

Office Focus Squad

April 22, 1993

Agenda

- ◆ Vital Signs Review
- ◆ Competitive Response Plans
- ◆ Year of the Office Overview
- ◆ Year of the Office Discussion Topics
 - Office SKU Management
 - Pricing
 - Compliance Checking
- ◆ Preliminary FY94 Forecasts



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Competitive Issues

- ◆ 1-2-3/W 4.0 shipping late June
 - Full featured release
 - Reviewers view as solid and competitive with Excel 4.0
 - Innovation: Version Manager
 - Pricing unknown
- ◆ WordPerfect 6.0 for DOS shipping late June
 - GUI/TUI interface "Best of both worlds", transition step
 - Innovations from Windows product (5.2), button bar, quick index
 - PlanPerfect integrated into product
 - \$129 version upgrade, \$149 competitive upgrade

Threats

- ◆ Lotus threat to desktop apps
 - 1-2-3/W rejuvenates SmartSuite
 - AmiPro gains share and exposure
 - Workgroup becomes only category differentiator
 - 1-2-3/W platform upgrades increase 1-2-3 share of Windows
- ◆ WordPerfect threat
 - DOS WordPerfect 6 holds users until new Windows version
 - Windows WordPerfect 6 platform upgrades increase WP share of Windows

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Response Objectives

- ◆ **Reposition the competition**
 - Office apps momentum and leadership
 - Competitive products as "catch up" or "old technology"
 - Define key areas: programmability and integration
- ◆ **Defuse 1-2-3/W 4.0 and WordPerfect 6.0 launch**
- ◆ **Prevent Lotus from gaining on Win desktops**
 - Reduce 123 DOS to Windows upgrades
 - Stall the market, especially amongst influentials
 - Shutdown SmartSuite



Repositioning Tactics

- ◆ **PR**
 - Press tours and follow-up call downs
 - Data Access, Programmability, Workgroup, PeteH/biz, long leads
 - Influence first looks
 - Manage timing/criteria of comparative reviews
 - "Behind the scenes" days for key reviewers
 - Word 10th anniversary/Dataquest release
- ◆ **Advertising**
 - "8mm users" ads in business and PC Press
 - Office ads in business and PC press
 - Increase reach and frequency with additional insertions

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Defuse 1-2-3 and WP launches

- ◆ **Pre-announce VB for applications and OLE support**
 - BillG keynote at PC Expo
 - Show "real" Starbucks demo
 - Show VBA in Excel and/or Project
 - Show custom solution demo
 - Programmability press tour
- ◆ **Preview Excel 5.0 and Word 6.0**
 - Discuss features today, show product in late May
 - NDA briefings at WinWorld and PC Expo
 - NDA presentations in field in July (with beta and training)

Keep Lotus Off Win Desktops

- ◆ **Rollout direct response program**
 - DRTV/print test now underway; video call to action
 - Ads address DOS upgraders; video shows happy switchers
 - Initial data suggests ads will be successful
 - Proposal to expand program in June-July
- ◆ **Direct mail to new Windows customers**
 - 1mm + pieces, drops 6/15
 - Joint Word/Excel upgrade message
- ◆ **Channel options vs. competitor upgrade efforts**
 - Extend and support Upgrade Your World to June 30th
 - Accept Lotus/WordPerfect upgrade notices as proof
 - Put competitive upgrades on sale (\$99/\$129)

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**Keep SmartSuite Off Win
Desktops**

◆ **Announce and ship Office + Access**

◆ **Plan of record**

- **Timing:** 5/18 RTM
- **Pricing:** \$995 SRP, \$600 street price
- **Office mix:** 25% of Office total
- **Communications:** PR/advertising in June
- **Channel rollout:** In planning stages

Alternative Office + Access Plan

- ◆ **Add Access to existing Office**
- ◆ **Price SKU at \$795 SRP**
- ◆ **Major competitive weapon versus Lotus, Borland (and WP)**
- ◆ **Simplifies messaging, channel management, etc.**

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Office 1 SKU

Pros

- ◆ Less confusion
- ◆ Lower admin costs
- ◆ Aggressive competitive weapon
- ◆ Share gain
- ◆ Users react positively

Cons

- Lower revenues
- Higher PSS costs
- Escalate price war
- Potential erosion of database value
- Appropriate DB?

Sensitivity analysis: Net Revenues

Mix	0 / 100	25 / 75	50 / 50	75 / 25	100 / 0
Office 2 SKUs	\$271,590,000	\$254,924,250	\$238,258,500	\$221,592,750	\$204,927,000
Office 1 SKU	\$207,396,000	\$207,396,000	\$207,396,000	\$207,396,000	\$207,396,000
Difference	(\$64,194,000)	(\$47,528,250)	(\$30,862,500)	(\$14,196,750)	\$2,469,000

Year of the Office Defined

- ◆ Office is the key concept and SKU(s)
- ◆ Paradigm shift in organization ("two hats")
- ◆ Individual products are a key "door" into the Office

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Year of the Office Overview

- ◆ **Handouts**
 - Event timeline
 - Communications schedule
- ◆ **Key on-going activities**
 - Messaging/positioning framework (Offsite on 4/29)
 - Marketing plan (solid draft on 4/29)
 - Implementation planning with field and US sub
- ◆ **YOO discussion topics**
 - SKU management
 - Pricing
 - Compliance checking

YOO SKU Management

- ◆ **Assumptions**
 - Word RTM 8/15 (+2)
 - Excel RTM 10/10 (+2)
 - Access RTM 10/20 (+2)
 - PowerPoint RTM 12/7 (+2)
- ◆ **Objectives**
 - Upgrade users to Office
 - Sim ship Office with individual apps
 - Leverage unique "YOO" opportunity
 - Minimize inventory and channel management problems
 - Manage risk with contingency plans

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Three Scenarios

- ◆ Hold Word and Office until XL/Access ship
- ◆ Ship Word, rev Office when XL/Access ship
- ◆ Ship Word and Office, rev Office 3 times

Hold Word and Office Until XL/Access Ship

- ◆ Announce products on 9/30 or 10/15
 - Sim ship Office, Word, XL, and Access
 - Rev Office when PowerPoint ships
- ◆ Pros
 - Simplicity for channel, customers, Microsoft
 - Opportunity to copy cheap AmiPro features
- ◆ Cons
 - AmiPro may ship first
 - Word will miss some of key selling season
 - Financial risk: what if Excel or Access slip?

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Ship Word, Rev Office When XL/Access Ship

- ◆ Announce products on 9/15
 - Word SKUs ship with redeemable "two for one" checks
 - Continue selling "old" Office until XL/Access ship
 - Fulfillment process for "free period" Office buyers
- ◆ Pros
 - Gets Word out asap
 - Q1 revenue, no dependencies
- ◆ Cons
 - Relies on redeemable checks to get upgrades to Office
 - Confusing to Office customers
 - Customer satisfaction issues with fulfillment process
 - Fulfillment costs for Office 3.x channel inventory

Ship Word and Office, Rev Office 3 Times

- ◆ Announce products on 9/15
 - Office rev #1 ships on 9/15 with Word
 - Office rev #2 ships on 10/20 with Excel/Access
 - Office rev #3 ships in Dec/Jan with PowerPoint
 - Could use "two for one" checks for version upgrades
- ◆ Pros
 - Gets Word out asap
 - Q1 revenue, no dependencies
- ◆ Cons
 - Inventory and channel management
 - No clear focus on Office; difficult to get upgrades to Office
 - Customer and channel confusion, "What Office is current?"
 - Excel/Access free window fulfillment cost

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Upgrade Pricing

- ◆ Review memo background and objectives
- ◆ Discuss core pricing issues

Product	Proposed SRP	Estimated Street
Individual app version upgrades	\$129	\$119
Competitive app upgrades	\$149	\$139
Office version upgrades	\$249	\$229
Office competitive upgrades	\$349	\$319
Office + Access version upgrades	\$349/399	\$319/369
Office + Access competitive upgrades	?	?

Compliance Checking

- ◆ Current proposal
 - Include competitive and version compliance checking
 - Tell user if they qualify to install the product
 - User can override the check if he/she still claims qualification
 - Option for stricter compliance outside US
- ◆ Rationale
 - Data shows that cheating is now "only" at 10-15%
 - New approach is similar level of "strictness" to current method
 - Minimizes likelihood of calls to Microsoft
 - Forces user to explicitly cheat
 - Allows for better testing of concept and implementation
 - Reduces burden on channel

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