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→ *XL 4.0 MARKETING PLAN*

*file*

- Organize a task force
- Visible challenge  
S/M - } give to clarity

# Microsoft Memo

PLAINTIFF'S  
EXHIBIT  
1016  
Comes v. Microsoft

To: Pete Higgins, Hank Vigil, Scott Oldi  
 From: Bill Gates  
 cc: Mike Maples, Mike Hallman, Gary Gigot, Pam Edstrom, Jeff Raikes,  
 Lewis Levin, Marty Taucher  
 Date: October 10, 1991  
 Subject: ~~Excel Marketing~~

Despite all of our excellent marketing activities, we have failed to create a broad awareness that we are hardcore, and that 123W is a poor product and losing share. Accounts still feel 123W is the safe choice for them and we have to shake that complacency. Unless we can create a broad impression that this is going on, we won't gain as much share as we want to in the next six months before they ship a decent product. I am willing to invest money in making this happen.

The key points to consider in reading all of this are:

- We have a unique opportunity for the next 6 months.
- I am willing to spend more money.
- We have not yet created awareness of a rout, but with more investment I think we can.

Lotus still seems to have so much money to spend on their money-losing products (everything besides spreadsheets), that they clearly aren't feeling much pressure in the spreadsheet market:

I've included a number of ideas, most of which aren't that original, for what we might do to help make this happen.

Things we are doing but might want to do more

Seeding. Is there any way to be doing more? Does our seeding include the comparison information between 123W and Excel - like the benchmark data, a feature comparison chart, and a discussion about doing graphical interface right? I want to see this material done very well. The stuff to date is not complete enough or succinct enough. A good piece should be offered through an 800 number in our advertising. We should compare the products in two megabytes; does 123W work at all?

*done*

Sustaining Program  
3 marketing now in process.

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EXHIBIT  
*Verones*  
23  
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- ATTENDING  
DRAWING OFF  
WIN. TECH SEMINARS  
NEW ADV. MAIL

**Seminars.** Is there any way to be doing more? What is the limit on these - people?  
Advertising? Are we fairly direct in our seminars including making product comparison  
information available? I have never seen an ad like the one which Oracle runs which lists  
all of the different cities to sign up for seminars.

TESTIMONIALS  
MS MAGAZINE

**Advertising.** I like our comparison ads and the frequency we have had in the trade  
magazines. I would like to read about people who have switched. I would like to see the  
benchmarks where we are at least 2x better. I would like to see the features they are  
missing. I would like to see a massive amount of advertising in Lotus magazine. Can we  
do a disk insert in Lotus magazine? I think disk inserts are novel enough to create  
awareness although they are very expensive - perhaps we should do one in PC Magazine.  
I think a hard hitting ad with some humor like a series based on "1-2-3. You're out!"  
would be timely. I don't know if advertising in Sunday newspapers where computer prices  
are shown is effective. The new IDC share numbers should be broadcast through PR and  
advertising. I am not as keen on going to TV as other people seem to be, but I would listen.

**Windows registered users.** Do we immediately send mail to a registered Windows  
users about Excel, telling them how great it is and about the upgrade offer? This should be  
done immediately when users are most open minded to switching. What is our view of  
including a working model with Windows - was that a big success or not?

123 SIG.

**User groups.** We should do a tasteful, but fun, side by side presentation of 123W and  
Excel where we send in two people and do a 20 minute demonstration of the two products.

**Macro conversion.** I think we can achieve a lot by expressing our willingness to  
convert macros. Also, money spent locally with consultants paying them to do this work  
will increase their knowledge and loyalty to our product. I mentioned the idea of us taking  
responsibility for converting macros to our sales people in Chicago and they thought this  
would be great. Time is passing - let's get an aggressive program out there and  
announced. They mentioned that Kraft was probably switching after seeing 123W but that  
Sears was going to be very hard to switch.

Things we are not doing

**Big time highly visible shootout.** Has PC Week done a spreadsheet shootout  
recently? Have the major user groups? Can we sponsor a major shootout with a clear task  
and publicize it heavily - say we get Harvard Business School to use student teams to do  
this - we fund the whole activity but don't bias it in any way (except make sure the task is a  
reasonable one where good spreadsheet features are beneficial).

**Local money.** Let's ask all of the district managers what they think we should be doing  
to win. I would love to see a page from each of them on winning with Excel, particularly  
focusing on how we can help them or how they would spend discretionary money. (Scott -  
please follow up on this). What if there was money at the local level for DMs to use to pay  
local consultants to help users?

• Self Mark  
Shootouts  
6 cities

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**Free training.** We can include training with the product free since we can get it for a discount and very few people will take advantage of it. We are willing to spend the money. This was very successful when it was done in Singapore. Perhaps the training should just be the switching training and only available to large organizations - say a company that switches over 100 people we come in for free (someone we hire locally) and train.

**Niche Markets.** Which markets have we penetrated particularly well and which ones particularly poorly? With our share as high as it is there must be some differentiation here. For example, accountants? I spoke with Sheldon Laube at Agenda and besides making it clear he would move to Seattle if we have a job for him, he indicated this spring they will choose a GUI spreadsheet and he is disappointed in 123W. It sure would be nice to have almost all of the big six(?) primarily using our product even if we have to be aggressive on price. [Other than PW who are we missing? We can get Deloitte & Touche to say they plan on doing the right thing as they move to GUI, I believe - that would just leave Coopers, I think.]

What about small accountants? What about insurance? Medical? Engineering? Our marketing should focus on weaknesses and leverage points but I don't remember anything that breaks out our position. One market I know we do terribly in is Government - look at the sales data thru GTSL. We should invest in understanding this better and applying some money to it. (Scott - please come up with a plan for this - perhaps it should be broader than Excel since our Word processing share thru GTSI is also very poor. I don't know if Windows also lags in this market.)

**Ask the channel.** What does Egghead think we should be doing to win more share? What kind of special promotion would they like to do with us? What do other retailers have to say? Mort Rosenthal seems to think software competition is a bad thing and that he can talk vendors out of being aggressive on price - Egghead, on the other hand, seems to understand there is a battle and that they should figure out how to prosper in these conditions. Can we do a hardcore comparison poster and pay people to put it up at point of sale?

**Public relations.** This is what I am most frustrated with. I thought the Jim Seymour "good enough" thing was okay but he should have been harder core. Do they really run out of memory more than they should even in 4 megabytes? Why didn't Seymour mention the display bugs? Someone has to break this stuff and say the product is not up to the level people expect and that Lotus generally delivers. At Agenda I mentioned how I had asked the Excel team to work hard and do great stuff to get Excel 3 out because I assured them that Lotus would do a good windows product but that after 123W came out it was clear I was wrong and now I have to say that Borland will do a good windows product to get them working hard on our next version. I almost shorted 1M of Lotus stock at \$40 since anyone could buy a copy of 123W and see how bad it was but I didn't - I could have donated the profit to some Boston charity if I had done it.

Let's really figure out the sell through numbers and see if there is a story there. Let's package up the benchmark data and get that widely known (in ads as well). Let's make sure that the press outside the US does a better job by having clear comparison information for them. I am not accusing anyone of doing a bad job on PR or anything else. However,

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I think we should be getting a lot more articles on the poor quality and lack of innovation in 123W - people should feel bad about using the product. One magazine we need to work with more is Lotus magazine - some of their editorials on Microsoft have been really bad.

**Product related issues.** We should figure out which of the many 123W add-ins really has impact and spend more money to get them available for Excel. Perhaps we should bundle some add-ins between now and Excel 4 to create more excitement and awareness? Ideally it would be something that highlighted our superiority over Lotus. I wish we could get the Impress conversion stuff in as an add-in. I wish there was a closer tie between Visual Basic and Excel - I don't know what anyone is working on in this area. We could come out with a version of Excel for \$295 which is exactly the same subset of features that 123W has (maybe even the same speed) - although we would prefer to sell the high end product, this would clearly highlight their deficiency. Although doing the documentation would be tricky I think this idea deserves consideration. We could call it Excel Lite. It would definitely get people talking. Perhaps we could come out with this at the same time as Excel 4 when the difference would be even more dramatic - or we could just price Excel 3 at \$295 continuing to sell it as a product better than 123W.

I mention in my feedback on the Excel 4 specification (separate memo, available from Julie) that I want to position some of its features as making it the best workgroup spreadsheet to preempt Copernicus. If scenarios were done right (they aren't), they would be good for this. It is one area I would consider taking some delay to add a few things to the specification. If Pivoting is done to some degree with visual sex, then we can position against Improv. The ideal case for us is that they ship three products in the next twelve months: 1.) An update to 123W fixing some of their bugs. I wish we understood how easy it will be for them to fix their speed problems - it is so easy to hammer that point if we do a good job. This is where they will add OLE but I doubt anything else major. 2.) Their group spreadsheet product. We need to key our ear to the ground to find out what we can about this product - I think the big leverage features are - merging changes made by multiple people separately, good scenario support and good annotation support (Excel 4 is just okay at these and could be great with a small amount of effort. Annotation and scenarios are just not done right). 3.) Improv for Windows. With this line up they will be positioning the following products against Excel: 2.X, 3.X, W, Improv and Copernicus - a total of five products to compete with our one product (or two if we do the Excel Lite idea). I think it will be easy to explain to customers how crazy this is.

**International.** Of all the things on here this is the one I think is most clear cut - no doubt it should be done. I think we should give extra marketing money to a lot of the subsidiaries for Excel marketing. This would allow them to do some of the things the US is already doing - more money on PR, seeding, seminars and advertising. It is difficult to decide which subsidiaries to pick and how much extra money to give them. Should we ignore the subsidiaries that are already doing a great job like France and Germany or are those the markets where an extra push will really shut Lotus out? I think the UK and Canada should definitely get extra money. There are some markets where Lotus still dominates - like Japan (although this is a tough battle since Windows is not strong yet) and gets a lot of its profitability. This should be discussed with Mike Hallman and Bernard Vergnes.

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**Price.** It's a brute force tool to lower the price and costs a lot more money in both immediate costs and long term market impressions of value; but if we can't see our way to gaining a lot more share over the next six months then there is a reasonable chance that we should just lower the price now in order to take advantage of our window of opportunity. I prefer the other techniques, but our historic opportunity here should not be passed up.

WHG/jg

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▪ unique apps message vs "windows" - appl. neutral.

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