

*Steve Gummer  
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**Microsoft Memo**

**TO:** List  
**FROM:** Mark Chestnut  
**DATE:** 7/24/90  
**SUBJECT:** MS-DOS Upgrade Marketing Plan

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## Introduction

MS-DOS is the most successful PC software product in the history of the industry, with over 48 million copies shipped by Microsoft's OEMs (including IBM) since 1981. OEM distribution has proven to be very successful and profitable, and consequently Microsoft has never had the need to sell MS-DOS through the retail channel. OEM distribution of MS-DOS upgrades, however, has been another matter. OEMs currently do a very poor job of upgrading their DOS installed base. Many offer no upgrade programs at all, and those that do offer upgrades do not market these programs aggressively (primarily because they perceive that DOS upgrades do not leverage additional hardware sales). Compaq, for example, one of the largest DOS shippers in the world and one which does a better job than most OEMs of supplying DOS upgrades, ships only about 1,000 DOS upgrade units per quarter. This represents less than 1% penetration of Compaq's installed base of DOS users.

Based on consistent market feedback, it has become clear that there is a significant, existing demand for a general purpose MS-DOS upgrade product. In addition to this existing demand, it is also expected that additional widespread demand could be generated for MS-DOS Version 5.0 because of the many significant new features it will offer.

The MS-DOS Upgrade is the official Microsoft upgrade to MS-DOS Version 5.0 for current users of MS-DOS versions 2.11 and greater. MS-DOS 5.0 is a breakthrough release of DOS, and introduces more significant new features than any previous DOS version. These include advanced memory management, a task switcher for multiple application support, several significant new utilities, and the Microsoft QuickBASIC Interpreter. MS-DOS 5.0's advanced memory management also has been tailored to strongly complement Windows 3.0, so a great opportunity exists for the MS-DOS Upgrade to leverage the success of Windows 3.0. Non-Windows users, however, also greatly benefit from the advanced memory management as well as the other major new features. For any user actively using a DOS-based PC today, MS-DOS 5.0 should be the obvious choice.

The MS-DOS Upgrade will be an upgrade product only - it will require that the user have an existing version of DOS, and will not be bootable out of the box. It is therefore not a replacement for the standard MS-DOS product provided by OEMs. The MS-DOS Upgrade will support all IBM PC and PC compatible hardware, including both hard disk and floppy disk systems.

The MS-DOS Upgrade will be distributed through resellers and sold as a "one size fits all" upgrade product. The MS-DOS Upgrade will be aggressively priced and will be supported directly by Microsoft.

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**MS-DOS Upgrade Marketing Plan**

**Revised 7/24/90**

**Mark Chestnut**

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## Marketing Objectives

The key objectives, and possible measures of success, for the MS-DOS Upgrade are as follows:

Objective	Measure
Establish a viable MS-DOS retail upgrade business	Achieve \$9 million in USSMD revenue in FY 91
Position Microsoft as the industry standard supplier of MS-DOS upgrades	Product reviews, trade press mentions, sales data and estimates from sources such as Dataquest, IDC, etc.

Although there is clearly existing demand, creating a viable DOS upgrade business will nevertheless be a challenge. Corporate and end user customers have traditionally been very apprehensive about upgrading. They need to be assured that the upgrade process itself will be relatively painless. They also need to be convinced that the MS-DOS Upgrade offers new features that are compelling enough to justify the time, trouble and expense associated with upgrading. Consequently, it is critical that we clearly communicate that the MS-DOS Upgrade is a safe, no risk upgrade for the user. A key component of this message is that this is the official MS-DOS upgrade product. As such, it offers the quality associated with the Microsoft name and Microsoft support, plus the legitimacy of being supplied by the company that is the "MS" in "MS-DOS".

## Market Opportunity

The worldwide opportunity is huge: close to 50 million current DOS users, of which an estimated 95% are using version 3.3 or earlier. In the U.S., over 25 million DOS users with a similar percentage using DOS 3.3 or earlier.

The estimated breakdown of the worldwide DOS installed base as of 7/1/90 is as follows<sup>1</sup>:

	Total Units	% of Total DOS Installed Base
DOS 1.0x	150,000	<1%
DOS 2.0x	3,000,000	6%
DOS 3.0 and 3.1	4,000,000	8%
DOS 3.2x	12,500,000	26%
DOS 3.3x	25,900,000	54%
DOS 4.0x	2,300,000	5%

The market opportunity is further enhanced by the slow rate of acceptance of MS-DOS 4.0. Because only 5% of the market uses MS-DOS 4.0, a substantial number of users today are using a version of MS-DOS that is at least 3 years old (DOS 3.3 was introduced in mid-1987). This means that the version of DOS used by the vast majority of the DOS installed base lacks support for key DOS 4.0-level features like large disk partitions and a graphical shell.

MS-DOS 5.0 is a quantum leap over all previous versions of MS-DOS. It provides several very significant new features that benefit virtually all types of users. For most DOS users, once they understand what MS-DOS 5.0 offers, they should see very clear and compelling reasons to upgrade.

<sup>1</sup> Based on International Data Corporation numbers and information supplied by Microsoft OEMs.

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## Positioning

The official MS-DOS 5.0 Upgrade gives you the foundation for getting the most out of your PC software and hardware.

### Key Support Points:

*Taps the power of today's software and hardware products*

1. Advanced memory management benefits all DOS applications - better performance, allows user to work with larger data files, more programs, etc.
2. Advanced memory management is tailored to specifically complement Windows 3.0. MS-DOS 5.0 is the best DOS to use with Windows 3.0
3. Memory management takes advantage of the advanced capabilities of 286 and 386 processors

*Increases your productivity*

1. New task switching capability facilitates working with multiple applications and boosts user productivity by allowing the user to easily switch from one task to another - no more waiting when exiting one application and then starting up another
2. New graphical shell makes it easy to manage files and directories - interacting with DOS is easy and intuitive for the user
3. Powerful new utilities (full screen editor, file search, command recall/edit, online help for DOS commands) provide useful tools for making routine tasks much simpler and easier
4. New undelete and unformat utilities provide assurance of data safety and security

*The smart choice*

1. It's the official upgrade, it's from Microsoft, the creator of MS-DOS
2. It's a great value and convenient to purchase
3. It's supported directly by Microsoft

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## Target Audience

### Power Users

Power users are the most important audience. They are already very knowledgeable about DOS, and are expected to quickly recognize the benefits of the MS-DOS Upgrade. As such, they are expected to be early adopters for the MS-DOS Upgrade. They are also important because they tend to be influential in the companies that they work for, and will provide recommendations that will influence purchase decisions made by others.

Creating awareness and purchase consideration is critical for this audience. Power users need to know that the product exists, they need to know where and how to get it, and they need to understand the key features and benefits.

### Corporate MIS/DP

There is a great opportunity here for large volume sales of the MS-DOS Upgrade. Corporate customers tend to have PCs from a number of different OEMs, and typically have multiple versions of DOS scattered throughout the corporation. This makes it difficult for corporate MIS/DP to support the company's users. It means that DP/MIS must look to multiple OEMs for DOS support, and that their ability to support users is made more difficult because they must support multiple versions of DOS. The MS-DOS Upgrade has a strong appeal to this audience, in that it provides a way for a corporation to standardize on a single version of DOS across all types of PCs within the company. The advanced memory management of MS-DOS 6.0 should also be very appealing, as lack of available 640K memory is a user problem that corporate MIS/DP typically deals with on an almost daily basis.

### Corporate Decision Makers

This audience consists mainly of senior managers of both large and small corporations. These managers have jurisdiction over PCs within their companies that often extend beyond the reach of corporate MIS/DP. Research suggests that this group tends to be highly influential, and is directly involved in their company's software purchases more than 80% of the time.<sup>3</sup> They view PCs as a tool for remaining competitive, and are generally interested in getting more productivity out of their employees who are using PCs.

This is also a very difficult audience to effectively reach. These individuals have varying degrees of knowledge of PCs. While most use PCs to at least a limited extent on the job, many have very little knowledge of PCs. It is likely that many senior managers will have little understanding of what DOS is, what improved memory efficiency means and how it relates to productivity, etc. They also generally do not read PC trade publications at all, although they do read general business publications.

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<sup>3</sup> Griggs Anderson Influential User Attitude, Awareness and Usage Study, March 1989, p. 31

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The following is a feature/benefit summary for each of the target audiences:

*Power Users*

<i>Feature</i>	<i>Benefit</i>
Advanced memory management	Increased productivity - user can work with larger programs and data files. Greatest benefit is to 386 users. Also provides significantly more memory to DOS applications under Windows 3.0, and likewise offers the greatest benefits on 386-based systems.
Enhanced MS-DOS utilities	Delivers lots of functionality and outstanding value to the power user. Includes a task switcher for multiple application support, powerful file/disk management tools (undelete, file transfer utility, file finder, safe format), command line edit/recall, full screen editor, and online help for all DOS commands. These are features normally found only in third party utilities packages that retail for \$79-\$150.
Quick BASIC Interpreter	Enhances programmer productivity and delivers considerable added value by providing a dynamic, modern programming environment with the MS-DOS Upgrade. Also provides a seamless upgrade path to higher end BASIC products.
Large disk partition support	More efficient use of large (40MB and larger) hard disks
Microsoft support	Faster resolution of DOS support issues

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Corporate MIS/DP

Feature	Benefit
Advanced memory management	Relief for "RAM cram", one of the most common user issues in large corporations. Also provides significant benefits for Windows 3.0, which many corporations are standardizing on.
Enhanced MS-DOS utilities	Utilities like undelete and safe format/unformat provide more data safety and security for the user, which reduces MIS/DP support needed for solving data recovery issues.
Single source of supply for DOS upgrades	More cost-effective way for company to purchase DOS upgrades - can leverage better volume discount by purchasing all DOS upgrades for all PCs from one supplier.
Standardization on single version of DOS	Reduced internal support costs. Less time spent on support issues related to specific DOS versions.
Microsoft support	More cost-effective external support - rather than dealing with multiple OEMs, corporations will have a quality, single source of support for DOS.

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Corporate Decision Makers

Feature	Benefit
Advanced memory management	Optimizes investment in existing hardware and software technology and enhances user productivity. More memory means users can work with larger programs and data files, and increases the performance of all applications. It also takes advantage of the special capabilities of 286 and 386 based systems that you've already invested in.
DOS Shell	Increases employee productivity by providing easier, more intuitive way to manage files/directories and do "system house-keeping" chores. Also reduces the learning curve for new users.
Enhanced MS-DOS utilities	Increases employee productivity by providing easy to use tools for managing files and directories, and working with multiple applications.
Microsoft support	Increases employee productivity by providing faster/better resolution of DOS-related questions and problems.

Pricing

The suggested retail price of the MS-DOS Upgrade is \$79. This provides a price point which will facilitate the purchase of the product as an impulse or add-on buy.

Distribution

The MS-DOS Upgrade is primarily, if not exclusively, a reseller product. Widespread reseller distribution is fundamental to the product concept itself. One of the primary reasons that DOS users are currently not upgrading through OEMs is that this is a very inefficient channel for upgrade distribution, and so there are no plans currently for the MS-DOS Upgrade to be distributed through OEMs (although OEMs are expected to offer MS-DOS 5.0 upgrades to their own customers, as they have in the past).

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## Marketing Programs

The current marketing budget for the MS-DOS Upgrade is \$1.2 million. That is a sufficient budget to support a "conservative" strategy that focuses on power users and corporate DP/MIS as key target audiences. And that strategy is probably sufficient for meeting the FY 91 forecast of 212,000 units. It is insufficient, however, to support a more aggressive strategy that attempts to effectively reach corporate decisions makers in addition to the other two target audiences. It is also not sufficient to promote other potentially desirable programs such as a direct mail campaign for Windows 3.0 users, broad spectrum advertising, trade advertising, or a more ambitious launch plan.

To fund the aggressive approach, additional funds of \$1.3 million or more would be needed. Since it is not at all clear that such additional funding can be found, this section will discuss marketing programs under both "conservative" and "aggressive" budget scenarios.

### Program Summary

Program	Budget ("conservative")	Budget ("aggressive")
Public Relations / Launch	\$ 180,000	\$ 180,000 (+)
Advertising	\$ 575,000	\$1,475,000
Direct Mail	\$ 200,000	\$ 500,000
Introductory Promotion	\$ 100,000	\$ 200,000
POS Materials	\$ 21,000	\$ 21,000
Sales Support Materials	\$ 50,000	\$ 50,000
Packaging	\$ 15,000	\$ 15,000
<b>TOTAL:</b>	<b>\$1,141,000</b>	<b>\$2,441,000 (+)</b>

### Public Relations / Launch

Based on the publicity that the MS-DOS 5.0 beta has already generated and our plans to continue to build pre-announcement momentum by expanding the beta program, it is expected that announcement of the MS-DOS Upgrade will be very newsworthy. The news is that DOS 5.0 is the most significant new release of MS-DOS in many years, and that MS for the first time is making MS-DOS upgrades easily available to all users.

*I think you ought to consider more spending but not on ads in business books!*

*I've read*

MS-DOS Upgrade Marketing Plan

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The major objective of public relations will be to capitalize on the news value of the product and generate highly visible press coverage that will help build end user awareness and purchase consideration. Major activities will include:

- 1) Seeding of DOS 5.0 beta copies and pre-announcement meetings with key editors
- 2) Press tour for long-lead publications in September
- 3) Press tour for weeklies at time of product announcement (October/November)
- 4) Announcement event (October or November)

Assuming the "conservative" scenario, the announcement would be a high profile event, but nothing on the order of the Windows 3.0 event. To maximize its impact, it should be a vehicle for announcing the introduction of both the MS-DOS Upgrade and MS-DOS Version 5.0 (OEM product). Depending on when the product is actually released to manufacturing, the announcement could occur in either October or November. If it turns out to be November, the announcement should take place at Fall Comdex. The timing of the announcement must be such that product is already in the channel at announcement. The announcement should include high visibility participation by IBM and other key OEMs who will announce their plans for shipping DOS 5.0.

Additional details on the launch are provided in the MS-DOS 5.0 Launch Plan published by the PR group.

#### Advertising

Assuming a conservative approach, advertising would be in PC trade publications only and would be primarily targeted at power users, secondarily at corporate MIS/DP. For these audiences, the objectives would be to:

- 1) create awareness
- 2) inform of the product's availability
- 3) communicate the benefits that the product offers

To achieve the above objectives, there should be a heavy burst of advertising in the trade press for the first 3 months of product availability, followed by sustaining ads through the remainder of the fiscal year. Heavy advertising up front should nicely complement the prominent press coverage that we expect to generate, and allow us to achieve significant awareness levels. The initial advertisements will announce the availability of the product, and will include a user call to action to "call for the name of the dealer near you".

A more aggressive approach would be to develop additional advertising targeted at the broader corporate decision maker audience. Ogilvy & Mather previously indicated that an additional \$800,000 would be needed to fund 3 months of coverage in general business publications.

Another possible element of the aggressive approach would be trade oriented advertising. This would be targeted at resellers through publications like Computer Reseller News. The purpose of the trade advertising would be to increase reseller awareness of the product and to complement the introductory promotion. \$100,000 would be needed to fund four weeks of heavy advertising in Computer Reseller News.

} In the

#### Direct Mail

Under the conservative approach, there would be a direct mail campaign targeted at 20,000 corporate MIS/DP managers. The direct mail piece would be a free evaluation copy of the MS-DOS Upgrade to the MIS/DP manager. MS telemarketing would later implement follow up calls to insure trial.

Assuming the aggressive approach, there could be an additional direct mail campaign targeted at Windows 3.0 users. This would be sent to approximately 400,000 registered owners of Windows 3.0, and could include an offer to purchase the MS-DOS Upgrade for a limited time at a special price - either through the reseller, or possibly directly through Microsoft.

} good idea

#### Introductory Promotion

The objectives of this program are to:

- 1) Maximize distributor and reseller awareness
- 2) Get broad reseller commitment to stock the product
- 3) Create reseller "push" and additional end user "pull" for the product

Although interest among our large distributors and franchisors for the product is very high, obtaining broad reseller distribution and channel enthusiasm will nevertheless be a challenge. Retail sales people are generally not that knowledgeable about system software (although this may be changing somewhat due to the tremendous success of Windows 3.0), and tend to expend little effort in selling a \$79 retail product. Another problem is that the product is expected to hit the channel in November, which is the peak time of year for the resellers, and we will be competing for reseller attention against a lot of other "noise", including Microsoft's trimester promotion. To counter this, it will be important to develop an introductory promotion that will incent a large number of resellers to stock the product. The promotion should have a strong end user incentive and create additional pull for the product, which should help generate reseller enthusiasm to stock it.

It will also be important to communicate to resellers that the product is easy to sell, that it should be sold to anyone who buys Windows 3.0, and that the reseller can generate significant incremental business by recommending this product as an add-on purchase to all customers. This will be necessary to create some degree of push at the reseller level.

Details on the introductory promotion will be provided in a forthcoming distribution plan.

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#### Sales Support Materials and POS Materials

These programs are focused on providing effective point of sale and dealer sales support materials to make it easy for resellers to effectively merchandise the product. These are addressed in detail in the Corporate Communications Plan.

#### Corporate Accounts Programs

Three major programs are planned for corporate accounts. First, the DOS 5.0 beta program currently includes about 70 large corporations, and will be expanded with the second beta release (scheduled for mid-August) to at least 200 additional corporate sites. Secondly, there will be a Corporate Preview Program (CPP) for the MS-DOS Upgrade. Approximately 100 corporations will be included, and each will receive a beta copy of the product for evaluation initially, and later a complementary copy of the final product once it ships. Thirdly, product marketing is planning a number of corporate account visits in September/October, focusing on those companies that appear to offer the highest opportunities for large volume sales (these companies will be identified based on results from the CPP and beta programs, and feedback from MS corporate account managers).

#### Field and Reseller Communications

This will be addressed in detail in a forthcoming field/reseller communications plan.

## Support

The MS-DOS Upgrade will be supported through Microsoft Product Support Services, but it will be supported differently than current MS retail products. A special 900 number has been established for general DOS users, and will be expanded to support the MS-DOS Upgrade. With 900 number support, the customer will be charged a fixed rate (\$2 per minute) for support. This will allow PSS to cover its costs in supporting the product, and will also eliminate the need to distinguish whether the caller is an MS-DOS Upgrade customer vs. a general DOS user (the 900 number allows us to support both).

While we might expect some adverse customer reaction to the 900 number (many customers are unaccustomed to paying for support), we believe that this should not become a major problem, for the following reasons:

- 1) MS-DOS is today supported by multiple OEMs, many of whom charge the customer for that support.
- 2) Users of this product are already familiar with DOS and should not require extensive support.
- 3) We have essentially unbundled support for the product to be able to deliver a great value to the user (rather than building support into the price of the product and penalizing those who don't need much support, we have opted for a low, \$79 SRP and a more equitable "pay as you go" support plan).

In positioning the 900 number support, we need to emphasize that the MS-DOS Upgrade is a very unique product, and requires a unique support mechanism. The 900 number is the most efficient means for MS to deliver maximum value to MS-DOS Upgrade customers in the total product/support package.

For corporate accounts, the MS-DOS Upgrade should create an outstanding opportunity to sell additional OnLine Plus accounts. Corporations will not want their end users calling the 900 number, but rather will support these users internally through corporate MIS. OnLine Plus will provide a cost effective way for corporate MIS to receive quality, centralized support for MS-DOS for the first time, which will allow them to more efficiently support end users. This is far superior and less costly to corporate MIS than the haphazard MS-DOS support that they typically get today from the multiple OEMs that they deal with.

One issue that we do need to address is requiring users to pay for support for installation and setup issues. We can probably expect some fairly irate customers (and negative press) if we charge \$2 per minute for this type of basic support. This could potentially diffuse the product's momentum and be very damaging to its success. A possible solution here would be to offer free support only for installation and setup issues, and to direct users with all other types of support questions to the 900 number.

*I think 900# support is not enough.*

## Competition

One direct competitor for DOS upgrades is IBM. IBM today offers a PC DOS 4.01 upgrade product through retail distribution, priced at \$95 (compared to \$150 for the standard DOS 4.01 product). IBM has made no attempt to market this product aggressively, and essentially offers it as a convenience to its customer base. The IBM PC DOS 4.01 upgrade can be special ordered through many retail outlets but is rarely stocked by dealers. Presumably, IBM will offer a similar type of product for PC DOS 5.0. However, since the IBM product is higher priced, and not designed to support a wide range of OEM hardware it is not considered a serious competitor to the MS-DOS Upgrade.

A potentially more significant competitor is Digital Research, Inc. (DRI). DRI started shipping DR DOS 5.0 in July of this year. DR DOS 5.0 has many of the features that MS-DOS 5.0 offers, including similar advanced memory management and several attractive utilities. However, it lacks many of the features that MS-DOS 5.0 offers, such as the task switcher and some of the more interesting utilities like undelete. Also, it has compatibility problems with Windows 3.0, suffers from very low awareness, and is considered very "non-standard". DRI has no retail distribution for this product in the U.S., but does offer a packaged product version through directly through an 800 number - at a whopping \$199 price (\$120 more than the MS-DOS Upgrade).

In addition to price, the MS-DOS upgrade offers a number of advantages over DR DOS. First and foremost, MS-DOS is the clearly accepted industry standard, while DR DOS has very little awareness (and those who have any awareness of it perceive it as being non-standard and therefore risky). Secondly, DR DOS is not fully MS-DOS compatible. Thirdly, DRI has long had a very bad reputation for customer support, so it is very doubtful that they could deliver support that would be competitive with that offered by MS.

In dealing with the DR DOS threat, it is important that we effectively differentiate our product from DRI's. A key element of this will be to successfully communicate the "officialness" of the MS-DOS Upgrade. We must clearly distinguish our product as the one true, universally accepted industry standard. The repeated emphasis on the official nature of our product in packaging, advertising, collateral, etc. should accomplish this. Our ability to offer "the real thing" at a great price to customers should minimize the potential appeal to distributors/resellers and end users of a retail DOS clone.

## Timing and Availability

First Beta Release	6/13/90
Second Beta Release	8/15/90
Final Release to Manufacturing	9/30/90
Ship Date to Distributors and Directs	10/21/90

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