.

The Office--and the products that comprise it-- must be perceived as the product, market share and vision leader in order to retain our market share position. In addition, we must transition from the marketing stance and communications of an insurgent challenger to those of the stable leader, for both competitive and our own users. As we continue to force Lotus, WordPerfect and Borland to compare their products to ours and to respond to our marketing programs, we will further entrench our leadership position.

1. Develop the Microsoft Office as the superior line of products

During FY94 we will make an aggressive transition from the single-product marketing model to selling applications together. To do this, we must build a marketing infrastructure for product synergy that parallels our traditional product efforts.

Sell benefits of using Microsoft products together

Continuing the work of FY93, we need to develop evidence to lead purchasers to consider a line of applications. These benefits will be included in all communication vehicles including advertising, sales tools, collateral and PR.

Make product synergy the key criterion for press and analysts

In order to shut our competitors, we must make having applications work together the key criterion for IEU's software evaluations. Although products may be able to keep even with Microsoft in terms of individual features, it must be clear that not having a full line of applications eliminate them from the decision set of the majority of PC users, particularly corporate customers.

Elevate the need for Macintosh and Windows product compatibility

Core code between our Macintosh and Windows product is a critical asset that we need to promote more aggressively.

Windows/Macintosh platform as part of the "Brand"

In FY94, we need to marshal all the resources we have available to provide a coherent response to competitors. One of our biggest assets is our link with the rest of Microsoft. Many users are unable to distinguish between applications and the system and we should leverage the equity we have in systems software better.

2. Market the Benefits of Office

Microsoft is the leading vendor in many Windows product categories and Office is an increasing portion of our business, but we have not yet claimed our leadership position in suites. For FY94, our most important goal is to establish Office as *the* product from Microsoft.

Maintain 80% market share in suites

With the release of a WordPerfect/Borland solution and Lotus' continuing emphasis on Smart Suite, it will be increasingly difficult to maintain our sales dominance. In order to achieve this, Office will need to be the lead product for Microsoft sales force in FY94 and the focus of reseller promotions.

Establish superiority of Microsoft's software set over competitors

With the FY94 releases of our products, Microsoft will have a distinct advantage over competition in the areas of product consistency and integration. Our OLE 2.0 support will be richer with in place editing, drag and drop between applications, and OLE automation. During this fiscal year, it will be critical to neutralize Lotus' perceived lead in workgroup computing.

3. Maintain/Regain Leadership Position in Individual Product Categories

While buying criteria has expanded to include product lines, Office cannot succeed without the leadership of Microsoft in the key individual categories. Since new competitors have entered the Windows market, Microsoft's share in product categories on Windows has slipped, sometimes below 50%.

Maintain leadership as the standard product in key categories

The releases of Word 6.0, Excel 5.0, PowerPoint 4.0, Project 4.0, and Access 2.0 must achieve undisputed leadership in product evaluations. Individual products will continue to be positioned on a one to one basis against our competition. Market share goals are 60% for Word and Excel, 80% for PowerPoint and Access.

Communicate benefits of user-driven innovation

It is becoming increasingly difficult to sustain competitive advantage in product features. The time between releasing a new feature innovation and when we can expect to see it in our competitors' products is three months. However, we have had some success in branding Microsoft's development philosophy and process among our corporate customers. Increasingly, customers will choose products based on this overall strategic vision. We must communicate our application vision and create tangible benefits for users beyond the IS community.

B. Move the MS Installed Base to Office.

We have traditionally focused most of our efforts on getting Lotus and WordPerfect users to switch to our products. However, as we move into the leadership position in the Windows applications market, it will become increasingly imperative that we nurture our own installed base. Currently, our installed base owns a mix of products of various releases. This represents both an opportunity to sell additional products as well as a need to reduce our costs by getting users to the most current version of our applications. To accomplish this objective we will need to do the following:

1. Upgrade 40% of the Word/Excel installed base to Office

There is approximately 45% overlap between the Word and Excel reg base while only another 15% own the entire Office. We want to move 40% of these users up to the new Office. To do this, we need to reach the installed base, not just the registered base, with a compelling upgrade message and through as many vehicles as possible. If we can move these users to Office, we will be able to maintain them as customers long after WordPerfect, Borland, or Lotus rev their individual products. In any event, even if we cannot get them to the Office, we want to upgrade 40% of the overall installed base to the most recent versions of their products.

2. Increase usage of applications in Office

Increasing usage of the component applications within Office will enable us to continue to upgrade a higher percentage of the users to the next versions of the Office. For example, currently only 49% of Office users use PowerPoint. Increasing this percentage by only 11% delivers 100,000 more satisfied Office users per year who are more likely to upgrade. Achieving this also reduces our support burden, and simplifies development and marketing.

3. Create an add-on business for aftermarket sales to our installed base

The opportunity exists for an entire aftermarket for add-ons to Office products. Some of these products could be tactical in nature (i.e. templates and fonts for Word), while others could be more strategic (EIS Pak for Excel). This will enable Microsoft to capture a stream of revenue from these sales as well as gain entry into vertical markets by providing targeted solutions.

4. Increase satisfaction of applications users to create lifetime customers.

To be the market leader in the application market, we need to increase our overall customer satisfaction above that of competitors such as WordPerfect. By creating lifetime customers, we can ensure the profitability of our installed base. We will be using the current customer satisfaction ratings as a benchmark and are looking for a 20% increase in them by the end of FY 94. Establish benefits of doing business with Microsoft.

C. Win the DOS to Windows Upgrade Battle with Office.

The momentum for switching from Lotus 1-2-3, WordPerfect, Harvard Graphics, and dBase has increased in the last year. Sales of our individual products have increased, but the installed base of DOS application users still outnumbers those who have already moved to Windows. Our competitors only have to upgrade a relatively small percentage of their installed base to re-establish product leadership. There is a great danger that new product releases by Lotus, WordPerfect, and Borland will encourage users to migrate directly to the Windows versions of their old DOS standards.

1. Market a compelling Office upgrade offer

With the migration to Windows, many users are switching their entire desktop at once. Currently, many of these customers are purchasing the Office despite the fact that they are eligible for lower cost Upgrade SKUs for Word and Excel. Roughly 85% of Office purchasers own a DOS word processor, spreadsheet or both. During FY 94, we will make the Office a more compelling choice for people making the switch by promoting it heavily and targeting a special Office upgrade SKU. Note that the individual competitive upgrade SKUs will continue to be an important weapon to win the upgrade battle, especially in direct mail where we are still determining whether Office is a compelling offer.

2. Reduce barriers to switching

Inertia remains the biggest barrier to switching. We've made a big investment in WordPerfect, Lotus and dBase file, macro and keystroke compatibility and will ship some new/improved capabilities in the products that will ship in FY94. However, we only have a limited set of marketing programs that insures users the switch can be made without loss of investment. In order to market to DOS users, we need targeted programs and sales tools that help people through the process and highlight others that have made the move successfully.

3. Expand awareness and trial to 1-2-3 and WordPerfect users

Despite being leaders in Windows word processing, spreadsheets, and presentation graphics, Microsoft Word, Excel, and PowerPoint awareness still trails that of Lotus and WordPerfect by significant margins. In FY 94, we will pilot several new methods of reaching Lotus and WordPerfect users through DRTV, small business advertising and PR, and grass roots IEU growth. We are also exploring how to efficiently communicate and convert dBase and Harvard Graphics users (many of whom own 1-2-3 or WordPerfect) as part of this effort.

D. Reach Out to Smaller Businesses.

Our market share has established Microsoft as the largest applications vendor, yet there is little awareness of Microsoft products outside the large business/enthusiast community. In general, the vast mid-sized to small-business market still sees WordPerfect and Lotus as the established standards. We need to increase awareness for Microsoft products and move this perception of leadership to our line of applications. To accomplish this objective, we need to do the following:

1. Broad-based end user demand creation for Office.

Microsoft has been successful in marketing to Enthusiasts. However, outside enthusiast's venues our awareness and market penetration drops off dramatically. Despite advertising in the business press for three years, our overall name recognition for applications still trails Lotus and WordPerfect. In FY94, we will use PR in more broad forums such as CNN, business press, etc. to build awareness for Microsoft applications. We will also continue experimenting with new media such as DRTV to reach into less traditional venues

2. Expand our product offering to this segment.

In the past, Microsoft has focused on using Works as our lead product into this large audience. While Works is certainly an important component of the overall needs of this audience, many smaller businesses want/need high end applications to run their business. Lotus (32% small biz share) and WordPerfect (41%) outsell Word and Excel in these markets by more than 2 to 1. We are working with the Consumer Division to weave the Microsoft

Business Manager (Works, Publisher, and Profit SKU) into the Office message and strategy. We are also exploring ways to position and perhaps sell some of the Office apps with products like Publisher or Profit.

3. Provide solutions to vertical markets.

One of the important reasons that small businesses have not moved to our apps is that many of their custom applications are either DOS apps or are based on 1-2-3 or dBase applications. We need to provide similar types of solutions based on our apps and tools. Furthermore, many small business can be grouped into fairly well-defined segments that can be more easily reached as a group. This includes the legal segment, engineering and accounting at a minimum.

E. Target the Solution Developer Market.

The key to understanding Microsoft's interest in marketing to solution providers is leverage - developers of custom solutions influence decisions which impact millions of dollars and desktops through the applications they distribute. For example, Microsoft will earn \$70M in FY 1993 from its C product line. That revenue would be equaled by 5000 developers creating custom solutions that require MS Office (at \$250) and distributing their solutions (selling Office in the process) to 60 end users each. 5000 is a low percentage (.08%) of the 6M individuals in the United States who have written code in a programming language or application product in the last year - including hundreds of thousands of Excel, Access, Word, and Visual Basic developers.

This should not imply that C will be replaced by Microsoft applications, but there is certainly a tremendous financial incentive for MS to promote its applications as solutions development platforms. This is particularly true as the PC software market matures and we look to new markets which generate applications sales. In addition there is the added benefit of "locking in" users to MS applications by using them in custom solution.

1. Create demand for custom solutions from Solution Providers.

Corporate, technical, and business decision makers comprise the prospective clients of MIS developers and independent solution providers. It is imperative that this group be informed about the solution development potential of VBA and the benefits to their businesses (lower costs, ROI, higher employee productivity) of custom solutions so they can generate demand for custom solutions built with Microsoft applications. In other words, build a market of Solution Demanders who focus on the bottom line and believe MS applications will deliver the competitive advantage they require. Note that while this message focuses on VBA as the delivery mechanism, we need to incorporate the current Word and Access programmability solutions since they will not have VBA in this timeframe (will have enhanced versions of Access and Word Basic).

2. Evangelize applications programmability to Solution Providers.

"Applications programmability" is a development paradigm for developers creating custom solutions which marries the flexibility and power of programming tools with reusable, application-supplied components. MS will support applications programmability by shipping OLE 2.0 objects and the new Visual Basic, Applications Edition (VBA) macro language in Excel and Project in 1993 (other applications to follow). These new technologies will go beyond the current programmability features offered by MS applications and provide developers with a complete framework of reusable application objects and the glue to assemble those objects into custom solutions.

Evangelize the use of MS applications in custom solutions

There is an entire applications-centric effort to educate developers on the benefits of applications programmability through the Applications Programmability marketing plan.

Market programmability in all applications as a competitive advantage

Microsoft already has the strongest and most complete programmability story. Given our additional advantages over the competition with VBA and OLE 2.0 support, we will want to compete on programmability features as a relevant and compelling attribute of desktop applications and product suites.

Recruit solution providers to use MS applications

Evangelizing applications programmability will be the push component of marketing Office to solution developers, but we still need to generate pull by pro-actively recruiting Solution Providers to use Microsoft applications as components via the vertical marketing and SP teams

3. Make programmability meaningful to all application users.

The overall goal for programmability will be to make it a buying criteria among developers, decision makers, AND end users (any application user not interested in programming or wanting to learn). This means we will need to communicate a high level and compelling message that MS applications have unique advantages by enabling end users to benefit from custom solutions. Featuring compelling Office-based solutions is one way to increase interest amongst this audience.

III. Business Objectives

This section summarizes the major business objectives and related metrics that we will use to measure our success during FY94. Unless otherwise indicated, these objectives apply to the Office and Office Professional SKUs. Please see the product specific marketing plans for individual product objectives.

[THE FINAL VERSION OF THE PLAN WILL HAVE SOME OF THE KEY INDIVIDUAL PRODUCT OBJECTIVES IN IT, ESPECIALLY IN THE AREAS OF UNITS/REVENUE, MARKET SHARE, DISTRIBUTION...THIS WILL BE ADDED OVER THE NEXT TWO WEEKS.]

A. Office Budget - Domestic

Item	Metrics
Office New License Units - Windows	829,744*
Office Version Upgrade Units- Windows	168,578
Total Office Revenue - Windows	\$328 million
Office New License Units - Mac	143,526**
Office Version Upgrade Units- Mac	39,806
Total Office Revenue - Mac	\$66 million

*This represents 60% of Excel units, 52% of Word units, x% of PowerPoint units, and x% of Access units.

**This represents 45% of Excel units, 33% of Word units, x% of PowerPoint units, and x% of Access units.

B. Market Share

Item	Metrics
Specific Product Categories (WP, SS, etc.)	60% (Win), 80-90% (Mac)
Office Share of Suite Market	85% (Win)

C. Channel

Item	Metrics
Breadth distribution	2100 (Win), xxxx (Mac)
Depth distribution	1300 (Win), xxxx (Mac)
RSP's trained (launch + 3 months)	7500 (1700 outlets, 4-5 people per outlet)
RSP awareness	Ensure 8 out of 10 RSPs recommend Office as the "suite" solution; similar metric for individual products.
CAR Reps	Provide support and training for fall introduction simultaneous with MS field; includes training on Office strategy presentation (using PPT!).
MOR's	Ensure premium catalog placement for 6 months after fall launch in 3 leading mail order catalogs (Office and individual apps).
Reseller direct promotions	Execute 2 direct mail offers with reseller and customer base.
Inventory management	Ensure zero stock outs in FY94; minimize returns to 15 days of inventory; develop fulfillment system to ship product within 48 hours.
Egghead	Execute in-store, catalog and direct promotion to Cue Card customers.

Reseller in-store	Implement Office merchandising campaign to gain incremental in-store shelf facing and display.
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D. PR

Item	Metrics
Enthusiast magazines	Office covers for PCMag, PCComputing, PCWorld, MacWorld with key story coverage for individual products; quarterly "how to" coverage for Office products.
Comparative reviews	Win all individual reviews; generate and win "suite" reviews.
Secondary magazines	Generate 10 trend articles on integration and multiple app usage with Office most favorable mention.
Business/National press	Extensive coverage for launch event (WSJ, CNN); leadership coverage including 5-10 articles in national pubs (BW, Working Women, etc).
Technical journals	Programmability coverage in Dr. Dobbs, Computer Language, and Win Tech Journal, including 5 articles on VBA and OLE2.
IS publications	Microsoft apps covered as enterprise platform in ComputerWorld, InfoWeek, Corporate Computing.
Newspaper technical columns	Favorable trend coverage for OLE 2.0, VBA, Data Access.
Analysts (Dataquest, InfoCorp, etc.)	Favorable mentions and quotes in all launch articles; quarterly visits with key analysts.
Press kits	Wide distribution of press/eval kits (metric TBD).
Broad reach	2-3 TV spots (a la CNN coverage); 15 radio spots (mostly computer shows); continued verticals coverage (metric TBD)

E. MS Apps Installed Base

Item	Metrics
Multi-app owners	Upgrade 40% to new Office.
Single-app owners	Upgrade 20% to new Office; upgrade 20% to new versions of individual products.
Add-on product sales	10% of people who upgrade purchase add-on (\$39).
Maintenance	25% of named accounts secured with maintenance contracts by year end.

F. Competitive Upgrades

Item	Metrics
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Office competitive upgrade units	233,681
Users converted to Word, XL, or Office	500,000

G. Sales Force

Item	Metrics
Marketing Beta	Execute well-coordinated marketing beta program to key accounts.
Basic sales force training	Reps & SEs able to articulate positioning & key selling points (e.g. sell against SmartSuite)
Advanced sales force training	Tech reps and SEs trained on advanced technologies (OLE2, VBA, ODBC)
Sales tools and product information	Provide consistent, focused sales tools and product content information to the field; receive average rating greater than 4.0 out of 5.0 on quality of information.
District marketing support	Provide support for district level launch tour and sustaining district activities

H. PSS

Item	Metrics
Support quality, timeliness	Achieve x% level performance for wait times, abandonment, calls handled, and overall customer satisfaction.
Training/staffing	Provide quality cross training for Office support, including response to database issues; create core Office team
Office support	Institute direct dial phone line for Office support
Pay for support policies	Implement Delta in Feb/Mar 94 with no negative market implications.

I. Large Accounts

Item	Metrics
Select	Make Select x% of total Office sales; sell Office MELP in x% of Select sales.
Maintenance	Sell Office maintenance in x% of Select sales.
Penetration	Achieve x% overall penetration in named accounts
Seeding/Evaluation	TBD
Executive Briefing Center	Deliver quality briefings to key accounts achieving an average of 4.5 out of 5.0 on customer and field rep ratings.

J. Solution Providers

Item	Metrics
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Reference solutions	10 referencable solutions which use programmable applications which SE/SP/trainer can demonstrate; available in each district and in each of the 10 largest subsidiaries; utilize in PR/advertising as appropriate.
Vertical marketing solutions with MS applications	One demoable solution created with MS applications in each of the target vertical market segments.
Field expertise	1 SE or SP (consultant/trainer) in every city over 250K in the United States, and 10 SP reps in each of the 6 major markets; 3 Project SPs in each Microsoft district.
Apps programmability seminars	2,000 developers attending Apps programmability seminars in 20 cities in Spring, 1994; support district seminars on using apps and VBA.
Solution Provider certification	Certify 1,000 MS application developers with emphasis on VBA and OLE2.
Solution Provider technical training	2 articles per MSDN newsletter on application products; 50 VBA articles on TechNet disks; 25 courses on application products and programmability at TechEd conferences.
Support coordinator training	Provide a forum/means for support coordinators to receive training on and information about Office, including packaging from MSU, SP

K. International

Item	Metrics
Global launch	Ensure well coordinated global launch; provide launch in a box for small and medium subs.
PR/announcement	Coordinate international press, CompuServe, and announcement activities.
Ship schedules	Sim ship Office with major releases

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IV. Customers and Segments

A. IEU Model

Over the past several years, we have focused our marketing and communications efforts on convincing influential end users (IEUs) to try, use and then recommend our products. IEUs are a heterogeneous group. Individuals vary widely on dimensions such as software expertise, work environment and hardware platform. What IEUs have in common is their influence over other PC users and even IS decision makers. We define IEUs as people who are both involved in purchase decisions and give more advice than they receive. These users have higher awareness of Microsoft, have stronger attitudes toward Microsoft's image and have higher usage of Microsoft products. They are most likely to be first movers. Although this is the smallest end user segment, about 10% of all PC users, it is the most valuable because of their influence on the rest of the market. However, IEUs are not a captive segment for Microsoft. Only 40% have Windows installed, and 25% of these still use DOS apps. The most reachable segment among IEUs is the Enthusiast IEU, those who read PC magazines regularly. This represents 40% of IEUs or 2.8 mm users (78% of IEUs read trade press occasionally). These users are most likely to also be registered owners of our products.

The non-enthusiast IEU and "Fringe" IEU are less involved in software than the software enthusiast. In general, their sophistication as well as their interest in software specifics is lower. They see their PC simply as a tool. Focus groups have shown that these audiences often can't differentiate between the operating system platform and the products running on top of it. For these users, it is critical that we position both the Windows and Windows application message. The non-enthusiast IEU and Fringe associate Microsoft with easy software. However, they are less likely to see Microsoft as a company that cares, is responsive or has good support. Fringe IEUs represent over 22 million users and are the largest and most significant market opportunity for Microsoft.

Our on-going research indicates that this influence model is still working well, and we will continue focusing on IEUs in FY94. At the same time, we realize that we need to reach beyond this group if we hope to convert the more entrenched DOS and competitive product users in the market. Therefore several of the plans described later in this document focus on how we can reach beyond the IEU segment into the Fringe IEU group. The following sections on customers go beyond the IEU model to discuss the actual target audiences for our messages -- whether those messages are delivered directly by Microsoft or through the IEU process.

B. End Users

The average Office end user is more sophisticated when compared with the general application user. Almost half of the existing Office reg base use 486s, and a large portion of our business lies with large corporate accounts. The data below categorizes these end users based on where they are in the purchase/upgrade process.

1. Microsoft applications users

As the success of our applications increases, we are building a sizable installed base of customers to whom we need to communicate and to whom we can sell product. Word and Excel alone have shipped over 8 million copies, and our upgrade business now represent a substantial and increasing revenue source. In FY94, it is imperative that we understand the needs of these users better, upgrade them to our latest products, and continue to provide them with value so that they remain "secure" Microsoft customers.

2. DOS users moving to Windows

With the rapid transition to Windows, many users have the need to replace their entire set of applications. Approximately 75% of Office sales are to customers who purchased a new computer or operating system within the last three months. This opportunity is large; the majority of the installed base is still using DOS applications. In addition, forty-five percent of WordPerfect for DOS users also own Lotus 1-2-3 for DOS, and 58% of Lotus 1-2-3 for DOS users also own WordPerfect for DOS. Even those who have transitioned to the Windows operating system hold onto their old DOS standards. In a recent survey, 25% of Windows owners use DOS WordPerfect and Lotus 1-2-3 for DOS as their primary applications. This combination of continued high DOS application usage and the overlap in application ownership make the Office a key weapon to convert this market segment to Microsoft's applications.

3. Users with only a single Windows app

A segment of people migrating from DOS will automatically replace all their applications with Windows versions. However, there is a substantial portion of the market who -- either because of the resistance to move their primary application or the intimidation of moving all their applications at once -- have only purchased a single Windows application. Furthermore, with the more intuitive Windows or Mac interface, many users expand their software usage after they've made the original switch to graphical platforms. People or companies whose computer needs have grown and are familiar with one application would benefit from applications that are designed to work together. This certainly implies a significant opportunity for Microsoft to sell additional applications to users of just Word or Excel (a cross-sell offer). Note also that 19% of all WordPerfect for Windows users own 1-2-3 for DOS and 25% of 1-2-3 for Windows users own WordPerfect for DOS. If we can reach these people before they buy their second Windows app, we still have some opportunity to move to the Microsoft family.

4. Users new to computing

While we think there is a significant number of people who are just buying/using their first computers, we do not think this is an audience we can reach directly with the Office message in an efficient way. Instead, we will continue to work through the IEU model to reach these people as they look for recommendations on what to buy.

C. Large Accounts

Microsoft Office is one of the most important selling tools our sales force has to penetrate large accounts. Even in FY93, corporate customers represented 53% of registered users of Office. This trend will increase with the advent and expansion of Select and other customer-focused selling programs. To really understand the large account segment, it is necessary to break it down into several sub-segments (in addition to the end users that were discussed above).

1. PC coordinators (PCC)

PCCs are the technical support organization that is in touch with the end users. They tend to understand the issues and user concerns, but tend to react to user demand. They are also the group most interested in issues such as cross-platform compatibility, training and transition, product families, etc. They will be an important target for some of our transition and adoption tools.

2. MIS professionals (MIS)

MIS tends to be driven by the PCCs and the end user community. They are in the impossible position of trying to please all users. MIS is looking for simplicity and control and the ability to tie computers into the broader enterprise. Corporate developers are a subset of this group. They will be a key target for our Office solution providers message.

3. The Corporate decision maker (CDM)

CDMs are generally also end users, but tend to focus on the business aspects of change. They are influenced by solid business arguments. When not also IEUs, we reach CDMs through IEUs (whom we arm with tools for talking to CDMs).

D. Small Business

There are about 8 million small businesses with less than 50 employees with PC penetration in this group of slightly below 50%. The annual growth rate of their PC purchases is at about 16% which is higher than the corporate average. The primary target within this category is the owner/senior manager within the company. These managers are stressed for time, so they require solutions that are easy to get up and running quickly. They also are not supported by an MIS organization so they need products that are easy to maintain. Finally they are looking for task oriented solutions -- the software they buy must address business problems in a very direct way. Their software usage is relatively similar to other segments except that they have a very high percentage of accounting package usage. Small business users can be further broken down into four types of users:

- **Analyzers:** focus on financial analysis, budgeting, tax planning, etc. Heavy usage of spreadsheets and high end word processors.

- Communicators: use PCs for correspondence and customer presentations. Word processors and presentations products are key to this segment.
- Bookkeepers: accounting for the small business. Spreadsheets and an accounting package are important here.
- Multi-taskers: Some combination of the activities above.

This segmentation illustrates an important point for our strategy: Microsoft is one of the few companies (perhaps the only company) who can deliver across this broad range of needs. Since our brand name recognition is relatively high in this group, we have a unique opportunity to capture market share from Lotus and WordPerfect.

E. Solution Developer

A solution provider by definition creates and distributes applications and custom solutions to clients, customers, and end users. They are the most leveraged audience in terms of reach - a single solution may reach hundreds of desktops. However, "solution providers" is also a misleading term since it lumps so many different types of programmers into one group. Even a cursory investigation shows that solution developers go by many different titles, work in companies of all sizes (from 1 person to Fortune 10), and more often than not work outside of traditional MIS positions. What they do share, however, is high productivity tools for creating custom solutions, which is why they are the primary audience for the applications programmability messages.

1. Full time developer (MIS, VAR, consultant)

Characteristics of this group include a high percentage of time spent using programming tools (over 11 hours per week) and a high average number of users per solution (20). This group is divided on its interests: to the experienced Windows programmer the "power" features of MS applications support for programmability will be the "power" features of OLE 2.0 and VBA, for the new convert to Windows (frequently from a mainframe/COBOL environment) the usability and ubiquity of VBA in MS applications will be most relevant. This second group has been an outstanding audience to date for Visual Basic seminars and courses (MSU, computer shows).

2. Part time developer (Consultant, VAR., Power user)

This group uses development tools on a contract basis to create solutions for hire or part time- they are very interested in the productivity aspect of Office and Access in particular provided by OLE 2.0 support and the breadth of applications which support VBA. They are a key audience to win as they have the ability to impact many new PC and software purchases when creating hardware/software installations.

3. Hobbyist/special interest

This group includes anyone who creates and distributes solutions either that is not included in the categories above including professionals who program out of necessity or personal interest. The fact that MS applications will include a true programming environment which they can learn and experiment with (at no cost - the equivalent of QBasic in DOS 5 and DOS 6), ease of use, and the support for learning VBA (context sensitive help) will be the most relevant features.

F. Press and Analysts

The press obviously is one of the key influencers in the market place. Through their reviews and articles, they reach a large number of IEUs who then in turn influence their workgroups. They also reach some fringe and general users who use the buy PC publications when they are considering purchasing hardware or software. A few issues are worth noting in our efforts to work with the press. First, they realize that they need to update their review process and criteria. This means they have to invest in creating the infrastructure to test products in new ways, often without the resources or market data to help them develop the best approach. Second, and perhaps more importantly, they are struggling with the issue of how to review and analyze suites of products. This is an important area in which we can influence the methodologies and approaches they choose to maximize our opportunities. Finally, they sometimes feel the need to "balance" the coverage of all vendors, especially Microsoft. The result is that they tend to under report and review our applications relative to the competition. In several cases, we have sensed they were "spoiling" for a good fight in various categories, which has affected their coverage.

Analysts have influence in the marketplace through a slightly different process. This group does spread influence through research opinions, strategic papers, etc. In addition, they play an important role as commentators that the

press uses to illustrate opinions, provide quotes, and lend credibility to their articles. While showing this group our products and technologies is important, its equally important that we convince them that we have a fundamentally superior approach and strategy, since this is what they are often asked to comment on.

G. Resellers

In the past, we have tended to treat the "channel" as a bit of a monolith. In addition, we have probably focused on the store-front reseller as our mental model of what the channel was capable of achieving. Especially for Office, this is a frame of mind that we must change. MORs and corporate account resellers are key channels for the Office today and we need to do more to expand our influence and partnerships in this area. The key to this is doing a better job of segmenting our channel and providing different programs, products, and support based on that segmentation. Basically, we must prioritize and evaluate the following channels:

- In-store
 - ⇒ Superstore
 - ⇒ Software chain
 - ⇒ Software independent
 - ⇒ Mass Merchant
- Hardware outbound reseller
- Large account reseller
- Mail order reseller
- Distributor

[NEED TO INSERT BRIEF EXPLANATION OF APPROACH TO EACH SEGMENT HERE; INSERT CHART THAT SHOWS CURRENT CHANNEL CONTRIBUTION TO OUR SALES]

V. Positioning

A. Key Insights

- The Office's breadth of product line is unmatched by any competitor; database represents a key opportunity.
- Despite the fact that we have not marketed or positioned the Office aggressively, it is the dominant way in which users purchase Windows applications.
- Microsoft is perceived as the overall market leader. In the broad marketplace, we have a reputation for innovation, vision, and producing category leading products, although competitors have narrowed the gap.
- As PCs become more essential to the key functions of companies, buyers are looking for a "safe choice" that they can trust.
- In the next release of our apps, the similarity between the applications and how well they work together must help differentiate us from the competition.
- Differentiation is becoming increasingly difficult as competitors leap frog each other in the "feature race".
- The market is moving from an application/feature centric world to a task-centric world. In addition, people are increasingly interested in "solutions", whether they be provided in the apps themselves or through custom applications.

B. Positioning Statement

Because Microsoft understands technology and the way you work, only the Microsoft Office – a complete set of tools designed to work together – enables you to focus on your work, not your computer.

The first part of this positioning is designed to establish the concept that Microsoft understands technology AND knows how to apply that technology to the real needs of users. The second part of the statement asserts that ONLY Microsoft has the full set of products designed to provide a key benefit -- enabling you to focus on your thinking, results, etc. rather than your computer. Note that we have not finalized on a "tagline" at this stage but are exploring a couple of different options:

- Focus on Your Work not Your Computer
- Software that Works the Way You Do
- The New Way to Work

Each of these has some positives and negatives, so we are continuing to explore for more options. However, we must resolve this issue over the next two weeks.

C. Key Support Points

The points outlined briefly below form the basis for the Office Positioning Framework. Please see the attached framework document for more details on each support point.

1) Complete Set of Leading Tools...

The Microsoft Office is a complete set of tools that are the leading tools in their category.

- We provide the right tools for each task
- Word, Excel, PPT, Project, Access are award-winning
- Word, Excel, PPT, Project, Access have the highest product shipments and revenues on the Mac/Win platforms
- No competitor can match our depth or breadth of products; cross platform solution

2) ...That are Easy to Use and Work Great Together...

The Microsoft Office makes your work easier and faster because we understand how you work and our apps look alike, act alike, and share information easily.

- Make everyday tasks easy; AutoTools
- Simplify more complex tasks; Wizards
- Enable compound tasks; OLE
- Easy to use together
 - Easy to share text, data and graphics
 - Similar look, using the same commands, menu bars, dialog boxes, etc.
 - Easier to learn once you've learned one
- Workgroup capabilities

3) ...To Provide a Complete Solution...

The Microsoft Office helps you meet your business needs by helping you access your data, share information, and create custom solutions.

- Most complete line of applications; key business applications; all the tools you need
- Data management tools enable you to access all of the different types of data in your company, analyze it, and present it in a compelling way.
- The applications can be used as components to specialized solutions: programmability, workgroup
- Multiple applications address the need for working with diverse information

4) ...From the Company You Can Trust...

The Microsoft Office is a wise long-term investment because Microsoft is the industry leader who is shaping the direction of technology

- Microsoft is a trusted, reliable vendor; safety, stability, and vision
- Support and customer satisfaction are key objectives for us
- We'll help you migrate from the older products you have and will preserve your investments in technologies for the future

5) ...Who Will Make the Move Easy

Microsoft provides a wide range of tools and services that make it easy for you to switch to Office.

- Focus on preserving investments in files and macros
- Tools to make re-training easier and transition times shorter
- Purchase programs designed for competitive product users.

D. The "Secret Ingredient"

As it becomes more difficult to differentiate our individual product offerings, we are focusing more on the concept of selling our breadth of applications through the Office. Even in this case, however, it will be challenging for us to continue creating a "gap" between ourselves and the competition (especially Lotus). Therefore, we need to develop a concept or "special ingredient" that can personify why our applications are different without being grounded in any specific feature (since features can be copied). We will use this concept as an important cornerstone in our communications and promotional materials and will trademark it as well as an increasing number of specific innovations and features.

We believe that the right concept for us to focus on is something we have been calling "intelligent automation" or "active intelligence." This concept is the technology and processes we incorporate into our products that enable the software to do much of the work for the user. In short, we do more of the work so the user can focus on their ideas and results. Note that we need to close on an official name for this very quickly and begin building it into our activities more completely. Some examples of "Active Intelligence" would include:

- Making everyday tasks easy: our auto features (AutoFill, AutoText)
- Simplifying complex tasks: Wizards, Cue Cards
- Enabling compound (multi-product) tasks: In-place Editing (through OLE), cross app Cue Cards.

In addition to trade marking and leveraging this concept, we will be more aggressive about "naming and claiming" key features and capabilities. Candidates include "AutoTools", Wizards, user-driven development, PivotTables, etc.

VI. Product Vision

As using multiple applications becomes standard, users have increasing expectations about the consistency of products from the same vendor, particularly if the products come in the same box. This poses new challenges for the Office. The products within Office--Word, Excel, PowerPoint, Mail and Access--will need to become more visually consistent and tightly integrated. In addition, we will need to eliminate redundant components between applications.

Future versions of Microsoft Office will make it easier to use applications together. The Office will move from an application-centric view of computing to 'task-centric' approach, in which users approach their work as defined by the task they are trying to accomplish, such as creating a monthly report. In this model, users are indifferent to the applications environment they are working in since the tools that they need to work on specific information will be presented to them as they need them. Diverse data can reside within and be worked on within a single document. The goal is to make the applications work together so that the combination is much more useful than the sum of the individual components.

A. Office Product Objectives

- 1) To increase the perceived value of Microsoft applications by providing enhanced integration
- 2) To increase the number of Microsoft apps per desktop and prevent competitors from gaining a foothold in various categories
- 3) To provide an opportunistic environment to introduce new software add-ons or capabilities to the desktop

B. Product Release Goals

Microsoft Office is the desktop solution for making it easier to use applications together. During FY94, versions 3.5, 4.0 and 4.5 will continue to focus on making it even easier to use applications together in three key ways :

- **Unified Environment:** The applications will share more resources and become a unified environment on the desktop.
- **Synergy:** The synergy between the applications will increase, both in terms of applications similarity as well as making cross-applications tasks easier.
- **Expanded Office:** The product will begin to deliver on a broader definition of an "Office environment", delivering enhancements that exploit other technology advances that may not be tied to any of the specific Office components.

As we look to the next major round of upgrades to our apps (sometime after Chicago ships), it is our goal to rev the Office products in a coordinated manner, both in terms of timing and feature sets. This is important in order for us to press our competitive advantages versus the competition and to communicate to our customers the benefits of being Office owners, rather than just individual app owners.

C. Key Areas of Focus

1. Make it easier to share information between applications

Today, there are many frustrations to using the current versions of our products together. We have identified forty top integration functions to improve in the next version of our applications. For example, because of the complexity of using products together, simple cut and paste operations between applications is the most common area function of product integration. This leads to several key integration efforts.

- All Microsoft applications will support OLE 2.0. Version 2.0 of OLE will provide an enhanced interface, in-place editing, drag-and-drop between applications and better object linking to make creating compound documents easier.
- We will make top 40 cross-app scenarios function as expected, with common look and processes regardless of which application you are in.
- We will add cross-app Cue Cards to make compound tasks easier to accomplish.

2. Make it easier to learn and use applications

Customers use the term "consistent" or "similar" synonymously with "easy" when referring to using multiple applications together. Microsoft applications need to look and feel consistent as users move between product environments. These features will be implemented within the individual products:

- A common toolbar with 60% of buttons and positions identical.
- Common menu structure; all top line menu items will be the same with one exception to allow for focus on application specific tasks.
- Tab dialog boxes in all applications to provide another a unifying visual element.

3. Provide an integrated computing environment

In the next version of Office, we will go beyond the individual applications to provide integrated functions and shared components across applications. These will include:

- Unified setup
- Office launcher - floating palette that lets you launch or switch apps easily
- Cross-app toolbar
- Common speller

4. Makes it easier to create custom solutions

Microsoft Office apps have a strong programmability story today, which will improve dramatically with the announcement of VBA and implementation of support for OLE 2.0. At the time of the YOO launch in the fall, Excel and Project will include Visual Basic, Applications Edition (VBA); Word, Excel and Project will support OLE Automation; and Access 2.0 will be an OLE Automation controller (same functionality as Visual Basic 3.0 in terms of OLE support). These announcements will give MS applications the strongest hand in terms of support for solution builders using applications for creating custom solutions. VBA benefits to the user include:

- One syntax and environment in multiple applications (*leveraged learning*)
- OLE 2.0 Automation controller support (*solutions development*)
- Cross platform for Macintosh, Windows, and Windows NT
- Complete tool set (*debugging, editor, API access, object browse*)
- Protected solutions which may be distributed to other users of MS applications

5. Makes it easier to share information in a workgroup

In addition to supporting tools that allow for the creation of custom workgroup functions, we will provide horizontal workgroup capabilities in the various applications. Several of these will be found in multiple apps including:

- Find file
- Send mail
- Routing

VII. Pricing

We have discussed several different approaches to pricing the Office SKUs and individual applications that will ship this fall. We will not reach a more final decision on this until after we have a clearer view of Lotus' pricing approach based on their 123 v4 release of SmartSuite. Having said that, the table below summarizes our current thinking on pricing in terms of US SRP and US street prices. A couple of important notes:

- This does not include Select pricing which is being coordinated with CraigFi and his team.
- The deltas between competitive and version upgrades may be achieved utilizing one SKU along with a rebate for MS customers.
- No decision has been made yet on whether there will be an Office Professional version or competitive upgrade SKU; therefore, no prices are shown for such SKUs.

Comments and thoughts on this are welcomed, although everyone should keep in mind that the numbers below are definitely not final.

Product	US SRP	US Est. Street
Individual version upgrades	\$129	\$119
Individual competitive upgrades	\$149	\$135
Office version upgrades	\$275	\$249
Office competitive upgrades	\$329	\$299
Individual full packaged product	\$495	\$299
Office full packaged product	\$750	\$469
Office Professional full packaged product	\$949	\$599

VIII. Marketing Programs**A. Summary Timeline and Budget**

The two tables that follow summarize the major product milestones, marketing activities, and draft budget requirements for the Office in FY94. Note that the timeline changes frequently based on new product milestone information. In addition, we need to focus more time fleshing out the second half of the year and including more of the Mac Office activities. We are also developing a more comprehensive schedule so that we can ensure that all activities are in sync.

Product Milestones	Date	Marketing Activity
	3/1	Upgrade Your World promo
	3/29	International PM meeting
	4/5	Data Access press tour
	5/4	Announce Office Professional (Office + Access)
	5/24	Draft marketing plan and positioning framework
	5/24	Windows World
	6/1	Programability press tour
	6/1	NDA presentations begin at EBC for Word/XL
	6/7	Final marketing plan and positioning framework
Office Professional RTM	6/9	
	6/15	Word long lead press tour
	6/29	PC Expo - BillG announcing VBA and OLE support
Word Mktg. Beta	7/1	
	7/12-7/23	Office district training tour Word hands on training Corporate NDA sessions DBSE training Int'l SE training (date TBD)
	7/26	Excel long lead press tour
Word/Office 3.5 RTM	7/28	
	8/2	Mac World Access long lead press tour
Excel Mktg. Beta	8/10	
	8/12-8/16	Office NSM training Office sales strategy Office working together w/ Excel training Project hands on Access mktg & comp PowerPoint mktg & comp
	8/23	Office press tour with analysts and editors
Access Mktg Beta	9/1	
	9/7	PowerPoint long lead press tour
PowerPoint Mktg Beta	9/10	
	9/15	Channel training sessions (timing/details TBD)
Proj Mktg. Beta	9/20	
	9/21	Office announce event with district downlinks
	9/22	Microsoft Apps strategy briefing
Excel/Office 4.0 RTM	9/27	

Access RTM Project RTM	10/1 10/6 10/27 10/31	Focus mailing with upgrade offers Apps user conference
November		
PowerPt/Office 4.5 RTM	11/15 11/24	Comdex
December		
	12/1-12/15	Year of Mac Office district training day
January		
	1/5 1/5	MacWorld Expo Mac Office announce event
February		
March		
April		
May		Spring Comdex
June		PC Expo

[BUDGET SUMMARY TO BE ADDED HERE]

B. Advertising and Messaging

Overview

The overall goal here is to establish a set of objectives, imperatives and messages that can drive a broad set of consistent communications vehicles. The principal vehicle is advertising but these same objectives and messages should support direct marketing, collateral, packaging, etc. The fundamental challenge here is creating a series of messages where the "sum is of the parts is greater than the whole" AND which differentiate us from the competition in a meaningful way to our target audiences.

Objectives

- Establish market "standard" position among influentials, reviewers and analysts
- Reach DOS users earlier and change buying criteria
 - Awareness of broader benefits of MS apps
 - Make "line" a buying criteria
 - Establish superiority over Lotus' line
- Intervene aggressively among Windows-committed
 - Increase awareness
 - Provide trial/live experience
- Drive MS installed base to upgrade to latest versions (including Office)
- Encourage people to use more than one MS application

Imperatives

- ⇒ Establish line identity, brand, and unique benefits of MS Windows apps
- ⇒ Drive recognition among IEUs as the individual product and desktop line standard
- ⇒ Communicate new Windows app buying criteria among all audiences
- ⇒ Expand awareness and trial among Windows-committed DOS app users
- ⇒ Establish the benefits of upgrading to the new versions of MS apps

- ⇒ Establish the benefits of doing business with Microsoft and being a registered customer
- ⇒ Cross-sell MS Office, apps and add-ons

Tactical Summary

Note that the following summary is still very preliminary. We are refining this approach and will move to creative briefs shortly.

Description	Audience	Measurable Objective	Timing
Enthusiast press advertising (individual products)	IEU		YOO launch with some sustaining
Upgrade advertising	IEU/Fringe	Upgrade rates; awareness of new version	YOO launch
Business press advertising (line)	Fringe/GU	Awareness data	Oct 93-June 94
DRTV advertising	Fringe/GU	Response rates	TBD

Marketing Objective	Target Audience	Communications Strategy	Target Audience	Communications Media
Attain market leadership - market share - perception of leadership - perception as visionary	Establish market "standard" position among influentials, reviewers and analysts	Drive IEU recognition as the spreadsheet, word processor and desktop line standard	IEU	• Enthusiast adv
Predispose Lotus/WP users to MS Win applications - prime the pump among not yet Windows committed	Reach DOS users earlier and change buying criteria - awareness of broader benefits - make "line" a buying criteria - establish superiority over Lotus' line	• Establish line identity • Communicate new Windows app buying criteria among all audiences	IEU/ GU/IEU	• Enthusiast adv • Biz press adv • Gen TV
Convert 1,000,000 Lotus/WP users to Windows Word/Excel	Aggressive intervention among Windows-committed - awareness - trial/live experience	Expand awareness and trial among Windows-committed Lotus and WP users	IEU/ IEU/GU	• Enthusiast adv • Biz press adv • D/R TV
Upgrade 1,000,000 Excel/Word users	Establish the benefits of upgrading to the current versions of Excel, Word, Office	• Announce Excel 5/Word 6 to installed base • Upgrade current users of Word, Excel and Office	IEU/ Reg base IEU/ Reg base	• Enthusiast adv • Direct mail • D/R enthusiast • Direct mail
Maximize revenue per desktop - increase # MS apps/desktop	• Establish benefits of using more than one MS app • Actively market add-ons	• Cross-sell MS Office, apps and add-ons	Reg base/ IEU	• Direct mail • Enthusiast adv
Secure installed base users - activate IEUs	Establish the benefits of doing business with Microsoft and being a registered customer	• Define what it means to be a Microsoft customer • Encourage registration among the MS installed base • Arm the installed base IEU	IEU/ Reg base Reg base Reg base	• Enthusiast adv • Direct mail • Direct mail • Direct mail

Issues

- Balance between individual products, Office SKU, and the broader Office concept
- When do we lead with the individual products, when with the Office, when with the brand
- Is there a higher-level brand positioning for the apps line than "new buying criteria"
- How do we make the sum of the parts greater than the whole and ensure "residual value" to the advertising dollars we spend
- How do we differentiate MS Win apps from other Win apps in broad communications
- What role does Systems play in our apps line identity (specifically, Win 3.1)

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- Need to incorporate PPT, Project, and Access more and determine their role in these activities
- Are we spending enough to achieve the appropriate share of voice
- Reaching beyond: how do we structure our dialog with 1) new PC buyers, 2) solution providers, 3) small business and vertical markets, 4) MIS
- Are there other types of advertising we should be pursuing to expand our reach
- Mac plans and issues need to be incorporated; must emphasize cross platform advantage

Owner: Hank Vigil/Robbie Bach

C. Public Relations

Overview

Working with the PC editorial community will be as challenging as ever in FY94. There will be lots of news in the applications market in FY94, and not all of it from Microsoft. Lotus, Borland, WordPerfect and Claris all have aggressive product development plans on both the Windows and Macintosh platforms. Microsoft's growing dominance and perceived "bully" status also sets the stage for the press to side with our competitors and write "comeback" stories, especially for Lotus. As the market -- especially the Windows market -- moves to suite selling, and the barriers between applications start to break down (OLE 2.0), the press is also struggling to find new ways of evaluating applications. Finally, the applications group must compete for "ink" with the systems group and rationalize our product specific messages with our strategic "pillar" messages. Our competitors do not have this problem.

There is also a contingent of important non PC magazine editors that will help us reach beyond the PC press. We must work with them creatively and cooperatively to ensure coverage in the broader media.

Objectives

- Make the launch the new Microsoft Office the biggest and most exciting launch in the history of applications software.
 - Conduct an Office press tour to tie together the individual product launches as well as the "pillar" tours.
 - Launch the new Office via the "big event" on 9/21/93 to industry influentials, corporate customers and the press.
 - Make Office (in its many flavors) "the" SKU to buy for business users.
 - Secure a cover story on Office in at least three key monthlies (PCMag, PCComputing, Byte...)
- Regain or retain "best of breed" status among influentials.
 - Win comparative reviews in the individual product categories, with Word and Excel being critical.
- Change the evaluation criteria:
 - Refocus the evaluation criteria on "activities" or tasks, not features. Help define these activities in a way that is advantageous to Microsoft.
 - Make being part of an integrated suite of applications a key buying/evaluation criteria.
 - Make cross-platform (Win-Mac) part of the buying/eval criteria. (Note: This has worked very effectively for PPT.)
- Build an identity for our line of Windows/Mac apps and communicate the *value* of the Microsoft Office.
 - Position Microsoft as the logical and leading provider of Windows/Mac applications.
 - Sell our development process. Create the perception that Microsoft's development process is a unique "Magic Ingredient" that results in innovative, customer-driven applications.
 - Elevate the importance of programmability and common macro language above workgroup features.
 - Leverage our database and tools products for the benefit of the line.
 - Make rich OLE 2.0 implementation the minimum bar for good Windows app.
 - Include a core "Office message" in every individual product press tour.
- Blunt competitive momentum.
 - Aggressively neutralize "comeback" stories by Lotus.

- Emphasize "five pillars" to ensure workgroup does not become defining criteria for 93 applications. Subordinate the concept of "Workgroup" as just one part of the "Enterprise" technologies that we support.
- Leverage strengths (databases and tools, Mac) that Lotus can't provide
- Elevate importance of line and cross-platform in buying criteria.
- **Establish the perception of "preference and momentum"** for Microsoft's Windows/Mac applications.
 - Market our market position and sell it as a business trend story.
 - Market switching stories.
 - Market solutions stories (customer are building great solutions using MS apps as building blocks)
 - Work with monthly magazines to achieve ongoing *usage/how to* editorial on Office products (50 great Excel macros, setting up a customer mailing in Word, managing projects with Project, etc.)
 - Associate our applications with the move to Windows; position Lotus and WordPerfect as dominant in the DOS world but struggling to catch up on Windows.
- **Increase awareness and reach of our message to the Fringe IEU/GBU users (non PC Press)**
 - Develop broad reach public relations vehicles such as CNN, radio shows, vertical market publications, etc.

Imperatives

- ⇒ **Neutralize the WordPerfect and Lotus "compatibility" message.** Avoid the perception that the logical upgrades for Lotus and WordPerfect users are the Windows versions of those same applications.
- ⇒ **Blunt Notes momentum.** We must avoid the perception that SmartSuite applications are in any way better applications for Notes installations. We must reposition Notes as a small part of a larger concept (Workgroup), and make Workgroup a single piece of an even larger "enterprise" concept.
- ⇒ **Don't let Claris, Lotus or WordPerfect capture the "low end" of the Macintosh market.** We are vulnerable with new Mac buyers. 25% have never heard of Microsoft, and 28% (no overlap) are switching to a Macintosh from a DOS machine. We must continue to stress our commitment to the Macintosh and "lock in the lead".

Tactical Summary

This table summarizes editorial relations activities through the fall timeframe, including press tours and industry trade shows.

Date	Event	Comments
February 1993	Interoperability Press Tour	Defined the interoperability issue.
mid April	Data Access Press Tour	MS Query and ODBC.
late May	Windows World	Most of the focus is on Windows NT. Apps NT message needs clarification.
May/June	Workgroup Press Tour	Discussion of MAPI and "building block philosophy".
May/June	Programmability Press Tour (VBA)	Creates excitement and belief in VBA.
mid-late June	Word 6.0 Long Lead Press Tour	First product press tour. Must also carry the "Office" message.
June 29th	PC Expo/VBA announce	BillG keynote on apps strategy and importance of programmability.
late July	Excel 5.0 Long Lead Press Tour	Second product press tour. Must build on the "Office" message started with Word 6.0.
late July	Access Long Lead Press Tour	Third long lead press tour, the "Office" messages continues.
TB scheduled	Office Press Tour	Designed to show Office 3.5 and tie together all of the other pieces.

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late August	Project Press Tour	Fifth long lead press tour, the "Office" message continues.
mid September	PowerPoint Long Lead Press Tour	Will only do this before big launch if we decide to "announce" PowerPoint on 9/21.
9/21	YOO Announcement Event	The "big" but short event for the press and districts (90 minutes or so).
9/22	YOO Strategy Day	The "big" event for those who care about the details of our strategy.
Jan	Mac YOO launch	Many details TBD

Issues

- How do we manage the Mac press given that most of the Mac products will not ship until January or February
- We must determine how to manage the Workgroup and Notes messaging issues.
- How much are we willing to say/show of the apps that will be delivered later (PowerPoint and potentially Access)
- How do we convince publications that we want them to do "suite" reviews.

Owner: Robbie Bach (Tina Chen as of June 26th)

D. Direct MarketingOverview

Direct marketing will meet our primary objectives of upgrading the installed base to Office and winning the upgrade battle among Lotus and WordPerfect for DOS users. While other marketing programs, in particular awareness advertising, also address these objectives, direct marketing, in particular database marketing and direct mail, represents our most significant investment and most immediate return against these objectives. In FY94, we plan to continue expanding our direct marketing efforts beyond direct mail to include direct response print and TV at the same time as we increase the volume and efficiency of our direct mail program. The primary audiences for our direct marketing programs include: registered and unregistered Word, Excel and Office owners, registered Windows, Win app and other MS product owners who are upgrading from DOS spreadsheets and word processors, as well as DOS WordPerfect and Lotus users who intend to move to Windows. Note that we have explicitly focused on WordPerfect and Lotus users since the opportunity there is largest and these are often surrogates for other competitive DOS products like dBase. We are exploring various options for leveraging this activity to enable PowerPoint and Access/Fox to upgrade users from competitive products as well. The key challenge in doing this to maintain focus so that the offers and activities are still effective and generate profitable levels of sales.

Objectives

- Upgrade the installed base to Office
- Maximize install base revenue per desktop
- Intervene aggressively with Windows-committed DOS Lotus/WordPerfect users
- Expand trial and purchase among DOS Lotus/WordPerfect users

Imperatives

- ⇒ Upgrade 40% of the installed base to new versions
 - Upgrade 40% of current Word/Excel owners and Office owners to new version of Office
 - Upgrade 20% of current single app owners to new version of Office
 - Upgrade 20% of current single app owners to new version of app

Note: This goal is a significant increase over the 25 - 30% upgrade rate we currently achieve for single application version upgrades. We plan not only to increase our upgrade rates significantly but to upgrade two applications at once and to simultaneously cross sell and version upgrade our current base. This goal includes both direct sales to registered users and channel sales to registered and unregistered users.
- ⇒ Win the upgrade battle by switching 100k-150k competitive users

⇒ Reach 1,000,000 DOS Lotus/WordPerfect users with trial offer

Tactical Summary

Description	Audience	Measurable Objective	Timing
Office Launch in Focus Announce new versions of Word/XL/Access/Project and upgrade installed base to Office (PPT in January edition)	Win/Win apps reg base	Launch Version Upgrade/X-sell Establish Office Identity - version upgrade response rates - Office cross-sell/upgrade response rates	September
PC Press Insert Office/XL/Word/Access joint launch in high-impact format with direct response component. Possible Project inclusion as well.	IEU	Launch Version Upgrade/X-sell Establish Office Identity - awareness of new versions (no clean way to measure) - response to offer	Oct-Dec
Quickfeed Mail new names to offer Office/Word/XL/Access/PPT	Win/Win apps new names	Intervention/X-sell - Office cross-sell/upgrade response rates	Monthly
Volume Mailings Continue to mail inside lists for Office/Word/Excel/Access/PPT	Win/Win apps reg base	Intervention Version Upgrade/X-sell - competitive and version upgrade response rates - Office cross-sell/upgrade response rates	3x
Live Trial Intervention through live trial experience; media mix TBD, including direct mail, D/R Print and DRTV	FIEU, non-enthusied IEU	Intervention - Competitive upgrade response rates	TBD

Issues

- Level of funding and trade off of objectives. Current proposed budget approximately \$10M. If we scale budget back, which audiences do we target and at what level?
- Investment in version upgrade program. Current DMG recommendation to mail, with appropriate segmentation, up to 5x and maintain profitability. Are we funded appropriately? Can we build a self-liquidating model to fund direct marketing?
- Role of Access, PowerPoint and Project in the Office concept for direct marketing and mail offers. How do we handle version upgrades and cross sell for these products? Can we upgrade dBase and Harvard Graphics users efficiently? How do we handle Office DB and upgrades for multiple app owners who own Access today?
- Launch Direct issues
 - what to do with initial Launch responses prior to Excel and Access availability
 - need to determine offers by product ownership during launch
- Plans for add-ons. How do we market these products via direct given complexity of multiple offers?
- Role of Focus and other customer satisfaction programs. How is the Welcome Package funded? How much do we rely on Focus to version upgrade the registered base? What other customer satisfaction programs should there be?

Owner: Denise Rabius

E. Field Support and Training

1. Field Training

Overview

Our goal is to roll out training that allows our sales force to sell our desktop apps and line at maximum capacity at launch and during FY94. There are 3 key training challenges that we must meet in order to do this:

1. *Timing*: Our ship dates require that we deliver training and training tools on 5 apps as well as our line advantages between July and October so the field is prepared to sell Office and our apps.

2. *Expanding field product knowledge and ability to sell our line*: Our sales force has asked us to build training which enables reps to increase their product knowledge to demo level. In addition, our field will need expanded training on line selling since they primarily sell our desktop solution rather than individual apps today. Worldwide Sales Training and Desktop Product Marketing groups have defined a set of line/product knowledge goals reflecting these needs, around which we have built the YOO training plan and will evaluate success. This model is summarized below:

	Knowledge Goals	Criteria	Audience
1	Identify opportunities and articulate product and line strategies	All Field & Inside Sales	<ul style="list-style-type: none"> All Field & Inside Sales
2	Identify opportunities, promote strategy and product and line advantages in response to customer needs	Reps/SEs that will be actively demonstrating/positioning apps.	<ul style="list-style-type: none"> Large Accts.: XAR and below, some XAE, Apps SEs Reseller: RAR and below, some RAE, SP Reps ISS: outbound telemarketing External: Reseller reps, SP reps
3	Support evaluation process in account	Reps/SEs that will be supporting apps in an evaluation process	<ul style="list-style-type: none"> Large Accts.: XAR and below, SEs ISS: outbound telemarketing
4	Identify, evangelize, and address development issues of custom solutions	Reps/SEs that will position and support apps as a solutions tool	<ul style="list-style-type: none"> Large Accts: SE, selected reps Channel: SP reps External: Solution Providers

3. *Enable continued training*: Beyond meeting the deadline of our product launches, we must enable Sales Managers to conduct ongoing training that builds field knowledge and responds to field needs and competitive developments

Objectives

- Enable reps and SEs to support wide marketing betas for line apps
- Train field on our line and new desktop apps by launch to maximize selling capacity.
- Develop field knowledge to meet target goals.

Imperatives

- ⇒ Train all reps on OLE automation and VBA by 8/93.
- ⇒ Train entire field on product positioning and key selling points for apps and line.
- ⇒ Implement hands on training for reps and SEs before marketing betas ship
- ⇒ Develop SE and SP skills to support app. customization.
- ⇒ Enable Sales Managers to conduct post-launch training to sharpen competitive selling skills

Tactical Summary

Objective	Vehicles	Audience	Timing
Provide reps with training on OLE and VBA	Pre-Launch Technical Kit	All field	June 1993

Train field on apps/line positioning and key selling points	Three cycles: 1. July District Training Tour 2. NSM Training Plan 3. September District Training	All field SEs and Reps for hands on training	7/93 8/93 9/93
Deliver hands on training to SEs and reps before marketing beta ships.	Self-Paced Exercises for line and apps	Standard Exercises: Level 2 Advanced Exercises: Level 3 Line Exercises: Level 2 All field	2 months before ship
Develop SE and SP skills to support app customization.	NSM training sessions: 1. Apps Programmability 2. MS Development Methodology	Level 4	8/11/93
	ACC Course	Level 4	
Enable districts to conduct post-launch training	Sales Training Kit	Level 2	11/31/93

Issues

- Ensure that sufficient training is provided SEs, International, and MCS personnel.
- Also need to ensure that training on the Mac and Mac apps is conducted in a timely fashion

2. Field Sales Tools

Overview

Our goal is to provide the sales force with effective and timely tools that met their selling needs. To this end, our plan reflects 2 key efforts:

1. *Streamlining tools to deliver a consistent architecture of tools across desktop apps.* Historically, Product groups have built tools independently which has resulted in tool diversity. The Desktop apps product marketing groups will now build core tool that are portable, customizable, low maintenance, and customer ready, based on field requirements identified in our research.
2. *Shifting the balance from apps to line tools.* We need to build our arsenal of line tools in conjunction with field focus towards desktop solution selling versus single application selling. In addition, it makes sense at this point to consolidate tools that would be more useful as line tools (e.g. Wish Cards).

Objectives

- Develop a core set of tools across desktop products and line.
- Provide field with augmented line/Office tools.
- Support field with tools and collateral for "one to many" selling.
- Enable field instant access to tools as needed and minimize tools maintenance.

Imperatives

- ⇒ Roll out product/line tools in 3 cycles: pre-launch, launch, post launch.
- ⇒ Deliver a set of consistent tools across apps and line (for e.g., demos, eval guides).
- ⇒ Deliver customer ready tools.
- ⇒ Distribute customizable and portable sales tools through a pull system.

Tactical Summary

Imperative: Roll out core product/line tools in 3 cycles to field. Deliver consistent tools across product groups and line. Deliver customer ready tools.

Cycle	Tools	All tools are customer ready	Timing
Pre-Launch tools: Early Bird Source Book	Apps	<ul style="list-style-type: none"> • Product Strategy Pres. • Demo script • Self Paced Exercises A and B 	2 months before product ships

	Line	<ul style="list-style-type: none"> • Apps Strategy Pres. • Line Demo script • Working Together Self Paced 	8/10 (NSM)
Launch tools	Apps	<ul style="list-style-type: none"> • Demo video • Why Upgrade Brochure • Competitive Comparisons • Evaluation Guides 	Within 1 mo. of product ship
	Line	<ul style="list-style-type: none"> • Demo video • Line Autodemo • Line Eval Guide • Competitive Comparison • Line Strategy White Paper 	10/1
Post Launch	Apps	<ul style="list-style-type: none"> • Product Awards List/Press Reviews (Worldwide) • Workgroup Transition Guides • Custom Solution Demos 	Within 3 months of product ship
	Line	<ul style="list-style-type: none"> • Interop Solutions Demo • Working Together Tips and Tricks • Line Training and Support Directory 	11/30 10/1 10/1

Imperative: Distribute customizable and portable sales tools through a pull system.

Description	Measurable Objective	Timing
Deliver tools as an electronic source book via MS information Manager	Reduction in field mail about available tools.	8/1

Issues

- Dependency on MIAS development for tools distribution. Our contingency plan is a dynamic tools repository on our product servers.
- Are we providing sufficient tools/programs to make it easy for accounts to upgrade the MS apps they own and transition to MS apps from competitive apps.

3. Launch Roll Out in Districts

Overview

Our joint launch represents an opportunity to build huge momentum for our line of apps in the market. We must seize this opportunity by supporting district launch events that drive broad scale recommendation. We must also fully support our sales force with the tools and collateral they need for local "one to many" marketing efforts to build maximum selling capacity through FY94.

Objectives

- Launch apps successfully in the districts.
- Enroll key corporate account and reinforce our MS/product equity.
- Maximize channel recommendation for our line and apps.
- Continue to build market momentum after launch through December.

Imperatives

- ⇒ Motivate and train channel on key selling points for apps and line (before products ship).
- ⇒ Implement a timely marketing beta to corporate accounts and deliver excellent support.
- ⇒ Roll out "MS line" launches in districts to build maximum customer momentum.
- ⇒ Facilitate field "one to many" selling after product launches.

Tactical Summary

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Description	Audience	Measurable Objective	Timing	Cost
Motivate and train channel				
YOO Reseller Kickoff Sessions	Key field contacts	Motivate and train 4000 resellers.	9/93	\$40,000
Enroll key corporate customers				
Implement Corp NDA Briefings for Marketing betas	Key field contacts	Enroll 2000 Corp Evaluators in Excel/Word betas	Word/Excel 7/93	\$50,000
Roll out "MS Inc" district launches				
Satellite downlink events to districts	Field customers, User groups, Seeding Switchers	Arm and activate 10,000 IEUs (500 per district)	9/21	\$400,000
Facilitate field "one to many" selling				
Deliver "Seminar In a Box" and take away tools	Field	Arm and activate 10,000 IEUs	9/93-12/93	\$10,000

Issues

- Need to finalize channel/reseller training and roll-out timing and resource requirements.

Owner: Alee Spencer (transitioning to Matt Mizerak)

F. Mac Specific Marketing

The Mac versions of our next round of products will all be core code but they will still ship somewhat later than the Windows versions (delta varies by product). This creates a challenge for us to continue selling the Mac products through the fall launches of the new versions on Windows. During this time Microsoft will be selling Word 5.1, Excel 4, PowerPoint 3.0 and Project 3.0 for the Macintosh. The marketing activities during the period between the launch of the new Windows versions and the launch of the new Mac versions is being referred to as "Delta Marketing". The Delta Marketing plan will follow in a separate document to be distributed no later than June 30, 1993. As noted in the timeline above, the launch of the new versions of the Microsoft Macintosh applications is scheduled for San Francisco Mac World (January 5 through 8) 1994. January Mac World starts a Mac specific year of the office campaign sometimes referred to as "Year of the Mac Office" or "YOMO." More specifics on YOMO are being developed and will be circulated separately.

G. Field District Marketing

[WE HAVE HAD PRELIMINARY MEETINGS WITH THE VARIOUS GROUPS TO DEVELOP THIS SECTION OF THE PLAN BUT STILL NEED TO REACH FINAL CLOSURE ON OBJECTIVES, IMPERATIVES, AND TACTICS. AS PLANS IN THE FIELD BECOME MORE CLEAR, WE WILL CLOSE OFF THESE ITEMS, HOPEFULLY OVER THE NEXT THREE WEEKS.]

H. Small Business Marketing

[SEE MIKE HOUSTON'S SMALL BUSINESS MARKETING PLAN FOR INITIAL THOUGHTS ON OUR EFFORTS IN SMALL BUSINESS. THIS WILL BE INCORPORATED INTO THE OFFICE PLAN OVER THE NEXT TWO WEEKS.]

I. Event Marketing

1. Product Launch Event

Overview

We will launch the new Office at a large end user event in September (currently planned for September 21). This will be a joint launch for Word and Excel at a minimum and probably PowerPoint, Project, and Access (depending

on development schedules). Any of these products that is not in a position to officially "announce" will certainly be shown in some fashion.

Objectives

- Develop an event that is the largest, most newsworthy applications launch ever; we want to position this as THE major news for the year.
- Create a forum where we can communicate excitement about the Office to broad range of customers/press/analysts as well as establish vision for how applications will continue to evolve.
- Establish the individual products as category and innovation leaders; generate momentum with broad based press coverage (including national business press and TV) for all of Microsoft's applications business.
- Communicate what is new in our applications.

Imperatives

- ⇒ Excitement, excitement, excitement; we need to communicate that this launch really changes the way people should view applications.
- ⇒ Enlist the field's participation in showing broad support/acceptance for the Microsoft Office among corporate accounts.
- ⇒ Show momentum behind solution providers messages by spotlighting companies and independent developers successfully building solutions with MS apps

Tactical Summary

- Hold event in area where we can attract 1,000 plus attendees on September 21; currently considering San Jose and Los Angeles.
- 1-2 hour presentation with "keynote" from BillG; event would focus heavily on what we have delivered in the products; individual products will each receive "spotlight" time, but heavy emphasis will be how the entire family works together to solve customer problems
- Showcase VBA-built solutions through ISV/corporate solutions reception and actual demos during the event
- Include customer testimonials (and demos if possible) in the event.
- Broadcast event live to remote locations; have executives and/or product people at each site to do follow-on presentations and answer questions.

Issues

- Need to enlist field for on-site and via satellite participation.
- Must find the right balance between creating excitement at the event and keeping the tone professional and leadership oriented; a user group venue risks being too "evangelical" while a straight corporate event might be too "conservative".
- Finalize plans for remote sites; currently considering cable TV and regular satellite down link approach.
- Must factor in timing/logistics for remote sites on the East coast.

Owner: Robbie Bach (Tina Chen as of June 26th)

2. Microsoft Applications Strategy Day

Overview

This is a follow-up event to the actual product launch announcement. The overall idea is to get analysts, press, key influencers, and some corporate accounts together for a full day briefing both on the products we will have just announced AND on the longer-term strategy we will be pursuing over the next 12-18 months.

Objectives

- Capitalize on delivery of our core applications strategies with the press and analysts. We've talked about these strategies for most of FY '93, now we can reap the benefits, using our new product versions as evidence.
- Create an event that can serve as a catalyst for building momentum/awareness for the new applications.

- Set the "future" agenda in the applications market and get key influencers focused on the areas that we think are important

Imperatives

- ⇒ Establish ourselves as the applications strategy leader with the press and analysts.
- ⇒ Position the Office as the standard on the desktop because it provides world class applications that are the most usable, integrated, and consistent in the industry.
- ⇒ Balance this "new versions" message with the right level of future directions content to communicate that we are setting the pace across the applications market.

Tactical Summary

- Consider holding event in Arizona at the same site as the Agenda conference on September 22, the day after Agenda ends.
- Briefing to include six hours of more detailed looks at Word, Excel, Access, VBA, Project, look at future of applications development, including ABP development process for meeting cross-app needs
- Showcase VBA-built solutions through ISV/corporate solutions reception. This could take place at this event or the launch event.
- Additional broadcast to field offices/customer sites TBD.

Issues

- What level of interest will we get from the field for on-site or via satellite participation.
- Is Agenda the right forum to piggy-back on or is it too much of an industry insider gathering?

Owner: Mike Hard

3. Microsoft User Conference

Overview

The Word team has conducted several successful "user conferences" in the past. The general concept is to get 300-500 support professionals, high end users, and IEUs to attend a multi-day event at which they would receive detailed information on our new applications. This will enable them to support the move to the new versions more effectively in their organizations and encourage them to evangelize the apps to non-users. It is also could have beneficial effects on overall customer satisfaction.

Objectives

- Generate upgrade demand among corporate accounts
- Create informed product evangelists
- Strengthen customer relationships and improve customer satisfaction

Imperatives

- ⇒ Attract substantial number of qualified end users.
- ⇒ Segment the audience appropriately and provide the right type/level of information for each audience.
- ⇒ Price event so that it breaks even.

Tactical Summary

- Timing for this event is still TBD; most likely date is in January or February.
- Event would run for 3-4 days with main sessions and some breakouts by product, topic, etc.
- Presenters would mostly be non-marketing people in order to deliver quality technical content.

Issues

- Must determine how this relates to TechEd and how it is different from seminar programs that are run in the field. If the overlap is high (especially with TechEd), we will not hold the event and will drive these objectives through TechEd.
- Need to evaluate field interest and availability of support from MS US.
- Timing needs to be determined. Current plan is to hold this in January; anytime sooner would be too soon after the release of the products to be an effective event.

Owner: Mike Hard

4. Tradeshows

Overview

In addition to the regional shows staffed and coordinated by the field, we need to participate in several key national shows. These include Comdex (spring and fall), MacWorld (August and January), and PCEXpo.

Objectives

- Demonstrate our products to create excitement and support from IEUs
- Utilize Fall Comdex and January MacWorld as key events to launch our new applications.
- More generally, use tradeshows as venues for launching key initiatives, as appropriate based on timing.

Imperatives

- ⇒ Ensure that the Office applications are presented in an "integrated" way that communicates the breadth and strength of our apps family.
- ⇒ Plan theater work and demos well in advance so that we can produce high-quality, impactful presentations that drive booth activity.
- ⇒ Cross-train product managers so that we can minimize the number of people who need to attend and maximize the amount of cross-app content in the presentations.

Issues

- Need to confirm which tradeshows are being funded by MS US.
- Clarification on product marketing's involvement in regional shows would be useful.
- Planning must begin shortly for August MacWorld.

Owner: Mike Hard

5. User Groups

Overview

User Groups continue to be a primary focal point for our IEU efforts going into Y00. User groups create barriers to switching, increase customer satisfaction, can reduce PSS costs, and provide a channel for communicating product/upgrade information." Relatively speaking, UG audiences are cheaper than traditional exposure vehicles. Our major competitors (Lotus, Borland, WordPerfect) have strong UG presences.

Objectives

- Awareness in user group (IEU) community
 - Office identity message
 - Applications synergy concept
 - New versions of all major products
- Evaluation/Trial in user group (IEU) community
 - Second and third MS app
 - New versions of all major products
- Involvement in user group community
 - Explore development of Office SIGs
- Recommendation in user group community
 - Full line of apps and Office
 - Upgrade to latest versions

Imperatives

- ⇒ Create sufficient awareness, interest and excitement for any/all UG presentations
- ⇒ Offer *easy, risk-free* and "*exclusive*" means of trial without over-cannibalizing
- ⇒ Tutor audience on subject, which is more than just demoing to them (proper tone and manner)

- ⇒ Collect names and proactively seek to "involve" the audience and induce recommendation after purchase
- ⇒ Conduct on-going support after presentation is done (including feedback and continuous dialogue); plug into all existing support mechanisms offered by MS US
- ⇒ Survey attendees to capture names and gain measurement data (i.e. satisfaction, etc.)

Tactical Summary

Description	Audience	Measurable Objective	Dating
Awareness			
UG newsletter ads before events (with coupon mention)	All UG members	# of available newsletters reached; ask question in survey about "how heard"	Oct '93 - Jun '94
Office Line pres. at top UGs (# TBD)	All UG members	# of total reached; survey results measure usefulness	Oct '93 - Jun '94
On-going UG newsletter advertising	All UG members	Awareness survey in UGs?	Oct '93 - Jun '94
Evaluation/Trial			
\$ off coupon for Office Upgrade SKU for presentation attendees	All UG members	Response rates; phone research to study cannibalization	Oct '93 - Jun '94
Develop new trial program (videos, DR, etc.); concept TBD	All UG members		Jan '94 - Jun '94
Involvement			
Targeted mail to coupon redeemers and attendees	All UG members		
Offer UGs an "Interop SIG in a box" (can be used elsewhere)	UG and SIG leaders	Number of SIGs established	
Include in District "line launch" and User Group Summit	UG leaders	Attendance at events	
Quarterly mail, UG newsletter, BBS, and other support options offered by MS US	UG leaders (and members)	Enrollment and usage	
Recommendation			
IEU recommendation program (Mac pilot)	All UG members		
DR-TV type program or video drop	All UG members		

Issues

- Need to explicitly make the tradeoff between individual product coverage and Office content. Basically, since we only get a limited amount of time in front of these groups, every presentation should be an Office presentation.
- What role does the field continue to play in these events? How do we work with them to ensure appropriate coverage of UGs across both major and secondary/tertiary markets.
- In addition, marketing groups need to make formal staffing commitment that's distributed among product groups for the activities where product marketing participation is leveraged.
- Need to offer coupons for individual upgrades as well as the Office Upgrade at the interop demos; may need a less expensive trial vehicle than Office Upgrade SKU.

- If expanding coupon usage, do we continue to only fulfill direct, or do we allow channel play? Will we ever see the coupons, then (maybe best thing is to strike a deal with ONE reseller in each site whereby we get the coupons, and they get exposure in front of influential group?).
- Since all of these presentations will be "Office" oriented, we need to cross-train our product managers so that we can efficiently support these events.

Owner: Mike Hard

J. Solution Providers/Developer Programs

Overview

In FY94, Microsoft will need to pursue new distribution channels for MS Office. One opportunity is the custom solution re-sale market created by solution providers (including VARs, consultants, and MIS staff) distributing their applications with MS Office. Each custom solution they create and distribute has the ability to impact multiple desktops, sometimes up to several thousand users.

The challenge is that solution developers will have many solution-building applications from which to choose that meet their primary buying criteria of powerful and easy programmability. Lotus, Borland, WordPerfect, and Microsoft will all be competing for mind share and sales in this audience. However, Microsoft will offer several advantages to the solution provider in FY94, including the introduction of Visual Basic, Applications Edition (VBA), outstanding developer support programs, and the new OLE 2.0 object model standard.

Objectives

- Position MS Office as the premier applications-based solutions development environment.
 - Communicate Office capabilities as custom solution development tool
 - Key on new completeness of programmability messages across MS applications
 - Educate all audiences on benefits of VBA, OLE 2.0 investments
 - Incorporate Word Basic and Access Basic into this message, as appropriate/possible
- Recruit Solution Providers to build custom solutions with Microsoft applications; bring MS applications to new markets.
 - Target vertical markets
 - Target non-Windows developers with compelling solutions toolset
 - SP channel focus on programmable applications and VBA/OLE enabling technologies
- Build the ISV community for MS programmable applications.
 - Support via events and press
 - Recruitment of vendors to create objects/tools for Office
- Ensure that Solution Providers have access to adequate training on our products; leverage their knowledge so they can train end users.
 - Information pipelines via user groups, MSDN, and TechNet
 - MSU, seminars, other support options
 - TechEd, local, and regional training opportunities
- Generate awareness amongst end-users of the benefits and power of our programmability solutions.

Imperatives

- ⇒ Make component-based solution development compelling (productive, powerful, profitable), to solution providers.
- ⇒ The Solution Provider channel must become an effective external selling arm for Microsoft Office.
- ⇒ Provide a complete Office programmability story using Excel and Project as the lead apps; need to incorporate AccessBasic and WordBasic into our messages and solutions during the interim period until these apps have VBA.
- ⇒ Educate field and customers on evolution of macro language as true development tool.
- ⇒ Ensure that we provide concrete, compelling messages for developers AND end users.

Tactical Summary

<u>Description</u>	<u>Audience</u>	<u>Measurable Objectives</u>	<u>Time</u>	<u>Cost</u>
Branding of VBA	SP/Press influential	Press coverage of Office programmability, collateral tool development; delivery of branding strategy	Summer, 1993	\$500,000 - VBA
Training and support	SP	100 local UG SIGs, 15 Tech Ed courses, 3 MSU courses on VBA, MSDN/TechNet coverage of programming with Office, NSM/RSM field training of reps/SEs	FY94 ongoing	\$100,000 - VBA
Seminar program	SP	Creation of apps programmability seminar program - 20 city tour	Spring, '94	Self funding/US Mktg
Evangelism	SP/MIS	Office programmability (ISV) coverage at industry shows and speaking opportunities, 4 articles in Focus newsletter, participation in book author programs	FY94 on-going	\$50,000 - VBA
Solution Provider Channel Support	SP	Participation in regional field presentations; government and vertical channel marketing, certified developer program, DevCast and other events	Summer, '93	\$100,000

Issues

- Need to build entire infrastructure for solution providers, including certification.
- When and what do we license, if anything, to third parties (complimentary ISVs such as AutoDesk or corporations). When do we announce licensing if it is an option.
- Profitable licensing and distribution of Office objects.
- How to handle the VBA/VB (retail products) differentiation.
- Within MS, lack of consistency on applications programmability story.
- Role of TechEd. Need to achieve a better balance between serving as a great developers conference, addressing the SP, and meeting the needs of support coordinators.

Owner: Mike Risse and Scott Raedeke

K. ResellersOverview

We have long viewed the channel with indifference since they represented the status quo rather than advancing our insurgent marketing needs. However, as we become the dominate products, the channel increasingly becomes our ally and should be treated as such.

Objectives

- **Increase internal market share** for all Office products to at least the 60% level in all the reporting resellers. This will allow us to lock out the competition and garner a larger piece of the channel's resources.
- **Arm the channel** to sell our products, especially Office, more effectively. We must be proactive in providing the channel with tools that allows them to sell our products for us. This is especially true for corporate account resellers and for resellers selling our upgrades.
- **Increase distribution** of Office to the level of Word and Excel. Currently Office trails both Word and Excel's breadth of distribution. With Office being the key delivery vehicle for our products, we need to ensure equal distribution to that of its component products. This is especially important if we are going to reach small businesses more effectively.
- **Ensure RSP recommendation** for all Office products. We need to win RSP recommendation in the channel to ensure that our applications are the default choices.
- **Manage inventory** in the channel aggressively to minimize returns and confusion due to multiple revs of the Office SKU.

Imperatives

- ⇒ Segment the channel effectively. We must stop viewing the channel as a monolithic set of store front resellers and be more creative in providing the right products, support, and programs to match different channel's needs.
- ⇒ Correctly position Office versus Smart Suite. We need to win the suite battles in the RSP's mind so that we are the default choice. This is a critical piece to our channel efforts.
- ⇒ Determine how to provide efficient fulfillment of product. We must be able to efficiently provide the channel with the latest versions of the Office as component products rev. We must also determine how to fulfill product to customers who end up with "old" versions of components.
- ⇒ Ensure continued recommendation for Mac products. We need to ensure that our Mac applications are viewed as the default choice for the new Mac buyers.

Tactical Summary

[NEED TO UPDATE THIS SECTION BASED ON RAX FORUM AND RECENT MEETINGS WITH CHANNELS GROUPS]

Issues

- SKU management is one of our biggest problems for the launch. We have some preliminary ideas on how to coordinate this but all of this will change as we get new information on product ship dates.
- Need to clarify roles within several groups in MS US; not clear yet who is managing/responsible for various parts of our work with the channel.
- The role of the Mac apps in our channel activities this fall and after the Mac launch in January still needs to be discussed.
- Microsoft Business Manager (Profit, Works, Publisher) will ship this fall as well, and we need to determine how it plays a role as the entry point to the Office in small business. This has implications for how it is involved in our channel activities.

Owner: Kelli Jerome

L. ResearchOverview

Research and evidence will be combined across Office, Word and Excel marketing. It will be critical to better understand the purchase and decision making process for both individual apps and for the Office. Research is also a key part of our activities-based planning approach to product development. Note that the tactics outlined below include both Office and individual product activities.

Objectives

- Track product user demographics; target market definition/refinement.

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- Track awareness and perceptions of the different suites/sets of applications, as well as individual applications.
- Clarify purchase process and purchase motivations.
- Understand product usage and product satisfaction for product development.
- Measure effectiveness of various programs and promotions.
- Conduct research to develop specific sets of evidence to support our positioning.

Imperatives

- ⇒ Understand the sequence of purchase from user need recognition to full product set purchase
- ⇒ Understand who has involvement in the purchase process, in what way and what criteria are important.
- ⇒ Track the effectiveness and impact of our campaign and the competition's, among key groups
- ⇒ Understand product usage and the needs that a suite of applications meets.
- ⇒ Further our understanding of switching motivations and barriers.
- ⇒ Understand if competitive Windows owners can be converted to Microsoft or at a minimum recommend Microsoft products.
- ⇒ Understand the upgrade process, motivations and barriers.

Tactical Summary

[THIS SECTION NEEDS TO BE UPDATED TO REFLECT RECENT MEETINGS AND EVENTS; PROJECTS MUST BE RATIONALIZED AND PRIORITIZED]

Office Research	Audience	Measurable Objective	Timing
End User Studies			
Wave II of Office Tracking Study	MIS, IEUs and Fringe IEUs	Track awareness and perceptions of Office and selected competitors	October 1993/April 1994 6 weeks
Office Installed Base/Key Decision Maker Survey	Installed base (including non-registered users) and key decision makers	Explore purchase motivations and process and product usage and satisfaction for Office. The results will be compared to study conducted in May of 1993	May 1994 8 week
Win Office Regbase Study		Annual regbase survey to measure purchase process and motivations, usage, satisfaction and demographics	January 1994 6 weeks
Mac Office Regbase Study		Annual regbase survey to measure purchase process and motivations, usage, satisfaction and demographics	May 1994 6 weeks
Upgrade Research	Office, Word, Excel registered owners	Understand the upgrade process, motivations and barriers and the degree to which the regbase represents actual product ownership and usage	May 1994 6 weeks
Product Usage			

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Office/Office Pro Usage	Office and Office Pro users	Evaluate usage of products; determine if/how usage is different	TBD
Interoperability Survey II		Quantify usage and importance of interoperability and compare to the study done in August of 1992	August 1993 7 weeks
Product Purchase			
Mac Office 4.0 Early Adopters Study	Early buyers of Mac Office 4.0	Survey purchase motivations and process, satisfaction and usage and demographics	Approx two months after launch 6 weeks
Win Office 4.0 Early Adopters Study	Early buyers of Win Office 4.0	Survey about purchase motivations and process, satisfaction and usage and demographics	Approx two months after launch 6 weeks

Individual Product Research	Audience	Measurable Objective	Timing
Word/Excel Segmentation Study	1,000 random telephone interviews with users of wp & ss	Purpose is to segment the word processing and spreadsheet market, explore usage, demographics and attitudes and compare the results to the August 1991 survey	August 1993 8 weeks
WinWord and Excel Early Adopters Study	Early buyers of Word 6.0 and Excel 5.0	Survey purchase motivations and process, satisfaction and usage and demographics	Approx two months after launch 6 weeks
Mac Word and Excel Early Adopters Study	Early buyers of Mac Word 6.0	Survey purchase motivations and process, satisfaction and usage and demographics	Approx two months after launch 6 weeks
WinWord 6.0/Excel 5.0 Regbase Study	Regbase	Annual regbase survey to measure purchase process and motivations, usage, satisfaction and demographics	January 1994 6 weeks

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Mac Word 6.0/Excel 5.0 Regbase Study	Regbase	Annual regbase survey to measure purchase process and motivations, usage, satisfaction and demographics	January 1994 6 weeks
Switchers Focus Groups	Word and Excel users who switched from comp products	Focus groups to explore the switching process, motivations and barriers.	August 1993 5 weeks
WordPerfect 6.0 Upgraders Focus Groups	WordPerfect owners who upgraded to 6.0	Focus groups to explore why these people chose not to move to Windows.	November 1993 6 weeks
Competitive Windows owners Focus Groups	Owners of WordPerfect and Lotus 1-2-3 for Windows	Focus groups to explore, what, if anything, could get these people to switch to Microsoft Word and Excel and what possibility there is of them recommending Word and Excel to others	Sept 1993 6 weeks
Profiling competitive owners	Owners of Win, DOS and Mac spreadsheets and word processors	Annually use PC Watch data to profile competitive owners and our own installed base.	May 1994 3 weeks

Issues

- Several sets of proposed research are not currently budgeted:
 - ⇒ Enthusiast/non-enthusiast exploratory research
 - ⇒ MIS and Corporate Decision Maker research
 - ⇒ Small Business Research
 - ⇒ Reseller Recommendation Research
- Need to rationalize research across product groups
- Customer segmentation work needs to be enhanced; we still don't have clear customer segments that track across the same parameters:

Owner: Marlee Anderson

M. International Coordination & SupportOverview

The challenges we are facing in the US of coordinating a successful Year of the Office launch are magnified many times for the subs. Given that a large percentage of our revenue depends on successful launches in these markets, we need to pay special attention to "Making It Easier" for the subs.

Objectives

- Develop a well integrated world-wide launch for the Office products.
- Provide accurate information with sufficient lead-times so that subsidiaries can plan their marketing activities appropriately.

- Enable subsidiaries to leverage work done in the US or in other subsidiaries.
- Support subsidiary SKU needs.
- Provide training, tools, and marketing support, especially for smaller subsidiaries.

Imperatives

- ⇒ Maximize level of communication to ensure that there are no "surprises".
- ⇒ Manage lead-times carefully so that activities are developed in the US with International timing and needs in mind.
- ⇒ Ensure that everyone on the product team in the US is thinking about International needs up-front.

Tactical Summary

Communication on timelines announcement activities & press activities

- The English speaking subs, including Canada, UK, Australia/New Zealand, and possibly many of the small subs who sell mainly English product will announce simultaneously with the US. They will be included in our plans so they can participate with us effectively.
- It's likely that subs who sell the simship localized products will decide to announce simultaneously with the US. It's clear that France and Germany will. Unclear about other subs. Since release deltas vary considerably by product and language, quite a bit of planning is left to do here.
- Subs who sell non-simship localized languages need to be kept informed of our plans, since our announcement will affect their markets regardless of when they announce.
- Subs will handle their own press activities but need to be kept informed of our plans. The subs who are announcing simultaneously with the US want to conduct their long and short-lead press activities according to roughly the same schedule. The IPMs are investigating some possible joint press tours but nothing has been decided on that.
- There is an opportunity for joint press releases and/or for calling out each others activities in our press communications. Tina Chen will pursue this as part of her PR activities.
- We will make early drafts of our press releases, reviewer's guides, press tour demos, etc. available to the subs so they can localize them for their own use
- The YOO IPMs will compile a schedule reflecting each sub's plans for announcement events and press activities.

Issues relating to international versions of the Office & Office Professional SKUs

- FY94 localization planning is drawing to a close. Most of the product groups have made decisions about what international versions they will be adding in FY94. However, it's not clear that decisions about the international versions of Office and Office Professional have been made. Eva Camp will drive resolution on this issue.
- Given the varying deltas by product and language, managing the timing and contents of international releases of the Office SKUs will be complex. This management includes BOM and packaging issues and will be driven by Eva Camp.
- There will be value-added components included in the Office, such as the Office Switcher, unified setup, and possibly other value-added pieces. Localization issues need to be resolved so that these components are made available in international versions.
- Similarly, the product groups have been discussing value-add offers for their specific products, such as the font-pak/business letter pak add-on that the Word group is discussing. Localization issues need to be addressed early on these as well.

Rep, SE and PSS training events

- Field training dates are tied pretty closely to marketing beta dates in the US (see beta & field roll-out sections). The subsidiaries will need to operate on very similar schedules, both to leverage our activities and materials, and to ensure that information flow is controlled in roughly the same way (i.e., that we increase disclosure/reduce confidentiality according to the same timetables & rules). This will require frequent communication.
- While they can train their own reps, the subs want our help in training SEs. The venues for doing this that we know about are the SE forum in Brussels on April 20th (participation already set) and the European NSM in September (participation to be worked out). We need to find some venue in between these two

events. One possible mechanism we will explore is PSS training. PSS will be conducting training at a large number of country sites during the summer, and it should be possible to leverage that technical training to do something for SEs.

Tools and materials

- Subsidiaries need early access to all of our sales tools & training plans, and to the tools both as they evolve in draft form and once they are final. The sales tools team will work with the YOO IPMs to determine a specific schedule for delivering these.
- The process for localizing data sheets, autodemos, and reseller collateral is well-established. The key factor we will focus on is managing lead times to include international needs.
- We will create a "launch in a box" package which will include all of our launch materials for use by smaller subs, who typically are launching non-simship localized product with launch dates 2-to-6 months after the US launch. They do not have the resources to launch the products effectively without a very well-packaged set of materials. In the past this has often resulted in these subs literally not doing any launch activities at all.

Issues

- Lead-time planning is now a critical path activity; discussions with the subs must accelerate.
- Localization ship dates are still in flux, especially for Excel. This will make planning very challenging.
- SKU management remains a concern since the International issues are even more complex than the very challenging situation in the US.

Owner: Eva Camp

N. Beta Management

Overview

All Office products have agreed to follow a consistent policy for technical and marketing betas, both for US and localized versions. The overall goal of this approach is to strike the right balance between gathering bug reports, allowing accounts to preview the products, and maintaining confidentiality prior to ship date.

Objectives

- Ensure that we get good technical feedback on both US and localized versions of the products.
- Build interest in the product at key accounts or with key IEUs.
- Avoid leaks of product information, especially during the technical beta timeframe.

Imperatives

- ⇒ Avoid using technical beta for marketing purposes.
- ⇒ Ensure that International markets have opportunity to participate in beta programs.
- ⇒ Make sure that sufficient resources are allocated to actually support the beta program and beta testers.

Tactical Summary

Typical applications beta cycle

English & simship localized versions

- Code complete: 16-20 weeks to RTM
- Tech beta 1: 12-14 weeks to RTM
- Tech beta 2: 8-10 weeks to RTM
- Marketing beta: 3-6 weeks to RTM

Non-simship localized versions

- Combined localization beta & marketing beta: 4-6 weeks to RTM
- All subs to have access to US or simship tech betas for internal testing/training only.
- All subs to have access to US or simship marketing betas for internal and customer use.

Beta Goals

- Technical beta goals: Intensive testing; quality bug reports; no marketing goals

- Marketing beta goals: Preview product to key customers; final testing and functionality (translation for localized versions)
- Localization/marketing beta (for non-simship localized languages) goals: Intensive localization testing: functionality & translation; preview product to key customers

Technical beta plans*US technical betas*

- Products will do 1 or 2 technical betas (current plan is Project does one; other products two)
- Tech beta 1 access: limited to business unit, product managers in subs, senior PSS, small group of tightly managed external beta testers.
- Tech beta 2 access: extended to all PSS (incl. international PSS), SEs.

Simship languages technical betas

- Subsidiaries can access US technical betas for internal use subject to the above guidelines, but should not do external testing with US code.
- Product groups are encouraged to do technical betas for simship localized languages.
- Localized tech beta 1 should be used for internal testing by the subsidiary.
- Localized tech beta 2 can be tested with a limited number of external sites (recommended maximum of 10-15), if subsidiaries agree to:
 - ⇒ Designate beta coordinator to manage sites and submit bug reports to testing.
 - ⇒ Limit beta sites to 10-15 maximum.
 - ⇒ Limit relationships to individuals, not accounts.
 - ⇒ Take responsibility for ensuring confidentiality.

Non-simship localized languages

- Non-simship languages are generally for smaller subs without the resources to manage an external technical beta program. These subsidiaries should focus their efforts on an intensive internal test of the combined localization beta/marketing beta.

Marketing beta plans

- Field will have unlimited right to distribute marketing betas to customers and the field will budget and pay for these. NDAs will be required. Sandie Miller in MS US's Product Communications group is the key contact for setting up marketing beta plans.
- All subs can access US marketing betas. English marketing beta kits should be provided by the product group upon request, including documentation and master disks. Subsidiary to duplicate and distribute.

Estimated beta dates (US)

[THESE DATES NEED TO BE UPDATED TO REFLECT LATEST TECHNICAL INFORMATION]

Product	Tech 1	Tech 2	Marketing	RTM
Word	5/1	6/1	7/1	7/28
Excel	6/15	7/15	8/15	9/27
Project	none	7/20	9/20	10/27
Access	??	7/15	9/1	10/6
PowerPoint	??	9/15	10/20	11/24

Localized betas should lag the US beta by roughly the time between US RTM and localized RTM. For example, for Word betas, the lag is 2-3 weeks for simship language technical betas. For non-simship languages, the single localization/marketing beta should be roughly 4-6 weeks before RTM. Dates shown above are subject to change.

Issues

- Key objective of field training plan is to ensure that reps and SEs receive training at or before the time their customers receive marketing beta.

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- Each product group needs to make decisions about international technical beta plans based on their situation and testing needs. Technical betas have NO marketing goals so the decision to do international technical betas should be driven by testing requirements.
- See the Word 6.0 beta plan for detailed example of how international issues were worked out sub-by-sub for Word.

Owner: Matt Mizerak

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