

DOJ - Legal

From: Robbie Bach
To: Hank Vigil; Jeff Raikes; Pete Higgins
Cc: Mark Nickerson; Michael Hebert
Subject: RE: Word market share
Date: Thursday, June 09, 1994 6:40PM

PeteH and HankV are out. Here's a summary of our plans to make Word win and an overview of the Office plans - pardon the format but I tried to cut this down to the main points. MikeHeb: feel free to add to the Word stuff where I missed some things - you might forward some of the docs on TimeSavings as well.

1) We are pursuing a strategy to keep WordPerfect on the defensive. In effect, this means acting like we are still the "trailer" and explicitly calling them out with aggressive switcher tactics. The \$99 upgrade promo effort is the first wave of this with the second wave this summer and fall focusing on the "TimeSavings" research we have done. This is quantitative research showing that Word makes you more productive, helps you complete your work faster than WP, is preferred by WP users, etc. It includes:
* National ads (WSJ, USA Today) and PC press ads pushing TimeSavings and our switcher message
* \$99 upgrade promo thru August with endcaps, local ads, etc. in June and July.
* Distribution of Time Savers "proof kit" with video that shows the research and how people saved time.
* Major focus at the upcoming set of tradeshow including signage, literature, etc.
* Press release on the research and follow up press work to drive the points home.

2) As we have discussed in the past, we will push hard in Smorgs to try and capture WP DOS users and new computer users. The general Smorg efforts for the Office apps (including DwayneW's work) includes things like raising awareness thru our Biz press advertising, targeted user stories in Smorg pubs, generating trial thru relationships with Smorg/trade associations and Smorg service companies (like kinko's), and Smorg tradeshow/seminar work (often done by the field). In addition, Word will focus on the legal market with ads, pr, OEM "legal PC" bundles, legal tradeshow, etc.

3) In many ways, the best way to get Word over 60% is to win with Office. If you look at the budget, we are actually forecasting Word standalone share to drop 1%. We will get the 4% point increase in Word total share (up from 51% to 55%) from the continued success of Office and the shift in the market toward office suites. Even if we only get the 78% share number for Office, this helps Word relative to WP and hits them where they are at their biggest disadvantage. If we do better than 78%, we can close the gap on 60%. Our plans for Office are summarized below.

4) In the second half of the year Word 95 (or whatever we call it) starts to become a factor. We will have PR and "advanced leak" work for this product which should ultimately help us win relative to WP. Note that they have lots of work to do to get WP and their office suite ready for Chicago and we hope to beat them to the punch. We don't have the specifics of this worked out but "leveraging the Chicago launch" is clearly part of the strategy to beat WP.

5) Steve has made the point recently that one factor in getting over 60% is to knock one of the competitors out of the category...which means Ami Pro. I actually think this is a false aspiration. I don't believe that AmiPro is really a factor in the standalone business and for all intents and purposes is not a player there. But we will not get them out of the category because they generate sales thru SmartSuite. This means we need to continue winning with Office (#3 above) and fight for share from WP (#1,2 above).

My final point on this is one that you, PeteH, and HankV know only too well. There are not alot of silver bullets lying around in terms of taking share from WP. We are going to win this war with some creative ideas (like TimeSavings), some trench fighting (like the block and tackle Smorg stuff), great products, and with Office. Its frustrating to me that this doesn't sound more "revolutionary" (something we will keep trying to achieve) but to some degree its the nature of our mission.
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In terms of keeping Office above 80%, the real issue is that Lotus is making an explicit effort to move 123 buyers all the way up to SmartSuite - much more so than in the past. Since many of these users are effectively "captive Lotus" accounts, they can drive up their run rate of SmartSuite even if the user is only interested in 123. In addition, they will have a new version which will be a much more competitive (but still trailing) product. Here are some things we can do to prevent this from happening:

1) Win with XL: The best way to keep their SmartSuite share down is to beat 123. Our activities in this area will mirror those for Word. We will start an XL \$99 promo similar to the Word one as of July 1. We will also conduct TimeSavings research to see if we can achieve the same results as Word. Excel will push the accounting vertical market in the same way that Word will push legal. Excel 95 will obviously be key going forward.

2) Disrupt the SmartSuite launch: This is a fairly tactical effort to maintain our own momentum thru their launch. This includes heavy PR messaging during the summer with several press tours, weekly editor buddy calls, press releases on Office and XL momentum, switcher message at tradeshow, etc. We'll also push Access in this messaging pretty heavily since lots of the new stuff in SmartSuite is in Approach.

3) Increase awareness: both Office and SmartSuite have very low top of mind awareness. They will spend heavily to increase this and have already closed the gap -- we are at 8% with Fringe IEUs, they are at 6%. We will focus our business press ads almost exclusively on Office (a few promotion based ads for Word/XL) to continue building our own awareness.

4) Win in the Channel: Today, Lotus probably does a better job in the channel getting merchandising space, keeping awareness high, etc. We are making progress here and want to keep that up. This includes increasing distribution for the Office upgrade SKUs (especially OfficePro), running a major value-add fall promotion (buy Office get other bits free), improving our POP materials and frequency of usage, etc.

5) Sell Office as a solutions platform: This is arguably the area where we have under-achieved so far. We have a clear product advantage with VBA (they will not have OLE 2 or LotusScript until 1995) and customers love the Office solutions platform message when they hear it. We have not done a good job yet of synching up our message with DDT and NT/NTAS/SQL/EMS/etc. and are working with RichT/CameronM/JohnNi's group on that right now. Target is to have a unified message and approach to this to roll-out at the NSM/ESM. This will also help us fight Notes -- where Lotus really does a good job selling the solution even if the tools, implementation, etc. are not great.

I know I've left lots of Office tactics out of this summary, but this will give you a good sense for where we are focusing. I've attached the Desktop apps marketing plan overview (easiest to print this in PPT outline view) and some timelines which take a crack at this from a different angle. Note that we are working on detailed drill down plans in all areas and should have that finished in the next two weeks.

<< File Attachment: FY95SUMM.PPT >> << File Attachment: TIMELIN.XLS >>

Thanks

Robbie

From: Jeff Raikes
To: Hank Vigil; Pete Higgins
Cc: Mark Nickerson; Robbie Bach
Subject: Word market share
Date: Thursday, June 09, 1994 9:59AM

I believe SteveB will make a big deal about us not being at >60% market share in Word processing. I am not arguing the numbers in the forecast. But I must have a good story about what we think we can do to get above 60%. Can you help? I haven't seen anything but analysis on standalone share; ie. no real plans to do something about the problem. do you think that is the key to greater than 60% share? or do you have a different strategy?

Help please. Dry run on presentation is tomorrow afternoon.

Separate question:

What do we do to keep Office above 80% share? Your numbers show it dropping to 78%, and Lotus gaining to 21%.

Thx.

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DAD Marketing Overview

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Market Share Update

North American Windows Apps: New Licenses

❖ <u>Category</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>CY93</u>
❖ <u>Word</u>				
- Units	43%	46%	60%	47%
- Revenue	49%	56%	71%	53%
❖ <u>Excel</u>				
- Units	41%	42%	55%	48%
- Revenue	56%	58%	71%	56%
❖ <u>Office</u>				
- Units	84%	75%	75%	77%
- Revenue	85%	79%	79%	80%

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Market Situation

- ❖ Consolidation continues; 3 suite providers remain
 - ❖ Some price erosion continues
 - ❖ SuperStores and other retail channels growing in importance
 - ❖ Smorg market growing faster than corporate market
 - ❖ "Chicago discontinuity" will drive the
- Change in CPI call mix (more to

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Competitive Summary--Lotus

❖ Overall strategy

- Leverage 123 brand and installed base; cross-sell to SmartSuite
- Build Notes business; cross-sell to SmartSuite
- Invest in broad-based message "working together"
- Dual platform approach: Windows and OS/2

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DAD Marketing
New version of SmartSuite late summer

- New version of Approach

Competitive Summary--Novell

- ❖ Overall strategy
 - Acquire and evangelize key applications and systems technologies
 - Build WordPerfect brand of apps, including WP office suite
 - Leverage strength of Netware and strong VAR channel
 - Focus on workgroup story building on WP Office

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New Version of WordPerfect office suite

this fall

Competitive Summary--Claris

❖ Overall strategy

- Focus on ClarisWorks, Consumer, and FileMaker Pro
- Position ClarisWorks as all the tools you need
- Leverage OEM opportunities
- Broaden breadth of awareness and distribution

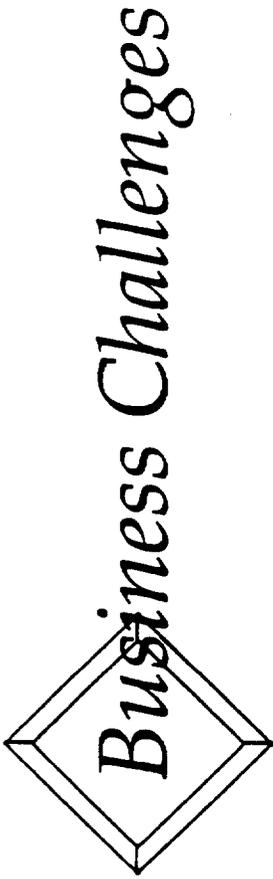
❖ Product plans

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this summer

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Business Challenges

- ❖ Raising consumer awareness and in-store presence
- ❖ Building an "annuity" / upgrade business from our installed base
- ❖ Capturing the "laggards" in the DOS switcher market
- ❖ Sustaining leadership through the Chicago wave
- ❖ Penetrating the Sparg market
- ❖ Communicating sustainable business

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Penetrating the Sparg market

FY95 Objectives

- ❖ Build/Sustain share prior to Chicago launch
 - 80% for Office
 - 60% for individual apps
 - 85+% for Mac apps
 - Bring standalone apps share to parity with 123 and WP
- ❖ Achieve x% penetration on Chicago upgrades
 - ❖ Upgrade 35% of installed base (Mac and

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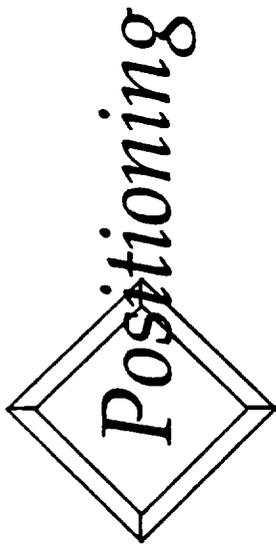


Product Release Summary

<u>Product</u>	<u>Est. US Availability</u>
❖ Office F/X	July 94 (+/- 2wks)
❖ NT Office	Daytona + 30 days
❖ Mac Office (68K)	September 94 (+/- 4wks)
❖ Mac Office (PowerMac)	October 94 (+/- 6wks)
❖ AliBaba	Fall 94
❖ Office 95	April 95 (+/- 8wks)
❖ Word/XL/PPT/Ren 95	April 95 (+/- 8wks)
❖ Access 95	July 95 (+/- 8wks)

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Positioning

- ❖ Full featured applications that work together like one
- ❖ Beyond Ease of Use
 - IntelliSense Technology
- ❖ Beyond Cut and Paste
 - Consistency
 - OfficeLinks
- ❖ Beyond Personal Productivity
 - Office Solutions Platform
 - Workgroup Computing

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DAD Marketing - ~~Office~~ Solutions Platform

Marketing Budget Comments

- ❖ Committed spending in 6 month increments
 - Will re-allocate money in October
- ❖ First half of year high
 - Mac launch
 - Office 95 late in second half
 - Research and some advertising need to be reallocated
- ❖ Areas of concern^{2/16/95}
 - Mac (channel, direct marketing, research)

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*Tactical Timelines (see separate
XL sheets)*

- ❖ Advertising
- ❖ Direct Marketing
- ❖ Channels

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Outstanding DAD Marketing Issues

- ❖ Leveraging Chicago effectively
 - Ride coat-tails without negative "early announce" activity
 - Contingency plans if Chicago or our apps slip
- ❖ Managing launch logistics and issues of Office95
 - General positioning issues
 - 16 bit versus 32 bit apps

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= No Mac apps; no non-Intel NT apps
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Advertising

FY95 Advertising Calendar

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Totals (\$000)
Bus.Press													\$ 8,500
Office Awareness													\$ 1,000
Apple-MS "Powermac/Office" ad													\$ 1,500
Office '95 Launch													\$ 11,000
PC Press													\$ 4,100
Office Awareness + '95 Launch													\$ 1,015
Word Sustaining + '95 Launch													\$ 900
Excel Sustaining + '95 Launch													\$ 725
Access 2.0 Launch + '95 Launch													\$ 225
PPT '95 Launch													\$ 200
Ren '95 Launch													\$ 400
Project 4.1 + '95 Launch													\$ 7,765
Promotional													\$ 300
Word Switcher													\$ 1,200
XL Switcher													\$ 1,000
Office Fall Promo													\$ 1,500
Office '95 Launch Promo													\$ 4,000
Misc Press													\$ 600
Mac Office Sustaining													\$ 1,000
Mac Office Launch													\$ 250
Mac Word Launch													\$ 250
Mac Excel Launch													\$ 250
Mac PPT Launch													\$ 200
MacProject Launch													\$ 2,550
Vertical Press													\$ 350
Word Legal market													\$ 300
Excel Accounting market													\$ 650
Sustaining Ad programs - Launch Ad programs -													\$ 25,965

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Direct Marketing

FY95 Direct Marketing Calendar

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Totals (\$000)
Hotline Mailings*													\$ 1,500
To New Microsoft Customers													
To Newly Active Purchases													
Competitive Upgrades**													\$ 2,600
Word/Excel/Office CU Waves (potentially catalogue)													
Word Vertical/SMORG Effort													
Excel Vertical/SMORG Effort													
Access (DOS/DBase Switcher)													
Version Upgrades**													\$ 2,500
Office - Final Waves and '95 Launch													
Word - Final Waves and '95 Launch													
Excel - Final Waves and '95 Launch													
Access													
PPT													
Project													
Annuity/Champions Test													
Mac													\$ 400
Version Upgrade													
Mac 1-1													
Sustaining DM programs =													
Launch DM programs =													\$ 7,000

*Hotline mailings are mailed weekly to new and recent customers

**Version Upgrades may be individual product-focused, multiple product, catalogue or some combination

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