

FY97 Planning Memo

dbsd plan

To: Jim Allchin, Rich Tong

Cc: BSD PR, BSD Focus Squad, Jim Allchin Staff

From: Adamt, Chrwild, Alecs, Rbennett

Subject: Windows END USER TEAM Marketing FY97 Plan

Best Viewed with IE 3

Executive Summary

Our goal in FY97 is to drive sales of 32-bit Windows desktops by convincing 16-bit Windows users that "now is the time" to upgrade. We will focus on core milestones do deliver upon this promise, including a Fall Win95/IESK bundle launch and a Spring Memphis launch. However, we face a stiff competitor in the form of inertia. Many 16-bit Windows customers are content to stay where they are and seen no reason to go through the pain and expense of upgrading. Therefore, we will move forward with the following strategies:

- **"Now is The Time" Fall Promotion:** We will launch a Fall promotion with the availability of the new Windows 95 & Internet Explorer 3.0 Starter Kit bundle. We will use this as a signal that now is the time for 16-bit Windows users to upgrade. We'll promote with broad reach advertising, localized market ads, web announcement and supporting PR.
- **Launch the Active Desktop with Memphis:** Re-ignite the Windows 95 platform with the Memphis release, targeting corporate customers as an upgrade to Windows 95 and end users as the newest, most cutting edge version of Windows. Introduce Active Desktop technology as combining the best of Windows with the best of the Internet and securing Windows as the dominant Internet platform.
- **Begin our forward thinking for NTC on the integration of the TV, PC, Telephone, Stereo.** E Shell is our opportunity to establish leadership in the undefined future home market. We need to kick off an evangelism effort to own the home device user interface and lead the effort defining the "Entertainment PC".
- **Maintain loyalty with "champs".** We will do advance sneak previews of new technology and other tools & information to keep our front line supporters well armed and enthusiastic, including user group tours, regular WinNews updates and trade show "geekfest" participation.
- **Ensure we don't lose in the \$1B government SW market with better accessibility.** Microsoft needs to improve our accessibility development strategy, accessibility messages and to create an internal infrastructure that better allows Microsoft to move forward as a great accessibility

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products company

- **Reach out to the broad consumer market.** We will re-engage a broad consumer audience who has not heard directly from the product group since the Windows 95 launch, to re-iterate our core product messages. This will be targeted at the non-traditional PC press, i.e. consumer publications.

Customers and Competition

There are three key market segments for Windows:

- **Small Business/Home Business.** These customers need the basics without a lot of hassle. Once something is up and running, they are reticent to change and many are still on 16-bit Windows. Word of mouth for Windows 95 has been somewhat negative over the last year, giving more reason to wait. Our competition is inertia. We will focus on the benefits of 32-bit Windows desktops, primarily the new and innovative 32-bit applications.
- **Consumers.** These customers are buying PCs for entertainment, work-at-home and for their children. They've been a heavy purchaser of Windows 95 primarily on new machines. Our competition is interest and relevance. We are competing with people's time, in front of the TV, spending time with the family, at the gym, etc. and we're also competing with the question of whether a PC is necessary, compelling or relevant. We will focus on broad reach messages that communicate Windows 95 as a great gaming, edutainment and productivity platform.
- **PC Enthusiasts.** This segment has likely already purchased Windows 95, possibly even NTW 4.0. Our competition is keeping them interesting in Microsoft technology as the "best, freshest, most cutting edge." We face a challenge mostly from Netscape and Sun. We will concentrate on keeping our champs well informed with early glimpses of new technology and regular communications from Microsoft.

FY97 End User Marketing Analysis & Initiatives

Channel & End User Marketing Programs & Promotions (Chrwild)

"Now is the time" Campaign (Fall Promotion)

Situation:

USFG of W95 has leveled off at 160K per month. There is still a sizable base of customers who can run Windows 95 and Windows NTW *on their existing hardware* though. In the home and small business categories, there are approximately 16 million 486/8 machines or better, currently running Windows 3.X. In home and small business, there are approx. 8 million 486/16+ machines running either Windows 3.X or Windows 95.

Windows is a proven platform, with over 40mm copies sold. All top productivity applications are designed for 32-bit Windows now. Both Windows versions (W95 and NTW) now share the same consistent and easy to use interface. Also, many top games are designed for Windows 95 now. DirectX has made major inroads into the games developer community. Internet Explorer is now at parity or better than Navigator. System costs (especially RAM) have come down significantly. This all adds up to a positive climate for reinforcing the message, there is no better time to upgrade. Our focus will be on compelling applications and usage situations that are dramatically better than Windows 3.X. The primary usage situation will be Internet.

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Key issues:

- *Operating Systems itself is not compelling to the "next wave" of customers* - there is nothing about the OS itself that is compelling enough to convince the "next wave" customer that it is worth the hassle to upgrade. They need to see a dramatic improvement in an area that is important to them.
- *Corporate confusion over W95 v. NTW has trickled down to this customer segment* - while not the biggest problem, there is clearly a significant subset of customers (and RSPs) who are waiting for NTW because they want the latest and greatest. We must clearly communicate the relative positioning, as confusion stalls purchase.
- *Pent up demand for NTW will create opportunity for Windows 95* - some high-end home and small business customers are waiting for launch of NTW 4.0 before migrating to 32-bit Windows. Launch of NTW 4.0 will bring them to market. With clear communication, we can translate those customers to either NTW or Windows 95.
- *Windows is not considered a serious game platform* - the poor performance of games on Windows 3.X is inhibiting acceptance of Windows 95 as a platform among hard core gamers. Despite the superior enabling DirectX technology of Windows 95, DOS still owns the hearts and minds of hard core gamers.
- *Games vendors are key to long term success of the W95 platform* - while the underlying technology is there, the real success of the platform is dependent on great titles. Great titles will only be developed exclusively on Windows 95 if the base is large enough. Hence the "chicken/egg" issue common to new operating systems.
- *Word of mouth for Windows 95 among small business is still net negative* - although it continues to improve, the conservative nature of small businesses, along with the perceived hassles of upgrading shapes the conventional wisdom, which says that while it's inevitable, it's best to wait until, either until the ".1" release, or until purchasing new hardware.

Key objectives:

To sustain the retail sales of Windows 95 and to take advantage of the opportunity that is created by alignment of market/product realities, we plan to launch an aggressive fall retail promotion centered around the bundle of W95 and the IESK starting Oct. 15.

Key goals are:

- To effectively incent the Win 3.x population to migrate to W95 and increase the penetration of Internet Explorer.
- To increase W95 retail run rate by 20 %, from currently 160,000 units/month to 182,000 units throughout FY 97.
- To provide the channel with an exciting, newsworthy W95 offering for the 96 Holiday season.

Key strategies:

Focus on "Killer Apps." - We need to focus on activities that are either only possible or significantly improved on 32-bit Windows, as compared to 16-bit Windows.

- Best Internet experience
- Best Games platform (Games sampler!)
- Runs best productivity apps (Office 97!)
- Remind people to MS-DOS and Win 3.x shortcomings

Use our marketing strength in retail and demand creation to help games vendors.

Focus on key customer segments - Home, SOHO and gamers for Windows 95; and SOBOs, especially those in technology-driven businesses.

4 *Integrated marketing efforts* - Integrate the above strategies across all advertising, PR, channel and promotional activities to maximize efficiency and impact.

5 *Product*: Great value and rebate

Measurables:

- 20% uplift of W95 retail sales between October and December 1996 (+80,000 Upgrade units equivalent ~\$40M)
- Top 3 direct accounts and top 5 indirect accounts use end-caps and POP to promote the bundle.

Tactics include:

Print ads, radio spots, online advertising, Web site, DM (Kingston test, AOL DM and email in September), baseline PR campaign, channel (POP, \$30 rebate in October, end caps and pallets presence in key accounts, many training among RSPs), reseller ads under discussion

Budget needs:

\$3.5M (8.75 % of revenue forecast)

Open:

- addl \$2M for local reseller ads/radio spots
- joint promo w/IPTD

II. Manufacturing/Browser push/ISP agreements

Situation:

PTD is revving their flagship product IE at unprecedented rates (goal is every 6 months). Increasing market share vs. Navigator significantly is of paramount importance to win the API battle between MS and NS. Once we step beyond the classic first-wavers, downloading the browser will become an issue. The Windows box is a major vehicle to help b/c it will provide the customer a convenient one-stop opportunity to get everything they need to navigate their PC. The first step happens in the fall of '96 with the hard bundle of W95 and the IESK (IE 3 based) obsoleting the old W95 SKUs.

ISP agreements with key players like AOL, CIS, MCI, ATT etc are another key instrument to convert people over to IE. We are contractually obligated to ship the clients of several online services in the Windows retail box. This poses a significant challenge for our manufacturing and product release process going forward.

Key issues:

- W95/IESK bundle execution in the fall
- How to incorporate IE 4 into the Windows box (January)
- How to smoothen the product release and manufacturing process given the swift product cycle going forward
- How to get online service clients into the box at an on-going basis
- Memphis

Key objectives:

- W95/IESK bundle availability by 10/15 nationwide
- IE 4 plan by 11/1
- Optimize the release process and reduce time to market by 30 %
- Get all online service clients into the bundle box (NA)

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Memphis plan by 1/1/97

strategies:

- Obsolete the old W95 SKUs
- Reengineer internal processes
- Establish close ties to online service vendors and synch up processes and mktg activities WW
- Establish joint mktg programs with IPTD around IE 4 and Memphis

Consumer marketing (Games & Entertainment push):

Position:

Target:

There are 3 tiers of consumers- 1st wave, next wave, pull their teeth out wave.
 A high percentage of the 1st wave have upgraded to Windows 95, but many in the next and 3rd waves have not.
 Several killer app kids/home titles are releasing this holiday/spring - including Legos from Mindscape and Mega Math Blaster from Davidson and Associates.
 Games account for 40% of all home software sales.
 80 % of hard-core gamers are asked by 4 or more people what computer products to buy/use.
 There are approx. 300,000 hard-core gamers in the US.

Technology:

DirectX versions 1-3 will be adopted widely because of their basic hardware compatibility function. Future versions of DirectX will contain enhancements for multiplayer over-the-Internet game play and arcade game play.
 DirectPlay will incorporate technology to enable players to meet on the Internet and play, instead of having to know another player's IP address - as it is today.
 Some of the key features in Memphis will be manifested in the hardware plug and play support. The Win 95 Enhanced CD standard is not yet an industry standard.

Issues:

Market Research: Within the home/gaming segment, we don't yet know exactly how many in the first wave vs. the next wave of home user have upgraded to Windows 95.
 Key obstacles to purchase for next wave consumers have traditionally been: fear of obsolescence, hardware compatibility, technophobia, and lack of benefits. Thus, trying to push Windows 95 while then rolling out hints of Memphis could stagnate sales of Windows 95.

Objectives:

- Upgrade 30 % of 1st tier gamers (75K units) and 20 % of 2nd tier gamers (200K units)
- Establish Win 95 as the premier multiplayer/online games platform
- Expand the PC games market into the general PC consumer market
- Establish CD extra as the industry standard for MM titles

Strategies:

Coordinate programs in retail, advertising, on-line, and in-box to support a specific theme/personality to games on Windows 95.
 Emphasize to ISV/retail partners the need to reinforce this messaging in their own

Windows NT5
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advertising/promotions.

- Utilize the games themselves to show the momentum and game play potential (sampler as key tool)
- Use consumer electronics tradeshows to show off Win 95 games and their momentum
- Get the consumer press to acknowledge Win 95 as the key games platform
- Team up with Sony to promote CD extra

Tactics:

Games Sampler 2:

The sampler which includes 10 key Win 95 games will be distributed in NA (2.5M units) and internationally (1.5M units).

- Distribution vehicles are:
- The Web (orderable via DMRs)
- Retail (cost: \$1)
- Multimedia kit vendors (license fee \$0.5 - \$1)
- Tradeshows
- Co-promotion with AT&T

Budget: self-funded

E3:

Plan to do a compelling partner booth and SWAT for Win 95 games. Distribute final Beta of next Sampler featuring multiplayer games and DirectX 4.0.

Games Workshop with consumer press

CD extra promotion with Sony:

Kick off at CES. Combine PR with distribution of the CD extra sampler via a key music publication, CD signings, a prize-filled web site.

Budget estimate: \$100K

IV. SORG/SOHO marketing push:

Situation: ...

While there are higher penetration and adoption figures in larger organizations, the sheer size makes the small business target important. IPR data for CY 95 suggests that there is a large installed base on Win 95-optimal machines in small business: approx. 5M 486/8+ Meg machines in the US in companies with fewer than 20 employees, including home-based businesses. Approx. 1.8 M Win 95 optimal machines are in companies of 20 - 99 employees.

The installed base data suggests that companies of fewer than 20, and perhaps even smaller (SOHO), is the best target for short term upgrades on Win 95:

- absolute volume is highest among SOHO
- PC technology spending per employee is 2-5 times that of larger small businesses
- highest growth area for economy overall, and these companies are doing well
- shortest purchase process

Larger SORGs provide a strong long-term opportunity for Win 95 and Microsoft:

- once they do move, they have more PCs to upgrade

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larger opportunity to sell other MS products:

- more likely to buy suites
- better target for Backoffice applications

opportunity to exploit more leveraged selling model through the channel

consultants and CPAs are key influencers.

issues:

Productivity - is uniformly the key motivator. Therefore a compelling productivity gain by upgrading to a Win 95 application is the most likely way to make them move.

Make-up - since its' such a heterogeneous group, it's difficult to find points of leverage.

Hardware acquisition - screwdriver companies are the main suppliers for SORGs and even more so for SOHOs

Mindset - while spending per employee is high, it's out of necessity rather than enthusiasm or knowledge of PCs. The fear that most people associate with upgrading an OS is even more pronounced in SOHOs because they don't have the dedicated PC staff to get them out of trouble (like larger companies), and they cannot afford any down time. Our target audience is the 486/8+ segment which translates to a slightly more engaged and knowledgeable audience vs. the SOHO universe of computer users.

Channel - > 80 % purchase at retail, > 40 % purchase through DM and just under 20 % purchase through a VAR

Application usage - studies show single app purchase over suites, and accounting applications second only to word processing

Peripheral usage is high - printer, modems and recently scanners are key office equipment

Decision-making is crisis driven - they don't usually make a decision unless they have an immediate need

relevant difference between SORG and SOHO:

user vs. business benefits - because decision makers in SOHOs think about their PCs primarily from an end user perspective, we must give tangible, immediate benefits of upgrading to Win 95. The business decision maker in the larger SORG thinks about purchase decisions both from an user perspective, but also looks for the higher level business value.

objectives:

Disincent purchase of Win 3.x and MS-DOS

Increase the Upgrade penetration to 15 % of the Win 95 capable installed base in this segment (6.8M PCs) by end of FY 97 (=1M units)

strategies:

Increase Win 3.x and MS-DOS prices. Charge for Win 3.x/DOS support/increase support charges.

Segment the top 10 vertical application markets and team up with the top 3 application vendors in each of these markets to co-promote their Win 95 upgrade product (if applicable)

Educate the 50,000 consultants in the US on the benefits of upgrading to Win 95 applications and the use of the Web for their clients

Compare directly against legacy applications and the disadvantages of running a DOS/Win 3.x environment

Leverage the Win95/IESK bundle and explain to SORGs and SOHOs what value the Internet has for them

Refresh the messaging of Win 95 benefits focussing on productivity gains and business value driven by killer applications

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Messaging support points:

- There are great Win 95 applications for YOUR business which will get you done more in less time.
- Win 95 is safe upgrade.
- Win 95 is a better Internet platform than Win 3.x - 32-bit makes rendering and downloading faster; also allows multitasking while waiting, and you can access the Internet w/out any addl configuring of your system.
- Fewer system crashes than Win 3.x
- Safe, smooth migration
 - Works with what you have today
 - Easy to get up and running; support callers are answered in < 60 seconds on average
 - Reliable: over 40 million satisfied users, and 500K tested for 6 months prior to launch

Tactics:

Pricing:

Make the Win 3.x and WfW upgrade more expensive than Win 95 (price 25 % higher than Win 95)

Advertising:

Partner ad campaign with the top 3 app vendors in the top 10 vertical markets. Advertise in vertical markets flagship magazines.

Budget estimate: \$500,000 (most funds from partners)

Small business evaluation tool:

Revise the current tool developed in the customer units group and beef up the Why upgrade - messages. Distribute the tool using SORG channels in OCU (DM, seminars). Promote in-store usage.

Budget estimate: \$30,000

DM:

Team up with consultants mailing test (n=10,000) in the US to promote migration in SORGs. If successful, mail all 50,000 consultants. DM includes call to action and points to the Windows/ESK bundle.

Budget estimate: \$200,000

Collateral:

Win 95 apps catalogue for top 10 vertical markets. Distribute at trade-shows, through consultants, chambers of Commerce, DM..

Participate in and contribute to OCU and DAD SORG/SOHO campaigns

Memphis Launch Plan, NTC Product Planning & Lab Management (Rbennett)

[need updated rbennet document]

Consumer PR, Champs & Accessibility

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Marketing (Alecs)

Consumer PR

Situation

- To date, sales of the Windows 95 upgrade have been primarily into the home and small business arenas. Between 30% and 40% of the home market today has a PC in North America. This translates into a market of over 30MM PC's, the majority of which are capable Windows 95 machines.
- The largest category of home PC use is gaming and entertainment, which is a growing category. With the advent of Windows 95, PC games are finally able to compete with dedicated console devices in quality, excitement, and playability.
- To drive continued upgrade sales of Windows 95 into the consumer markets, our consumer marketing team is planning a series of promotions this holiday season and again in the new year.
- During the next 12 months Microsoft will deliver a series of updates to Windows 95, culminating in the "Memphis" release in June of 1997 and "Cairo" in the summer of 1997, which will be the next retail upgrades to Windows. Memphis/Cairo will feature new consumer technologies like the Universal Serial Bus (USB), and the Active Desktop - an Internet enabled remodel of the Windows desktop using web browser technology. These directions will be outlined at the Windows Strategy Day in November.

Issues

Although PC penetration into the home is at an all-time high, it is nowhere near as common as the telephone (95%) or the television (98%). Furthermore, a key barrier to PC adoption is simply relevance. Our competitor in the home is not another software company. It is television, books, sports, and time with family.

Although PC game quality is close to, or exceeds the quality of dedicated console games, we are not yet ready to aggressively promote the PC against Nintendo, Sega, 3DO and others. Small business penetration of 32 bit Windows is low, in large part because most small business owners are "waiting for the .1 release".

Objectives

Provide the necessary PR air cover for all retail promotions, the Windows Strategy Day, the USB launch, and consumer electronics trade shows - E3 and CES. Promotions include the Windows / IESK bundle (September), the Windows Gaming Sampler (October), a spring promotion, and possibly joint promotions with Kingston (Memory) and Sony (CD Extra). Use broad reach PR in consumer publications to demonstrate the relevance of PC's. The focus of this campaign should be on the benefits of PC ownership, and be relevant to the audience of the publication.

Generate buzz about the new releases in the enthusiast press, the consumer electronics press, and small business publications. Build a wave of interest and demand before the launch of Memphis by holding a consumer reviewers workshop, and staging an enthusiasts/user group tour.

Champs

Champs Situation

Champs is an existing, active program, designed to motivate enthusiasts for both Windows 95 & Windows NTW. Over the previous 12 months, Champs has touched xx of these highly influential customers.

User groups / user support groups are a leveraged way for Microsoft to reach it's core audience

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of enthusiasts and supporters in an efficient way

Issues

- Enthusiasts tend to be "high maintenance" customers. While there is no question that these are valuable and highly influential customers, they will consume as much energy and time as we are willing to give, and then ask for more.
- Divisional resources for user groups do not exist. Consequently this plan addresses user group activities for all of DBSD.

Objectives

1. Build programs for user groups and champs to lower our resource burden. As much as possible, we will try to transfer management of these groups to the groups themselves.
 - Give support to the formation of the Worldwide Association of NT User Groups (WANTUG) by assisting in the formation of the organization, using them as a channel to disseminate information, and leveraging their infrastructure for speaker engagements.
 - Assist ClubWin in becoming a self-managed organization the end of FY 97.
2. Support FY 97 initiatives by activating the enthusiast community.
 - Spring user group tour
 - Clubwin web site, newsgroups, and chat sessions
 - Champfests at Comdex (Fall and Spring), and PC Expo

Accessibility

Situation

- Accessibility has become a key issue in OS marketing and the computer industry. Because of legislation like the Americans with Disability Act (ADA), and the Rehabilitation Act, corporations, governments, and software vendors are being driven to make their products accessible. At risk, for Microsoft, is nearly \$1 billion in revenue through 1999, as advocacy groups pressure the federal government to aggressively enforce section 503 of the Rehabilitation Act.
- It is difficult to write accessibility aids, and accessible applications for the Windows Operating System today. Microsoft will change that this fall with the release of Active Accessibility - an SDK for developing accessibility aids and accessible software for the Windows platform.
- Microsoft has incorporated a series of Accessibility Guidelines into the Windows and PC 97 logo programs, and has telegraphed to the ISV community that these guidelines are likely to become requirements in the future.
- Windows 95 and Windows NT have a core set of accessibility utilities which aren't widely promoted or used.

Issues

- Blind advocacy groups have forced us to be very defensive in the past. Basically, Microsoft has done little to promote our accessibility work fearing a PR backlash from these advocacy groups. As a result, we are behind in promoting Active Accessibility, we are being unfairly castigated by blind advocates who do not understand our strategy, and the existing (and very useful) accessibility aids in Windows are often overlooked by therapists, individuals with disability, corporations and others.
- Accessibility is often overlooked in corporate marketing programs, which results in a very mixed message about the accessibility of our products, and confusion in the disability community.
- Although we have incorporated guidelines into our logo program, the ISV community remains largely ignorant of what the market implications are, how to proceed, and what technologies are available.

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Objectives

1. Promote Windows accessibility features, and strategy to the disability community. Use a combination of PR, and events touching the disability and therapist communities to demonstrate that Windows is accessible to individuals with disabilities, and to articulate our strategy.
2. Blunt the criticism of the advocacy groups by clearly articulating our strategy, and by demonstrating how accessible Windows really is.
3. Drive ISV adoption of Active Accessibility through a comprehensive ISV co-marketing program.
4. Ensure that all communications and materials from DBSD incorporate accessibility messages.

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