Intl Win/Dos Plan

To: Rich Abel, Brad Chase, Brad Silverberg

From: Adam Taylor

Cc: Win/Dos Marketing

Re: Systems BU's International Windows & Dos Activities Plan

OVERVIEW:

Microsoft has become a true global corporation, with wholly owned and fully autonomous subsidiaries in 20 countries, smaller "junior" subs in 2 growing areas (Portugal & New Zealand), supplemented by sales offices in 12 countries with subsidiaries and 2 more countries without. Our expansion efforts have included developing relationships with 76 distributors to the four corners of the globe, including such far away markets as Egypt, Zimbabwe, Sierra Leone, and even Micronesia. Microsoft has also become the definitive "global competitor" by entering markets first, maintaining a high quality of localized product, and aggressively pursuing opportunity. Europe has developed into a huge profit center, with five of the top seven Windows revenue producing subsidiaries.
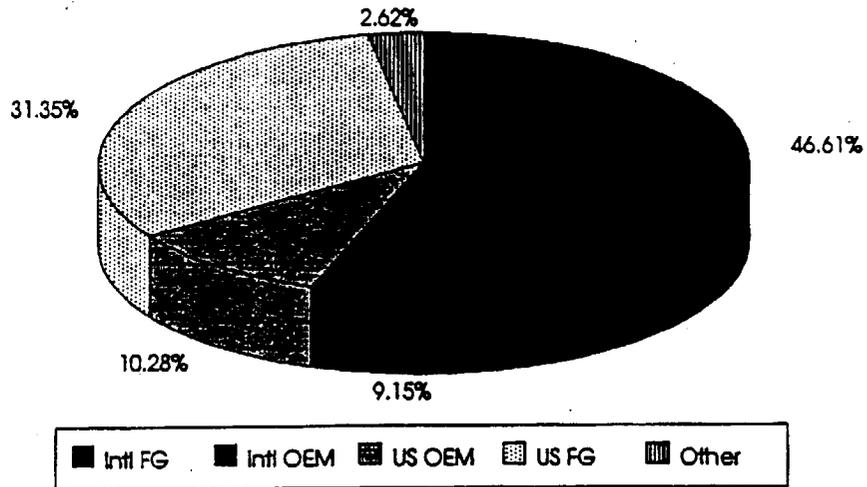
Top Revenue Producing Subs		% of Intl FY91 Retail Windows Revenue*
• MS-GmbH	Germany, USSR, Eastern Europe	23%
• MS-Sarl	France	20%
• MS-AB	Sweden, Denmark, Iceland, Finland, Norway	11%
• MS-Ltd	UK, Greece	11%
• MS-Inc	Canada	8%
• MS-Pty	Australia, New Zealand	6%
• MS-Spa	Italy	_5%_
		84%

Overall, the International portion of Microsoft business has steadily increased from 32 percent in 1985 to approximately 57 percent as of FY91. Put in more tangible figures, Intl Finished Goods and Intl OEM revenue totalled nearly $1.1 billion for FY91, with US FG and US OEM totalling $861 million. The following chart clearly illustrates the growing International nature of Microsoft.

*Includes Retail Win 3.0, Mouse/Win Bundle, DOS/Win Bundle and Update SKUs: no OEM units; no SDK/DDK.

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Microsoft FY91Revenues by Channel

2.62%

31.35%

46.61%

10.28%

9.15%

| ■ Intl FG | ■ Intl OEM | ▦ US OEM | ▤ US FG | ▥ Other |

As a result of this Intl growth, Microsoft has made many changes along the way to better cope with fluctuations in global markets and especially with the changing need to better understand how to produce and market products in a global marketplace. For instance, to better coordinate and administer growth in Europe, we added a European Headquarters. Furthermore, to nurture "internationalism" at the Business Unit level and to help facilitate the communication between our worldwide sites as well as understand our new global structure, we have added "International Product Managers" to nearly every BU. It is the responsibility of the IPM to do a better job of understanding our global opportunities, leverage successes between markets, and work with program management to ensure our products are developed for the International marketplace from the ground up.

One major focus of the Systems BU IPM will be to create an independent opinion of Intl issues to better facilitate the implemetion of development and marketing for Systems products.

International Plan

During FY92, the following projects will be the focus of the System BU's International Windows & MS-Dos efforts.
- Intl Marketing (Champs)
  - Windows Technical Workshops
  - Tools (Resource & Eval Kits)
- Intl Product Development
- Foreign Market Analysis & Reporting
- Intl Consulting/Coordination
- Intl OEM Partners
- Intl Sales Reporting
- Subsidiary/Corporate Communication

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Intl Marketing

The success of Champs 1.0 in the US clearly demonstrates the need to provide a "higher level" of support and product information in the form of programs developed from Windows Technical Workshops, Windows Resource Kits, and Windows Discovery Days Fairs.

Each of our Intl markets is unique and will require individual adaptations of the solutions used so effectively in the US. In may be better, for instance , to combine the WTW and WDD into a single event in some areas, where the technical half of the audience attends the Workshop and the inexperienced half enjoys the booths at the Discovery Days Fair. Another possibility would be to create a new implementation of the WTW whereby a wider audience can be successfully addressed through the addition of product usage information.

Intl Champs will provide the basic components of the above programs to each subsidiary on an individual basis, working closely with the product manager in bringing the subsidiary up to speed on executing these programs effectively, while managing the use of US resources in achieving our objective.

• Execute Windows Technical Workshops in appropriate Intl markets by assembling and distributing WTW Kits, coordinating subsidiary representatives training and attendance of domestic WTW, and also driving the effective use of US domestic resources in bringing sub personnel up to speed.

• Execute Windows Discovery Days Fairs, as stated above.

• Drive Internationalization and/or localization of Windows Resource Kit and MS-Dos 5 Evaluation Kit as is appropriate.

Intl Product Development

We currently show a need to develop a mechanism in which we assimilate subsidiary feedback on future products, specifically Win 3.1, Win 4 and Dos 6, and regularly channel this feedback into program management. This would include both feedback generated by our OEM accounts as well as feedback from the retail channel (through our subsidiaries). The purpose is to maintain the Intl integrity of Windows and Dos products as the "intl voice" at corp by working closely with our new Systems BU Intl Program Manager, gerardz.

Foreign Market Analysis & Reporting

By continued investigation of specific markets and issues on a case by base basis, and publishing and/or presenting results for the benefit of the business unit, I will focus on communicating critical subsidiary marketing activities. Specifically, I will start with the publication of an "Intl Windows 3.0 Overview--Launch to FY91," continue with a "European Advertising/Coop Marketing Analysis", Japan's J-Dos vs. Dos-V Market Battle, Intl DRI Updates and any other requested reports. The objective is to supplement "sales data" with a better understanding of actual market dynamics in which to better formulate opinions on the Intl scenario within the Systems BU.

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Intl Consulting/Coordination

By working with subsidiaries and smaller sales offices in rolling out local MS-Dos 5 launches and appropriate Windows activities (i.e. providing key information from domestic marketing efforts, presenting at launch and other events) I will act as an Intl Consultant to these undeveloped regions.

Intl OEM Partners

For the first half of FY 91 OEMs shipments represented approximately 38% of total Windows 3.0 shipments, excluding updates, and were distributed by over 50 OEM partners. Windows FY 92 forecast is for OEMs to be 60% of our total business, or 3 million units world wide. But because few OEMs preinstall and some question the value of bundling, the domestic OEM Partners Plan has been created to target key accounts and focus on preinstallation, customized set-up, developing Windows Machines and to profile the entire Windows OEM business.

Intl OEM Partners will leverage the domestic plan, targeting appropriate accounts in the FE, European, and Mexican/SA markets. I will work closely with AlexN, RaghavK, and the OEM account teams in achieving the objectives stated in the domestic OEM Partners Plan.

Intl Sales Reporting

Through continued ownership of Intl Windows and Dos Spreadsheet publication, I will maintain corp's ability to understand at any given point in time, the exact unit sales and revenue status of our subsidiaries with respect to Windows and MS-Dos. Coupled with the following "market analysis" activity, I will strive to educate the BU by maintaining an effective "knowledge base" of our Intl markets.

Subsidiary/Corp Communication

Through continued ownership of Intl aliases, I will keep Intl markets fully informed as to corp's marketing strategies and activities, as well as bring Intl's success stories back to corp. This is the primary mechanism for communication between corporate and the subsidiaries. Used effectively with conference calls and occasional face to face meetings, Intl alias usage has proven to be a timely and effective means of communication.

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Six Month Objectives   **July 1, 1991**

1. **Intensify the BU's efforts at increasing Intl sales of Win & Dos**, measured by:
-driving the rollout of domestic's Windows Technical Workshops and Windows Discovery Days into appropriate Intl markets by:
    1. creating Intl WTW and Intl WDD "kits" which will be productized versions of domestic's most successful portion of the Windows Champs Program.
    2. bringing the subs up to speed on these programs by coordinating sub visits to domestic WTW and WDD events, utilizing US resources when possible (i.e. tycar flying to Canada to do WTW).
    3. driving subs to execute these events successfully.

2. **Drive Intl development of future versions of Windows & Dos**, measured by:
-working with gerardz to develop a mechanism in which subsidiary feedback on Win 3.1, Win 4 and Dos 6 is regularly channeled into program management.

3. **Continue investigation of specific markets/issues as per requests**, measured by:
-publishing Intl Windows 3.0 Overview: Launch to FY91.
-presenting European Windows Advertising/Coop Marketing to bradsi.
-investigating & reporting on Japan's Dos-V/J-Dos market battle.
-reporting to Dos Mktg team with Intl DRI updates.

4. **Act as an Intl Consultant/Resource/Troubleshooter**, measured by:
-working with our subsidiaries and smaller sales offices in rolling out localized MS-Dos 5 by providing key information from domestic marketing efforts, presenting at launch and other events (already requested by Latin America's, ICON's, AIME's Bus Dev Managers) and acting as an Intl Consultant to these undeveloped regions.
-ensuring Intl Marketing effectively communicates the 100% Upgrade program to intl markets.
-coordinating domestic's Win 3.1 beta and Win 3.1 launch with EHQ and major subsidiaries.
-driving a successful Windows Corporate rollout with tycar and the Australian sub for Telecom Aussie and documenting efforts to create an "Intl Rollout Handbook."
-troubleshooting when problems arise with respect to Intl Win/Dos issues.

5. **Continue publishing Intl Windows and Dos 5 spreadsheet**, measured by:
-monthly distribution of Intl spreadsheets, incorporating feedback to improve info.
-providing intl data for quarterly MS-Dos 5 report.

6. **Increase technical knowledge of both products**, measured by:
-thorough study of Windows Resource Kit & MS-Dos 5 Evaluation Kit.
-presenting at Dos Days & User Groups, running demos at Win Discovery Days and presenting first section of Windows Technical Workshops.

7. **Maintain two-way communication links with subsidiaries**, measured by:
-keeping subs fully informed by regular use of Intl aliases.
-keeping corp informed as to sub activities and programs.

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I. MS-DOS must continue as the all pervasive defacto industry DOS standard

Over the next year the MS-DOS marketing team is dedicated to the vision of "No PC should be without it".

II. All Customers

B. Continue MS-DOS 5 momentum and prevent DR DOS from gaining it
Create Pull and Push to get the installed base to Upgrade and ensure customers are demanding MS-DOS 5 from their OEMs.

1. Build customer trust and knowledge of the MS-DOS name
   - Reach broad audience with MS-DOS 5 message via enthusiast and business press
   - Use resellers and the marketing activities they generate
2. Establish MS-DOS 5 as the DOS standard
   - Careful review of press activities
   - Demonstrate industry support
3. Ensure unparalleled customer satisfaction
   - Innovative and responsive PSS
   - Transition team support for large corporate adoption
   - Build tools and materials to get customers the information they need
4. Aggressive marketing - pull and push
   - DosDay Technical seminars
   - User Groups
   - Ongoing PR
   - Promotions
   - Close partnership with resellers and aggressive marketing to them
   - At least one new and big idea

III. PC Manufacturers

A. Aggressively go after existing DR DOS accounts and keep them out of our current ones
1. No major OEMs bundling DR DOS
2. Secure long term MS-DOS 5 contracts (3 or more years) whenever possible
3. If possible, keep IBM from shipping DR DOS
4. Train our OEM sales force on MS-DOS 5 , DR DOS 5 & 6
5. Learn if there are ways we can help in subsidiaries where DR DOS is strong

B. Consequential and Profitable increase in MS-DOS penetration on new PCs
1. Successful development of and implementation of Thin DOS
2. Legal and PR efforts to discourage counterfeiting and grey marketing
3. Assess effectiveness of current anti-counterfeiting packaging efforts
4. Explore other anti-counterfeiting ideas - advertising etc.

C. Establish worldwide leadership with Portable and Embedded systems
1. Every new palmtop and pc with dos in ROM should be ROM DOS 5
2. Establish leadership with solid state media and advanced power management.
   - Aggressive pr effort
   - Training and information for oems
   - Train our sales force on ROM DOS 5

D. OEM customer satisfaction
1. Assess the support we are currently providing OEMs and recommend improvements if necessary, particularly in the area of technical support.
2. Address OEM product improvement requests

IV. Installed Base

A. Migrate current PC users to MS-DOS 5
1. Provide an easy and inexpensive solution to ensure users can upgrade larger quantities of pcs

C. Understand customers' usage and their product satisfaction
1. Random digit dial projectable user survey
2. Detailed PSS reporting and incorporation of product issues into future product specifications