

Microsoft Memorandum

To: List
 From: Deborah McFarlane
 Date: 5/7/91
 Re: 3/7/91 and 4/26/91 AMC Minutes

Distribution List

Darrell Boyle - Graphics Business Unit	Susan Boeschen - 6/2
Randy Kahle - 10S/1	Bob Gaskins - Graphics Business Unit
Lewis Levin - 10S/2	Pete Higgins - 10N/2
Jonathan Reingold - 5/2	Jeff Raikes - 5/2
Vijay Vashee - 10N/2	Mike Mupler - 10N/2
Hank Vigil - 10N/2	Charles Stevens - 10S/1
Tom Buttons - 10S/1	

Lisa Brummel - 10/2	Brad Chase - 3/2
Connie Clark - Graphics Business Unit	Dwayne Walker - 1/1
Mike Conte - 10N/2	Stephanie Libresco - 10/2
Jim Dunnigan - 10N/2	
Mary Engstrom - 10N/2	David Pritchard - 10N/2
Melinda French - 6/2	
Blas Garcia-Moros - 5/2	
Cathy Harris - Graphics Business Unit	
Laura Jennings - 6/2	
Mike Johnson - 10/1	
Cynthia Kraiger - 10S/2	
Leslie Koch - 5/2	
Ruthann Lorentzen - 5/2	
Don Miller - Graphics Business Unit	
Shirish Nadkarni - 5/1	
Kathleen Schoenfelder - 5/1	
Ron Souza - 5/2	
Rich Tong - 10N/2	
Liz Welch - 5/2	

6.3	14
7.4	6.5
6.7	7.7
1.8	

EXHIBIT

16

Vigil

10-62-91

Microsoft Memorandum

Applications Marketing Council Minutes - 10/31

1. Board Meeting/Status of Window Applications in the US:

Since Windows has shipped, Excel has grown by 80% and WinWord by 60% based on sell through domestic units. Microsoft is selling 55% of all applications for Windows or .3 applications per Windows sale compared to 1.7 applications per Mac sale. The Word character application growth has slowed, but less than the rate that Win Word has grown. Significant competition is expected from Wordperfect and Lotus while Quattro pro has actually gained market share. We need to be aware of this and articulate our Win Apps features. (memo #1)

2. Windows Computing:

Windows computing, T3, will end in December. It has consisted of:

- Windows launch, • Win line introduction
- Two new application announcements • Win Computing introduction
- Working models • PST
- Road show • T3 in store for Win Apps.

New plans for the Win computing are:

- Extension of T3, called T1, Consisting of the continuation of the above promotions as well as, RSP outbound, Windows display station, demo stations, and a new addition of bundling Windows and Win Apps with hardware.
- New Win line ad, for individual product ads with a line ad added at the end. The ad would let people know we have the best spreadsheet and word processor, then sell the line idea. The current ad concept is: "The process of the work you do every day is easier."
- Winworld, an industry trade show paid for by the industry and sponsored by Microsoft. This has been subsequently approved and will occur as part of Spring Comdex in Atlanta.
- Windows Discovery Days, a mini tradeshow patterned after the Apple Business Expo. It would focus on small and medium-sized businesses, show in 30 cities, and cost \$3.6 million with 1.5 million provided by Microsoft and the balance by ISV's. It would involve the software/hardware ISV's, but it would probably be difficult to have them contribute the needed money.

3. Direct Marketing:

There are three parts to the Direct marketing program that will take place in January:

- Direct Marketing in EBU, this will consist of all their products, except Works. The price will be the standard SRP with a two week minimum delivery. There will be no price conflict across the channel.
- WinWord Test. This will be on a small scale, testing price sensitivity and the value of repeat mailings.
- Price structure focusing on Excel, and partially on Word which will be marketed directly for a lower price. The same price structure will apply to the customer as well as to the reseller, but the Product Manager will decide how many will go to the reseller.

There is a concern about the channel. At this time Microsoft does not have the capacity or bandwidth to be the channel if we went direct. We support the channel. If we started selling more direct we can put some of the smaller resellers out of business. That is not our intent. There is also concern about price wars when dealing with direct marketing,

4. OEM Pricing:

The new pricing will effect high end applications (Works is an exception and needs to be tracked by the Product Manager). Everyone must follow the price schedule. Any deviation from this must be approved by the VP. The price schedule has not been set yet, but it would be about 60-65% for finished goods. This may approach 80% during a Windows launch. All OEM pricing will be hard bundle only. This means that when a CPU is sold it is sold with the software. A customer can not ask how much less would the computer be without the software, because it will not be available without the software. Both resellers and OEMs can do hard bundles.

Applications Division - Mike Maples

Board Meeting

Status of Window
Applications in the US

October 26, 1990

Microsoft

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Summary

- We are experiencing growth in Window applications
Excel - 1.8, Win Word - 1.6
- We are a significant part of all Windows applications - 55%
- We are selling .3 applications per Windows sale
- Word character application growth has slowed, but not at
the rate that Win Word has grown
- Significant competition expected

WORDPERFECT	1Q91
LOTUS	2Q91

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Applications Division - Mike Maples

Data Caveats

Shipment data - easily distorted in short term
Sell through data

Depends on Reseller reporting accuracy

Covers 4 of 14 channels that represent 75 - 85% of the
total US business

Not all direct resellers report every month

Windows data

OEM channel volumes

Run times prior to Win 3

Upgrades - double counting, big number

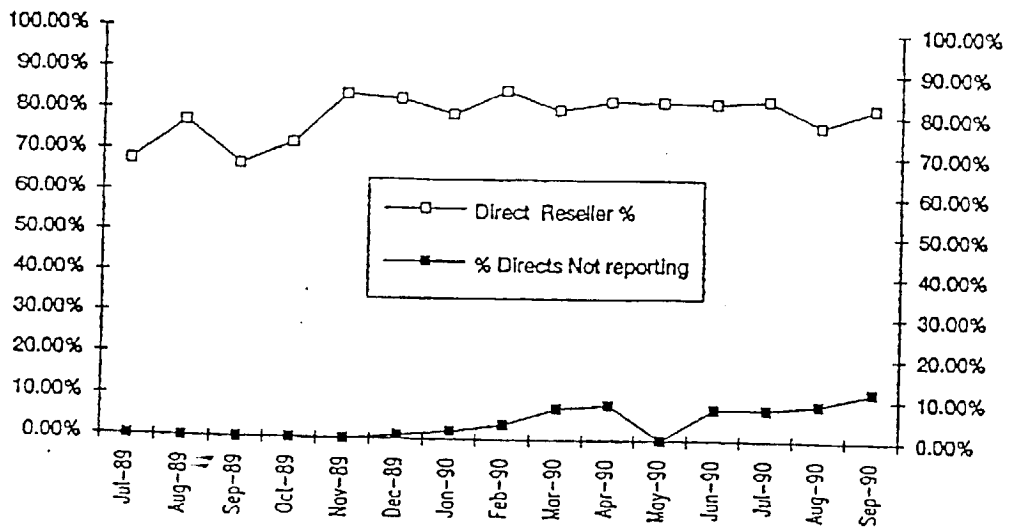
ACIS data - a special situation

Win Word update - 8/90

Excel update - 8/90

Microsoft

Sell Thru Data



Windows Application Growth - Sell Thru

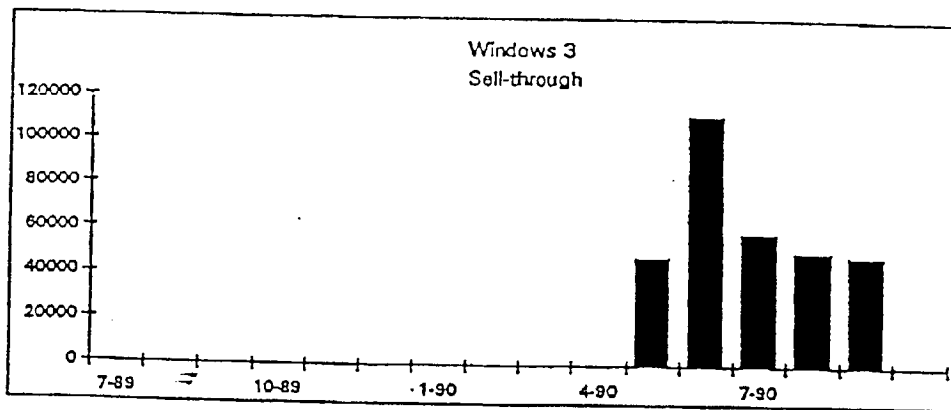
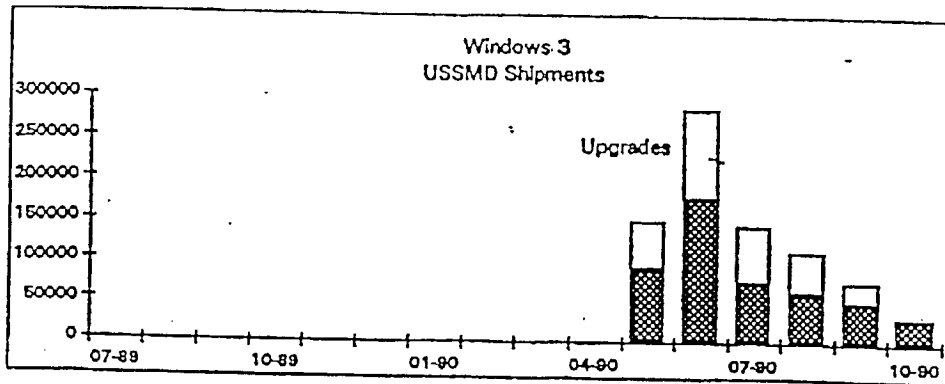
Excel	Average	
June - Sept 90	13805	
June - Sept 89	8143	1.7
June 89 - May 90	7841	1.8
Feb - May 90	7432	1.9

Word

June - Sept 90	12447	
Jan - May 90	7803	1.6

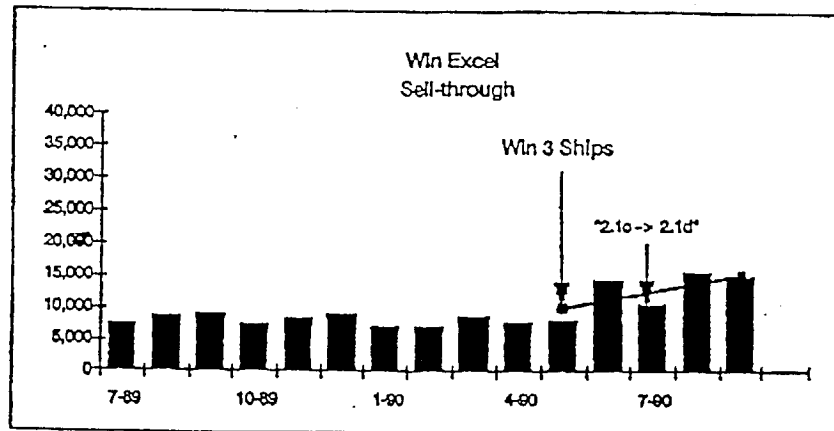
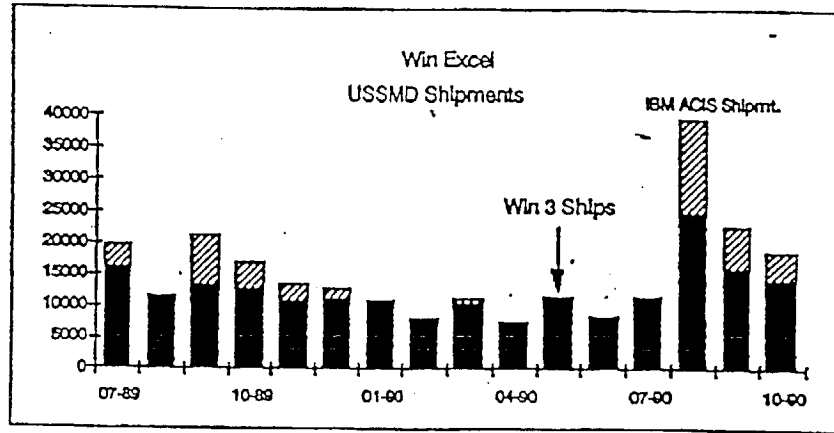
Microsoft

Windows



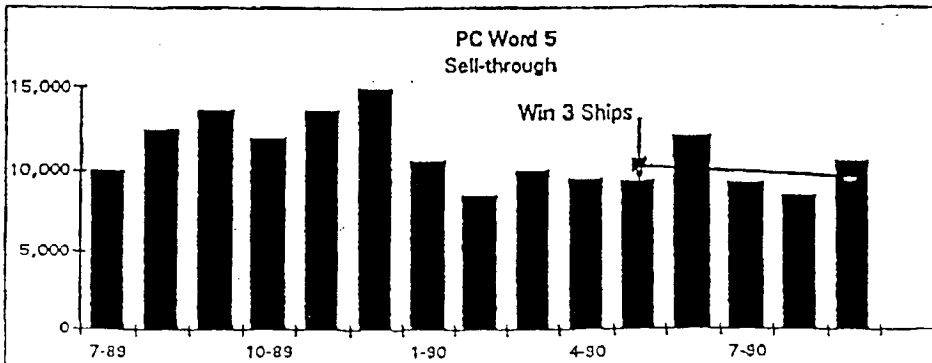
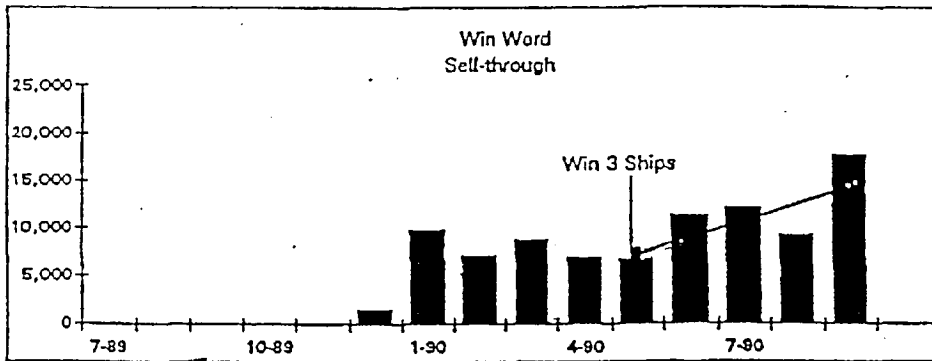
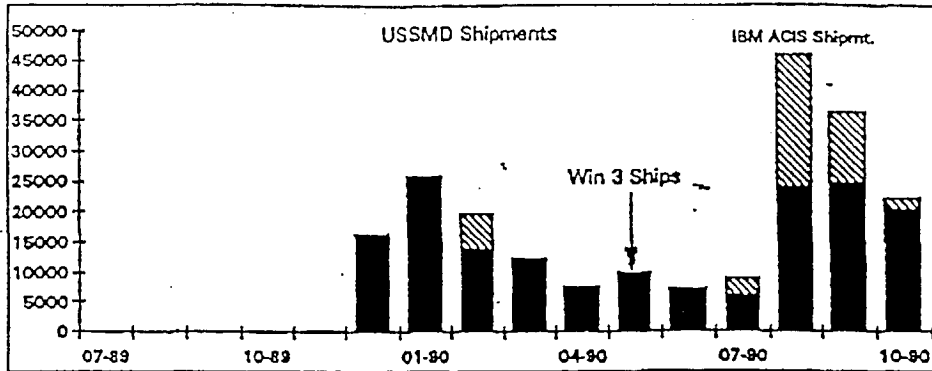
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Excel



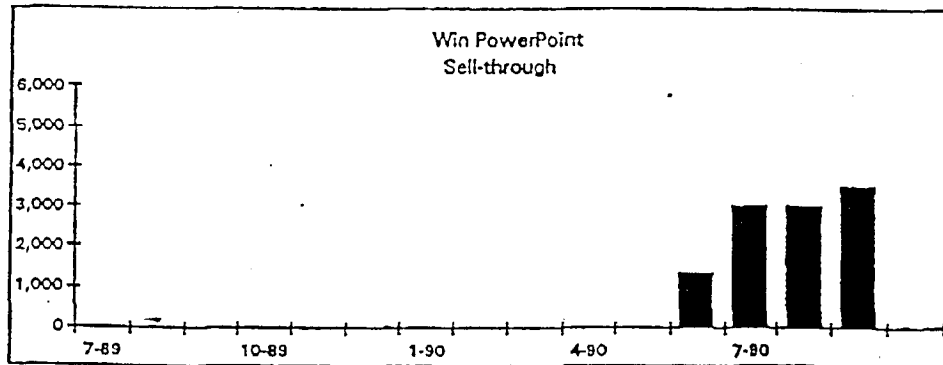
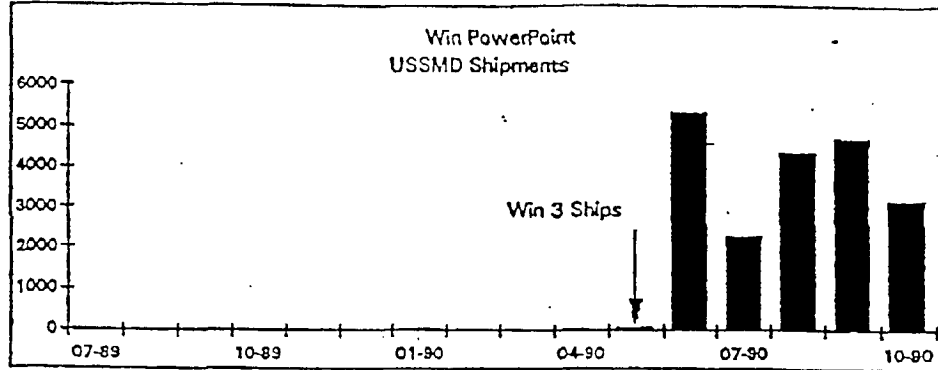
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Word for Windows



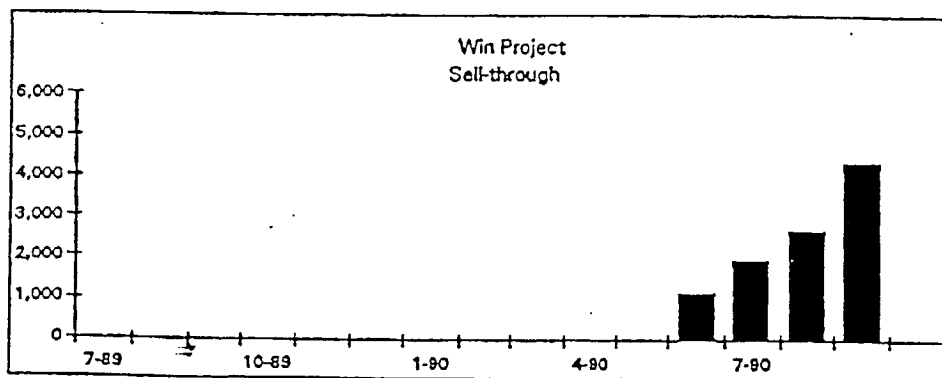
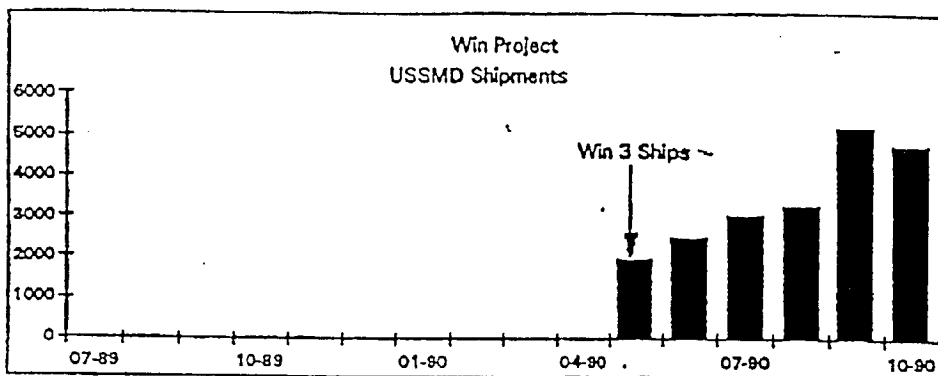
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PowerPoint for Windows



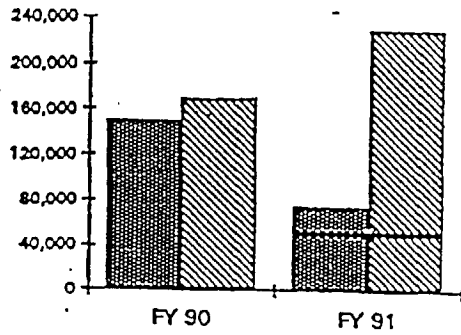
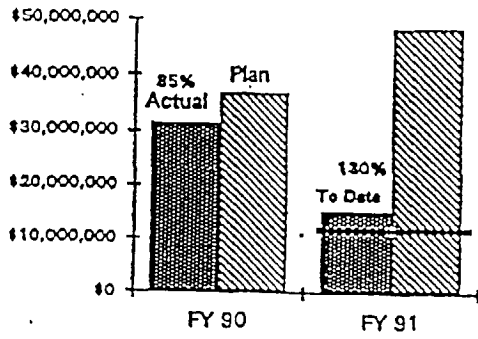
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Windows Project

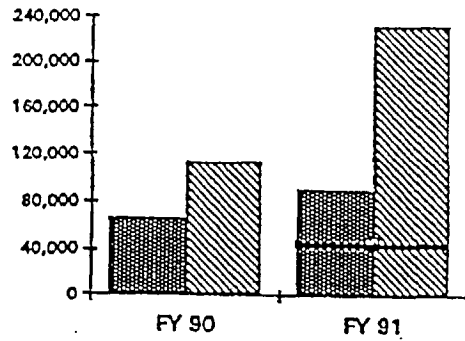
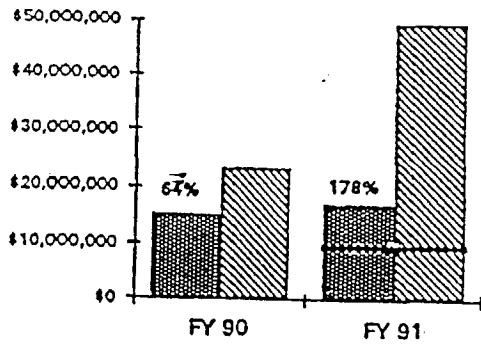


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Excel--USSMD



Win Word -- USSMD



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DOS Windows Spreadsheet Analysis
 Domestic Market Share (US and Canada)

Units	Q1, CY89	Q2, CY89	Q3, CY89	Q4, CY89	Q1, CY90	Q2, CY90	Q3, CY90
Units	212,100	217,000	220,500	206,500	241,500	236,900	245,000
Market Share	27.4%	27.7%	27.7%	26.7%	31.3%	30.4%	31.3%
Microtech Blvd (1)	34,000	42,000	57,200	49,311	31,113	34,410	32,568
Microtech Blvd (2)	14,000	14,000	14,000	14,000	14,000	14,000	14,000
Boisland Quatro Pro (6,7)	18,000	14,000	23,716	64,171	132,224	120,000	160,137
Total of the big 3*	256,100	274,017	303,444	324,182	411,837	411,310	411,568

Revenue (Q)	Q1, CY89	Q2, CY89	Q3, CY89	Q4, CY89	Q1, CY90	Q2, CY90	Q3, CY90
Revenue	\$4,377,000	\$5,161,000	\$6,791,000	\$6,124,000	\$7,567,000	\$6,316,000	\$6,316,000
Microtech Blvd (1)	\$781,598	\$750,695	\$9,510,589	\$10,123,226	\$7,407,202	\$7,694,444	\$7,694,444
Boisland Quatro Pro (6,7)	\$1,300,000	\$1,300,000	\$1,300,000	\$5,650,000	\$4,123,000	\$9,600,000	\$9,600,000
Total of the big 3*	\$4,458,598	\$6,111,695	\$11,601,589	\$15,773,226	\$11,530,202	\$17,294,444	\$17,294,444

Rev - Upgrade Rev	Q1, CY89	Q2, CY89	Q3, CY89	Q4, CY89	Q1, CY90	Q2, CY90	Q3, CY90
Revenue	\$47,377,000	\$51,212,000	\$54,811,000	\$51,644,000	\$63,130,000	\$61,130,000	\$61,130,000
Boisland Quatro Pro (6,7)	\$1,300,000	\$1,300,000	\$1,300,000	\$3,650,000	\$4,123,000	\$9,600,000	\$9,600,000

Rev/Unit	Q1, CY89	Q2, CY89	Q3, CY89	Q4, CY89	Q1, CY90	Q2, CY90	Q3, CY90
Rev/Unit	\$223	\$236	\$249	\$250	\$261	\$246	\$246
Boisland Quatro Pro (6,7)	\$130	\$87	\$31	\$56	\$61	\$80	\$80

1) Since 59% of revenue came from US, assume that app. 70% of unit sales were US (unit revenue are greater than US). Since WW units sold in Canada, we estimate for Domestic units sold based on this assumption. (US Units = 70 * WW Units)
 2) Estimation based on fact that 59% of total revenue came from US in CY 1989 (Locus Annual Report, 1989)
 3) These numbers include upgrade revenue
 4) Microtech numbers reported to SPA
 5) Estimation based on fact that app. 65% of Boisland WW revenue came from US sales in CY 1989 (Boisland Quarterly Report, Dec. 1989)
 6) Based on unit market share figures released by Boisland (Press Release, 4/8/90)
 7) Quatro was shipping until the release of Quatro Pro in Nov. 89
 8) My estimate (in enclosed sheet)

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Word Processing Market Share Analysis

Domestic Market Share US & Canada

	Qtr 1 CY89		Qtr 2 CY89		Qtr 3 CY89		Qtr 4 CY89		CY 89	
	\$M	Mkt Share	\$M	Mkt Share	\$M	Mkt Share	\$M	Mkt Share	\$M	Mkt Share
Revenues	\$32,742	7.20%	\$47,660	18.40%	\$48,392	14.53%	\$59,701	12.27%	\$188,495	6.03%
WordPerfect (1)	\$4,600	7.20%	\$14,460	18.40%	\$11,100	14.53%	\$11,500	12.27%	\$41,660	13.33%
PC Word	\$4,600	7.20%	\$14,460	18.40%	\$11,100	14.53%	\$11,500	12.27%	\$41,660	13.33%
WinWord	\$26,538	41.56%	\$16,480	20.97%	\$16,908	22.13%	\$22,499	24.01%	\$82,445	26.37%
Word Total	\$4,600	7.20%	\$14,460	18.40%	\$11,100	14.53%	\$11,500	12.27%	\$41,660	13.33%
Other	\$26,538	41.56%	\$16,480	20.97%	\$16,908	22.13%	\$22,499	24.01%	\$82,445	26.37%
Total Word Processing (2)	\$63,900		\$78,600		\$76,400		\$93,700		\$312,600	

	Qtr 1 CY90		Qtr 2 CY90		Qtr 3 CY90		Qtr 4 CY90		CY 90 YTD	
	\$M	Mkt Share	\$M	Mkt Share	\$M	Mkt Share	\$M	Mkt Share	\$M	Mkt Share
Revenues	\$67,704	7.45%	\$66,331	6.69%	\$71,573	5.42%	\$71,573	5.42%	\$205,608	6.54%
WordPerfect (1)	\$8,500	7.45%	\$6,600	6.69%	\$5,749	5.42%	\$5,749	5.42%	\$20,849	6.54%
PC Word	\$11,800	10.34%	\$7,268	7.36%	\$18,911	17.84%	\$18,911	17.84%	\$37,979	11.91%
WinWord	\$20,300	17.29%	\$13,868	14.05%	\$24,660	21.82%	\$24,660	21.82%	\$58,828	18.57%
Word Total	\$20,300	17.29%	\$13,868	14.05%	\$24,660	21.82%	\$24,660	21.82%	\$58,828	18.57%
Other	\$26,096	22.87%	\$18,501	18.74%	\$9,767	9.21%	\$9,767	9.21%	\$54,364	17.03%
Total Word Processing (2)	\$114,100		\$98,700		\$106,000		\$106,000		\$318,800	

Assumptions

- 1) Based on WordPerfect's reported revenues
- 2) SPA data
- 3) Qtr 3 estimated

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	FY88	FY89	FY90	YTD FY91 Post Win3
Penetration Calculations				
Base: Win 2,3 US: OEM, upg, runtime				
Cum. Penetration US inc. Office	7.2%	8.2%	12.1%	15.7%
Win Word			3.4%	5.1%
Win Excel	7.2%	8.2%	8.4%	9.4%
Win PowerPoint			0.1%	0.6%
Win Project			0.1%	0.5%
SPA Win Apps US	Using only data available		16.9%	19.7%
Microsoft share of Win apps	from SPA: 1-89 to 8-90.		55.8%	53.2%
Base: Win 2,3 runtime, upg				
Cum. Penetration US inc. Office	36.4%	36.2%	38.9%	42.6%
Win Word			10.9%	13.7%
Win Excel	36.4%	36.2%	27.2%	25.3%
Win PowerPoint			0.4%	1.3%
Win Project			0.4%	1.5%
SPA Win Apps US			54.4%	53.5%
Microsoft Share of Win apps	MS cumulative through 8-90 / SPA			81.3%
Run rate penetration				
Win Word			19.7%	24.1%
Win Excel	36.4%	36.1%	20.0%	20.0%
Win PowerPoint			0.8%	5.5%
Win Project			0.7%	5.1%
Total Apps licenses	36.4%	36.1%	41.1%	54.7%
SPA Win Apps US			74.6%	n/a
Microsoft Share of Win apps			55.1%	55.4%
Base: Win 2,3 US runtimes				
Cum. Penetration US inc. Office	36.4%	36.2%	45.3%	53.4%
Win Word			12.7%	17.2%
Win Excel	36.4%	36.2%	31.7%	31.7%
Win PowerPoint			0.5%	1.7%
Win Project			0.4%	1.8%
SPA Win Apps US			63.2%	67.1%
Run rate penetration				
Win Word			26.3%	41.0%
Win Excel	36.4%	36.1%	26.8%	33.9%
Win PowerPoint			1.9%	16.3%
Win Project			0.9%	8.7%
Total Apps licenses	36.4%	36.1%	55.1%	93.0%
SPA Win Apps US			99.9%	n/a

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	FY88	FY89	FY90	YTD FY91	Post Win3
Base: Win 3: upg					
Cum. Penetration US inc. Office			104.9%	82.4%	
Win Word			29.3%	26.5%	
Win Excel			73.4%	49.0%	
Win PowerPoint			1.2%	2.6%	
Win Project			1.0%	2.8%	
SPA Win Apps US			146.5%	103.5%	
Run rate penetration					
Win Word			29.3%	24.1%	13.6%
Win Excel	n/a	n/a	29.9%	20.0%	11.7%
Win PowerPoint			1.2%	5.5%	3.2%
Win Project			1.0%	5.1%	2.9%
Total Apps licenses			61.4%	54.7%	31.2%
SPA Win Apps US			111.3%	n/a	36.0%

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Word Perfect - Window Word Processor

■ **Schedule** 1Q91

■ **Advantages**

WordPerfect 5.1 keystroke, file compatibility

Nice graphics

Enhanced file manager

Excellent printer support

■ **Disadvantages**

Cluttered, keystroke intensive, interface

12 top level menus, lots of sub menus

Limited customization - no document templates, no macro language

Microsoft

Lotus 1-2-3 for Windows

■ **Schedule** 1Q91

■ **Advantages**

1-2-3/ G interface and features
Keystroke/macro compatibility
3D

■ **Disadvantages**

Large
Limited presentation capabilities
No Mac version
First Windows app

Microsoft

4
Borland Quattro for Windows

■ **Schedule** 2Q91

■ **Advantages**

Quattro 2.0 - good solid product
Market momentum
Presentation features

■ **Disadvantages**

No Mac version
First Windows app

4) Software products used:

Word Processing	Win 3.0		Pre-Win 3.0	
	Yes	No	Yes	No
Word for Windows	36	34%	82	41%
Aml or Aml Pro	5	5%	14	7%
DisplayWrite	7	7%	16	8%
Word	18	15%	26	13%
WordPerfect	53	50%	79	40%
WordStar	1	1%	9	5%
Multimate	13	12%	15	8%
Professional Write	15	14%	10	5%
Other	14	13%	27	14%
	100	94%	192	86%
	8	6%	8	4%

Corporate User Survey

4) Software products used:

Word Processing	Win 3.0		Pre-Win 3.0	
	Yes	No	Yes	No
Word for Windows	39	20%	72	36%
Aml or Aml Pro	6	3%	8	4%
DisplayWrite	4	2%	3	2%
Word	26	13%	21	11%
WordPerfect	82	41%	78	38%
WordStar	13	7%	14	7%
PFS First Choice	2	1%	3	2%
Works	5	3%	3	2%
Professional Write	6	3%	1	1%
Q&A Write	2	1%	3	2%
Write	3	2%	3	2%
Other	28	14%	15	8%
Don't know	3	2%	2	1%
	187	84%	176	89%
	13	7%	22	11%

Registered User Base User Survey