

Microsoft Memorandum

To: Bill Gates, Steve Ballmer, Mike Maples, Pete Higgins, Jon Lazarus
From: Philippe Goetschel/Jim Conner/Mark Kroese/Dave Malcom
cc: Chris Peters, Chris Graham, Dawn Trudeau, Hank Vigil, John Reingold, Lewis Levin, Vijay Vashe, Darrell Boyle, Kathleen Schoenfelder, Robbie Bach, Ron Souza, Ruthann Lorentzen, Monica Harrington
Date: November 2, 1993
Subject: Office Friendly Program Update

Summary

The objective of the Office Friendly Program is to evangelize some of our most visible IDG features to non-competing ISVs. The intention is to create a MS Office applications look that would make our direct competitors' applications look different and inconsistent.

To date, we have discussed the program preliminarily with 18 software companies of which 15 have shown a high degree of interest. The plan is to invite them to our suite at Comdex and discuss remaining questions and contractual issues with them. We expect to have about 10 contracts signed by early December. By the end of CQ1 94 we estimate to have 3-6 "Office Friendly" compliant products in the market. Over the next 12 months we plan to recruit an additional 40 ISVs for the program.

Background

The 'Office Friendly' program extends our 'consistency & integration' message across complementary vendor applications by letting selected ISV's include 15+ visual elements of MS Office in their applications. We will jointly promote these program benefits to end-users: training costs are reduced and productivity is increased because a single set of easy-to-use features performs similar operations throughout the "Office Friendly" Super Suite.

This program benefits Microsoft by reinforcing our 'Leadership Message' and establishing the Office look as an industry standard which buyers will come to prefer.

The Feature Set

The initial feature set is:

1. 3D look
2. Toolbar (basic) - MS's standard buttons.
3. Toolbar (advanced) - Color buttons, big buttons, ToolTips, toolbar customization.
4. Menus (basic) - MS's main menu bar.
5. Menus (advanced) - MS's standard dropdown menu items.
6. Accelerator (shortcut) keys - Cut, Copy, Paste, etc.
7. Dialog Boxes - 'File Open', 'File Save As', 'Print', etc.
8. Tab dialog design
9. Startup screens
10. About box
11. Help Contents - MS's new design including bitmaps.
12. Shortcut menus
13. Status Bar
14. Main window title bar (Application - File Name)
15. Up to three vendor-selected features which appear in any two MS Office applications but which are not already included on this list. Use of any feature is subject to prior MS approval.

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These features were selected for their value to end-users, their applicability to diverse products, and their ease of implementation, saving ISV resources and limiting MS support costs. This should help the program get off to a fast start. In the future, we will add other features, and we will place greater emphasis on integration and interoperability (see Future Revisions below).

Target Companies

The initial vendors were selected because (1) they are revenue leaders in their market segments, (2) their UI is compatible with ours, and (3) their product complements (i.e., does not compete with) Office. Current status of our discussions with interested vendors are shown below.

Name	Business	Gross Revenue (millions)	Soft Letter Rank	Committed to Program?	Our Main Contact
Autodesk	CAD	\$370	6	positive	Chris Bradshaw
Micrografx	Graphics	\$62	16	positive	Peter Tarka
Chipsoft	Tax	\$50	18	yes	Mark Goines
Walker Richer d& Quinn	Comm	\$50	19	yes	Kevin Klustner
Caere	Genl Business	\$43	22	positive	Kathleen Garvy
Wall Data	Comm	\$31	29	yes	Marvin Mall
Datastorm Tech	Comm	\$25	36	yes	Phil James
Mathsoft	Math Analysis	\$17	47	positive	Betsy Nugent
MapInfo	Geographic Data	\$12	60	positive	Randy Drewas
IMSI	CAD	\$19	64	positive	Reid Neubert
Persoft	Comm	\$8	69	positive	Carol Nelson
DeltaPoint	CAD/graphics	\$7	82	yes	Nigel Hearne
Jandel Scientific	Scientific analysis	\$6	84	yes	Walt Feigenson
FutureSoft	Comm	\$5	88	positive	Blake McClane
ShapeWare	graphics	n/a	n/a	yes	Jeremy Jaech

We are expanding this list to a total of 50+ vendors, including many in vertical markets such as accounting.

Vendor Eligibility

This program will not be available to any product which competes with MS Office or its component applications. It is only available to products which add value to Office by helping MS create the industry's only "Super Suite". Participation is offered on a product-by-product basis, so a company which enrolls a non-competing product cannot include Office's features in a competing application.

Licenses

The program comprises two complementary licenses.

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Visual Features License: For \$1,000, vendors can purchase a perpetual, world-wide, non-exclusive license to include the program's features in a specific non-competing product. The perpetual term of this license addresses vendor concern that they might otherwise be forced to change their product's UI if this program is terminated.

Office Friendly Logo License: For \$1,500, vendors who purchased a Visual Features License can also purchase a license authorizing them to display and promote the program's logo and to participate in our joint marketing program. However, this license is contingent on passing compliance tests which verify that the features were implemented correctly. If the product passes, a three year, world-wide, non-exclusive license will be granted to display the Office Friendly logo on the product's box and in collateral advertising and to otherwise promote their participation in this program as discussed in 'Joint Marketing' below. This license can be canceled by MS upon 30 days notice, but vendors whose products display the program's logo may continue to sell those boxes for 90 days (see "Terminating the Program" below).

This licensing structure assures vendors they can ship products including our features even if (1) the product fails compliance testing or (2) the program is canceled before the product ships.

Compliance Testing

Rationale: Compliance testing is essential because:

1. It reinforces MS's ownership of unique designs which might otherwise become generic.
2. It assures us that customers and 'influentials' will easily recognize the program's benefits by seeing the similarities among participating products.

Constraints and Concerns: We must avoid creating an administrative bureaucracy to conduct compliance testing, and we must avoid disputes about test results which could consume time and money while producing ill will. These risks are controlled by the following methodology.

Methodology: Compliance testing will be handled in an objective, quantitative manner which eliminates ambiguity and makes test outcomes completely predictable. Points will be assigned to each visual element within a particular feature, and if a vendor "earns enough points" by implementing enough elements correctly, then the vendor will receive credit for that feature. And if the vendor earns credit for enough features, then the product will pass compliance testing. This system allows vendors some flexibility in selecting the features that fit their products and in adapting them to their users' needs, but it also assures MS that the resulting features will be "substantially similar" to our own.

Third Party Test Organization: Testing will be conducted by a third party test organization (probably NSTL) whose fees will be paid by MS from the 'Logo License' revenues. This assures MS that the program can be handled with no increase in current headcount and with no net allocation of funds. It also shelters MS from the 'overhead' of communicating, explaining, and justifying test results to vendors.

Deliverables

The features included in this program are relatively easy to implement, and they require no special technology. The primary deliverables are feature specifications and a copy of Word 6, which will serve as an illustration of the proper implementation. We will also include copies of our toolbar button faces and a copy of our 3D DLL.

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Joint Marketing

Vendor Promotion: Participating products can display the program logo on their box and in collateral advertising, but these ads must be approved by MS.

Press Release: MS will issue a press release announcing the program and describing its benefits.

Field Sales: MS will inform its field sales force of the program through normal channels.

Resellers: MS will inform appropriate resellers of this program through normal channels.

Terminating the Program

We believe this program will add value to MS Office, but we have planned for the possibility that it will be terminated in the future. MS will reserve the right to stop selling the Feature Set Licenses at any time, which will prevent new vendors from joining the program. Current participants may continue to use the features indefinitely, but we do not believe this will harm our interests, because their products do not compete with Office. MS will also reserve the right to stop issuing logo licenses and to cancel current licenses upon 30 days notice. Products which are already displaying the logo may continue to do so for 90 days.

Future Revisions

Timing Issues

The program's feature set will be expanded in the future, and current designs will also change over time. It is important that we communicate these changes to vendors in a timely and constructive fashion. For example, if we ask vendors to adopt the Office 4.0 'look' while we are moving to Chicago, then they may actually look very different from us when they finally ship. Obviously the specific designs toward which we guide vendors must be a function of their ship date and of their product's expected lifetime in the channel. At all cost, we must avoid the charge that we led participating vendors down a blind alley while we were changing our appearance without their knowledge.

Office Integration Issues

MS will benefit by coupling vendor applications more tightly to Office in the future. For example, we should make it easy for participating vendors to add their products to the Microsoft Office Manager, and we should help them develop Cue Cards and other items that illustrate how their products complement Office so that it becomes the industry's only Super Suite. These changes go well beyond the shared UI which is emphasized in the current version of this program, and they will receive a high priority in the future.

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MICROSOFT OFFICE FRIENDLY PROGRAM

• Objectives

- Create an environment in which our applications are the standard
 - » Lotus and Borland look foreign and are hard to use
- Promote the consistency and ease-of-use messages of Office
- Extend Office awareness into vertical markets we may not otherwise reach directly
 - » CAD/Engineering, Graphic design, Accounting
- Contribute to the Microsoft leadership message

- Transferrability/breadth of license

- Check compliance
minimum accepted standards

- # of people who can play?

• Strategy

- License elements of our user-interface to ISVs
- Certify that ISVs are complying with minimum standards set by MS Office
 - » Reward with marketing assistance: Logo, PR
- Distribute elements to Corporate Accounts and Solution Providers through existing or planned channels
 - » Office Developer Kit, VBA Licences
 - » Similar compliance/marketing deal where appropriate

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MICROSOFT OFFICE FRIENDLY PROGRAM

- **Initial Proposal**

- **\$10,000 fee for whole program**
 - » **Solution Partner model**
- **Code and specifications rights**
- **Microsoft Office Friendly logo rights upon compliance**
- **Microsoft to promote program**
- **Technical Support**
 - » **2-Day Workshop**
 - » **Jim Conner**
- **Future co-marketing opportunities to be explored as well**
 - » **Launch event**

- **Vendor Response**

- **Out of 18 ISVs contacted 10 have tentatively agreed**
 - » **See Vendor Update list**
- **Support for program in principal but some concerns have ben raised**

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MICROSOFT OFFICE FRIENDLY PROGRAM

- **Vendor Benefits**

- Association with MS Office
- Ability to offer a product familiar to the customer and thus easy to train

- **Microsoft Benefits**

- Support point to desktop leadership message
- “Free” brand advertising via logo
- Access to vendor customers
 - » “Familiar” product

MICROSOFT OFFICE FRIENDLY PROGRAM - RECENT CHANGES

- **Initial Program Parameters**
 - **Emphasis on licensing “technology”**
 - » **Installer tools, DLLs, VBA**
 - » **Real \$\$ value**
 - **Concern over who has access to these technologies**
 - **Compliance defined by technologies available**
 - **Potential for high MS technical resource needs**

- **Recent Issues Impacting Program**
 - **Deliverables**
 - » **Loss of code elements from offer list**
 - **Scalability**
 - » **No restrictions allowed legally**
 - **ISV needs and expectations**
 - » **Narrow definition of Office look/partial compliance**
 - » **Flexibility on a vendor-by-vendor basis**
 - » **Marketing importance**

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MICROSOFT OFFICE FRIENDLY PROGRAM - RECENT CHANGES

- **Implications**

- **Sell rights to mimic look**
 - » **Aid process by providing specifications, limited assistance**
- **Offer marketing elements in exchange for compliance**
 - » **Logo**
 - » **Not required**
 - » **Extra fee to participate**
- **Base compliance on “Optimal Office Look”, not on “bag of technology” we are selling**
- **Shift technical burden onto ISVs**
 - » **Expending effort to meet logo standards is choice of ISVs**
 - » **Pay for extra help following TechNet developer’s workshop model**
- **Simplify compliance process to ensure low cost and lower rate of ISV inquiries**

- **New Program Details**

- **See attached**

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MICROSOFT OFFICE FRIENDLY PROGRAM

- **Program Review**

- **MS will monitor the success of the program 6 to 8 months after first ISV products rev**
- **Market survey to measure**
 - » **Office awareness due to friendly program/vendor product purchase**
 - » **Importance of consistency to dual Office and vendor product purchasers**
 - » **Extent to which MS and MS Office are viewed as software leaders**
 - » **Likelihood to buy Office amongst purchasers of vendor products**
- **ISVs will assist MS as part of compliance agreement**

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MICROSOFT OFFICE FRIENDLY PROGRAM - REMAINING ISSUES

- **Office Shell implications**
- **VBA Licensing**
- **Breadth of the license**
 - **Office application clones**
- **Lotus and Borland**