



Office Strategy

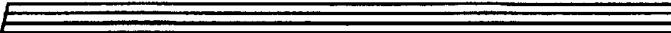
*Kathleen Schoenfelder
Office Product Manager
Microsoft Corporation*



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 *Agenda*

- ◆ Situation analysis
- ◆ Office Product Plans
- ◆ "Year of the Office" Plans
- ◆ Q&A



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I. Situation Analysis

- ◆ **Market trends**
- ◆ **Customer requirements**
- ◆ **Competitive update**
- ◆ **Microsoft directions**



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Market Trends

- ◆ **Windows™ applications sales growing**
 - Windows dominant but DOS apps standard
 - Shift to Windows varies by category
 - Microsoft Win apps market share erosion
- ◆ **Increased competition**
 - Consolidation of software market
 - Software price erosion
 - Commoditization of individual categories



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Market Trends

- ◆ Emergence of software “lines”
 - Trend toward multi-app desktops
 - Success of Office
- ◆ Expanding markets
 - Windows reaches general users
 - Installed base growing revenue opportunity
 - Macintosh broadens its base
- ◆ New Channels of distribution



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Customer Requirements

- ◆ Buying criteria are changing
 - “best of breed” no longer sole criteria
 - Reduced brand loyalty
- ◆ Seeking business solutions
 - Multiple applications that work well together
 - Tools to build custom systems
- ◆ Customers want reliable partners
 - Vision, software leadership
 - Business relationships



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Competitive Trends

- ◆ **Better Windows products**
 - Improv[®], 1-2-3[®] 2.0, Quattro[®] Pro for Windows
 - Ami Pro[®] 3.0, WordPerfect[®] 5.2/6.0
 - Harvard[®], Freelance[®], WordPerfect
- ◆ **New selling strategies**
 - Lotus: Working Together[™] and Lotus Notes[®]
 - WordPerfect: Beyond Words and WISE
 - Borland: The database Company



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Competition: Lotus

Strengths	Weaknesses
◆ Groupware	◆ Lack of strong Windows momentum
◆ Industry alliances	◆ No database
◆ Broad product line	
◆ Large dOS installed base	

Actions in FY 94

- ◆ Smart Suite with new 1-2-3, linked with Notes
- ◆ Mac Smart Suite in CY94
- ◆ Working Together: LotusScript, OLE 2.0 support
- ◆ Acquire Approach?



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Competition: Borland

Strengths	Weaknesses
◆ Technology leadership (awards, OOP)	◆ No word processor
◆ dBase installed base	◆ Financially strained
◆ Languages, dev. tools	◆ Weak international presence
◆ Direct marketing	

Actions in FY 94

- ◆ The Data Company
- ◆ QPro/Pdox/WP bundle
- ◆ IDAPI
- ◆ Price aggression



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Competition: WordPerfect

Strengths	Weaknesses
◆ Customer satisfaction	◆ Weak windows presence
◆ Installed base	◆ No database, spreadsheet
◆ Name recognition	◆ Weak international presence
◆ Cross-platform	

Actions in FY 94

- ◆ Beyond Words: Release new Windows products/versions
- ◆ Bundle with Borland
- ◆ Focus on installed base



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Competition: Claris

Strengths

- ◆ **Apple**
- ◆ **Integrated products**
- ◆ **Broad product line**
- ◆ **Perceived easy to use**

Weaknesses

- ◆ **Little corporate presence**
- ◆ **No high-end product success**

Actions in FY 94

- ◆ **Release ClarisWorks on Windows**
- ◆ **Capture low end**
- ◆ **OEM bundles**



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Competitive Opportunities

- ◆ **Office as competitive wedge**
 - **Borland: no word processing, electronic mail, presentations**
 - **WordPerfect: no spreadsheet or dBMS**
 - **Lotus: no dBMS**
- ◆ **Office can lock out the competition**
 - **More revenue per desktop**
 - **Future upgrade revenue**
- ◆ **Mac[®]/Windows platform message**



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MS Product Directions

- ◆ Office as a product
- ◆ New SKU: Office with Microsoft Access
- ◆ Regular 12/24 product cycles
- ◆ Blend category vision and customer needs: Focus on integrated desktop
- ◆ Development process improvements
 - Improved localization (quality and predictable timing)
 - Multiple platforms
 - Sim Ship



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II. Office Product Plans

- ◆ Product goals
- ◆ Product schedule
- ◆ Positioning and marketing strategy



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Office Product Objectives

- ◆ Increase number of apps per desktop/lock out competition
- ◆ Increase perceived value of MS apps via enhanced integration
 - Consistency, integration
 - In combination, the products are even more useful
- ◆ Provide a desktop environment for new software add-ons



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Product Release Goals

- ◆ Win Office v3.5? (Word 6.0)
 - Release Office with Access
 - Improve setup
 - Unified environment (launcher)
 - Opportunistic add-ons (clip art, fonts)
- ◆ Win Office v4.0 (Excel 5.0)
 - Product integration and consistency
 - Cross-app workbooks, Wizards
- ◆ Win Office v4.5 (PPT 4.0 and Access 2.0)
 - Continued consistency
 - New add-ons

ORIG
IMAGE
PLAN?



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Mac Office Releases

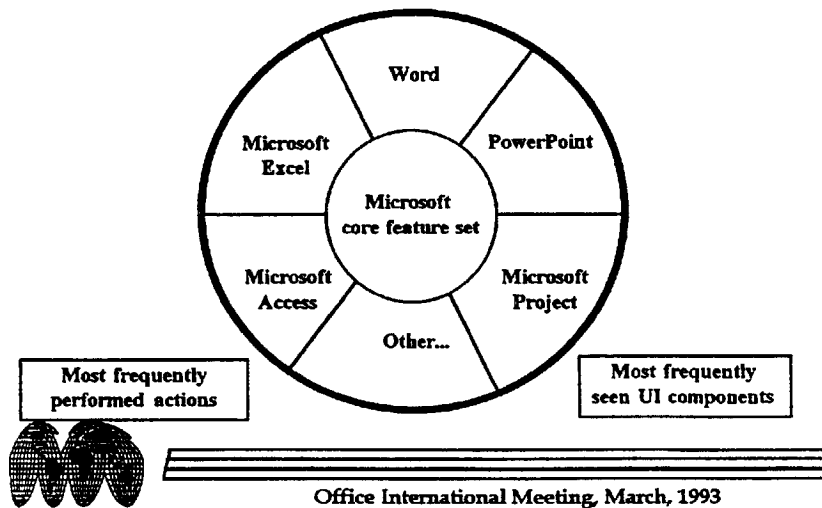
- ◆ Mac Office Plus database (Select)
 - ◆ Mac Office v4.0
 - Word 6.0 and Excel 5.0
 - Unified setup
 - ◆ Mac Office v4.5
 - PowerPoint v4.0
- DRG chart in next*



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Product Synergy

Top cross-product usage scenarios



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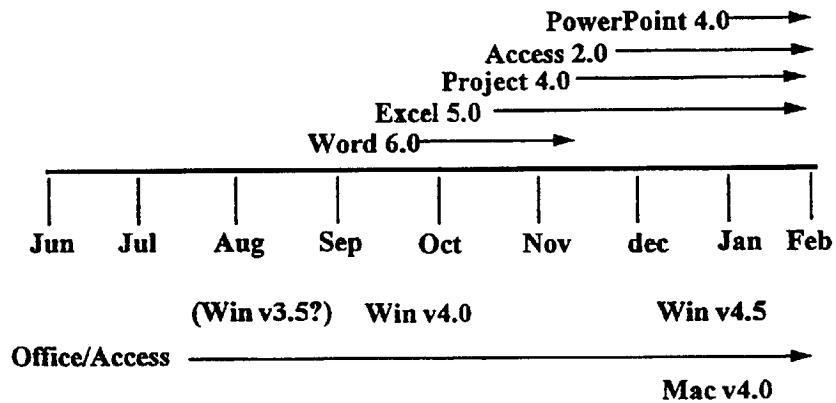
Office with Access/DBMS

- ◆ Corporate focus
 - Most sales will be to large corporate partners via Select (Office Plus database)
- ◆ Sales are anticipated to be ~25% of Office
- ◆ Positioning opportunity
 - No other company can provide "one box" solution
 - PR block during competitive releases (June release?)
- ◆ Initial release will not be tightly integrated



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Launch Schedule



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Integrated Office Phases

	1993				1994				1995			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Systems	• NT1.0		• NT 1.1		• Chicago		• Cairo					
Word	• Word 6				• Word 6.1				• Word 7.0			
Excel	• XL5				• XL 6.0				• XL 7.0			
Project	• Proj4				• Proj4.1				• Proj 5			
Access	• Access 2.0				• PPT4.1				• PPT5			
PPT	• PPT4				• PPT4.1				• PPT5			
Office	• Office 3.5 - Office 4.0				• Chicago Office				• Integrated Office			

1993 Core Feature Phase
Chicago Phase
Integrated Office Phase

Note: Integrated Office 2 "Q1" assumed to be Q2/94



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Office Positioning

Microsoft Office makes the work you do easier because it is the most complete business solution, with leading applications designed to work together

- ◆ **Key components**
 - Easier
 - Best applications
 - Consistency and integration
 - Solutions: customization and data access
- ◆ **Product-specific positionings as support**



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Positioning And Messaging Architecture

- ◆ **Role of "Best of Breed"**
 - Establish Office as "Best" with IEUs
- ◆ **Establish MS applications framework as evaluation criteria**
 - Evidence plan and ABP
- ◆ **Initiate "Office" branding against broader audiences**
 - Fringe IEU using MS-DOS, WordPerfect®, and 1-2-3®
 - "Office" as the best way to easily get your work done

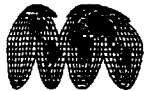


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Office Sales Forecast

- ◆ **U.S.: 1 million units**
 - 704k Win Office, \$250mm revenues
60% of Excel's shipments
 - 225k Mac Office
- ◆ **Product breakdown**
 - Win Office "upgrades" 325k
 - Win Office FPP 300k
 - Win Office with Access 75k



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International Issues

- ◆ **Localized Office timing/logistics**
 - **Simship individual products and Office**
- ◆ **Managing different components**
- ◆ **Fall promotion planning**
- ◆ **Keeping current on schedule**
- ◆ **Windows NT™, Mac, and other timing issues**



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III. Year of the Office (YO) Plans

- ◆ **Year of Office (YO) concept**
- ◆ **Strategic Objectives**
- ◆ **Integrated marketing programs**
- ◆ **U.S. pricing plans**



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 *Year of the Office (YO)
Concept*

- ◆ **Integrated marketing approach**
 - Ship 5 desktop apps in five months
 - Coordinate training, tools, PR, adv., etc.
- ◆ **Respond to market trends**
- ◆ **Achieve competitive advantage**
- ◆ **Position our line of products**



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 *Strategic Implications*

- ◆ **Capturing more of the desktop is critical for success**
- ◆ **Installed base is larger portion of revenues**
- ◆ **FY94 Upgrade battle grows desperate**
- ◆ **IEU model is alive and well but average user less "involved"**
- ◆ **Buying criteria are changing**



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Strategic Objectives

- ◆ Establish Office leadership
 - Maintain leadership in key categories
- ◆ Move installed base to Office
- ◆ Continue upgrading MS-DOS users
- ◆ Reach beyond enthusiasts
- ◆ Exploit new market opportunities (IS)



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Integrated Marketing

- ◆ Communications
- ◆ Installed base marketing
- ◆ U.S. channel plans
- ◆ Beta
- ◆ Worldwide product rollout
- ◆ International specific support



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 **Communications**

◆ **Advertising**


- PC press to support product messages
- Office umbrella for business press

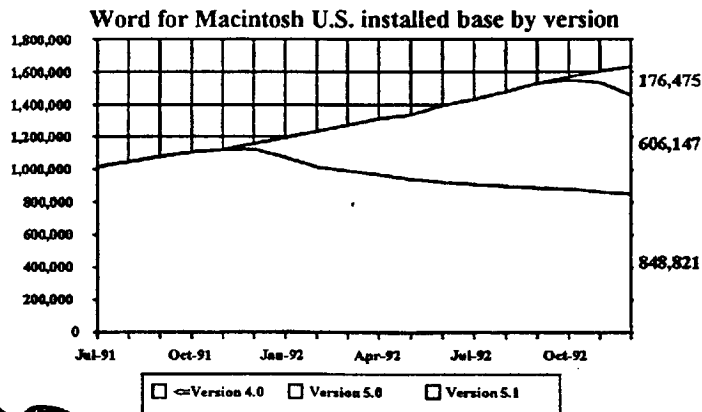
◆ **Public relations**

- Early education of the press and analysts
 - » Strategy tours for Office
- Individual Product launches consistently reinforce theme
- Coordination with subsidiaries




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 **Installed Base Marketing**



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Installed Base Programs

- ◆ YO goal: upgrade 40% of installed base
- ◆ Need to go beyond “upgrade mailings”
 - Full communications campaign
 - Targeted promotions and activities
 - Office upgrade
- ◆ Considering add-on sales
- ◆ Begin building the “\$1 billion annuity”



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U.S. Channel Plans

- ◆ Overall Office goals
 - Sell-in new versions
 - Increased breadth of distribution
- ◆ Promotional focus
 - Summer: Office with Microsoft Access[®]
 - Fall: Microsoft Word, Microsoft Excel + Office (Upgrades)
 - Winter: Mac line



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U.S. Pricing Plans

- ◆ Full retail SKUs
 - Individual applications* \$495
 - Office \$750
 - Office + Microsoft Access \$995
- ◆ Upgrade SKUs
 - Version \$129
 - Competitive \$149
 - Office (req. 2 Products) \$299

*Project at \$695



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Worldwide Product Rollout

- ◆ International Office PM meeting March 29-April 2
- ◆ Training and field rollout ("NSMs")
- ◆ Consistent sales tools
- ◆ "Strategy day" launch event (Sep)
- ◆ Coordinated PR



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International Specific Support

- ◆ Product spec input
- ◆ Early timelines for planning
- ◆ Advanced access to marketing materials
- ◆ Launch-in-the-box
- ◆ Preview kit for customers
- ◆ Launch tour (?)
- ◆ International Press Conference in Redmond



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What We Need From You

- ◆ Competitive information
- ◆ Beta management, where pertinent
- ◆ Short monthly summary
 - Market Share
 - Competitive news
 - Wins/losses
 - Hot issues
- ◆ Feedback after launches




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 V. Q&A

discussion



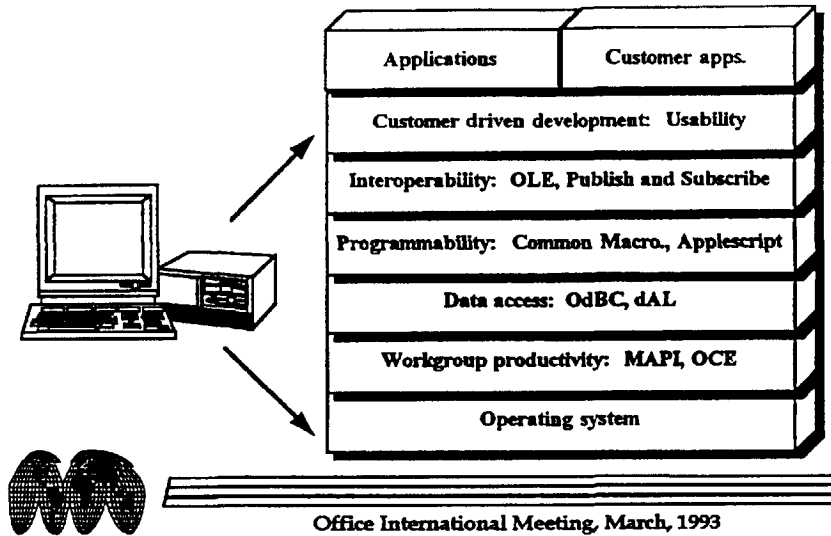
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 *Appendix*



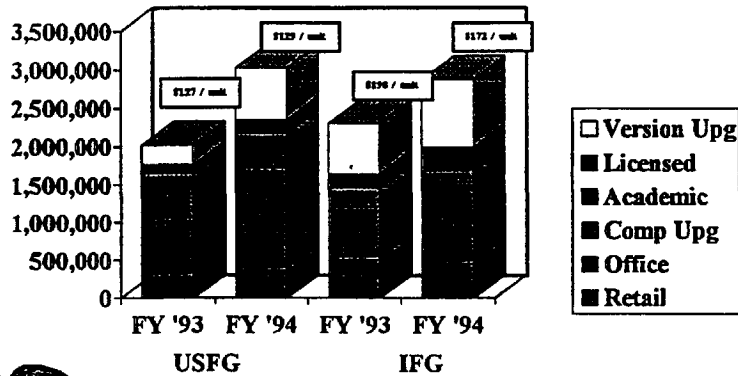
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 **Enabling Technologies**



 **IV. Prelim FY '94 Forecast**

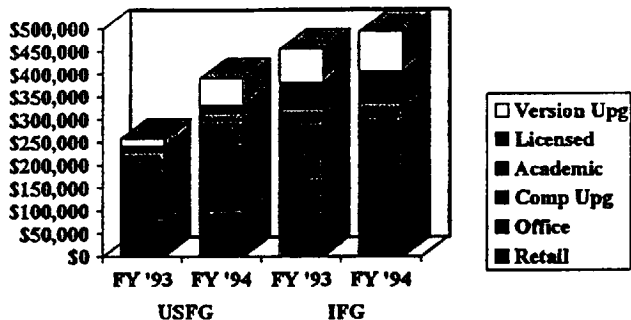
Word (Windows + Mac) unit product mix



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 **Prelim FY '94 Forecast**

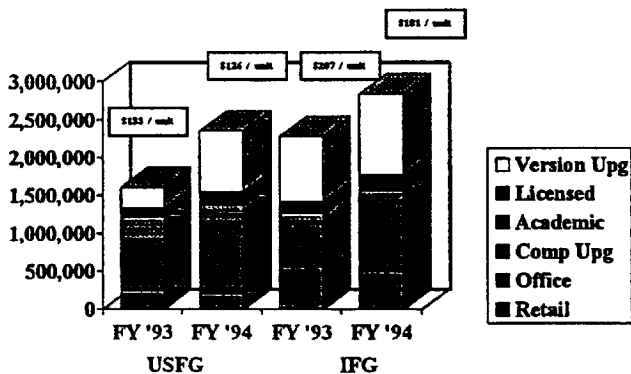
Word (Windows + Mac) revenue product mix (in \$1000s)



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 **Prelim FY '94 Forecast**

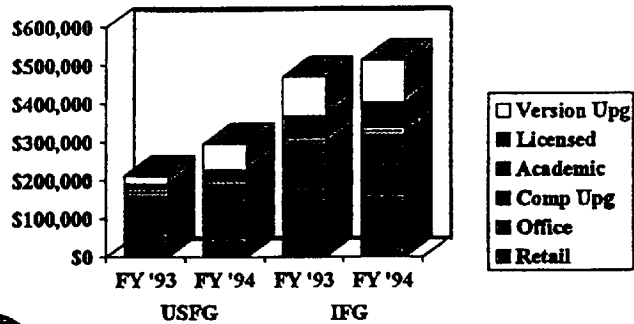
Microsoft Excel (Windows + Mac) unit product mix



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Prelim FY '94 Forecast

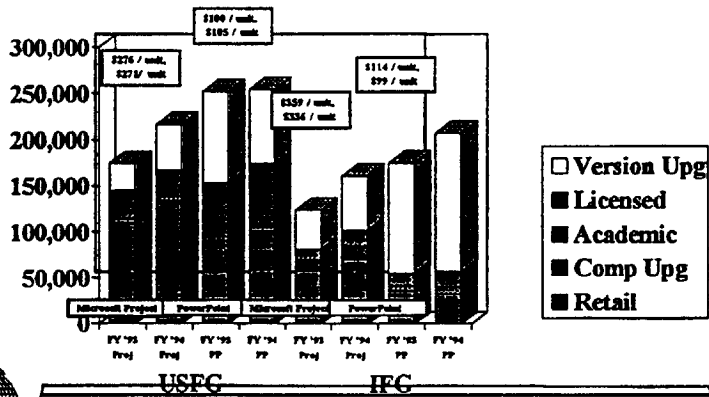
Microsoft Excel (Windows + Mac) revenue product mix
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Prelim FY '94 Forecast

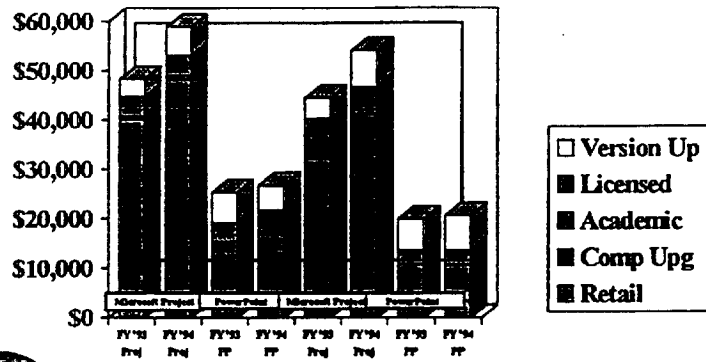
Microsoft Project and PowerPoint (Windows + Mac)
unit product mix



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 **Prelim FY '94 Forecast**

**Microsoft Project and PowerPoint (Windows + Mac)
revenue product mix**



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