

**Office Campaign Programs Review and Imperatives**

**Sales and Market Share**

**Market Trends**

There are several key trends as the market consolidates towards Windows:

- Customers are beginning to use multiple applications and are seeking a single supplier for their PC desktop. Over the past six months, the Office has increased from 20% to nearly 40% of the desktop applications business.
- Users moving from DOS seek an easy migration path that preserves their investment. Upgrades have grown to approximately 30% of most applications unit sales and will continue as the majority of the market moves from DOS to Windows.
- Category growth has been almost exclusively attributed to Windows applications. Overall revenues for Windows applications have doubled in the last year to nearly \$200m per month worldwide.

**Business Review<sup>1</sup>**

**Word Business**

- WinWord's sales continue ahead of forecast both in terms of revenue and units. Only AE and Competitive upgrades trail forecast with all other components exceeding forecast by a fairly large amount. This is despite the introduction and favorable review of Ami Pro 3.0 and continued efforts of WordPerfect.
- WinWord's overall revenue per unit sold is ahead of forecast \$143 vs. \$141 due to the larger than expected sales of the retail and Office SKUs. This has compensated for a lower than forecast revenue/unit across all SKUs.
- Two bright spots in the mix are the continued strength of the retail and the Office SKU. These two SKUs accounted for 55% of the total units shipped versus a forecast of only 40% and have compensated for lower revenue per unit across all SKUs.
- WinWord's market share continues to hold under the target of 60% of the Windows, but because of the shift to Windows, WinWord's overall share of the DOS and Windows word processing market is at its goal of 36%. The trend to Windows word processors has reduced the overall monthly DOS market to less the \$15MM per month, and has put Word in a position to pass WordPerfect in this fiscal year.

**Excel Business**

- Overall Excel is on plan, but retail sales are significantly under plan. While some of the fall off may be due to the shift in sales to Office, it is a particularly worrisome trend because Word's retail sales, by contrast, remain a healthy 35% ahead of forecast. In addition, the introduction of Quattro Pro for Windows, which captured 25% market share for its first month of availability, is putting additional pressure on our sales.
- While version upgrades are ahead of forecast, our actual upgrade rates (factoring out upgrade units in inventory) track at forecast with other products. With our direct mail, we have upgraded 22% of our registered users and 28% including channel version upgrade sales
- The decline in the average revenue/unit overall reflects the shift in product mix to Office, which contributes approximately \$110/unit less to Excel than a retail unit does.
- September decline in market share due to three factors: Lotus' quarterly channel fill, sell in of SmartSuite promotion and Quattro Pro initial sell in. While Borland continued to sell in October, we do not expect them to hold onto the 25% market share they claimed for first month of sales. Lotus' sales continue at constant rate, although we have not seen significant impact from SmartSuite

<sup>1</sup>See vital signs for most recent market data.

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promotion and advertising campaign. (However, we do not have definitive market data on SmartSuite vs. Office sales.)

## Office Business

### Topline Review of Office Campaign Objectives

- **Retain/gain 60% unit share of Win apps**

The results to date have placed at or just below this target. We are currently tracking at approximate 60% for Excel (with the exception of September downward spike) and 53% for Word.

- **Increase awareness: 55% PC press, 20% biz press**

We have made significant strides in the business press: During the last six months, unaided awareness for Excel increased from 10% to 24% while Word's awareness grew from 7 to 16%, achieving our goal for Excel but not yet for Word. However, our awareness among PC press readers is flat: 50% for Excel today vs. 42% six months ago and 46% for Word, up slightly from 42%.

- **Expand trial: achieve 2 mm "live trials"**

To date, we have not expanded live trial beyond the existing seminar, seeding and direct mail programs which were already underway. During this fiscal year, we will pilot two new forms of "live trial:" DRTV and a video, which will be the DRTV call to action and distributed in other means. Our two week DRTV pilot in April, 1993 will reach several million viewers and we project video distribution of 10,000<sup>2</sup> but we will fall considerably short of our initial goal of 2 million real live trials. With the implementation of this test, changes to seminar format and some experimental marketing initiatives described below, we will focus the second half of the fiscal year on expanding reach and trial beyond our existing vehicles.

- **Increase secured customers to 50%**

To date, we have no data on this measure, which is part of a company-wide goal to increase customer satisfaction. The major customer satisfaction programs we have completed are the FOCUS newsletter, which was mailed to 2M users, and the Welcome Package. However, the inclusion of multiple offers in FOCUS and related changes in content and format may dilute its impact on customer satisfaction. It has now become a launch vehicle and upgrade revenue generator as much as a customer satisfaction vehicle. While the post sales linkage program may address this, we need to deliver more tangible customer benefits to address problems in customer service and satisfaction.

- **Own best of breed position: win all reviews**

We have been partially successful in this effort this year. Excel has beaten Quattro Pro for Windows in most of the major reviews and remains the top rated spreadsheet on the market, although the margin between Excel and QP/W is quite small or non-existent in certain reviews. Word currently lags Ami Pro 3.0, but by a small margin and we expect to pass them with our next version. The overall perception in the press is that Word and Ami Pro will always be neck and neck. While we are confident that the next versions of our products will regain leadership, there is a danger that, even among reviewers, products are viewed more as commodities or relatively equal for different tasks.

### Imperatives for January - June 1993

We have several *critical* imperatives for the remainder of the fiscal year:

- **Establish Windows line positioning and communications plan**

<sup>2</sup>Number to be updated based on recent changes to media plan.

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- **Build customer and lead database and strategy**
- **Pilot new media and trial vehicles to expand awareness**
- **Resolve multiple pricing and SKU configuration for Office and upgrades**

These imperatives, the status of our original imperatives and ongoing programs and additional new initiatives are described below.

### Review of Office Campaign Programs

#### **Connect with Windows**

The key strategy is to ensure that whenever and wherever a person purchases Windows they can purchase or try an Office application. The key programs to reach new Windows customers are: direct mail to Microsoft customer names, pre-installation of applications and trial versions of applications, both at OEMs and in the channel and joint in-store display with Windows.

#### **Simultaneous Purchase**

##### **OEM Pre-Install and trial kiosk**

###### **Current Status**

- OEM contracts have been rewritten to provide customer names, where available, directly to Microsoft. The DMG will provide update on total names received to date and forecast.
- We have completed several OEM deals to date, including Gateway and AST
- Progress continues on Kiosk concept for pre-install of trial versions
- We have determined that pre-installation of full applications should not be pursued: competitive pricing makes it unprofitable, OEMs have not seen pre-install as a competitive advantage and install of reduced versions of applications increases customer confusion.

###### **Issues**

- Need to resolve what version of our products we should offer via Kiosk: full applications that de-install after fixed period, reduced versions, working models or autodemoes.

###### **January - June Programs**

- Pre-install of trial versions can enable us to reach 2M live trial goal.
- HP Lion, with Word and Excel pre-installed, will ship in May, 1993. We are working with HP to leverage all opportunities, particularly advance PR and launch event. Other opportunities may include joint sales calls, training, etc.

###### **New Ideas**

- More aggressively exploit joint marketing opportunities with Dellware, new software catalogue published by Dell. Should pursue similar opportunities with other OEMs.

##### **Reseller Programs**

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###### **Current Status**

- Current fall channel promotion has objective to increase stocking and display of Microsoft Mac and Win Office apps in store. Promotion offered MS Press book as consumer purchase incentive for Office, Word and Excel SKUs in order to incent resellers to expand display in store.
- Plan to incent resellers with configuration centers (who currently pre-install Windows) to pre-install Windows apps and/or trial versions of apps was not executed.
- Create-a-solution program to incent HW/SW bundle promotion was under goal for enrollment. However, it may reach goal by close of program.
- Distribution incentive increased breadth of distribution to equal x% of Windows distribution for MS Office, y% for Excel and z% for Word.

- Autodemo pack distribution was not successful in channel.

#### Issues

- Need more ongoing training, instore promotion and CAR programs focused on Office SKU to defeat Lotus' heavy channel investment in SmartSuite. To date, RSP training and promotional copies have focused on individual products and special marketing fund allocations tied to individual product launches. Instore promotion has used Office as call to action but instore display and RSP incentives lag behind Lotus.
- Must resolve channel upgrade compliance issues to reduce non-compliance and cannibalization and use upgrade SKU most effectively. Need focus on Egghead and CARs where majority of upgrades are sold.

#### January - June Programs

- "Upgrade Your World" promotion will closely tie Office to DOS 6.0 and other Systems products, achieving broad instore presence, advertising and marketing fund support.
- Distribution of diagnostic disk through channel (and direct through FOCUS) will incent users to upgrade systems and Office products simultaneously.
- Pre-install of trial versions at reseller config centers is potential opportunity. However, should not execute until after end of promotion. Need to develop effective trial strategy for all channel segments (see video discussion below.)

#### New Ideas

- Initiate program targeted to RSPs to increase recommendation and usage of Office SKU. Program should include training, personal usage copies and other incentives.

### Capture Windows Purchasers

#### Direct Mail: Name Acquisition, QuickFeed and Competitive Upgrade

##### Current Status:

Name acquisition program is managed by Direct Marketing Group. Currently registration incentives are being tested and OEM agreements are in place to provide names of new Windows purchasers.

A "Welcome Package" has been developed as first communication and we are currently testing it against traditional upgrade offers. QuickFeed program is significantly below forecast spending due to: use of names for competitive upgrade program; name acquisition efforts behind forecast; delays in streamlining operations and communications to QuickFeed customers. (See issues below.)

We have dropped more than 800,000 competitive upgrade offers this fiscal year and are scheduled to make a similar size drop in mid March. Our October mailing achieved 1.5% response rate, which is ahead of historical response rates, and also achieved better segmentation of our customer base demonstrating that frequency of offers does not downgrade response significantly while recency of customer registration significantly changes response. We have also developed a new Welcome package as the first contact for a new Windows customer, which is now being mailed out monthly.

Our main direct mail objectives are to:

- Develop the most cost-effective means to direct mail "hot" names
- Improve direct marketing to MS internal names
- Leverage learning from historical and competitive direct mail efforts
- Find effective way to crack cold lists

Against these objectives, we have:

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- Identified profitable offer strategies and list selection by significantly improving data tracking and analysis of results. Such analysis will yield more profitable mailings, particularly among MS customers.
- Not yet developed the most compelling way to reach non-MS customers although we will be testing different two-step trial vehicles in April as part of our live trial program.

#### Issues

- Windows customer names are the key competitive advantage for our direct upgrade program. Microsoft customer names are significantly more profitable than any list which can be rented. However, the company's name acquisition plan is below forecast and registration rates remain below 50%. Several registration programs are in test phase and OEM names are not yet in hand. *We will underspend on direct marketing because we lack enough new MS customer names to mail.*
- Our first contact with a Windows customer is critical for two reasons: We can use this contact to initiate better communication, which should impact customer satisfaction, and we have an opportunity to upgrade the customer from DOS apps before they purchase at retail or receive a competing offer. We are currently testing different communication strategies to determine which type of communications can achieve both goals.
- We want to mail new customers as quickly as possible and have been hampered by delays in the registration process and other operational issues. Our goal is to mail new customers within 15 days of receipt of their reg card. Today, we may mail them as late as four months after registration. Timely communication is critical for both customer satisfaction and revenue goals. *We must improve the QuickFeed process.*
- Reporting and data integrity, although improved, are still a problem and have prevented us from being able to fully utilize the information learned in previous mailings.
- We have made little progress on either lead generation or contact management because of the database and operational limitations. As our live trial program rolls out, we will generate qualified customer leads who will require follow up. We also need to manage the number and type of contacts that any Microsoft customer or lead receives. *We need a well articulated lead generation strategy and program and the infrastructure to back it up.*
- The Microsoft customer database does not allow for any segmentation or profiling based on customer behavior. In effect, it is more of a mailing list than a true database. We must make a significant dollar investment as soon as possible in order to capture and enhance customer data. We must also develop a database development strategy which reflects our direct marketing, contact management and lead generation needs.

#### January - June Programs

To meet our objective of improving profitability of direct marketing to MS customers, we will

- Drop volume mailing, March, 1993, will use classic direct mail format, personalization and improved segmentation, to produce more targeted, cost effective piece. Test cells and research will determine most effective premium, which will also improve profitability.
- Test direct marketing strategies for the MS Office SKU in April. With more competitive price point, Office upgrade SKU can now be used as direct call to action. Test will determine whether or not Office should replace XL/Word upgrade SKUs going forward.

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- Test joint offer for Excel and Access modeled on existing Word/Excel program to MS Windows names<sup>3</sup>
- Develop most efficient first communication for new Windows customers by improving efficiency of operations and determining best message based on research.

*We cannot succeed without improvements to the database which requires development of a database strategy and funding. We will miss critical opportunities without significant acceleration of name acquisition and lead generation.*

To meet our objective of "cracking" non Microsoft customer lists, we will

- Continue large scale list testing of PC publication subscribers and other lists.
- Drop mail to developer lists with targeted MS Excel and add ins offer with potential large scale roll out.
- Test effectiveness of video and autodemo two step trial for "cold" lists and compare response rates of direct mail, print and DRTV for trial offer and conversion.

### **Expand Awareness and Trail to Fringe**

Most of our marketing programs are targeted to IEUs and enthusiasts who in turn influence "fringe" IEUs and less involved software purchasers. Because WordPerfect and Lotus are the standard brands in their categories, they have already achieved high awareness and purchase rates among new buyers, small business buyers and others less involved in computing. Our principal vehicles for increasing awareness are: advertising, seminars and test of DRTV and video trial vehicles. We are also proposing new pilot programs to reach fringe IEUs and GBUs in CY93.

### **Awareness**

#### **Business Press Advertising**

##### **Current Status:**

- Awareness among business press readers has significantly increased during the last year. Current business press campaign has joint Word/XL message, very clear and impactful format and will run in several executions throughout the fiscal year. Campaign in print media, utilizing similar vehicles as past single product campaigns.
- Business press advertising budget for FY93 is \$4.3 million.

##### **Issues:**

- Ad campaign's goal is awareness, not trial, to continue to build awareness gains among GBUs. However, we believe that GBUs need trial vehicle before they purchase and need to determine best media to reach GBUs with trial offer. As part of live trial test, will compare business press print with DRTV, using strong video call to action in both, to determine if business press is right medium for trial.
- Campaign's goal is awareness for Word and Excel, not Office. Line advertising currently planned for April PC publications. *We need a media and communications strategy to build awareness for Office among GBUs.*<sup>4</sup>

<sup>3</sup>Mailing will not include Word because timing too close to Word 6.0.

<sup>4</sup>We should also include Office in regular tracking studies.

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- Franchise campaign and role of individual product messages in business press. Need to brand Microsoft applications with "Making It Easier." This issue has been discussed but not resolved in terms of media campaign.

**January - June Programs**

- Continuation of current campaign.
- Inclusion of Office in media plan for "Upgrade Your World" advertising.

**New Ideas**

- Reallocate budget to expand Office media plan to business press.
- Secure premium advertising and sponsorship positions on TV and radio computer shows. There are a number of syndicated radio, public television and cable shows which focus on computers, whose audience demographics probably include a mix of IEUs, fringe IEUs and GBUs. These shows reach our target audience and, in the case of television, enable us to deliver trial that is not possible in print. We will develop a media plan and budget for these shows, as well as radio spots and sponsorship messages. (We will use DRTV spot for any cable or broadcast TV opportunities.) We should own the equivalent of "gatefold" positions with high frequency and/or sponsorship, where appropriate.
- Expand to enterprise publications. While enterprise publications may be less cost efficient than general business publications at reaching IEUs (and have traditionally been reserved for Consumer Division products), they do reach small and medium sized business computer purchasers. We should expand our media schedule to include Inc. and similar publications.
- Investigate local newspaper advertising in top markets, targeted to sections/pages with editorial coverage of computing. PC publications reach enthusiast IEUs whereas, we assume, local newspaper computer columns (as well as computer radio and TV shows) reach beyond to fringe IEUs. As Microsoft is increasingly equated with personal computing among this wider audience, we should pursue opportunities like this to own premium positions in vehicles related to computing. At a minimum, the seminar program will be testing local advertising to drive attendance but we also believe local newspapers can play a role in awareness.
- Explore solutions-oriented trial in personal finance and small business publications. A Money magazine reader may be more interested in personal finance templates than Excel features; similarly an Enterprise reader may want to immediately create form letters for her business. We could offer or bundle a disk with templates and/or autodemio in these publications, tied to the competitive upgrade offer. For example, Money could feature "Money's Financial Planning with Excel" which might be tied to editorial. While this idea requires considerable investigation, it represents a new way of selling our products as solutions for individual end users and small businesses (which complements current IEU and Solution Provider marketing campaigns.)
- Advertise in key vertical publications: legal for Word, potentially accounting for Excel. Microsoft has been developing a legal marketing infrastructure over the last three years and we will now use targeted legal advertising as part of that marketing mix. We need to follow a similar model for accounting and include select vertical advertising as part of that effort.

All of these new advertising ideas require additional investigation and, if feasible, incremental funding.

We believe that the radio and TV opportunity will be the most cost effective and will follow up with a more formal proposal.

Broad Reach PR

Current Status

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- We have pursued a number of discrete opportunities on radio, TV and print media beyond the PC press (examples include an inflight video news release on usability, Excel appearance on PBS "Computer Chronicles" and Word story in US News and World Report.) However, we have not yet systematically identified or exploited broad reach PR opportunities.

#### Issues

- Office of the Future press event will not provide much exposure for current desktop applications but is our major event to reach beyond enthusiast press this fiscal year. Need to pursue additional opportunities for desktop.
- We believe GBU awareness and understanding of Office, Windows applications working together and "interoperability" are low. Need to evaluate how PR, in conjunction with advertising, can improve awareness beyond Word and Excel.

#### New Ideas

- Pursue solution stories in vertical publications. Using examples of customers who have customized Office apps to meet line of business needs, we will pursue story opportunities in vertical press, much as we have already done with Word and the legal market.
- Solution articles in enterprise, personal finance press. Currently, there are feature-oriented "how to" articles in the PC press. We want to target such publications as Money, Home Office Computing and Inc. with articles on how to use Office apps for business solutions (i.e. preparing budgets, customer mailing lists, etc.) This should be pursued in conjunction with trial disk idea referenced above.
- Target syndicated computer columnists in local newspapers and continue targeting computer programs on radio and TV. We should identify the top 25 computer columnists in the country who are either syndicated and/or in the top markets and include them in our press tours and other PR programs. These columnists can reach more fringe IEUs and GBUs who read local media.
- Develop creative momentum campaign to keep Office apps top of mind among journalists outside the PC press. We need some creative concept (like a "Word Sweeps the Nation" done several years ago) to grab attention and remind press that Word and Excel are becoming the standard applications.

#### Trial

We need to test new means to reach large numbers of fringe IEUs with live trial demonstration of our product. It will also demonstrate new ways to generate and follow up with leads. While the pilot will not deliver the campaign's goal of 2M live trials, if successful, it can be rolled out on this scale in early FY94.

#### DRTV/Video Pilot

##### Current Status:

- DRTV 120 second spot creative concept, media and research plan approved. Two week test of DRTV spot scheduled for early April. Spot features fictitious company moving to Word and Excel and has strong call to action for free video.
- Video and brochure feature testimonials of individuals in diverse companies who have switched from WordPerfect and Lotus. Emphasis is on benefits rather than features and video includes strong live trial components. Video will be used as fulfillment for live trial test and in other programs; video footage may be used for other programs.
- Test includes business print media and direct mail with two objectives:  
Determine what is most cost effective medium to deliver video orders and sales conversion: DRTV vs. print vs. direct mail  
Determine what is most cost effective live trial vehicle: video (two step) vs. autodemo (two step) vs. upgrade offer (one step.)

##### Issues:

- Cost effectiveness of DRTV and two-step live trial. Currently, cost per purchase for seminars, direct mail and other marketing programs averages \$50/unit, using traditional IEU and Microsoft customer lists. Can the roll out of DRTV achieve similar numbers, while reaching beyond to fringe IEUs and

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GBUs? The seminar and seeding programs also provide multipliers, as purchasers buy multiple copies and recommend to others. Will respondents and purchasers reached through DRTV also recommend and influence incremental purchase?

- Will a video and two step trial process (order video, then purchase) move fringe IEUs to upgrade? These are new approaches to sell Word and Excel which presume that DRTV can reach a wide audience effectively, that this audience needs some form of trial and that video is the most compelling trial medium. All of these assumptions will be tested and validated through this program.
- Lead generation. Program's original objective is to deliver live trial. It will also generate leads who have demonstrated interest by ordering video. These leads require: immediate follow up to generate sales, qualification (purchase role, size of company, etc.) classification and referral to other Microsoft programs for additional follow up as appropriate. Such leads could be even more valuable than new Windows registrants because they not only can run Win apps, but have volunteered interest. Currently, our database and marketing programs are not optimized for lead generation and follow up. We should use this pilot as a model for expansion of lead generation programs.

#### January - June Programs

- DRTV will air in April, with follow up and research in May and June.

#### New Ideas

- Use video as effective trial vehicle in reseller channel. Ideas to test include:
  - Egghead use of video footage to create custom Egghead video promoting Word and Excel.
  - CAR use of video as trial vehicle, purchased with marketing funds.
  - Instore playing of video in superstores and mass merchants, with incentives for continual playing.
  - MOR distribution of video as purchase incentive with select other Windows products.Any pilots must be coordinated with Upgrade promotion and may need to follow promotion.
- Incorporate video in new seminar targeted to fringe IEUs.

#### Business Travelers

We need creative ways to reach fringe IEUs and GBUs beyond our current advertising program and DRTV pilot. Business travelers are an identifiable segment which map to our demographics. We will experiment with some new alliance marketing efforts to reach them. Proposed ideas include:

- Sponsorship of computers in airport business centers and "Red Carpet" clubs.
- Make offer to frequent flyer program members, through inclusion in newsletter, statement or other regular communications. Use similar approach to reach corporate credit cardholders. Offer would probably be free video.
- Use inflight video for PR and advertising opportunities.

We shall include measurement to insure that we can evaluate these ideas' success.

#### Seminars

##### Current Status

- MCSS is ahead of goal on all key operational indicators: attendance is averaging 196/seminar vs. goal of 150/seminar, mailing response rate stands at 6.% vs. goal of 5% and cost/attendee is \$37 vs. goal of \$47.
- Current purchase rate is 32%, cost per purchase is \$50.<sup>5</sup>
- Application Migration Workshop pilot demonstrated more workgroup, integration and transition benefits. Qualitative and anecdotal research suggest some content was successful and will be incorporated in new seminars for CY93.
- MRSS, the reseller sponsored program, has (1) restructured to offer a larger variety of support, and (2) increased the number of vertical seminars and out-of-the-box seminars available to reseller reps.

<sup>5</sup>Numbers to be verified by seminars group with most recent data.

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#### Issues

- Better targeting seminars for different types of users, particularly fringe IEUs. April pilot will test new seminar types delivered at one site: affect on response, attendance and purchase will be determined.
- Integration of multiple product messages and Microsoft corporate positioning. Currently, applications are not prominently featured in Windows Technical Workshops while MCSS features more than five products, essentially in separate modules. We need to integrate these products with compelling line positioning and benefits.

#### January - June Programs

- New seminars will be developed, including: "MCSS Lite," seminar targeted to fringe IEUs and less experienced users; modified MCSS, incorporating some of the content from AMW and "Tips and Tricks for Word and Excel" responding to customer requests for this content. These seminars, together with Windows for Workgroups, Access and Windows Technical Workshop seminars, will be delivered together in one location. This approach enables users to self-select for most appropriate seminar type, reduces duplication in direct mail and provides an opportunity to test local newspaper advertising. We will be testing the impact on purchase rates, cost per purchase and multiplier.
- New Solution Provider seminars are being developed.

#### New Ideas

- Activate seminar attendees with more targeted hand outs and follow up. While seminar attendees' purchase and recommendation rates are on target, we currently do not provide them with tools or incentives to transfer their seminar knowledge or recommend product. Videos, additional qualification and follow up are several tactics that should be evaluated and prioritized.

#### Trade Shows

##### Current Status

- Participated in COMDEX
- Regional and industry trade shows now being managed by Solution Provider group. Did not implement Office-specific regional trade show plan.

##### Issues

- Need overall trade show strategy which includes rationale for spending on national shows and coverage of regional shows as well as communications strategy. Trade show objectives should include lead generation and follow up as well as awareness through product presentations.
- Need to resolve product marketing role and responsibility for industry and regional shows.

##### January - June Programs.

- Spring Comdex and PC Expo.

#### Grow "Arm and Activate"

We have focused many of our marketing programs on IEUs because it is IEUs' trial, purchase and recommendation that helps drive widespread adoption in organizations and the marketplace. Similarly, existing customers, whatever their degree of influence, are critical to future sales, through upgrades, purchase of additional Microsoft applications, recommendation and workgroup adoption. Customer satisfaction is critical to continued usage, repurchase and recommendation. The principal IEU adoption programs are seeding and trial plus, while we have addressed customer satisfaction to date with the FOCUS newsletter. The formal evaluation and ATC programs address corporate-wide "activation" issues.

#### Arming Switchers

#### Seeding and Trial Plus

##### Current Status

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- Seeding program is currently below targets for enrollments and adoptions. October adoption rate was 1307 or 72% of goal while November fell to 43% of goal. Enrollments lower than goal due to requirements for more qualified seed candidates put in place after goals set. Improvements in management and organization should result in numbers closer to goal but expect to be below total forecast of 125,000 units sold through seeding and trial plus programs combined.
- Trial plus is at target for enrollments and adoptions. October adoptions were 172 workgroups or 138% of goal and November adoptions were 88%, with enrollments at forecast.
- FY goal of 125,000 units sold relies on multiplier of 4.5 for seeding and 11.5 for trial plus. At current enrollment and adoption rates, program will be at 96,000 units or 77% of goal. However, we have not yet validated actual multipliers of customers who adopted this fiscal year. February research will validate actual multipliers, including units reported purchased and recommended, and may necessitate further change to FY forecast.

October results for combined Word and Excel (the actual split is about 50/50) showed 1,307 seeds adopted and 172 workgroups adopted. This rate is 72% of the monthly rate we set as a guideline for seeding, and 138% of that we set for Trial Plus. The true measure of these programs, however, is the effect those adoptions have on others. If we assume a seed multiplier of 4.5 and 11.5 units sold per Trial Plus adopt (based on last year's research), we will hit 96K units sold for FY92, or 77% of the original goal of 125K.

#### Issues

- Program profitability. Because customers receive individual or workgroup seed units, profitability depends on workgroups purchasing units after trial plus period has expired and seed candidates recommending additional purchase. In the absence of actual multiplier data and questions about reliability of trial plus self-reporting, it is difficult to validate actual sales generated by program.
- Funding and management of program for multiple products. In early CY93, both programs will include Access and Office. For the remainder of the FY, we need to develop a financial model that supports all product needs but reflects Word and Excel's true investment in the program. This may involve transfer of funds back to Office campaign marketing budget or alternative approach. For FY94, proposal to fund organization as part of sales operations and modify product marketing role accordingly.
- Common metrics for seeding, seminars and direct mail programs. In order to evaluate cost effectiveness of all three programs, we need common metrics for program costs, direct and channel revenue, multiplier and ROI. Metrics are now agreed on and research will begin in February with samples of customers for all three programs in order to be able to compare profitability and cost effectiveness of all programs.
- Lead generation. Seeding programs require qualified leads, as only most likely to purchase should be enrolled in seeding (which is more expensive contact than direct mail or seminars.) Currently there is no program in place focused on lead generation or qualification. Database improvements and change in focus needed to insure that we continue to have qualified leads and reduce duplication of contacts and marketing efforts.

#### January - June programs

- Continuation of current program, with incorporation of Office and Access. ✓

#### Corporate Evaluation and Migration Programs

##### Current Status

- Formal Evaluation program is meeting goals for enrollments and average number of units per evaluation: more than 300 accounts are enrolled and average units per account is 124, vs. 100 goal. However, number of evaluations won is significantly below goal—19 in November vs. goal of 70,

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which reflects length of typical evaluation. We will revise measurement to focus on percentage of evaluations won rather than total numbers won.

- Lotus Macro Interpreter Guarantee program has enrolled 6 accounts, below target of 10 accounts and significantly below budget (\$27,000 spent of \$150,000 total budget.) Availability of guarantee has been factor in several corporate evaluations but many accounts are still in evaluation process. Minimum requirement of 1,000 unit purchase to enroll in program may also be obstacle to enrolling additional accounts.
- ATC Push program, offering discretionary training funds to district offices, expired June, 1992. The program's goal is to speed adoption rate where Office apps are the standard. According to sales force reports, ATC funds were used in sales totaling 170,000 units at incremental cost of \$1.03/unit. The program's services are now being expanded to include consulting as well as ATC classes and Excel and Office as well as Word.

#### Issues

- While Office products are a big percentage of the sales force's revenue goals, there is no successor to Share Drive which focused on winning incremental business. We need to continue to monitor corporate account units to insure that we do not lose ground here.

#### January - June Programs

- Formal evaluation and LMI programs will continue on plan.
- ATC Push II will be rolled out Jan. 1, and will run through May 15 with a total funding of \$250K.

#### New Ideas

- Winning the DOS upgrade may take more than current training program and LMI guarantee. Customers migrating may need assistance in how to manage migration, cost justification of move, specific migration tools, training resources, special product support assistance, etc. We need to analyze opportunities where providing targeted assistance makes the difference in whether or not or how quickly customer moves from competitive DOS apps (or even previous version of MS apps.) Will analyze and develop proposal.

#### "Recommend a Friend" Pilot

While we know that current users' recommendations are probably the single most important source of new sales, we do not have any programs that are explicitly focused on encouraging users to recommend. (Our customer satisfaction efforts approach this more indirectly. Such efforts would also generate new, presumably qualified leads, which can be used for additional programs including seminars, direct mail, etc.

We have had some mixed results with programs of this kind in the past but believe they could be fruitful because of success in other industries (e.g. book clubs, MCI "Friends and Family"). Ideas in this area include:

- Program to incent users to provide names to MS for follow up (i.e. MCI model: users get reward for sending us names and we follow up with personalized communications "Your friend Ron Souza suggested you would be interested in MS Office....")
- Program to incent users to actively recommend Office apps on their own (i.e. book club model: User recommends Office to a friend. The friend sends in sales receipt and name of recommender, who then receives a bonus.)

These efforts could be integrated into existing communication vehicles (e.g. FOCUS, upgrade mailings, etc.) although we may test an independent communications to measure whether the idea has promise at all.

#### Satisfaction

Merged FOCUS/VIEW program

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#### Current Status

- FY 93 to date, we have shipped one issue of FOCUS, the Fall 1992 issue, and expect to ship the second issue in March. The first issue was sent to approximately 2MM registered Windows and WinApps registered users and distributed to another 500K users via resellers, international, and OEM's. To date, there has been a ~1% response rate for Access and ~3% response rate for Win for Workgroups from offer wraps.
- An ongoing, long term research campaign has been kicked off that will determine the effect of our customer satisfaction communications. It will measure the differential in satisfaction, upgrade and cross sell rates among customers who receive our communications and those who don't. Tests also underway to track difference in response rates from offers included in Welcome package vs. traditional direct mail. the direct mail offers.

#### Issues

- *Need to define what our overall customer satisfaction objectives are and what we can deliver in terms of programs and impact on secured customer ratings in defined time frames.*
- **Post Sales Linkage program.** The plan for Post Sales linkage addresses many of the issues here. We have provided input to Jimm on this program and recommend that there be a single individual charged with executing the program company-wide. This program must be modular, so different components can be executed separately. It also requires considerable improvements in operations, fulfillment and our customer database before it can be executed successfully. We must make progress in securing customers in order to defend our market share position.
- **Role of newsletter in increasing customer satisfaction.** We must improve our customer satisfaction ratings and believe that more regular customer communications can contribute to this. However, we do not have definitive research that justifying a newsletter as the most desired or cost effective customer satisfaction vehicle.
- **Balance of product usage information and product offers.** The original newsletter had the singular goal of increasing customer satisfaction by providing product usage assistance. The current newsletter is used both to deliver product information and as a launch vehicle, to upgrade and cross sell new products to the Microsoft customer base. As a result, the percentage of content devoted to product usage has dropped considerably. We need to resolve what the newsletter's primary objective is, measure whether or not the existing newsletter is impacting customer satisfaction and adjust the content accordingly.
- **Develop effective contact strategy to optimize long term revenue potential of customer.** Today, we have multiple communications to an individual Windows customer: the Welcome Package, FOCUS and various product and seminar offers. We are currently testing different combinations of direct mail offers and the Welcome Package to determine what the *first* customer communication should be, given competing priorities of upgrading competitive DOS application users and initiating customer communication. We need to resolve not only what the first communication should be, but the number and type of offers a customer receives, as well as the need for a consistent customer-focused tone in all our communications.
- **Develop a customer satisfaction program segmented according to customer needs.** With the size of our customer base, a single broad based communication is extremely costly. It may also not meet customer needs as a newsletter might not heighten satisfaction for certain customer segments while others desire, and would even pay for, more frequent communication and information from Microsoft. We can identify the latter segments by developing a fee program which allows customers to self select.

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- Measurement of customer satisfaction and impact on repurchase. Need to continue to build consistent, regular measurement of secured customer ratings, purchase and recommendation to quantify progress in this area.

#### January - June Programs

- March, 1993 FOCUS is timed with spring retail promo and theme of "Microsoft is making it easier to get the most out of your PC." A diagnostic "consultant" disk housed in a CD-like carrier will be shrink-wrapped to and mailed with the newsletter, instructing users about promotion and upgrade options.
- Implementing company-wide Microsoft Wish program. The individual product Wish programs, enabling customers to provide feature suggestions, will be consolidated with a common front and back end for the company

### Own Best of Breed

Winning reviews and demonstrating leadership among enthusiasts are critical to the preservation of our market share leadership even though purchase criteria are changing, as products become less differentiated and corporate customers evaluate suites and services more than single products. PR and PC press advertising are the main programs dedicated to best of breed, as well as the development of sales tools and evidence to arm our sales.

### Influence the Influencers

#### Press/analyst relations

##### Current Status

- Excel has won the majority of comparative reviews against Quattro Pro for Windows, ranked higher in Infoworld and Software Digest, both receiving recommendations from PC World and PC Magazine and overall, winning more industry awards. However, the margin was quite slim and several reviewers either gave the edge to Borland or rated the products equally. Overall, editors credit Excel for depth of analytic features and innovation but favor Borland's notebook interface and ease of use.
- AmiPro has edged out Word as the top rated word processor in most comparative and individual product reviews, and garnered several industry awards this year. Reviewers have regarded Ami as "more fun" and praised the usability improvements which gave it a slight edge over Word. However, both word processors receive similar levels of praise for depth of features, usability, etc.
- We have been in regular contact with the press using such opportunities as ABP, new add in products, etc.

##### Issues

- Need to articulate line strategy and benefits to press and integrate these issues with individual product reviews. To date, the press has been focused on individual product categories in their coverage. We need to shift coverage more to line issues and present our apps line benefits.
- Need a "second generation" usability message. The good news is the press called "1992 the year of usability." The bad news is they now view usability as a generic benefit provided by all the major software vendors. We need to develop and articulate a second generation message for "intelligent automation" where, once again, Microsoft is seen as the leader in understanding users and enjoys the six month window before our competitors' messages and products follow our lead.
- Need to more affirmatively position Microsoft's product support and service offerings. In addition to improving our scores in this area for comparative reviews, we more actively promote our programs via the PC press.

#### January - June Programs

- Interoperability press tour, February

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- Word 6.0 press tour
- Word Ten Year anniversary
- Ongoing PR projects include: key influentials' visits to Microsoft, story on "behind the scenes" with Excel 5.0, how to articles in the press, etc.

**New Ideas**

- Take advantage of ObjectBASIC and OLE 2.0 for MS Windows apps. While there are thorny issues in talking about these developments prior to Word and Excel shipping, we can try to claim their benefits early even if we don't literally beat our competitors to market.

**Enthusiast ads**

**Current Status**

- We are currently running individual product ad campaigns in the PC press. The Word ad focuses on usability and WordPerfect users, while the Excel ad focuses on innovative features. In addition, an Excel awards ad is about to begin and we plan a similar ad for corporate endorsements which features both Word and Excel.

**Issues**

- Awareness of MS Office and Win apps line benefits among PC press readers. We are planning Office campaign to begin with April monthlies, which will mark more than 18 months since last Office advertising. Lotus has been aggressively marketing SmartSuite during this time period. While we do not specifically track line awareness in these pubs and we know that Office sales are strong, we need to boost awareness and understanding of line and Office.
- Absence of product-specific advertising for Q4. Current budget calls for Office advertising to supplant Word and Excel messages in the spring. We will need to evaluate whether Office concepts provide strong enough Word and Excel messages or if we need to supplement line advertising with new product-specific executions.

**January - June Programs**

- Line advertising planned. Concepts and media plan not yet finalized.

**User Groups**

**Current Status**

- Initiated special Word/Excel presentations to 3 user groups to date, expect minimum of 10 by end of FY93. Program includes special user group pricing, advertising and invitations.
- SIG program underway, with monthly mailings of product information. Word SIGs well in place; Excel SIGs still in exploratory phase.

**Issues**

- Competition with other MS products for presentation time at groups
- Early planning needed for maximum exposure in top 40 groups for both Word and Excel launches

**January - June Programs**

- Develop Excel SIG program
- Continue joint Word/Excel presentations

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**New Ideas**

- Advertise in top user group publications. Currently our main competitors are advertising and we are not. While most PC user group members probably also read the PC publications, advertising in newsletters demonstrates that we are interested in this influential audience and is a nominal cost.
- Continue special user group pricing. We have introduced special \$99 pricing for Mac user groups and special Word/Excel meetings. We should continue this through the Word and Excel launches-- the goodwill earned among these influential members more than compensates for the revenue shortfall.

**Version Upgrade Direct Mail**

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#### Current Status

- Upgraded approximately 25% of Word and Excel installed base to most current version.
- Mailed Word and Excel registered bases twice. Currently mailing Excel users third time.
- Maintenance program in effect to upgrade corporate accounts.

#### Issues

- Upgrade offer, pricing and communication to Office customers. Need strategy to handle multiple upgrades in early FY94, maximizing both revenue and customer satisfaction.
- Differential pricing for version vs. competitive upgraders. Need to decide new pricing for competitive and version upgrades beginning with Word 6.0. Lower pricing for Excel 4.0 (\$99) did not produce uplift in response rate although did yield higher initial channel sales. Need to analyze profitability of two tiered pricing at \$99/129, 129/149 and other options.
- Upgrade percentages remain low. Need more effective strategy to reach beyond initial upgraders to boost response rate to 40%.
- Corporate account upgrade business. Need to supplement maintenance program to increase upgrade response rate among corporate users, particularly in decentralized accounts.
- Compliance and cannibalization issues in channel.

#### Market Research

##### Current Status

- Research projects completed to date include: Word/Excel joint-messaging focus groups, Office ad focus groups, Mac Office research, interoperability study and studies of upgraders and new Office purchasers.
- Word is conducting a reg. base study and a WordPerfect journal study, and is kicking off T3 positioning focus groups in January. XL is conducting a user study and also using data from PC Watch to examine usage patterns. There are other research projects measuring marketing program effectiveness, including seminars, multiplier for seeding programs, channel upgrade practices, etc.

##### January - June Programs

- Ongoing research, including tactical projects as needed. Beginning work on segmentation study to be kicked off in early 1992.

#### Build Application Identity

#### Develop identity for MS Win Apps

##### Line identity and Office ads

##### Current Status

- Line focus groups completed. Office ads scheduled for April monthlies.

##### Issues

- *Need clear positioning and communications plan for Office and Win line. A positioning statement is critical path for all communications and marketing programs involving Word, Excel and Office SKU, including advertising, PR, direct mail, corporate account marketing, etc.*
- Need to distinguish communication vehicles and messages for Office SKU vs. the line and role of individual products, particularly Word and Excel, in demonstrating Winline benefits.
- Need to expand Office awareness among GBU readers of business pubs. Media plan currently only in PC pubs. Reallocate budget to fund business press ads for line.
- Role of Word and Excel in Office ads. Need to determine whether Word and Excel require additional product-specific advertising in PC press in Q4 or if Office messages deliver well enough for individual products.

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- Integration of database products in Office messages. We must integrate Access and FoxPro into our messages, sales tools for field and potentially Office SKU itself. The availability of a database is one of our biggest opportunities against Lotus and WordPerfect and enables us to thwart Borland as well.

#### January - June Programs

- Line ads scheduled for April.
- Office included in "Upgrade Your World" advertising.

#### Line research

##### Current Status

- Interoperability research and focus groups completed. Winline positioning groups completed. Survey completed comparing Office purchasers to upgraders.

#### Win Line PR

##### Current Status

- Win Office momentum press release completed. Preparation underway for Interoperability Press Tour.
- Workgroup Strategy Day held with mention of Workgroup Pak.

##### Issues

- Need to develop visible Peteh's role as senior spokesperson for Desktop Applications. Role should include frequent mentions in weeklies, participation in industry and trade show seminars and interviews with press and analysts. Currently, industry press covers Microsoft the company and Word and Excel as products but there is relatively little coverage of Microsoft applications strategy or division. Need additional spokespersons on such topics as interoperability and intelligent automation.
- Need to decide when and how to talk about interoperability, common interface, etc. in period between Word and Excel announcements, weighing costs of "pre-announcing" XL 5.0 with benefits of cross-app messages.
- Need to build press awareness of applications line strategy and benefits vs. Lotus and other competitors. Interoperability press tour is important first step but must be followed by other PR activities. Today, reviewers generally know our products, our usability message and our commitment to supporting Windows OS advantages. They are also very familiar with Lotus' Notes strategy and how it affects their applications. However, they do not know enough about our development and interoperability strategies, and what distinguishes MS Windows applications as a whole.
- Evolve usability message to next generation of intelligent automation. As noted above, usability is now generic software attribute. We have opportunity to define next trend in everyday usage, particularly using Wizards and Word 6.0. We should continue to emphasize our user-driven development but show how it is moving towards automation of more complex tasks.
- Build awareness of applications as solution provider platforms. Today, reviewers rate our individual application macro languages very highly and anticipate a common macro language. There has been relatively little coverage of MS solution provider channel or MS applications as development platforms. We must build advantage here, by using such tools as ObjectBASIC launch, EIS Builder, Workgroup Pack, consultant and customer examples of solutions using our applications, Tech Ed conference, etc. (This message will also be incorporated in interoperability tour.)
- Clarify our workgroup message. When we ship the workgroup pak, we must carefully delineate the target audience and potential use for this pak, making clear where comparisons with Notes are relevant and where they are not. Workgroup Strategy Day was an important first step but we must continue to develop these messages, particularly demonstrating examples of customers who have added workgroup functionality rather than choosing Notes.
- Need to build broader awareness of Office among the press. Currently PC press regard it as pricing bundle while awareness is low among general business press. Need to demonstrate how next generation of applications will work more closely together to both audiences.
- Need to build solution stories for vertical press.

January - June Programs

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- Interoperability press tour scheduled for February.
- Announcements of OLE 2.0, ObjectBASIC, Workgroup Pak and Query Tool scheduled for Q3 enable us to deliver on components of applications strategy, including interoperability, workgroup applications and ODBC/data access.
- HP Lion announcement scheduled for May, 1993.

#### **New Ideas**

- Analyst briefing day scheduled for late summer to present all aspects of applications strategy, including preview of all applications scheduled to ship in the fall.

### **Sponsor events for MIS/Influentials**

#### **Apps Press Briefing**

##### **Current Status**

- Workgroup Strategy Day held in September. Apps Strategy Day postponed to Q1, FY94, per above.

#### **Apps Users Conference**

##### **Current Status**

- Postponed Conference to September, 1993 to coincide with Excel and other product launches. Funds transferred for "Upgrade Your World" promotion.
- TechEd conference will reach corporate developers, ISVs and other highly technical users.

##### **Issues**

- No forum to present applications line strategy to decision makers in corporate accounts. Currently, customers who come to the Executive Briefing Center receive presentation on applications strategy, which is also available to the field. There is also the Business Solutions conference series scheduled for early 1993, which will be conducted with solution provider partners. There may also be an event in conjunction with Spring Comdex. However, these programs do not enable us to reach corporate decision makers with a high level applications strategy message.

##### **New Ideas**

- Evaluate concept of "Applications SBT," in which DT Apps Division senior executives deliver applications strategy message to decision makers in top accounts in 10 cities. Evaluate benefits of this approach vs. integration with existing vehicles targeted to corporate accounts.

### **Create new sales tools**

#### **Product literature and packaging**

##### **Current Status**

- Winline catalogue available.

##### **Issues**

- *Potential proliferation of Office SKUs.* We must determine whether to include a database in the Office, which database, whether it is a supplementary or replacement SKU and how it will be priced. There are other potential bundle opportunities with other Microsoft applications (e.g. Project and Excel, Word and Publisher, Profit and Excel, etc.). We need a strategy which covers offer, pricing, packaging and channel promotion for multiple-app "bundles."
- *Office upgrade path and pricing.* For spring promotion, upgrade SKU street price is approx. \$349-399. We need to decide whether or not to continue SKU, at what price. Beginning in June, Office customers will have the first of three product upgrade opportunities. We need a policy, program and positioning to upgrade Office customers to new versions of Word, Excel and Powerpoint that maximizes upgrade revenue and profitability and customer satisfaction.
- *Added value for Office.* Today, the Office is viewed largely as a pricing bundle with an incremental ease of use from integrated set up. We should begin to add value and build identity for the Office with additional functionality, documentation, etc. by FY94.

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**January - June Programs**

- Office upgrade SKU now available and included in "Upgrade Your World" promotion.

**Field sales tools and evidence**

**Current Status**

- Applications strategy presentation with video was produced in conjunction with the Solution Providers' group and distributed to the sales force.

**Issues**

- Evidence plan for Office, Word and Excel. There is variety of evidence to justify purchase of Office applications—third party ratings and endorsements, comparison with competitive products, number of users who have switched, examples of solutions built with applications, testimonials, etc. We need to prioritize types of evidence and deliver sales tools and evidence that map to customer needs.
- Productivity gains from using Office. Specific quantifiable evidence is needed to justify move to Office. Need to determine approach for measuring productivity, grounds for comparison (MS Office vs. DOS or MS Office vs. SmartSuite) and sales tools to demonstrate gains.

**January - June Programs**

- Plan to deliver suite of selling tools for Office, including demo script and video, autodemo, internal competitive analysis, white paper on interoperability and Office adoption case study.

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