Consumer Productivity Vision

"Applications that let users make the most of their home computers"

Consumer Productivity

FY '00	Revenue ('000)	Headcount FTE	Responsibility Margin
Works	$95.1	69	57.5%
Home Publishing	$34.9	40	32.5% (fix this)
Mapping	$31.1	66	15% (fix this)
Kids	$5.0	2	10% (fix this)
Total	$159.5	179	25.3%

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BU Goals

(FY99 vs FY00)

I hate this slide. Is it necessary?

	Budget	Stretch	Costs	Profit	Goals
FY '99	187.3	187.3	78.2	33.0	
FY '00	176.6	193.0	87.2	22.3	

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Business Plan

Strategy	Tactics
Drive Works growth and brand resurgence WORLDWIDE	• Solid tools w/Office migration • Focus on user tasks WW • Ease of use and support • Integration w/Suite apps and web
Drive market gains for Home Publishing through leadership in digital imaging and home publishing	• Combine code bases and drive better integration • Improve common look and feel • Center on digital imaging asset and partnerships to help drive adoption
Build the mapping assets for Microsoft through adoption and usage of MapPoint worldwide	• Core code base for efficient development • Partner w/Office and corporate accounts to find and drive sales to key IEUs

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FY002 Dream

- Works business as the driving force for consumer home application delivery and use
  - **$200M worldwide business (~$100M in FY '99)**
- Home Publishing business gains thought leadership position with digital imaging and web driving purchase and usage
  - **45% responsibility margin business (need # here)**
- MapPoint is a $100M asset that drives purchase of Office and creates new category advantage
  - **45% responsibility margin business (29% in FY '99)**

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Technical Plan

Jihad	Area	Strategy	Customer Promise	Not Doing
Works Suite Integration	Address Book Calendar Web Task-Centric			
Home Publishing Integration	Storage Tools Web	Common engine Common UI for core functionality Integration with key partners (web,camera,peripheral)	Easiest way to get online Best exp. for home users Family Safe and convenient Services make tasks easier	Added value for corporations
Windows (Millennium) Collaboration	Imaging Web Publishing Home Networking Applets	Value-add app development Code-sharing to improve time to market (millennium) Partnership development • Imaging	Quicker to access, easier to find solutions to problems, and in targeted cases automatically fix problems	Re-plumbing core OS to speed up availability and improve reliability Complete Wintone solution
Home Networking (FY '01)	Dial-up/Broadband PC-to-PC connectivity in home PC-to-Smart Appliance connectivity in home	Demonstrate vision by simplifying common home networking scenarios – file, print, internet sharing. Deliver key plumbing pieces and simple discovery UI	Setting up a home network is easy and you don't even have to run wires. Sharing disk space and printers between machines is automatic.	Com+ Programmability Layer Deep UI for device specific classes

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Thought Leadership

- Works
  - Leadership in task-based design of "applications" and UI
- Home Publishing
  - Leadership in defining the use of digital imaging and web publishing as the central assets for home creativity
- Mapping
  - Leadership in the graphical representation of geographic data as a business tool

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Partnerships

- Internal
  - Windows
    - Millennium, Neptune, Joint marketing
  - CCG
    - Calendaring, E-Greetings
  - Office
    - MapPoint
    - Works (wish list)
- External
  - Marketing/OEM
    - Fuji Film
    - Avery Label
    - Iomega
    - NavTech

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Keys to Success/Strategies

- Drive Works worldwide growth
  - International support and growth
  - Marketing demand support
  - Executive support within MS
- Redefine Home Publishing category
  - Drive retail presence through smart sku mix/pricing
    - exploit direct retail opportunity for customized marketing by segment
  - Utilize the Picture It! asset and make it the defining criteria for purchase
- Build corporate IEU community for MapPoint
  - VAR/SP marketing program
  - Office attach programs

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Keys to Success: Issues

- Works support outside North America
  - Projecting declining growth in all key Euro subs
  - Marketing budgets average < 3% of net revenue
  - Headcount averages <.5 per large sub
- Home Publishing in US retail channel
  - Understanding and exploiting the customize marketing opportunities of direct distribution
- MapPoint as an Office asset
  - Too small to matter but to important to pass up
  - Exposure at the key corporate accounts which requires identifying specific IEUs within the accounts

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FY00 Product Roadmap

	Q1	Q2	Q3	Q4
Works	All US versions Z,F,G,I,Sp,D,J	Eastern Europe Traditional Chinese Taiwan		Possible release with Millennium
Home Publishing	All US versions Picture It! – Z,F,G,J,I	Picture It! – Korean, Taiwan, Brazil		Picture It! – Possible release w/Millennium
Mapping			Streets and Trips AutoRoute MapPoint GB	
Kids			MSB #8	MSB #9

Future Product : Video Editing for Home Users

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BU FY00 Budget P&L

Markf to fill in

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Product Unit Drill Downs

4 slides per core business

2 slides for Kids

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Appendix

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Resources Needed

- Development spend
- H/C (FTE and CSG)
- Marketing
- Operations
- Acquisition money
- Executive support

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Key Learnings

- Customers
  - Consumers are price sensitive/value-oriented
  - Consumers place a premium on ease of use
  - Consumers don't always value quality
- Competitors
  - Driven by scale at retail
  - Strong brands drive purchase
- Market
  - *Need point on overall market size by category*
  - *Market characteristics by category*
- Technology
  - *Digital imaging?*

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Marketing

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Works Line

- Marketing Objectives:
  - Achieve 20% revenue growth in WW FG business
  - Maintain WW OEM penetration and revenue
  - Begin to re-establish Works brand worldwide
- Strategies and Tactics:
  - Attach to new PC purchases WW
    - Sub $1000 PC purchases = Works Suite (retail and OEM)
      - Retail build-to-order, OEM Choice
    - OEM install of Works Std or Works Suite
      - Account customization with Works Task Launcher
  - Upgrade installed base to Works Suite
    - Direct mail/e-mail to Works registered base, HRD customer base
    - Upsell customer within 3 months of new PC purchase (Dell, E-Machines, CompUSA)
  - WW awareness and demand generation for Works Suite
    - PR reinforcing Works as the "must have" for every home PC
    - Targeted print, radio and e-mail campaigns
    - Internal MS evangelism

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Works Sku Strategy

Works 2000	$37.85	$49.99
Works Suite 2000	$64.00	$99.95

Could include a couple of box shots

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Home Creativity Line

Greetings, Home Publishing and Picture It!

- Marketing Objectives:
  - Increase market share in HDTP category by 4 points to 12% in revenue share and 11% in unit share. Move MS from #3 to #2 position in HDTP category.
  - Establish leadership in HDTP category with Home Pub Suite by redefining the category to include print functionality, integrated Internet technology and superior photo editing capabilities
  - Retain #1 position in Digital Imaging category
- Strategies and Tactics:
  - Gain maximum assortment and support in top 5 retail accounts
    - customized account plans by account, sku and pricing strategy, take shelf space share from Print Artist
  - Establish strategic partnerships with 2 top non-competing peripheral manufactures- Fuji, Iomega, HP, Avery
    - Seed Home Pub Express, Picture It! Express upsell to full versions
    - PIE on Fuji Picture CD

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Home Creativity Sku Strategy

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Greetings 2000	Traditional	$19.99	$24.99	$10.00	$14.99
Home Pub 2000 Express	Mass Merchants	$9.99	$14.99		$14.99
Home Pub 2000	Traditional	$29.99	$39.99	$20.00	$19.99
Home Pub 2000 Suite	Traditional	$37.85	$49.99	$20.00	$29.99
Home Pub 2000 Premium	Clubs	$29.99	$39.99	$20.00	$19.99
Picture It! 2000	Traditional	$37.85	$49.99	$20.00	$29.99
Picture It! '99	Mass Merchants	$14.05	$19.95		$19.95

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Consumer Windows Integration

Launch (4/30/00) and sustaining (Holiday 2000)

- Leverage Consumer Windows messaging and PR
  - Extend Win 00 messaging- Works Suite completes the solution for Home PC
  - "Adopt-a-family" promotion
- Drive purchase through Consumer Windows
  - Seed Consumer Productivity trial versions to purchase
    - Pre-configured OEM and retail PC's. Focus on selling solutions (I.e., digital imaging)
    - Fuji Pictures on CD/PIE on digital imaging PC
    - First time PC buyers program- create and drive low-cost/no-cost PC programs with key OEM's
  - Develop unique Win 00 features within Works Suite and Home Pub Suite
    - Customized templates, easily create and post a web page, create an online photo album, free downloadable extensions

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Creative Partnering -- Fujifilm

- Bundle PIE2000 as the viewer for Pictures on CD
  - Worldwide objective
  - Co-branding of Pictures on CD
  - Upsell campaign for full retail version
- Leverage Fujifilm relationships to expand channel
  - Wal-Mart in mass channel
  - Photo processing stores Ritz/Kits, Boots (UK), Blacks (Canada), Japan the next major opportunity
- WW OEM deals for consumer digital cameras
- Increase selling proposition to retail product line
  - Fujifilm Digital Ready logo for PI, Suite, Premium
  - $129 in free coupon offers in box for PI, Suite, Premium

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Creative Partnering -- Iomega

- PI OEM deals for Iomega line of Zip drives
  - Photo centric starter kits co-branded
  - Creation of co-marketing task force for implementation
- PIE distribution on Zip disk media
  - Upsell campaign for full retail version
- Future expansion into other media
  - Zip-CD, Click, cameras

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Obstacles to Creative Partnering

- OEM contracts are not suited well for peripheral companies
  - Too complicated in legal terms
  - Too demanding on payment terms
  - Lack of infrastructure for product support
- Lack of account management, focus and relationship building from OEM group
  - Need to insert someone from OEM involved to get any deal signed

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Kids

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Kids

- How do you want to talk about the kids business? Current strategy was to just market (with minimal PR and a few channel dollars) stand-alone titles.
- With decision to produce more sub $19 MSB titles should we put in some creative ideas, ie. Alternative channels, shop.com, beyond.com, kids bundles, etc...

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Mapping

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Geo Overview

- FY99 Highlights
  - Achieved #1 share in NA with Streets & Trips
  - Successfully launched MapPoint 1.0 in US & GB
  - Winning reviews, and uniformly positive press for all products
  - Forecasted RM of $X, and X% (from $X and X% in FY98)
- FY99 Lowlights
  - Shipped consumer products 6 months late
  - MapPoint late to market (due to Office slips)
  - Office decided not to bundle MapPoint in Office 2000 SBE
- FY00 PU Objectives
  - Consolidate all products into one code base for greater efficiencies via superset/subset model
  - Refine map building tools & procedures for greater reliability, predictability, and efficiency
  - Establish desktop mapping as a mainstream business application
  - Grow overall revenue by X%, achieve RM of X%

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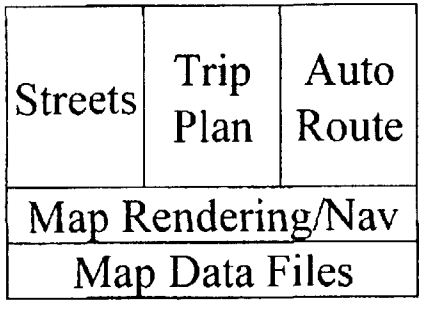
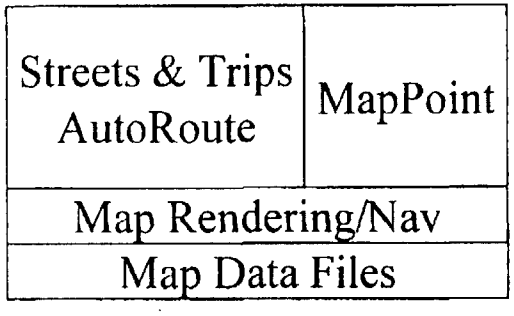
Consolidate applications for more efficient development & testing

FY98



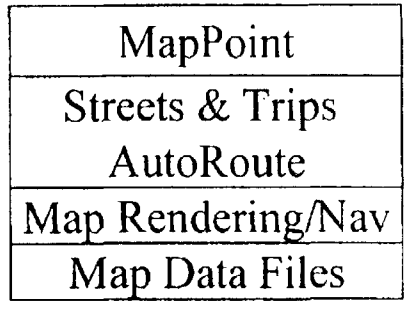
- All apps focused on consumers
- Each app a separate effort built on shared components

FY99



- Merged Streets & Trip Planner apps in NA
- Combined all consumer projects into one code base
- Developed MapPoint for business mapping

FY00



- Moving to one code base for all applications to eliminate redundant code & effort
- Superset/subset model for business and consumer apps

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Refine map building tools and procedures to gain efficiencies

Map Data Files

- Build fewer maps
  - Use the same base map for business & consumer products
  - Store multiple languages within a map
  - Building one map per continent for Geo products
- Automating processes
  - More automated data "stitching" to combine best data into one map (i.e.., GDT+NavTech, AND+NavTech)
  - Improving proofing to focus on systematic map errors, not spot-fixes
- Get better work from vendors
  - Convince vendors to do more work for us
  - Map data is improving rapidly, our feedback helps

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Establish business mapping as a mainstream desktop application

- Expand coverage and continue to pursue low price, "data complete" strategy
  - Add Canadian map & demographics to NA app
  - Add street level data, postal boundaries and demographics for most Western European countries
  - MapPoint 2.0 Europe version in English, German, French
- Enhance functionality for business use
  - Address-to-address routing driven by user data sets for dispatch, delivery businesses
  - Enhance data analysis capabilities (territories, charts on maps)
  - Expand object model for increased programmability
  - Continued focus on Office integration and ease of use

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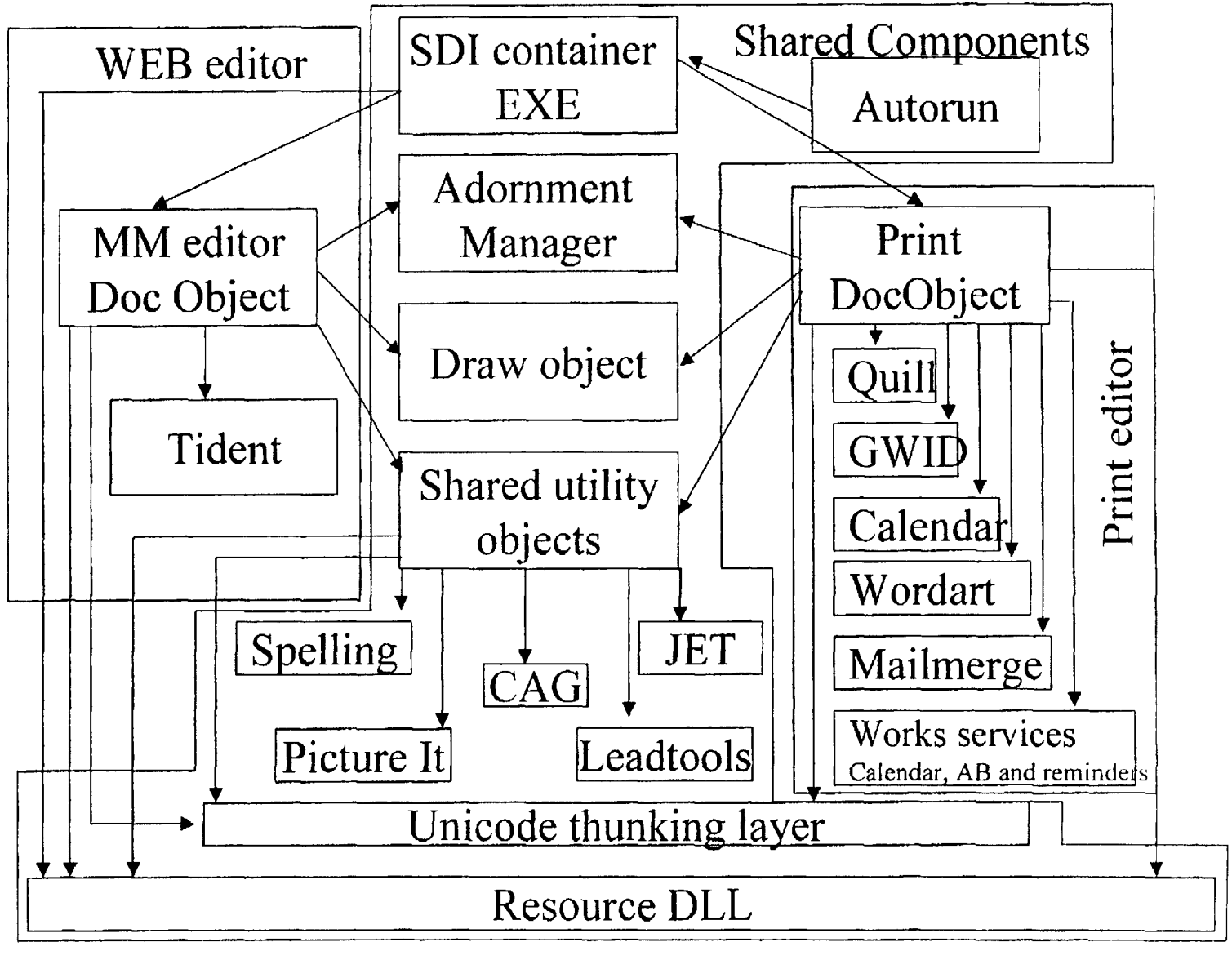
Home Publishing 2K architecture



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Competitive Framework

	Printshop Deluxe	Print Master Platinum	Print Artist Platinum	HPS 99	HPS 2k
Clip content	○	◇	○	○	○
Template content	○	○	○	◇	◇
Ease of use	○	○		○	◇
Print DTP features	◇	○	○	○	○
Web DTP features	○	○		○	◇
Imaging features	○	○	○	◇	◇
Drawing		◇		○	○
Tool Integration		○		○	○
Web integration	○	○		○	◇

○ Fair ○ Good ◇ Outstanding

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Suite integration

- 1 cycle
  - Container integration: Plug PI into container via DOC object
  - UI: Converge on common navigation and top level UI components across all editors (PI, WEB and Print)
  - Photo editing integration : Expose PI smart task features to print and web dtp composition spaces
  - Break out and leverage common services (film strip, archiving, image acquisition, startup screen)
  - Web project convergence : 'Translation' of PI and HP print projects into HP web editor for enhancement of layout, addition of mm effects and creation of page navigation
- 2 cycles
  - Converge on common print composition space – photo and print
  - Bring together text editing of quill and alpha channel compositing of Picture it!

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PI and HP merge - risks

- Short term (1 yr)
  - Successful team integration and common vision
  - Striking the right balance of new features vs integration.
  - Perf and working set considerations to bringing PI into HP container.
  - Schedule – Works Suite wants July RTM and we have a lot to do.
- Medium term (2 yrs)
  - Architecting right converged soln for DTP and imaging tasks
  - Timeline to getting to stable converged engine (need to be well along within 1 yr)

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