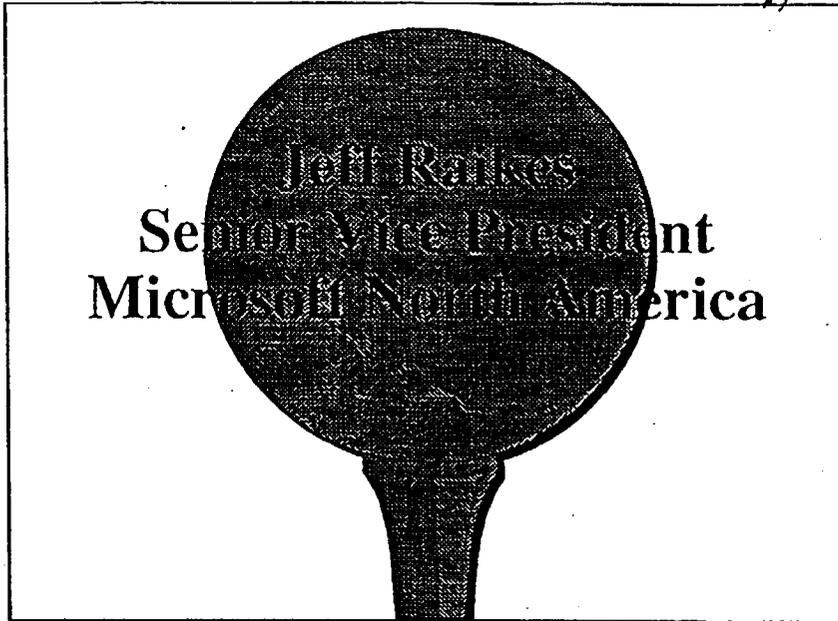


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Printed 8/20/93  
Your final NSM prez

File please

JR



As you know, our theme for FY94 is the year of leverage. And I came up with a great new way to leverage my time --- play golf and practice my NSM speech at the same time!

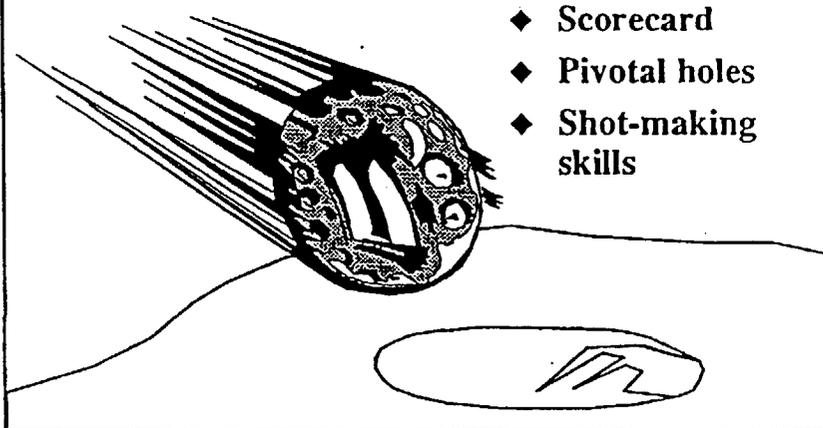
Many of you think of me as the common man from the sales and marketing factory. Dressed like this --- don't look like a factory worker. So today, I won't be using the factory metaphor.

Today we'll use a new metaphor -- golf!

Think of FY94 as a golf tournament --- the Major of all Majors, with the greatest golfers of all time battling it out in the fiercest competition ever seen, driving hard for birdies and eagles, racing to obliterate par and win the biggest financial prize ever --- complete leadership in the software industry.

This is a team competition - a key to winning --- great work with our partners!

## How To Win The Tournament



### How to Win the Tournament!

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#### Scorecard

what we're shooting for, our revenue targets, our sources of growth, and our challengers.

#### Pivotal holes

As in any golf tournament, there are pivotal holes --- our 8 key objectives --- where the tournament is won or lost.

And I'll show you the two holes that are critical to winning. We must birdie and eagle these holes to win the tournament - OS Profitability (Win NT focus) and Gain office share.

#### Shot-making skills

The course is tougher this year. New terrain, reshaping of the landscape --- require us to advance our game,

We need to develop new skills, and hone existing ones. In particular, we should develop strong skills in the area of team-play with our partners, Leveraged selling/field marketing, and Business Management.

## Winning the Tournament

| Players   | Final Score   |
|-----------|---------------|
| Microsoft | \$1.4 Billion |



Sneak Preview at the Winning Scorecard

We need to shoot \$1.4B or better!

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## Winning the Tournament Keeping Score in FY94

|        |        |
|--------|--------|
| Office | \$355M |
| DAD    | \$441M |
| NT     | \$131M |
| Other  | \$473M |

Our FY94 victory - from a product perspective:

Office - \$355M and 1.3M units - or 65% growth in unit sales over FY93

<click>

All of DAD - \$800M - 55% of all MS US projected revenue

<click>

NT - \$106M - 460K units

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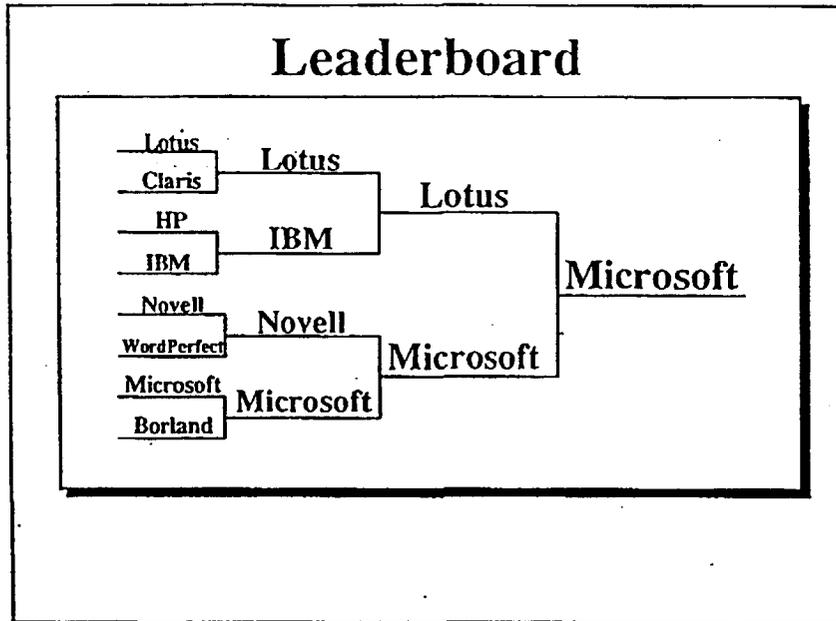
<click>

NT will be the hot new club for driving our solutions platform business

NT/Solutions - DBDT (\$163M), WfW - \$365M - 55% growth

<click>

Other revenue opportunities - Consumer, mouse, MS-DOS and the rest of the line total \$280M and bring our FY94 goal to \$1.4B.



**Projected leaderboard - how to win the tournament from the competitive perspective**

**While all our competition is tough, our most significant competitors are Lotus & Novell.**

**Need to anticipate their shots.**

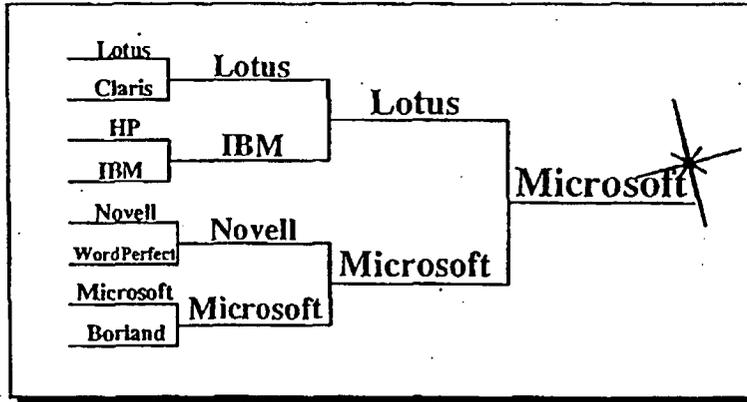
**Understand who their customers are.**

**Understand how to position our products against theirs.**

**Understand how they leverage their sales.**

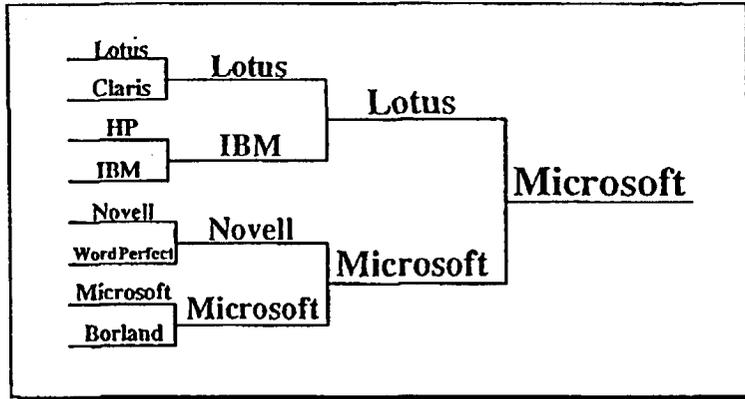
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# Leaderboard



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# Leaderboard



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| Winning the Tournament |               |
|------------------------|---------------|
| Players                | Final Score   |
| Microsoft              | \$1.4 Billion |
| Lotus                  | DNF           |
| Novell                 | DNF           |

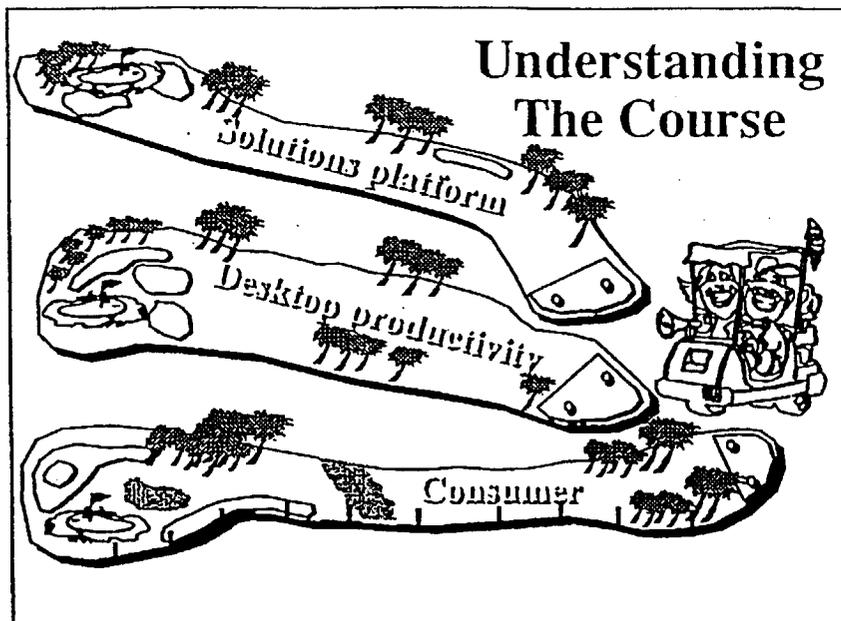


While they are tough competitors, this is what I expect the final scoreboard to look like!

In Golf --- WD = Withdrew!

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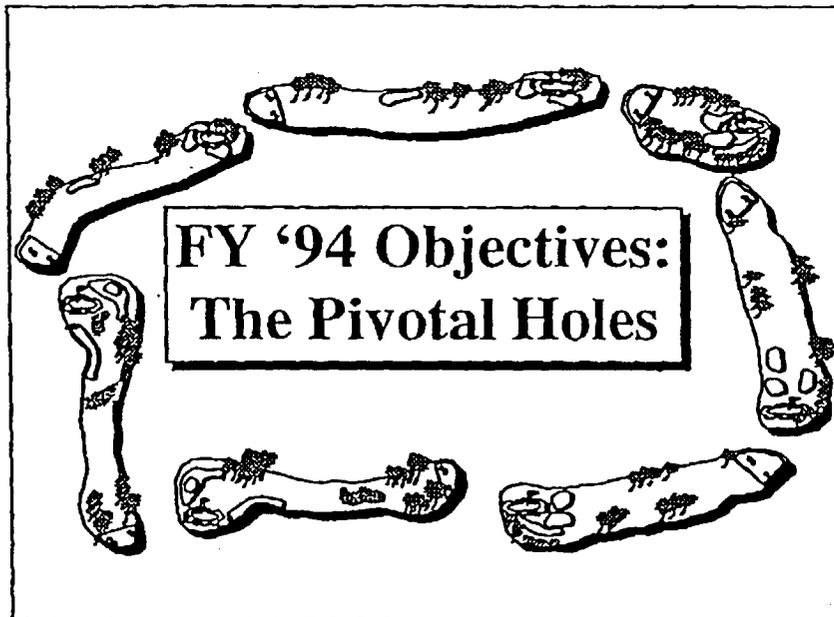
The course is getting tougher --- we have new, more challenging terrain to cover.

Our business has now split into three distinct, but related, businesses: desktop productivity, solutions platform, and consumer.

\*Desktop - MS-DOS/Windows and Desktop productivity applications make up the core of our revenue. Our primary business objective in this market is to grow, protect and leverage Office and Windows market share.

\*Solutions Platform - Our primary objective in this market is to drive sales of server and desktop products by driving the development of business solutions that include them. To accomplish this, we must implement programs to build a solutions business around Microsoft products, and recruit and mobilize a strong community of "value-added" Solution Providers.

\*Consumer - We are gearing up for this high growth market. Our broad strategy is to popularize Windows and sell key applications in the home market.



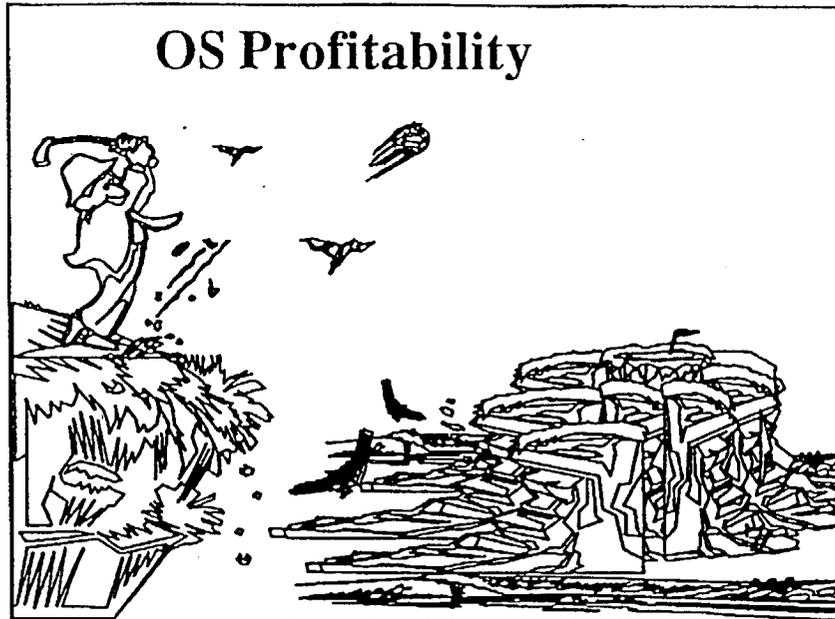
To do well in the tournament, we must play all holes well. Overall, we must be better than par .... we must succeed on all our objectives, succeed with all products and revenue opportunities.

As in any golf tournament, there are pivotal holes. In this tournament, the pivotal holes are our 8 key objectives --- where the tournament is won or lost.

Review these with you...

Going to begin by showing you the two holes that are critical to winning. We must birdie and eagle these holes to win the tournament.

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**THIS IS A CRITICAL HOLE --- we must establish Sales Beacheads**

**Key products - NT, Advanced Server, WFW**

**New Customer Types - UNIX, AS/400**

**New Markets - verticals such as Banking, Financial,  
Pharmaceutical**

**We must expand our operating system profitability:**

**Increase Windows penetration**

**increase the revenue to Microsoft from each sale of Windows**

**Sell higher average selling price Windows versions (e.g., NT and  
Windows™ for Workgroups)**

**longer, more technical sales cycles**

**recruit, educate and support partners to drive this business**

**invest to develop the channel to drive these sales.**

**Sell more Windows add-ons**

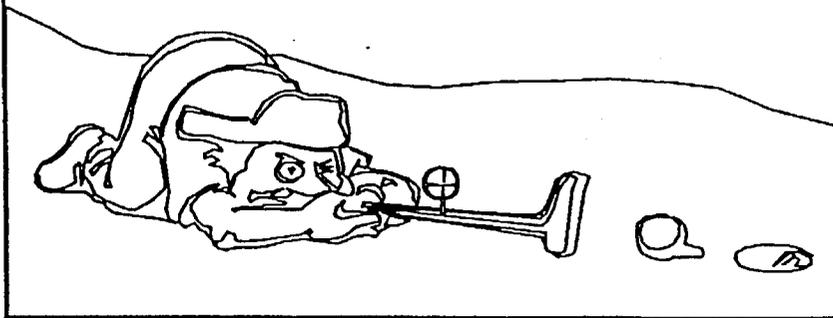
**Font Pak, Mice, etc**

**Tailor products and distribution for these goals**

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## Windows NT Focus

- ◆ Cultivate valuable SP integrator relationships
- ◆ Target new customers, new markets
- ◆ Leverage MSU, MCS
- ◆ Use Windows NT™ as the “hook”



### Windows NT/Solutions Focus

#### Convert ...

... 70,000 beta copies into sales and build the core for our 460,000 unit target.

#### Identify reference accounts

to increase the product's credibility --- to transmit confidence to the broadest set of your customers

#### Push solutions -

leverage the partners with NT based solutions attractive to your customers - have them help drive sales to your customers

#### Evangelize critical apps

identify key new applications and partners who can drive more sales to your customer base

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**THIS IS A CRITICAL HOLE**

**Gain Office Share via Year of Office campaign.**

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**Pivotal year to pursue market share gains - major year of upgrading**

**our competitors have learned to do windows apps**

**aggressively defend against potential market share losses**

**Competitors - aggressive pricing strategies -- aggressive in return  
when significant market share is threatened**

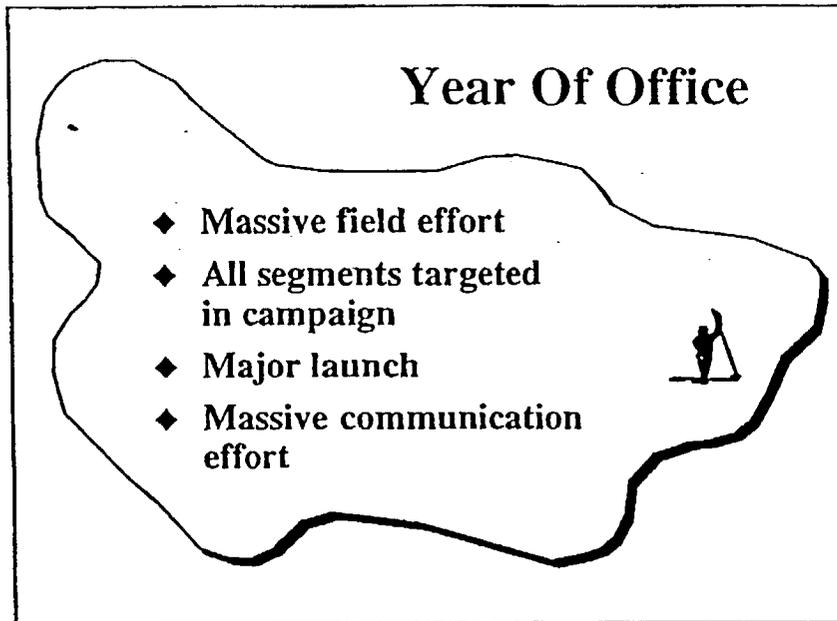
**Be competitive -- if profitability has to be sacrificed in critical  
situations, sacrifice it. Work with mgmt team for guidance.**

**Competitors --- aggressive marketing strategies --- and we'll be  
aggressive in return**

***Mindset - We have not won the apps business in our accounts until we've  
sold them Office.***

**Sell Office upgrade SKU-- Leverage upgrades of Excel and Word to  
drive customers to the Office Upgrade**

**Defend and leverage our Macintosh success**



**Massive field efforts**

the bulk of field marketing efforts - seminars, local promotions --- should be focused on Office.

**All segments**

Large accounts, small/medium size businesses, solutions providers

**Major launch**

major event, coordinated with local efforts

**Broad communication effort**

PR, advertising, direct marketing

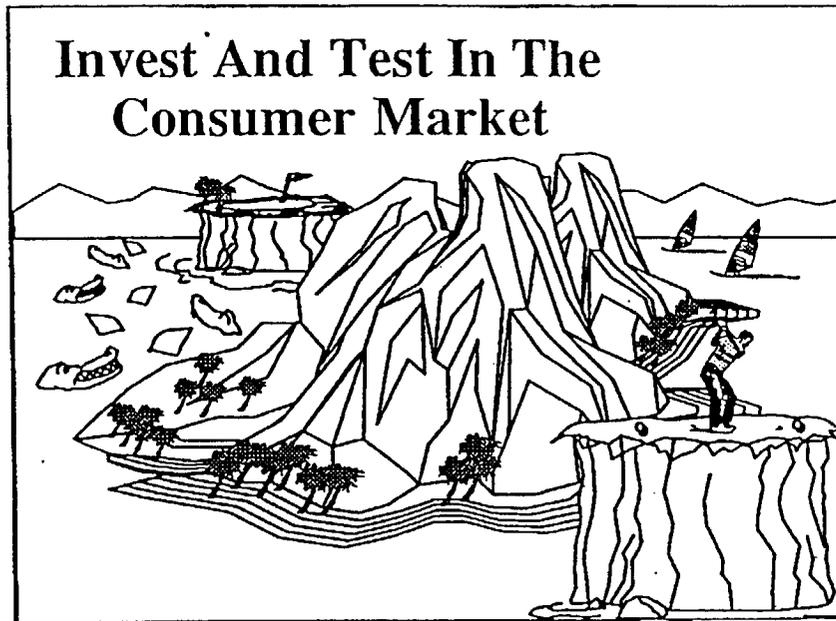
**We must "GET THE ORDERS":**

If we don't mobilize this fall, lotus will regain much momentum. WordPerfect and Borland can rebound.

**HOW DO WE GET THEM TO BUY NOW?**

#1 Suite w/#1 products, best of breed apps, leading technology, standard, safe choice. Pete and the Office team will demonstrate this, and show you the tools and promos that will help us win!

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**We must make the forecast for our consumer products (\$110M)**

**We must also invest in our future success for this high growth market**

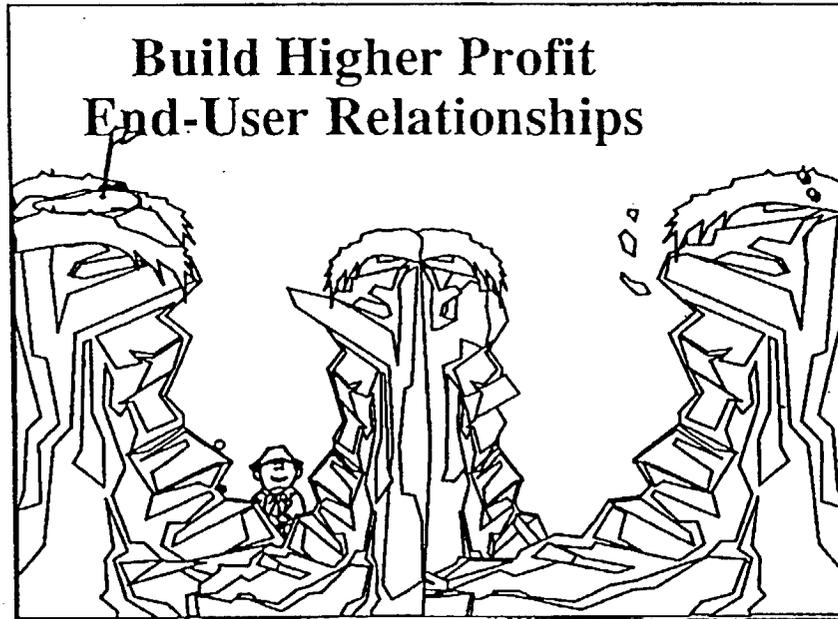
**Experiment with new distribution, selling, partnership models**

**We will build a marketing brand - Microsoft Home**

**Microsoft Home logo will appear in all packaging, collateral, and advertising, beginning in September.**

**Consumer promise for all Home communications is: MS Home is a line of easy to use software products that makes my home PC more useful and enjoyable for the whole family.**

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### **End User relationships**

**We need to develop our ability to communicate with our broad set of customers.**

**Building our relationship with them will help expand our upgrade and cross-selling opportunities.**

**Upgrade revenue will be a primary opportunity for revenue growth in FY94, and in future years because of the significant growth in our installed base.**

**Amplitude (or Microsoft user network) ---**

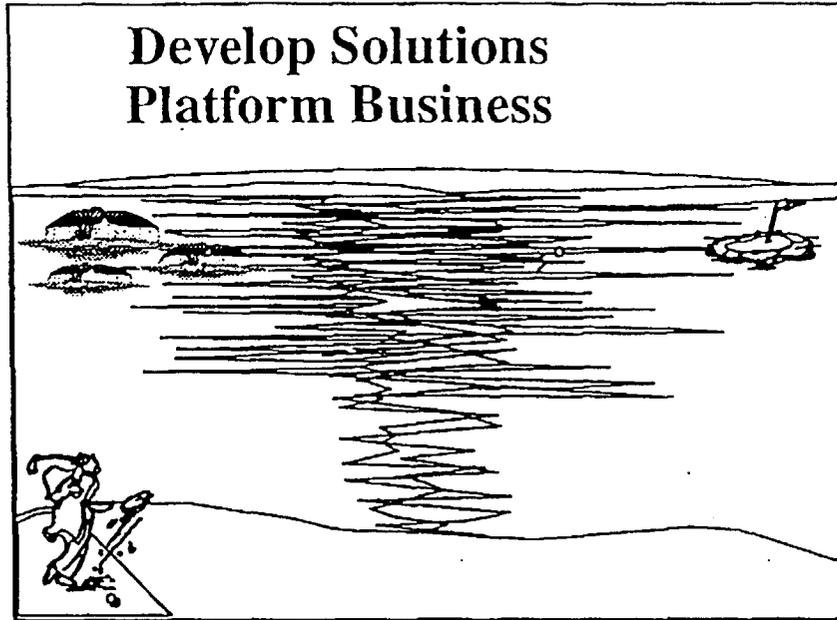
**Customer loyalty program. Ongoing communication from MS: newsletters, seminar announcements, product info, priority support**

**Another factor in building relationships --- PSS**

**PSS expense as a percent of revenues is rising; the growing complexity/breadth of our product line will increase our customers' support requirements**

**Delta - pay-for-support program; cost recovery & creates a market for third parties. Note: Launching this fall, but continuing free support on apps**

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**Focus on client-server opportunity - establish the key beach heads**

**key products**

**new customer types**

**Massive education, information, and individual certification effort**

**Promote referenceable case studies**

**Build team of zealous MS methodology developer (verticals and custom)  
SPs - who can push our products into the hands of customers as part of  
their solutions**

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## Enhance The Microsoft Image



**Enhance the Microsoft image**

**(This guy sort of looks like Neil Farnsworth enhanced with a mustache.)**

**Enhance the Microsoft image**

**A strong and positive brand image can have significant business value for Microsoft. Our customer base is broadening. So is our product line.**

**We now can count as customers the average American household and the highest levels of Information Officers at the world's largest companies.**

**Daily, thousands of decisions get made about Microsoft's technology and products.**

**A strong Brand Image can help influence those decisions in our favor.**

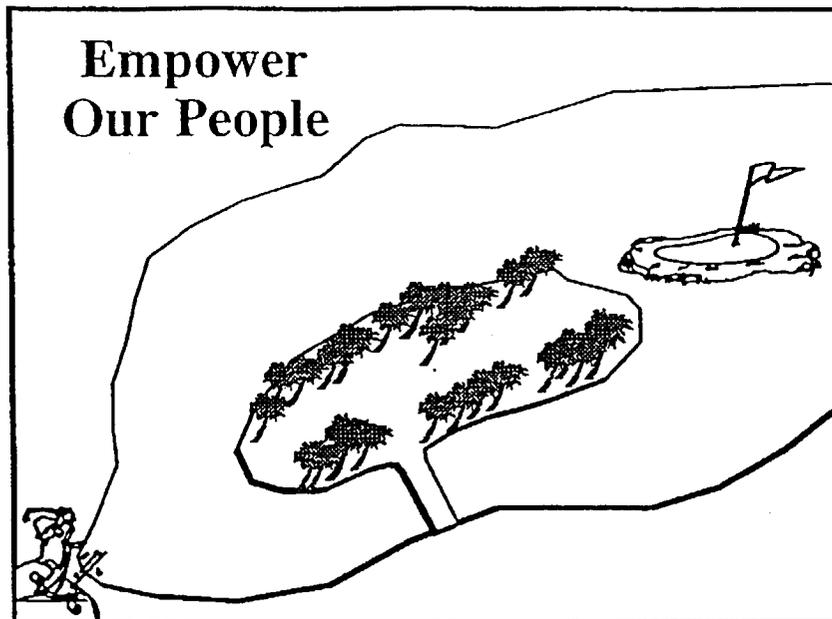
**Some actions:**

**Use consumer products intrigue to broaden audience**

**Do PR with referenceable SPs to improve image as a partner**

**Avoid gratuitous competitor bashing, execs are committed to taking the high road for PR: you should too.**

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**District Tour v 1.0 provided insight as to how the field was being constrained in their selling efforts. To address this we changed the following:**

**Field will now control more of the marketing mix**

**DMs are being encouraged to operate as business managers - more discretion over how they will drive revenue in their unique geographies**

**Developing additional training programs to enhance SPIN and management skills**

**Reduce the number of campaigns, programs**

**And we'll strive for further improvements:**

**Communicate clear business strategies and goals**

**Encourage broad business thinking**

**Manage people based on their year plans and goals**

**And as best we can given the complex channel and selling situation of our business we will strive to improve the way in which we measure the performance of our people.**

**We'll continue District Tours in FY94, Mikeap and I will split these in an effort to provide field and their customers with more exposure to MS execs.**

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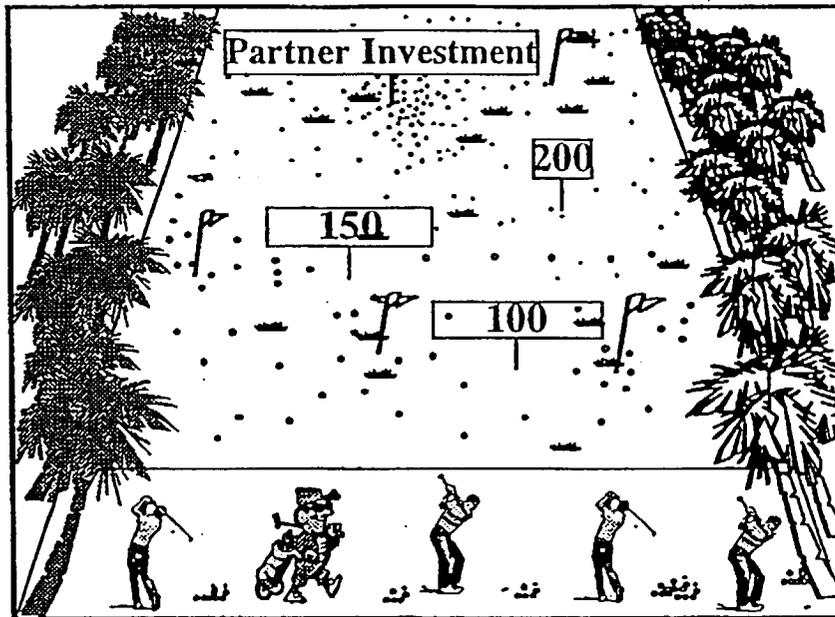
**That gives you a good look at the pivotal holes.**

**But it's not enough to simply hit the ball and play the course. You need to develop new skills and hone existing ones in order to take into account the play the tougher course we now face. You must become the complete golfer.**

**Good golfers spend a lot of time developing their skills.**

**Great golfers have a passion for the development of their skills.**

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We must invest in channel partnerships --- winning this tournament is a team game.

LARs can increase our selling capacity for large accounts

Outbound and mail order resellers can help us reach the many small and medium size business we cannot afford to call on directly.

To succeed in the solutions platform business, we must evangelize our value-added partners and large accounts to build, implement, and support business solutions using our desktop and server products.

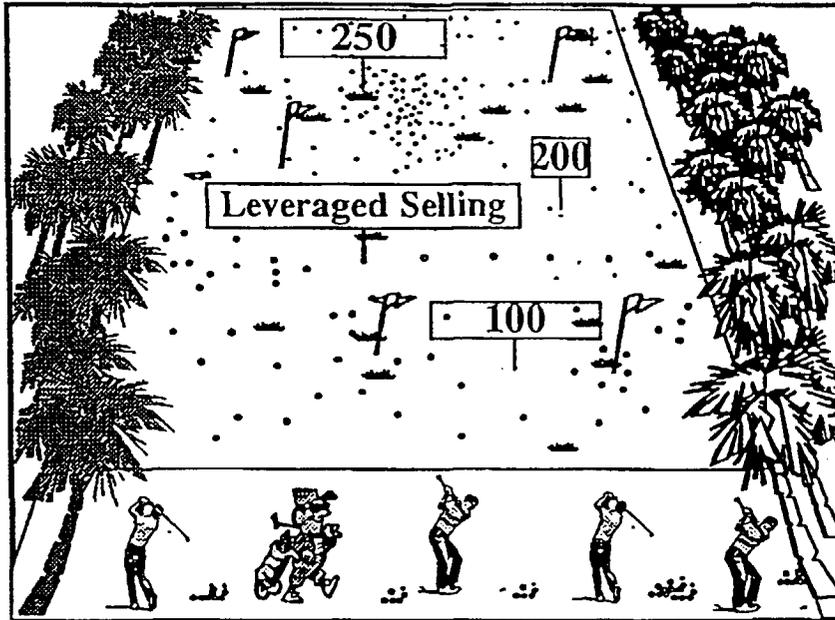
We have enhanced the missions of MCS and MSU to fit into our partnership model.

The former MSU is now the educational arm of the information, certification and education group in Solutions Marketing. They will focus their award-winning efforts on the courseware necessary to drive our certification effort.

MCS will transfer our client-server skills to solution providers as well as corporate accounts, and in the process, will create business opportunities for those key partners.

These changes will help you build relationships with the key partners that can drive solutions platform business

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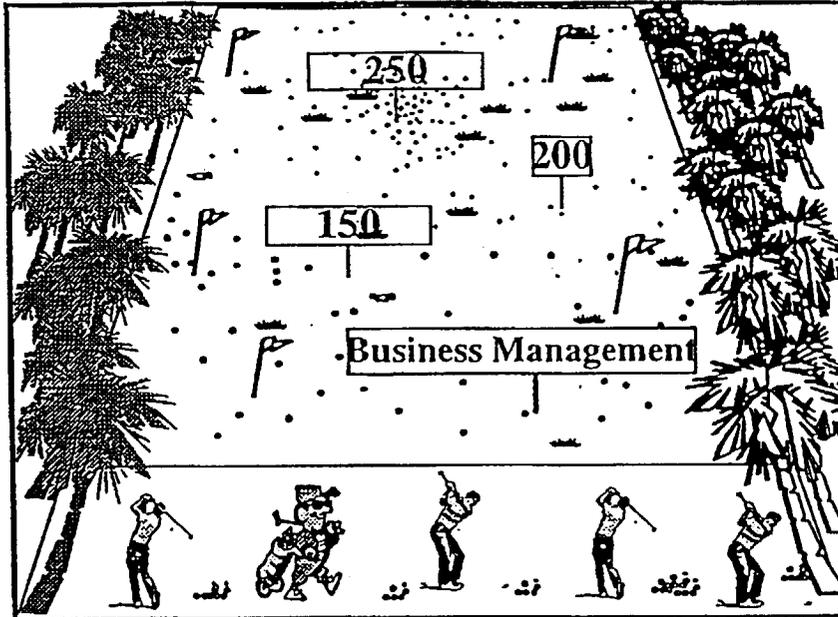


Continue to develop the marketing efforts that will drive local demand for our products --- seminars, events and trade-shows, and local promotions.

Develop the skills that will leverage our selling efforts and increase capacity --- through closer relationships with partners, understand their strengths and weaknesses, and coach them for greater success.

Leveraged selling skills are particularly important in new markets that are literally untapped by MS! These are small and med biz. We can effectively market to them via leveraged selling (channel & SPs), and field mktg efforts (seminars, local PR & events).

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**Biz Management -**

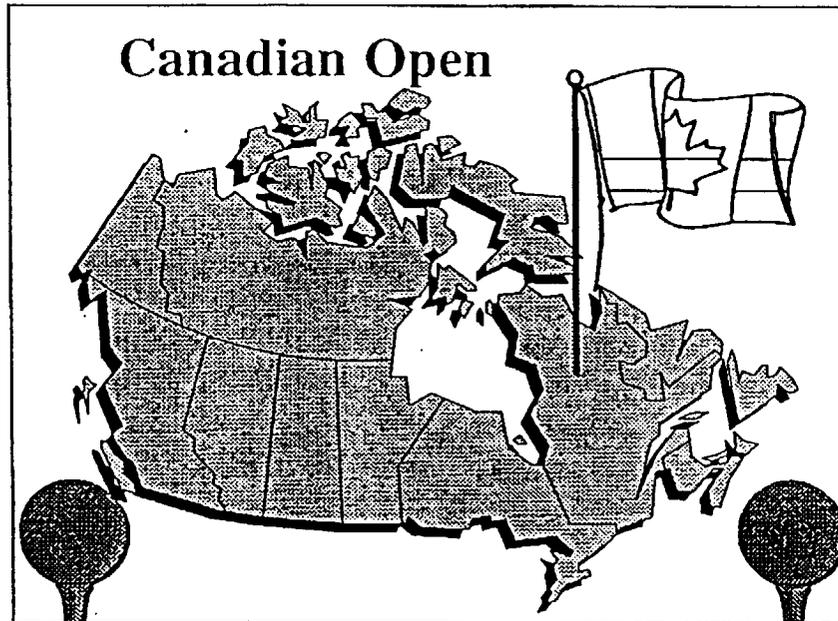
**Take responsibility for driving the revenue in your geographic areas in a way that makes most sense.**

**DMs and RGMs will operate more as business managers, and they will have additional responsibilities along with the freedom that empowerment brings, such as preparing and presenting Business Plans and Mid-year reviews.**

**I firmly believe you are the best people to drive the business in your district, and many of the changes we're making are designed to support your effort.**

**Have a passion for developing your skills**

**partner leverage, leveraged selling, and business management and impact**



**This year we enter the Canadian open. As of September 1, the responsibility for Canada will shift to me.**

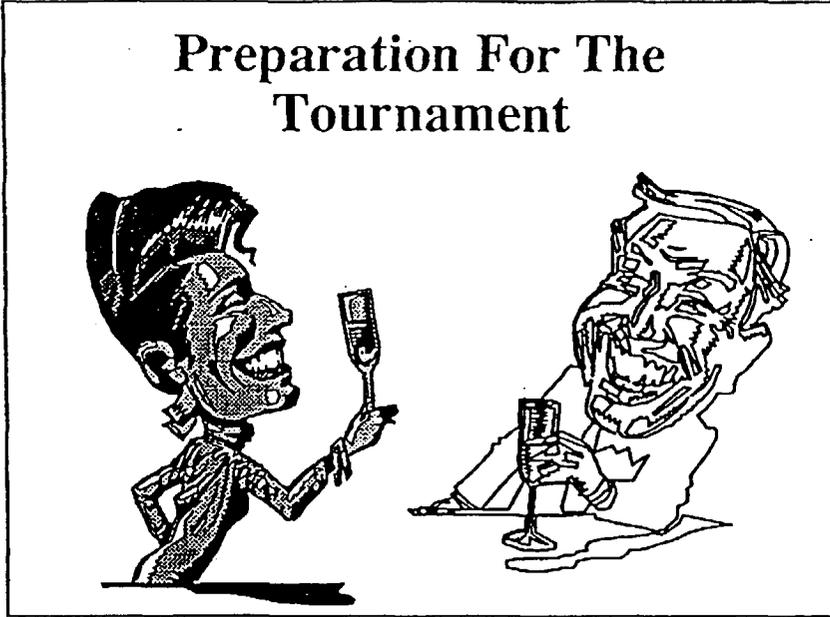
**Please join me in welcoming them!**

**I will be working with Frank Clegg and his team to understand appropriate synergies between the US and Canada, identify best practices that can be shared, and mutual learning.**

**doing a "sub" tour, similar to a district tour, in Canada in September to kick off our closer relationship**

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## Preparation For The Tournament



So, drink up, be merry, don't worry about next year... just have a good time.....

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**Preparation For The  
Tournament**

**NOT!**

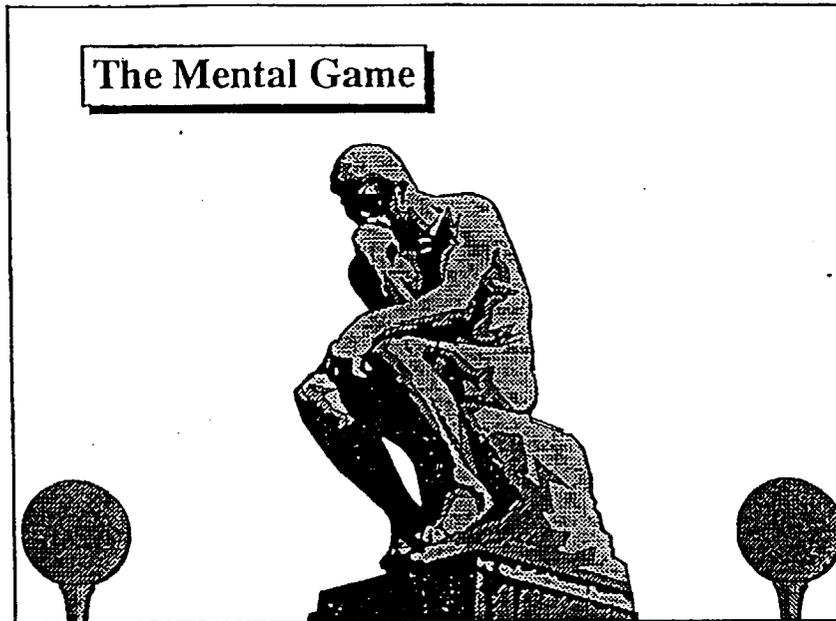


**Not really!**

**Have a great time here in Hawaii, but when you get back home, remember we have many challenges on the course ahead, and very tough competitors. I expect FY94 to be a year of great success --- but it will take your smart, focused work and dedication to make it happen.**

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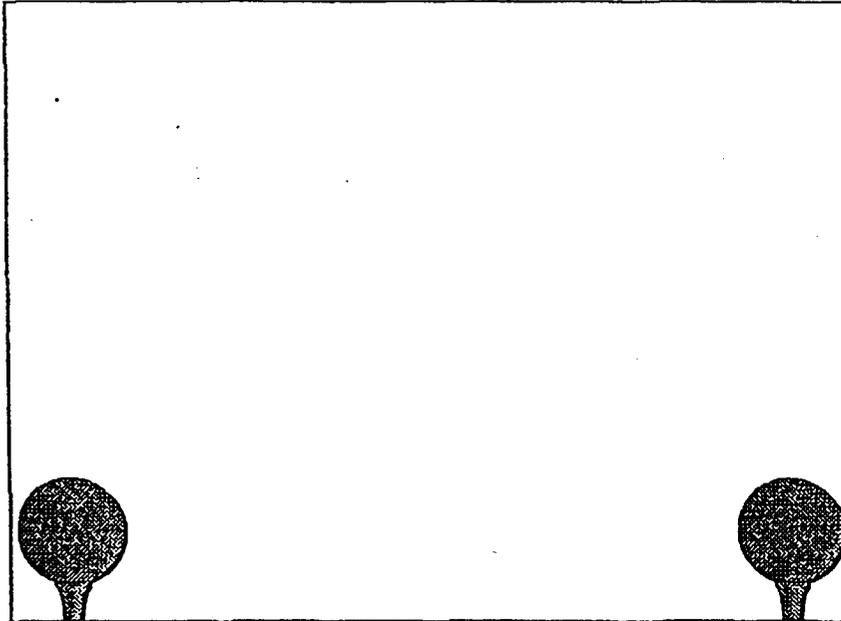


**The mental game --- the inner game of golf --- is key to success. The same is true in business.**

**As in golf, it can sometimes be hard to see the hole from the tee. From field perspective, sometimes the changes appear confusing and disturbing - no idea where we're headed. I have a clear vision of where we need to go, and what we need to do to get there. I ask that you trust my vision, and ride with the changes. If you see things that really do not make sense, keep me informed.**

**To respond to the many changes in the market, we need to change the club we're using - new obstacles and hazards in our path. District re-orgs and HQ re-alignments are a natural response to these market changes. Witness IBM and others who resisted change... and the results of this resistance. Business will be tougher for us in FY94, we must plan for it today or regret it later.**

**Driving toward our goals is more important than ever. Stay focused, keep your eye on the ball, and all attention on using efficiency and effectiveness to shoot par or less. We'll do our best to reduce the distractions and confusion - you can help us by doing what you do best: meeting your sales objectives.**



Last year, it was the common man responds ---

this year, tips from the coach

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Both Miriam and I will be roaming the sessions, searching for the key issues on your mind, and I'll be doing my best to respond to your questions/issues as part of the daily wrap-up.

Don't be shy.

## Game Highlights

- ◆ Succeed in Pivotal Holes
- ◆ Focus on Shot-making Skills
- ◆ Win the tournament **\$1.4 Billion!**



Let's review what it takes to win the Tournament in FY94:

Must succeed in pivotal holes, especially in NT and Office products

Focus on developing your shot-making skills: Partner investment, leveraged selling, and Business Management

And WIN THE TOURNAMENT! -

<Click>

Let's shoot the lights out on our \$1.4B goal....

Have a great year!

Thank you.

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