

PLAINTIFF'S
EXHIBIT

147

Comes v. Microsoft

3 in line

X 586560
CONFIDENTIAL

Bin Jones

X 586561
CONFIDENTIAL

File

Microsoft Interoffice Memo

To: Applications Product Marketing, Susan Boeschen, Jeremy Butler,
Sarah Charf, Ida Cole, Ron Davis, Richard Fade, Bob Gaskins, Bill
Gates, Gary Gigot/O&M, Charlotte Guyman, Pete Higgins, Valerie
Houtchens, Mark Kroese, Mike Maples, Mike Negrin, Scott Oki, Jeff
Raikes, Jon Shirley, Connie Snyder/Waggener, Charles Stevens,
Marty Taucher, David Vaskevitch

From: Jeff Sanderson

Subject: Windows Line FY '90 Marketing Plan

Date: September 14, 1989

Cc: Rich Abel, Celeste Boyer, Ruthann Lorentzen, Matt Mizerak

Attached please find our Windows Line FY '90 Marketing Plan. It was written by myself with lots of help from Ruthann Lorentzen, Matt Mizerak, and our summer intern, Tim Zuckert.

Your feedback is certainly appreciated. An insights into competitive activities and plans, as well as ideas for programs and positioning. When the positioning statement included here was presented at the PC Line meeting, there was good discussion on its plusses and minuses—a discussion that continues. I do anticipate the positioning statement to go through some revision over the next few months prior to the creation of Win Line collateral materials.

X 586562
CONFIDENTIAL

File

Microsoft Interoffice Memo

To: Applications Product Marketing, Susan Boeschen, Jeremy Butler, Sarah Charf, Ida Cole, Ron Davis, Richard Fade, Bob Gaskins, Bill Gates, Gary Gigot/O&M, Charlotte Guyman, Pete Higgins, Valerie Houtchens, Mark Kroese, Mike Maples, Mike Negrin, Scott Oki, Jeff Raikes, Jon Shirley, Connie Snyder/Waggener, Charles Stevens, Marty Taucher, David Vaskevitch

From: Jeff Sanderson

Subject: Windows Line FY '90 Marketing Plan

Date: September 14, 1989

Cc: Rich Abel, Celeste Boyer, Ruthann Lorentzen, Matt Mizerak

Attached please find our Windows Line FY '90 Marketing Plan. It was written by myself with lots of help from Ruthann Lorentzen, Matt Mizerak, and our summer intern, Tim Zuckert.

Your feedback is certainly appreciated. An insights into competitive activities and plans, as well as ideas for programs and positioning. When the positioning statement included here was presented at the PC Line meeting, there was good discussion on its plusses and minuses--a discussion that continues. I do anticipate the positioning statement to go through some revision over the next few months prior to the creation of Win Line collateral materials.

X 586562
CONFIDENTIAL

Windows Line FY '90 Marketing Plan

Overview

The growing acceptance of the Mac in corporations and belief in the ascendancy of Windows and Presentation Manager as the dominant operating environments on the Intel platform will lead (is leading) to a shift in the way many people think about buying applications. Graphical applications are receiving strong consideration and a preference for these applications over character-based is beginning to emerge. In addition, purchase criteria is slowly beginning to tip in the direction of architecture over application--the primacy of single application decision-making is moving toward recognition of the importance of a family of applications which integrate and share a common user interface.

During FY '90, Microsoft will be shipping major additional components of our family of Windows applications, and be hard at work on PM versions. The purpose of Windows line marketing is to help drive the transition from CUI -> GUI and generate awareness for Microsoft's line (family) of Windows applications.

Opportunity

Customers of personal computer software are becoming both more sophisticated at one level, and more demanding of ease of use at another, to allow more people access to computers (the 80% who aren't early adopters). From an enterprise-wide perspective, customers are looking for:

- o An open architecture. They don't want to get locked into anyone's proprietary solution.
- o A solution that will last for a long time. The costs of switching are initially considered high for a corporation (software, file conversion, retraining) and any switch that they make must come with the assurance that their solution won't be outdated in a few years.
- o It must come from a company they trust, that will be around for a long time, and who will support them.
- o Integration. As we broaden the customer's purchase criteria from solely single app concerns to include family and architectural issues, issues of cross-apps integration have become more important. The consumer's consciousness is being raised that there is no reason to have to rekey to get data from one application to another.

X 586563
CONFIDENTIAL

- o MIS/PC support seeks to lower their training and support costs.
- o They want applications that can be easily customized to meet specific corporate needs.

Microsoft is in the best position to meet these needs. We possess the unique combination of Applications products (particularly Win Line, Mac Line, PM Line), Operating Systems products, Network products, software development kits (SDKs), Corporate Account sales and support.

The purpose of Win Line marketing is to communicate these messages in an effective and efficient (leveraged) manner. Our window of opportunity is relatively narrow. Our opportunities as a family are:

- o Awareness and Consideration. Many users will not be aware of the existence of a number of our applications, nor aware that they make up a family with additional benefits from integrated usage. Our Windows line marketing should get the user of one of our Windows apps to *automatically* put another product in the line into the consideration set when looking at a new category.
- o Cross-selling. This is slightly stronger than the objective above. We should have Windows line marketing activities which get the owner of Excel, say, to take action and *buy* Word because it is the word processor designed to work with Excel, etc.
- o Architecture "lock". This is the obverse of the two points above. Not only do we want to ensure that our applications are considered, we want customers to *exclude* other applications from the consideration set. For example, we have a much better chance of winning an evaluation if the consideration set is defined as "Windows word processors" rather than "PC word processors".
- o Salesforce leverage. Both the Microsoft salesforce and our reseller salesforces are faced with a myriad of products with which to cope. By grouping them together intelligently and coming up with compelling, highly leveraged messages to encompass them, then we simplify their life and increase chances of success.
- o Build on existing GUI credibility and leadership. One of Microsoft's major assets is the unique strength (in all senses of the word) of our Macintosh family of products and its cross-category dominance.
- o Drive the transition to GUI.

X 586564
CONFIDENTIAL

Customers

There are a variety of customers for our Windows line message.

Users

There are a number of user types. In FY 1990, we will generally address the more sophisticated user as he/she typically has the hardware with the necessary horsepower to run our GUI apps.

1. **The single app user.** According to the AAU Study, 19% of all PC users work extensively with just one application. (By comparison only 9% of all Mac users work with one application exclusively). While this type of user will not be a major focus for our efforts (he/she is likely satisfied with the status quo and/or is not computer-driven), we will want to be synergistic with the messages of the individual products that GUI apps represent such a quantum leap (in ease of use and power) that they are worth switching to. In addition, we will position Windows and our GUI apps as "enabling technology" that will make it easy for these single app users to become multiple app users.
2. **The multiple app user.** The current multiple app user will benefit most from our messages about cross-app consistency and integration. There are two types of multiple app users:
 - a) **"Primary".** 39% of all PC users fall into this group. This person uses predominantly one application, such as a word processor or spreadsheet, 75% of the time. For example:

Position	Primary Application	Secondary Applications
Secretary	Word Processing	E-mail Calendar Spreadsheet
Analyst	Spreadsheet	Word Processing E-mail
Manager	Database	Spreadsheet Word Processing Mail
Product Manager	Word Processing	Graphics Presentations Spreadsheet

Often, this user works mostly in one app and will occasionally go into another. For example, a secretary might be a heavy user of word processing, and go into the spreadsheet only at the end of the month when it's time for the monthly report. Therefore, our "spin" on the cross-

app story for this group focuses on retraining: the commonality of the interface makes it easy to pick up an app that you haven't used for a while. The number of PC and Mac users in this group are pretty close, with 36% of all Mac users being primary app users, 39% of all PC users.

b) "Balanced". 42% of all PC users spend considerable time in several apps (for example, the product manager who uses both a word processor and spreadsheet extensively). Integration and consistency are the most important elements for this group which makes the WinLine "promise" very compelling for these users. More Mac users (55%) are balanced users than currently exist on the PC platform. We expect the WinLine to be a force of change in allowing more PC users to become balanced app users.

Information Center/PC Support

This group is responsible for training, support, setting standards and trying to establish a corporate computing strategy and direction (platform and architecture). The message of our Windows line to this group is that our family of Windows applications:

- o Reduces training burden
- o Reduces support burden
- o Comes from one strategic vendor for all your major horizontal applications
- o Provides an architecture to standardize around and build from.

Department/Workgroup Manager

This person is something of a hybrid of the characteristics of the User and PC Support. Like PC Support, the department manager probably doesn't use the software much and is therefore more interested in low training, support and strategic direction. Although each of the users in the department or workgroup might be single app users, taken as a whole they are undoubtedly using a variety of applications and the department manager would doubtless wish to have information integrated between applications and between users. The integration and consistency messages of the balanced multiple app user should work here as well. This group is concerned with increased productivity of their employees and quality output.

X 586566
CONFIDENTIAL

Positioning

Microsoft's family of Windows-based applications makes it easier to do more with personal computers.

- o New generation of products with advanced capabilities
 - Best of breed in their categories
 - Individual and workgroup features
 - High quality output
 - Customizable
- o Consistent Graphical User Interface
 - Easy to learn first application
 - . Basics are easier to master, more straightforward
 - . Advanced power is more accessible
 - Easy to learn subsequent applications
 - Easy to relearn after being away
- o Designed to work together
 - Cut and paste
 - Dynamic Data Exchange: linking
 - Conceptual similarities: outlining, tables, forms
 - Coexistence with standard formats
 - Open architecture
- o Designed specifically for the new hardware and systems platforms
 - 286/386/486 hardware
 - High resolution graphics: EGA, VGA and beyond
 - Windows, OS/2
 - Lan Manager, SQL Server

see
page
following
too



Competition

There are relatively few vendors with both the resources and the credibility to provide a broad-based challenge to our family of applications, particularly the fact that we will have the family on *both* the Windows and OS/2 platforms. Rather, the threat is that the character-based leaders will leverage their dominant position to success with their new products in the graphical world in each of their categories. Because of the inherent nature of the environments (Windows, PM), it will be possible for customers to mix and match products from different companies that will have a reasonable degree of consistency and integration.

X 586567
CONFIDENTIAL

IBM OfficeVision

IBM recently announced OfficeVision, the first round of public announcements concerning IBM's SAA Office strategy.

It is important to note that OfficeVision comprises two things: a set of products, *and* an architecture. The architecture is (a) something we can take advantage of, and (b) something which will cause acceptance of OfficeVision to be slow. Slow acceptance will be due to the system requirements (sits atop OS/2 1.1 EE and will require 6-8 Mb at the workstation) and IBM FUD.

At the same time, the architecture does allow for applications to be "snapped in" and become part of OfficeVision. OfficeVision provides support for office applications (calendar, etc) and connectivity (e-mail, etc.) and we have already demonstrated PM Excel taking advantage of these facilities.

The threat we face comes from getting locked out by IBM selling competitive applications like 1-2-3/G and DisplayWrite/2. Their plans at this point are unclear.

Lotus

Creating a 1-2-3-centric world. Other applications currently out (either developed—like Manuscript—or acquired—like Freelance) are not that well integrated together in interface (although Manuscript accepts both 1-2-3 data and Freelance graphics). Their primary family strategy has been 1-2-3 add-ons to address product deficiencies (Allways, Speedup, HAL).

Lotus appears to have a three-pronged strategy for future:

- o 1-2-3 on a wide variety of platforms
- o Workgroup-oriented, client/server applications like Lotus DBMS and Notes.
- o Integration facilities for third-parties through LEAF.

WordPerfect

In many ways, WordPerfect's family strategy seems very much like Lotus's, although being WordPerfect, their technical reach is not as grandiose. They have released a number of products to round out their offerings (PlanPerfect and DataPerfect) and have a graphics product rumored to be in development. These are character-based products, however, that don't sell that well and we haven't heard of plans for a Windows PlanPerfect or OS/2 PM DataPerfect.

X 586568
CONFIDENTIAL

WordPerfect has been vocal about plans for PM WordPerfect, which they plan to release in the first quarter of 1990. They will also add drop-down menus to PC WordPerfect 5.1 in the last quarter of this year. These menus will be identical to the Mac and PM versions.

Their strategy is three-pronged. Only the last point differs from Lotus:

- o WordPerfect on a wide variety of platforms.
- o Workgroup applications like WordPerfect Office.
- o "Family feeling" not through product, but warmth of WordPerfect as a company with their product support.

Ashton-Tate

If Lotus' family strategy is creating a 1-2-3 centric world, Ashton Tate's strategy is to create a dBase IV and SQL Server centric world.

Their family strategy is based on a long term vision of providing users a way of working in a friendly environment with a common interface across products and the database as the central repository of information. Their view of the integrated office is of standalone apps working together, sharing data transparently and having a cross-applications language. "Family" workstation products include dBase IV, dBaseIII plus, Multimate Advantage II, Framework and Chartmaster.

Their strategy is two pronged:

- o dBase IV as the heart of a highly integrated workstation environment
- o SQL Server allowing users to query mini/mainframe databases from the workstation without needing to know where information resides

Marketing Objectives

The following are the marketing objectives for the Windows line as well as some possible means of measuring success:

Objective	Measurement
Establish #1 market position in each GUI category	Sales data and estimates (Dataquest, Infocorp, etc.)
Position Microsoft as <u>the</u> standard in PC GUI Apps	Mentions in the press, Attitudes and Awareness research, product reviews
Increase cross-selling of Microsoft Apps	Benchmark and follow-up survey to existing users
Establish awareness of Microsoft family of Windows apps	Starch test for line ads?
Drive market awareness of (and transition to) GUI	Requests for CUI/GUI study (call for action from ad)

Budget

The PC Line Budget for FY '90 is \$2M, and is broken down as follows. The items in boldface are the Win Line-specific items:

Advertising	
Ad Media (spread)	720000
Ad Production	80000
Direct Mail (4,000 MIS @ \$3)	12000
Collateral	
Demo Kits (2,000 @ \$5)	20000
Salesforce Presentation Kit (200 @ \$10)	2000
Consumer Response (50,000 @ \$1)	50000
Autodemo Development	60000
Literature (Line brochure)	300000
Newsletter	400000
PR (Cover CUI/GUI study)	50000
Other planned	
Room at COMDEX	50000
Research	20000
Government	150000
Office Bundle Collateral	15000
Office Bundle Package	16000
Other unplanned	55000
Total	2000000

X 586570
CONFIDENTIAL

Marketing Programs

Of all the things we will be doing this year for the Windows line, the first two—advertising and the bundle—are by far the most important, in addition to the research described later on.

Win Line Advertising

Win Line advertising will likely commence sometime in Q1 '90, after the introductions of Word, Project, and PowerPoint. Our major objectives in the advertising will be:

- o Create awareness of the family of Microsoft Windows applications (both the individual applications and their existence as a family).
- o Educate the market on the benefits of our family of GUI applications and help drive the transition to GUI.
- o Promote the Office Bundle (see next section)

We plan to use our GUI/CUI White Paper as the call to action for these ads.

Office Bundle

In the first half on CY '90, we will bundle Excel, Word, and PowerPoint (along with Windows, version 3.0). While we don't necessarily expect to sell a major amount of the bundle, this will be a very important statement from us about the importance of having a family of applications.

We will likely also pursue a CD-ROM version of the Office Bundle. We can do some exciting things with this version of the bundle, adding Multimedia training modules as well as additional resources like fonts, clip art, and Windows Bookshelf.

Comdex

With a bit of luck, Word and Project will be shipping by Fall COMDEX. In addition to focus in Microsoft's (newly-ordained) apps-specific booth, we should consider ways of highlighting the Windows line of applications further.

We could do this in a grander scale with a private room on the second level of the exhibition area or hotel suite for more in-depth demonstrations, grand presentation, hands-on training, or private presentations of unannounced products to select audiences.

X 586571
CONFIDENTIAL

Consumer Materials

The GUI White Paper will synthesize the findings from the CUI/GUI study, along with research and case studies done internally to present an analysis of the advantages of the graphical user interface and its benefits, along with a discussion of migration issues. It will be used by our corporate sales forces in account situations, it will be sent to callers from the Win Line advertising, and potentially be used as a direct mail piece.

The PC Line catalog is fairly self explanatory. The catalog may be formulated as an in-pack piece. The catalog could also be a piece of dealer collateral as well as a consumer response piece.

Direct Mail

While the Influential End User remains the primary target of our individual product marketing efforts, the influential MIS managers chartered with determining his company's microcomputing strategy and direction is an important target for our architectural message. We will investigate finding a mailing list of people in this category and put together a mailing aimed at raising their awareness and knowledge of our strategy.

Demo Kits

We have set aside some money to help fund autodemo development. With a complete set of autodemos (including an overview loop), plus the collateral material described above, we would have a nice kit for use in direct mail, seminars, or corporate sales. Alternatively, if the appropriate products all have working models, we might put together an "Office-type" working model kit.

Salesforce Presentation Kit

We will put together a presentation kit for our salesforce (with the presentation also usable by the outbound salesforce of our resellers). The presentation will serve two purposes: 1) present Microsoft's family of Windows/PM applications and architectural strategy, and 2) use results of CUI/GUI study to discuss the benefits of transitioning to GUI.

Research

Our major research program has been the CUI/GUI study, currently being conducted by Temple, Barker and Sloane. The purpose of the research is to quantify the benefits of the graphical user interface in the areas of learning,

X 586572
CONFIDENTIAL

retention, training, and support for both novice and experienced users. The research is currently underway, with the final report expected by the end of the year.

We will also do a baseline and follow-up survey of PC Line target customers to test awareness and attitudes both pre- and post- line advertising and marketing. This will be similar to what the Mac group has done.

X 586573
CONFIDENTIAL