Agenda

- Corel update and response
- Marketing plan status
- Decisions to close
  - $99 SKU going forward
  - Additional Corel response actions
  - Office 97 SKU configurations

Corel Business Update

- Q2 revenues $87.5M. EPS $0.01
- Revenue breakdown:
  - Graphics $13.5 M
  - Productivity $70.8
  - Multimedia/Other $3.2
- Revenue sharply down for core graphics business (highly seasonal)
- Poor cash position - $7.5M
- Carrying $47.8 M in accrued liabilities
- Recently secured $25M credit line
- Packard Bell OEM

Corel Revenue Breakdown

	1995			1996		
	Year A	Q1A	Q2A	Q3E	Q4E	Year E
Draw	$138		$9,045	$39,020	$37,708	$85,773
Printhouse			$1,485	$4,803	$5,244	$12,532
Other Graphics	58		$2,970	$2,971	$2,916	$8,857
Graphics	$196	$31,400	$13,500	$46,794	$46,858	$138,552
Multimedia		$5,023	$3,200	$3,300	$3,500	$15,023
WordPerfect			$0	$70,800	$68,000	$82,000	$220,800
	$196	$36,423	$87,500	$118,094	$132,358	$374,385

StoreBoard Share

Total Units - Suites

	Jun-95	Sep-95	Dec-95	Mar-96	Jun-96
Microsoft	89%	88%	93%	93%	82%
Novell/Corel	5%	5%	2%	3%	14%
Lotus	6%	6%	5%	4%	4%

Total Revenue - Suites

	Jun-95	Sep-95	Dec-95	Mar-96	Jun-96
Microsoft	86%	84%	93%	93%	87%
Novell/Corel	6%	7%	2%	3%	9%
Lotus	8%	9%	5%	4%	3%

Retail Units - Suites

	Jun-95	Sep-95	Dec-95	Mar-96	Jun-96
Microsoft	79%	78%	91%	91%	52%
Novell/Corel	14%	14%	4%	3%	43%
Lotus	7%	9%	5%	6%	6%

Retail Units - Blended Word Processing

	Jun-95	Sep-95	Dec-95	Mar-96	Jun-96
Microsoft	52%	54%	70%	75%	54%
Novell/Corel	42%	40%	23%	20%	40%
Lotus	6%	6%	7%	6%	6%
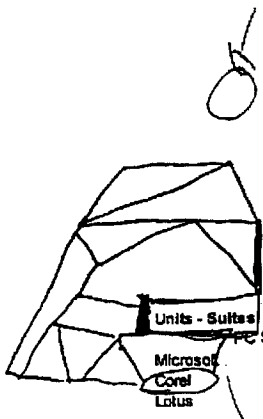
StoreBoard June Detail

Units - Suites

	PC Super	Office Super	Software	CES	Total Retail	Corporate	Dealers	Grand Total
Microsoft	55%	72%	43%	38%	52%	93%	94%	82%
Corel	39%	19%	51%	57%	43%	2%	3%	14%
Lotus	6%	9%	4%	5%	6%	4%	2%	4%

Revenue - Suites

	PC Super	Office Super	Software	CES	Total Retail	Corporate	Dealers	Grand Total
Microsoft	77%	83%	68%	62%	73%	91%	96%	87%
Corel	18%	10%	28%	34%	22%	3%	2%	9%
Lotus	5%	7%	4%	4%	5%	5%	1%	3%

PCData June Retail Share

Suite Share

	Units	Share	Revenue	Share
Corel	63,179	50%	$ 6,854,518	27%
Microsoft	63,128	50%	$ 18,130,125	73%
Total	126,307	100%	$ 24,984,643	100%
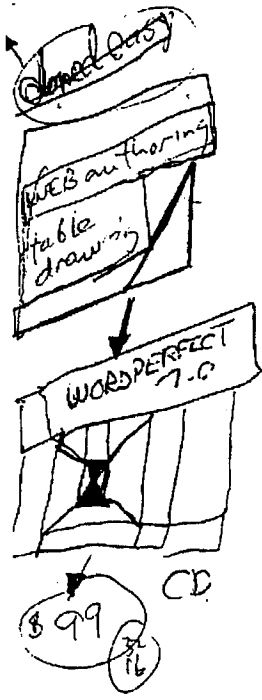
Additional Corel Data

- Channel feedback
  - WordPerfect upgraders
  - Value play: buying the $99 SKU
  - Mixture of Sorg and home
  - Office sales steady to up
- Research in field
  - Who buying, customer type, products considered
  - 10 days to 3 weeks depending on names
- Memos
  - Corel localization
  - Corel product comparisons
 - Corel pro-forma P&L

Home Essentials Promo

- Price change effective 8/16
- Home Essentials - $79 ($84.95 ERP)
- Temporary price reduction
  - Word Upgrade - $59 (64.95 ERP)
  - Word/Publisher Value Pack - $79 ($84.95 ERP)
  - Small Business Value Pack - $159 ($199 ERP less $40 rebate)
- $7M total funding
  - $4.5M promotion-focused advertising
  - $2.5M incremental account funding
  - Account plan updates to follow

Products Going Forward

- **Option 1:** "Home Essentials 97"
  - Word, Works, Encarta Std, Greetings Workshop, Arcade, link to Zone (online games), IE/MSN
  - Emphasis on value, home
- **Option 2:** "Word Suite 97"
  - Word, Works, Publisher Deluxe, IE/MSN
  - Emphasis on tools, Soho/Sorg
- **Price:** $99, mid-December, upgrade but no CCP
- **Issues:**
  - Word 97 upgrade price at $79
  - Data on WordPerfect buyers
 - Impact on Small Business Edition, Encarta
  - Naming
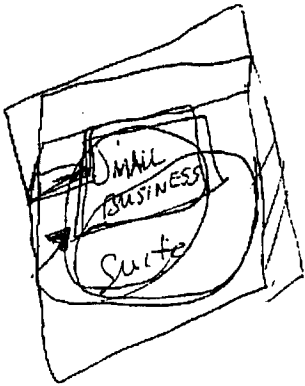
Channel Acceleration Ideas

- Market share rebate for EUCU: $2M
- Outlet support, NFR, spiffs: $2.5M
- Call support and spiffs at DMRs: $1M
- Increased ads/merchandising: $4M
  - $1M more for HE promo thru Nov.
  - $3M on Ofc97 and HE launch Nov - Jan
- PC attach program (white box)

Other Actions

- Office 97 changes and future
  - Goal: address perceived short-comings
  - Changes in ClipArt strategy and fonts
  - Increased promotion of Escher drawing
  - Longer-term enhancements to Escher
- Greetings Workshop marketing: $1.5M
  - Goal: put pressure on PrintHouse
  - Increased demand generation at launch
  - Sustained focus at retail in second half
- Micrografx support: $2M
  - Goal: put pressure on CorelDraw
  - Channel and demand generation support in fall
  - Don't enter standalone draw category
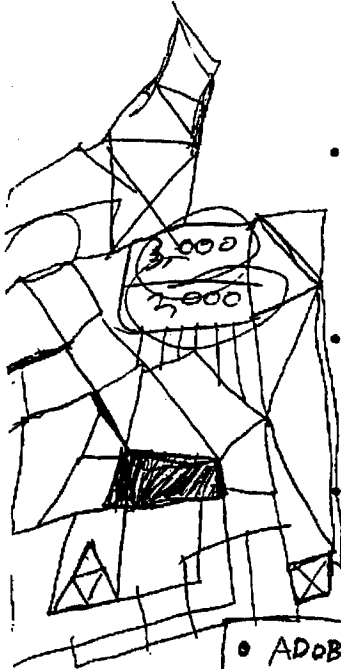
Spending Summary

- Committed: $7M
  - Original budget: $3M
  - Additional response: $4M
- Additional ideas: $13M
  - Market share rebates: $2M
  - Channel support/spiffs: $3.5M
  - Increased advertising/merch: $4M
  - Greetings Workshop: $1.5M
  - Micrografx support: $2.0M

Recommendation

- Proceed with Home Essentials 97
  - Package development critical path to hit Dec
- Develop channel acceleration plans further
- Hold-off on GW and Micrografx plans
- Re-evaluate on 8/15 and 8/30
  - Research results
  - Latest channel, PCData, StoreBoard data
  - Home Essentials results
 - Go/No Go on channel acceleration, GW, Micro
- Keep Office 97 on track

Office 97 Marketing Status

Office 97 Availability

- October 3, 96
  - Publisher 97 safe ad date
  - Office 95 Technology Guarantee
  - Office 97 Coming Soon
- November 29, 96
  - Office 97 Pro & Standard street date
- December 12, 96
  - Word, Excel, Access, FrontPage, and Team Mgr safe ad date
  - Home Essentials safe ad date
- January 30, 97
  - Outlook & PowerPoint safe ad date
- February 20, 97
  - Office Small Business Edition safe ad date
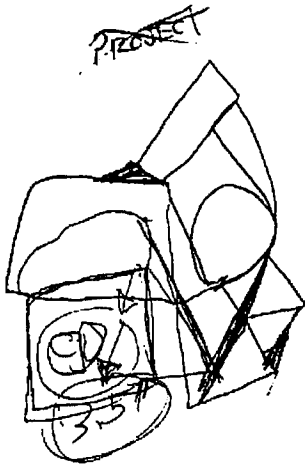
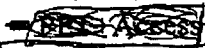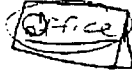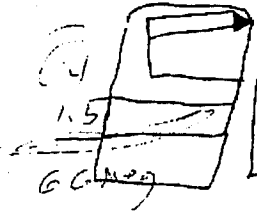# Office 97 SKU Recommendations

- Retail
  - Office (Standard, Pro, SBE)
    - CD-ROM only.
    - Fulfill 3.5" disks for S&H/ COG's (~$30)
  - Word, Excel, Outlook, Team Mgr. - 3.5" only
  - Access & FrontPage - CD-ROM only. Fulfill 3.5" disks for COG's (~ $15)
  - PowerPoint - Dual media
- Academic
  - Pro, Std, Word, XL, Access, Proj, FP & PPT
  - Word+XL = 10.2M
  - Access+Proj = 6.8M
  - HDDI on CD

Roll-out PR Plan

- Workshops
  - Analysts, Reviewers, International (July)
- Press Tours
  - Office Web (June)
  - Components (July)
  - Apps Long Leads (Aug)
  - Workgroup, Apps Short Leads, Business (Sept)
  - Migration, Solutions (Oct)
- Events
  - Intranet Day (June)
  - Windows World Keynote (Oct)
  - Comdex launch (Nov)
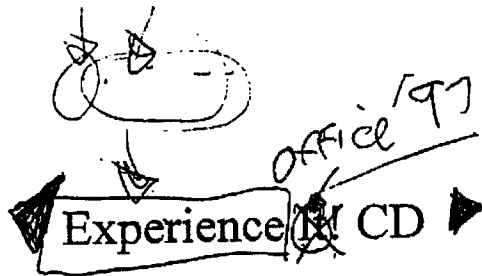 - End User World Tour (Jan/Feb, 40 cities WW)

Retail Channel Efforts

- Channel preparation
  - Top Account Tour in August
  - RSP Training at HQ and outlets (Oct-Nov)
  - RSP Training Kit (tier 2 RSPs)
- Launch programs
  - Merchandising plans (Sept)
  - IntelliMouse bundle
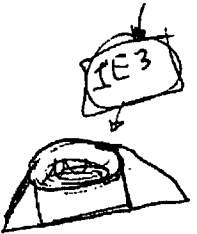 - Experience It! CD
  - Channel direct mail

Experience It CD

(handwritten: office '97)

- Objectives
  - Provide experience for non 32; true trial for Win 32 users
- Content focus is on productivity apps & OS
  - Office, Windows, FrontPage, Publisher, Team Manager, Works, Home Essentials, Bookshelf, Encarta, Money, Picture-It, Greetings Workshop
- Available in 2 forms on CD
  - Interactive autodemo for all products above (phase 1)
  - Time bombed version of Office and apps (timing TBD
- Distribution
  - Ziff-Davis (Inserts, renewal premiums, on-line event, etc.)
  - Channel (Kiosks, OEM)
  - Events (World Tour, seminars, tradeshows)

(handwritten: IE3)

(handwritten: august 13)

Channel Direct Mail

- Objectives
  - Enable a more compelling "call to action" other than our ERP
  - Drive buyers to retail
  - Leverage for additional account support
- Tactics
  - Divide reg-base names among resellers
  - DM tagged with specific reseller's pricing, phone # and location
  - Test concept with Publisher 97 DM (500k names w/CompUSA & MWHSE)
  - Rollout to Office 97 DM (3MM names w/CompUSA, CompCity, Best Buy, Egghead, MWHSE, Zones)

Office 97 Early Adopter Program

- High profile accounts deploying Office 97 beta
  - 40 Early Adopters in NA
  - Spanning 17 industries / all key migration scenarios
  - 40 more targeted for International EAP
- 100 - 1,000 desktops by RTM
- MS provides product, training, consulting & support
  - Office 97 EAP Workshop (3 days)
  - MCS 1 day deployment planning session
  - PSS onsite kicking off deployment; designated contact
  - 3 "Gold" Office 97 solutions (2 MCS, 1 SP)
- Goal: Press testimonials, case studies, video, launch events, biz value studies, whitepapers

On-line Marketing

- Driving traffic to site
  - Banner ads for specific offers
  - Email with offers, site updates/pointers, news
  - All advertising and direct mail references

- Outbound promotion
  - Send hotline to site visitors with cross-sell, up-sell; replace upgrade DM where possible
  - On-line reseller links or referal database for easy fulfillment
  - Value added bits from Web Product Unit

- Names and profiling (for targeting)
  - On-line reg, profiling on site, direct mail and events (e.g. Trial97)

- Delivering Trial
  - Demos for end users; Trial 97 and follow-up for IS

- Site management and infrastructure
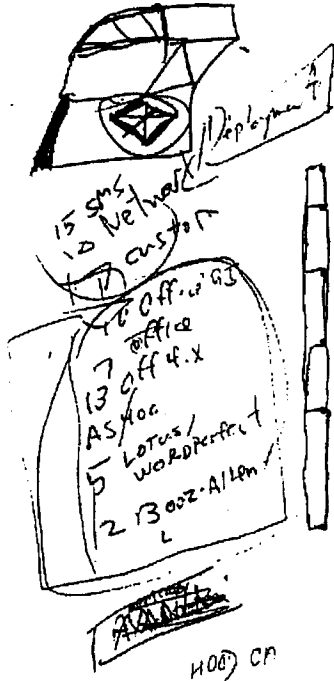
Organization Marketing

Early Adopter Program

District Tours
- Lorg account/channel visits (Aug)

NT/Office Roadshow
- 45 cities WW, 25k participants, 25k Trial 97)

Structured Sales Cycle (CSB, TSB, ISB seminars)
- MORG focus, Office 97 content in Sept

Trial 97
- Product CD (NTW, Nashville, Office 97, TM, FP)
- Tools CD (Web interface, links, ORK, deployment tools, whitepapers, enhancements, case studies)

MSOT Telesales Team
- Trial 97 Deployment, 40 reps assigned to account teams
- Top 500 accounts

Organization Marketing

- MSTV
  - Sept kickoff (Outlook)
  - Intranets, Office 97 tour
- IS web site/IS listserv newsletter
  - Trial 97 online
  - Name capture, send email/newsletter
- Channel
  - Office Deployment Program (Migration assistance - $5k - $25k)
  - LAR/SP training (kits, events, etc.)
- Developers
  - Office Solutions Insider Conference (top 200 solutions devs/ISVs, Aug)
  - Office Developer's Conference (Oct, 3000 attendees)
  - Office Compatible Program (VBA, new feature set, 400 companies)
- User Certification programs
  - 5 levels (end user, deployment, web master, Solutions Dev, support tech)
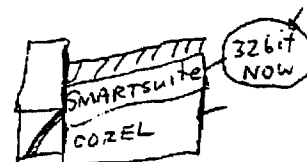 - ETS partnership (marketing end user cert)

SORG and Broad Reach PR

- Newsweek/Microsoft Technology Survey
  - "Infotorial" supplement in January 97 issue
  - Small business ads/editorial case studies
  - Partner with NFIB and SBA
  - January Wash DC press/announce event
  - Tie to local and national broadreach PR efforts
- Oval Office
  - Curriculum - Lifetime Learning Systems
  - Contest - How to invest $1B to improve education
  - Survey - Teenagers thoughts on Education
  - Media Plan
    - Publicize survey results and announce program/contest
    - Events - Announce contest winners, awards ceremony
    - Regional media tours - stories on winners
  - Promotional offer - Office 95/97 to parents & teachers
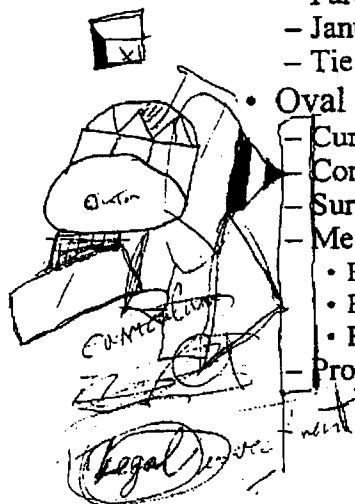
Office 97 Launch Timeline

July	August	Sept	Oct	Nov	Dec
Workshops	Tech Beta 1	NT Launch	RTM	Comdex Launch	World Tour
MGS	Channel Tour	Ofc/NT Roadshow	Developer Conference	Street Date	Newsweek
Components PR	Office Insiders	Workgroup PR	Migration PR	In-depth reviews	Oval Office
EAP Kickoff	District Tours	Apps Short Leads	WinWorld	Trial 97 II (Gold code)	DM Drop
Office Compatible	Apps Long Leads	Business PR	Channel Training	Deployment program	Ads break
Home Essentials	Editor Days	Trial 97	MSTV (Outlook)	Certification Program	
	SB Council	IS Web Site	CSB/TSBs		
	LAR/SP training	Non NDA demos			
	NDA Demos				