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Brand

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1668
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Microsoft Memo

To: Steveh, Jeffr
cc: Jonl, Hankv, Lizw, Martyta
From: Gary Gigot
Subj: Image Plan: Fiscal 1994
Date: May 19, 1993

This outlines the basic elements of the Image Plan for Fiscal 1994. It encompasses the strategies and messages discussed in March, but also incorporates important new information from the Workplace Architecture Plan, progress with the Consumer Division and more current direction from the Office campaign. Jonl also has proposed an important new Product Branding idea that is outlined and discussed. The memorandum recommends the following:

- Create Master Product Brands that unify marketing to specific audiences and importantly, *build the desired perception of the Microsoft trademark through the Master Product Brands.*
- Manage communications in a Company Image—Company Trademark—Master Product Brands framework.
- Create an ongoing Events "Vision Series" that consistently and systematically communicates Microsoft's view of the future direction of computer architecture, technology and products.
- Focus the Corporate PR plan on resetting the editorial agenda and content of Microsoft corporate PR stories from aggressive, software giant to visionary, technology leader and innovator.
- Utilize corporate affairs opportunities to demonstrate both an acceptance of our industry leadership role and to set our long term corporate agenda.
- Use periodic advertising events to create an ongoing dialogue with our three key audiences: general user, large organizations, and our partners to communicate our vision, to provide updates on current products and technologies, and to demonstrate benefits.
- Install a message management system to allow executive management to manage message delivery to the market, to evaluate spending behind the key initiatives and to ensure that our core messages are effectively communicated internally to all US field offices and all international subsidiaries.
- Provide specific positioning and message strategy to the subsidiaries for guidance in the building and nurturing of the Microsoft Image in their geographic market.

These actions are not viewed as optional but rather germane to the successful achievement of FY 94 objectives. Budgets for everything except the "advertising events" are expected to come from product, audience, or subsidiary marketing sources. Decision on any incremental funding to support any Microsoft Image development must be made in context of final FY 94 marketing pool and MS US profitability plan.

TERMINOLOGY

Company Image is the sum of all controllable and uncontrollable factors that influence the broad market's perception of Microsoft, the company. Bill Gates industry influence, the state of legal issues, our financial success are thus, image variables. For example, the FTC investigation, which is highly uncontrollable, impacts our image. *Company Trademark* is the business value of the Microsoft name in increasing the sale of our products, convincing industry partners to write to our platforms, encouraging companies to partner with us. The trademark will be managed as an asset, and its value can be directly controlled by our sales and marketing strategies and actions. *Master Product Brands* are envisioned as major categories of products that will gain increasing identity in the market. *Product and Relationship subbrands* are individual products or programs that will continue to have sales and marketing value (e.g. Excel, Works, Amplitude, Select). Each of these areas will be further developed in this memo.

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THE IMPORTANCE OF THE COMPANY TRADEMARK

The company trademark, Microsoft, is increasingly becoming a more productive equity of the company's sales and marketing efforts. This must be further enhanced in FY 94 for the following reasons:

- The company trademark must be the final depository of all consumer experiences with all of the products and services of the company. This is increasing cross usage of many Microsoft branded products and services—and this will escalate in FY 94—and it is Microsoft that is the common element.
- The Microsoft trademark is the sum of all of our controllable product and performance and company communications: from winning product reviews to new technology announcements to new innovation to product line expansion.
- A strong trademark helps define and differentiate our products in the market.
- A strong trademark allows efficiency in marketing lesser known brands with less marketing support.
- There is a managed interrelationship between the company trademark and its brands: each conveys meaning to each other.
- As the market expands beyond sophisticated users and purchase decisions are made more and more often by less sophisticated users, one strong trademark will be a great marketing asset.
- The breadth of our trademark and its representation of leadership in so many product and service categories should be a market advantage for the company, again properly managed.

GIVENS

The main messaging areas for FY 94 have been discussed and should be finalized in Atlanta. Plus, the base communications objectives should be set and are summarized below:

Communications objectives

1. Increase the value of the Microsoft trademark in purchases decisions of products and services.
2. Increase secure customer rating to 50%+ in FY 94.
3. Improve the perception of Microsoft among all audiences to net positive/strongly held quadrant.
4. Increase top of mind awareness and image attribute rating among general users.
5. Create positive perception of Microsoft among large accounts and industry partners.
6. Significantly reduce negative attributes of arrogance, industry dominance and competitiveness.

Communication strategies

1. Articulate the benefits of Microsoft leadership and innovation to all audiences.
2. Establish Microsoft as the preferred brand of software for users.
3. Establish the new dimension of Microsoft as an important element of daily family life.
4. Establish trust in Microsoft among large accounts based on our strategy, products and services.
5. Establish among all industry partners that you can succeed with Microsoft.
6. Continually articulate Microsoft's vision for computing and technology as the market constantly changes.

The key insights in the objectives are that there is top management concurrence of the need to capitalize on and respond to Microsoft's emergence as a technology leader and innovator in both personal computing, and the related computing/cable/communications/business equipment market. There is also agreement that the general user, large organization and comprehensive "partners" segments are all going to be measured targets of the Fiscal 1994 Image Plan.

MASTER PRODUCT BRANDS

This is a critical concept to the FY 94 Image Plan. Master Product Brands will be based on the following criteria: common product architecture's, logical product families, shared product technology, product services, and related distribution channels/customer usage behavior. Master Product Brands directly relate to four of the main FY 94 Business Objectives which in actuality define the basic businesses that Microsoft will be in: Windows, Office, Solutions Platform and Consumer.

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Our current approach to "branding" our product lines and services is inadequate, with multiple signature conventions being used and a current lack of consistent, clear sales and marketing strategies for each area. The Master Product Brand concept would create an identity for each group, would necessitate a Brand Sales Architecture and Strategy and would organize all sales and marketing around four main thrusts.

What are we trying to manage? The interrelationship between Microsoft, the Master Product Brands, individual products (e.g. Mouse, MS DOS 6), emerging technology brands (e.g. Microsoft AtWork) and finally, relationship brands (e.g. *Amplitude* for end users, *Select* for large accounts, *TechNet* for solutions partners/providers).

There are three models currently defined for implementing the Master Product Brand concept. In Atlanta we will demonstrate each of the models via logo development and specific recommendations of how each model would impact package design and advertising signatures.

Model 1: Distinct Brands

Create four separate and distinct brands. Joal has used Sears as an example of a company that uses this branding convention. Craftsman Tools, Allstate, Kenmore are all *from Sears*. With this approach it is likely we would rename the Office to move from a generic category name to a unique, ownable brand. Likewise, the Consumer Division would utilize a name like Lifeware, which becomes the Master Brand, from Microsoft. Windows, given its current equity would continue.

Model 2: Trademark defines the Brands

This option assumes a uniform discipline of communications for the trademark and its brands-- continuation of the Corporate ID developed in FY 94, continuation of the consistency of our package design scheme, increased consistency in collateral and direct mail. It still envisions a consolidation to four Master Brands but each is defined and differentiated by Microsoft.

Importantly, the brand names would be chosen for categorical clarity and descriptiveness.

Microsoft Windows: systems and platform business.

Microsoft Home: products and services for the home.

Microsoft Office: desktop productivity products and services.

Microsoft Solutions or Tools: development products and services.

The objective would be to define areas of market usage and dominate them, differentiated by Microsoft. The names already exist for each of the four Master Brands. AT&T is a company always uses the Corporate trademark to define its business brands: AT&T Long Distance, AT&T TeleTravel, AT&T Microelectronics.

Model 3: Distinct Trademark and Brands

In the third option, the four brand groups would still be differentiated by the Microsoft trademark, but the restrictions of Corporate ID would be loosened. Each Master Brand would use Microsoft in its brand name, but each group would develop a distinct look, feel, character and personality in addition to the trademark's meaning. In that sense, the Master Product Brand would define the trademark, rather than the other way around. In option three the categorical branding would continue but with a distinctive brand mark/logo/icon created to enhance its distinctiveness. The current Microsoft Windows logo is a precise example of how this model would work.

The remainder of this discussion must occur by actually reviewing alternative creative designs and expressions of the alternative branding models and what each model means in implementation. This point is clear: decisions are and will be made by the Consumer Division, the Office Marketing team and Windows Systems Marketing regarding how they position and brand their product lines in the next thirty

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days. As the Solutions Platform strategy becomes clearer, there will be a need to better organize communications for Solutions Providers, development tools, the solutions methodology, PSS and the databases under a common brand umbrella. The meeting in Atlanta and subsequent research on this topic must drive these decisions to the point where the product group has the Brand required to build their business but where Microsoft has made a conscious marketing decision on the role of Master Product Brands in defining our future business strategies for our customers, our channels, our partners and ourselves. This decision will be fundamental to marketing spending strategy, Image development, competitive positioning and field sales messaging and marketing.

EVENT VISION SERIES

This is a clear case of don't create from scratch, when you can capitalize on Microsoft business and product development. The Vision Series will start with the June 9th Workplace Architecture announcement. This has many obvious, highly relevant Image implications. It broadens the definition of Microsoft's business from PC bound to increasing productivity and efficiency of all office equipment. It strongly demonstrates our long term partner strategy, and is a powerful statement of how other companies can succeed with Microsoft. It shapes a new and real perception of how Microsoft can deliver on Information at Your Fingertips.

Year of the Office will be the second part of the Vision Series. This will be the early fall event where we introduce the new Office Master Product Brand, define it as a "new way to work" and where we reset the spec for what all class of customers should expect from their desktop software. Best of breed. Applications programmability. Solutions creation via the office. Fit with the Workplace Architecture. Market momentum to multiple app use. These are all messages that can be delivered that will effectively launch the new versions of Excel & Word but in the Master Brand context and as part of the year long Microsoft Visions Series.

Microsoft's Vision of the Home will be the third part of the Vision Series. This is an idea already approved by the Consumer Division. This introduces Microsoft's Home brand, it will highlight Sam's PC and the new kid's products and Encarta as immediate product demonstrations of the strategy, will include the Advance Technology Division's long term view of the home and will demonstrate new solutions that will be part of future products. The goal is to make a clear statement of Microsoft's home strategy in order to create excitement and interest for the products launched in the fall.

The fourth part of the Vision Series will occur after the first of the year and will likely be focused on the Enterprise with strong partner, development tools and MIS messaging. This event would launch the Solutions/Tools Master Brand discussed earlier.

A detailed memorandum is being prepared which explains each event in detail, outlines budget and timelines and discusses the ongoing PR momentum that each can create. The Vision Series is viewed as a fundamental building block of the FY 94 Image plan.

CORPORATE PR

A plan was developed in December and its implementation and budgets will extend into FY 94. Detailed tactics will be discussed on Monday in Atlanta. One point has become very evident: the need to reset or restage the agenda with the top trade and business editorial press. The nagging concern that internal management has relates to the "criticisms" of Microsoft's business behavior and ethics, the question of whether our dominance is good/bad for the industry, overdone Microsoft editorial bashing in key trades. The encouraging point is that this press treatment has little to no measurable impact on our customers' net perception of Microsoft other than to reinforce our arrogance ratings. Some of this is fueled by executives actual interaction with editors which has to be rechannelled to delivery of the company's longer term corporate strategy.

The issue is the untold story. The real Microsoft is the future Microsoft. We have to solve the editorial problems of today by becoming the Microsoft of tomorrow. A detailed Corporate Strategy message will be

crafted which should become the positioning platform for top level editorial visits over the course of the summer. This must include not only our product strategies, but our new technology directions, our focus on developing a lifetime customer philosophy and how that translates to our product, pricing and support strategies, our new and unilateral commitment to industry partners and their success, our new Microsoft business strategy of slowing headcount growth to rely on partners to fill service, support and even product niches, and our expansion into the home, office equipment and even the TV/Cable businesses. The GEC airplane project can be the type of example of the redirection of Microsoft into brand new business territory. By resetting the agenda we believe we can gradual decrease and ultimately eliminate the story "negatives" that tend to cascade from article to article (e.g. undocumented APIs) and replace them with future directions and trends. *This strategy has the added advantage of being true*

OTHER STRATEGIES

The Message Management System will be a direct outgrowth of the reorientation of US Marketing to Image, End User and communications. A specific planning methodology is being installed that will give us a tool to plan, monitor and adjust messages being delivered to the market. Marty Taucher and Liz Welch become coowners of the Image plan given the roles of their disciplines in image development.

Corporate Affairs planning is proceeding with Bill Neukom. They have a high degree of interest in exploring the Olympics of the Mind concept proposed in December. Further elaboration on how this will tie in to the Image plan will be provided in Atlanta.

Final key area is the role of advertising in Image development. There are three parts to this strategy:

1. Agreement on the Master Product Brand Framework. Dollars will need to be expended to introduce the Master Product Brands. These will come largely from the product budgets. Any additional advertising dollars that may be deemed advisable during the year should be first focused on building the Master Brands and not on further company trademark awareness.
2. Special Advertising Opportunities will be continually evaluated and explored that provide a unique media context for a Microsoft Trademark ad. These will be explored on an opportunistic basis. There must be a combination of a unique media value and a very timely and relevant Microsoft trademark message that can be leveraged into other field sales values.
3. Company trademark vision/information statements. We may want to use advertising during the course of the year to clarify our corporate strategy, to state our view on the future of computers in the home, to provide support for our Vision Series, to clarify a category issue. Again, these must be viewed as short term decisions and judged on their immediate merits to current field sales activities.

There are no dollars budgeted at this time to support points 2 or 3 above. That is intentional. Development of the Master Product Brands must be a joint proposal plan of the Image team and the key product brand group. Other company trademark events will have to be justified and sold in to Field Sales and/or Audience managers based on the projected impact on their campaigns.

SUMMARY

See you in Atlanta. Focus of discussion will Master Brand concept, Corporate PR, Vision Series, your input on Image plan based on current thinking and timeline from now to end of FY 94, regional directors meeting in early July and NSM.

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