Windows Product Marketing, Quarterly Objectives Review, March 7, 1990

<u>Objective:</u> Meet windows business objectives (revenue and profitability)

<u>Result:</u>

Q2 FY 1990	USSMD Windows	Worldwide Windows
Net Revenue	$6,089 (122% of plan)	$17,970 (102% of plan)
Cost of Revenue	$1,591	$3,939
Cost of Revenue %	26.1% (plan was 43.6%)	21.9% (plan was 24.8%)
Burdened Op. Inc.	$1,512	$6,938
BOI %	24.8% (plan was 8.5% loss)	38.6% (plan was 29%)

H1 FY 1990	USSMD Windows	Worldwide Windows
Net Revenue	$10,331 (129% of plan)	$32,117 (105% of plan)
Cost of Revenue	$3,208	$7,308
Cost of Revenue %	31.1% (plan was 43.8%)	22.3% (plan was 24.6%)
Burdened Op. Inc.	$1,254	$11,589
BOI %	12.1% (plan was 23.3% loss)	35.3% (plan was 23.2%)

o   Strong USSMD business compensated for shortfall in US OEM Windows revenues
o   USSMD Cost of Revenue under plan due to shortfall in IBM ACIS, shift in mix to
         Win /386 and positive variances in "other COGS" (ie: purchase price variances, etc.)

<u>Objective:</u> Manage transition from 2.11 to 3.0 to maintain sales momentum and minimize transition costs.

<u>Result:</u>
o   Since Win 3 has not shipped this objective has not been met.
o   Anticipation of Win 3 is now starting to depress Win 2.1 sales.
o   We have made final builds of Win 2.11 product based on good channel inventory data
o   We have identified buyers for some returned Win 2.1 product.
o   We are exploring a mouse + Windows 2.1 bundle for Tiawan which could be used to
         consume obsolete Win 2.1 product and raw materials.

<u>Objective:</u> Complete all preparation for Win 3 rollout; prepare for high impact announcement; speed adoption of Win 3 with major customers.

<u>Result:</u>
o   Due to shift in dates and increased size of announce, not all preparation is complete.
         It is the major focus of Windows Marketing as well as PR and the Events group.
o   Basic collateral and advertising materials are 95+% complete.
o   Incremental items relating to breadth of distribution program and update/upgrade
         program are well underway.
o   Great product coupled with large "beta" test and widespread product awareness
         amongst customers has created a high level of anticipation for Win 3.0.

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<u>Objective;</u> Pre-release program: Get maximum number of clean Win apps shipping by announce.

<u>Result:</u>
- o 20 Significant applications are in a clean configuration now.
- o Greater than 80% of the apps which make up the Win installed base will be clean within 30 days of Windows 3.0 launch.
- o 40% of a recent sample of key application developers told us that they would offer a Win 3 compatible update to their users for free; 70% will be $25 or less.
- o Many developers are reluctant to release clean versions of their applications until they have tested with the final version of Windows 3.0.
- o Specific programs are underway to ensure that key Windows developers are able to release clean applications as soon as possible after we release Win 3 to Manufacturing.

<u>Objective:</u> Ensure a smooth rollout of Win 3 at the subs.

<u>Result:</u>
- o Little to date. Call for more information and specific plans made as recent International Marketing meeting by Russw.
- o Jonro focusing on this issue. Trying to work Tinapo and Alisonç on this.
- o Need better understanding of status of local versions of key applications. Johnfi pursing this.

<u>Objective:</u> Plan / develop marketing programs targeted at the retail channel; leverage USSMD programs and personnel; ensure that programs contain significant ISV content.

<u>Result:</u>
- o All of the various programs underway in the second half of calendar 1990 contain a significant Windows 3.0 focus: Main Event, Trimester 2, Trimester 3, ...
- o Windows distribution program funded as part of Push II will expand breadth of distribution as well as increase knowledge level of channel.
- o T-3 (in planning stages now) likely to include a purchase incentive which is extensible to ISV apps.
- o New Windows Shopping Catalog will have 2X the pages of prior version and all participants are Win 3 clean.

<u>Objective</u>: Help develop plan for incremental Win 3 marketing programs potentially funded by Board of Directors approved Push funds.

<u>Result</u>:

o   Done. Push I approved $2.25 million plus 3 heads. Push II approved $2,928 million.

Objective: Prepare Product Marketing input for planning / definition of next revision of Windows.

Result:

o   Not done. No time and no good data from market on Win 3. Win 3.1 and 4.0 plans to date have been pulled together by Program Management and Development.

Objectives: Next Quarter

1. Meet windows business objectives (revenue and profitability).

2. Successfully launch Windows 3.0:
   o High impact announcement that generates broad press coverage and customer excitement
   o Maximum number of clean applications at time of announce; clear communication of status of others.
   o USSMD programs ready for rollout.

3. Work with International to ensure smooth rollout of Win 3 at the subs.

4. Complete fiscal year planning process: department plans and fiscal year marketing plans and budgets.

5. Fill open headcount, review and adjust group organization if necessary.