



From: Robert Crissman
Sent: Thursday, June 05, 1997 1:40 PM
To: Jodi Granston; Ben Waldman; Dennis Tevlin; Kirstin Larson (Office)
Subject: RE: mac standalones

I believe Jodi has made the right call not to do stand alone Mac PPoint for following reasons:

- Its a wash - We are not loosing PPoint sales, we are gaining Office sales making it a wash at worst...
Costs over multiple years - Need to look at costs associated with product over its life...
Is actually multiple SKUs - Stand alone PPoint equals more than one SKU...
Focus - want resellers focused on pushing Office, not stand alones...
Sales are trending down - numbers for stand alone PPoint are declining rapidly...

Ben - also thought this would be a good thing in that it saves you developer time/resources on creating stand alone PPoint set-up. I would assume you could use these bodies in turn to help get Word and Office out the door faster.

Bob

Original Message
From: Ben Waldman
Sent: Wednesday, June 04, 1997 9:18 PM
To: Jodi Granston; Kirstin Larson (Office); Dennis Tevlin
Cc: Robert Crissman
Subject: RE: mac standalones

Is there an MS standard for how much a SKU has to make in order to make it worthwhile to do the SKU? (I had thought that there was).

The only question I have is whether it would make sense to do a Mac PPT SKU in the US only, given that the SKU carrying cost will be around \$100K, and revenue from this SKU was \$3 million in FY96 and \$2 million in 97.

Thx
Ben



Original Message
From: Jodi Granston
Sent: Tuesday, June 03, 1997 5:17 PM
To: Kirstin Larson (Office); Dennis Tevlin
Cc: Robert Crissman; Ben Waldman
Subject: FW: mac standalones

The following is an analysis of whether or not we need to do mac standalones for mac office 97 - my recommendation is to cancel mac PowerPoint worldwide, but to continue shipping Excel and Word standalones. Bob and I have talked about this and we agree that this is the right thing to do.

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ISSUE: Should we do mac standalone products with mac Office 97?

Executive Summary

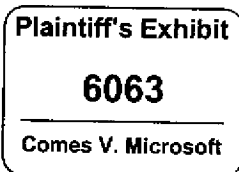
We are currently losing money in some markets due to the proliferation of non-compelling mac standalone skus. Recommendation is to discontinue Mac PowerPoint standalone for Mac Office 97.

Current Situation

Microsoft Office for Mac standalone applications are existing in a market with the following conditions:

- Macintosh market for productivity apps shrinking
Macintosh software shelfspace/mindspace in FPP shrinking
Microsoft Mac applications are increasingly being sold as part of the Office suite. In FY96, 96% of

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PowerPoint was sold via Office (see table below for more details) \*  
<< OLE Object: Microsoft Excel Worksheet >>  
\*does not take 'Cross-Platform' licenses into account

#### Costs

Microsoft incurs about \$600,000 in sku carrying costs per standalone application\*. In addition, packaging design and development costs about \$69,000 per standalone. Thus, in total Microsoft incurs about \$669k per standalone. \*carrying costs estimated at \$12,500 per sku - figure obtained from MktOps

#### Opportunity Cost

There is also an opportunity cost derived from the time it takes a Microsoft employee to create the packaging and supporting standalone marketing collateral - is this the best use of our time?

#### Revenue

The market still shows a slight demand for both Mac Word standalones (95k licenses sold in FY97 to date --> \$11.5M) and Excel standalones (63k licenses in FY97 to date --> \$9M), however, the PowerPoint figures don't show a strong demand (22k licenses FY97 to date --> \$2.5M). In FY96-97, the vast majority of standalones were sold via FPP (43%) and academic (41%).

#### Recommendation: Discontinue Mac PowerPoint Standalone

Recommendation is to discontinue Mac PowerPoint standalones because we are losing money on these skus in most global markets. The following table shows the cost savings minus revenue lost if we had canceled the PowerPoint standalone for FY96 and FY97. This table assumes that none of the PowerPoint standalone customers would have shifted to Office if PowerPoint hadn't been available (i.e. this is the worst case scenario).  
Discontinue Mac PowerPoint Standalone

<< OLE Object: Microsoft Excel Worksheet >>

It is clear from the above table that it makes financial sense to discontinue at least the Intl. English, German, Italian, Swedish and Spanish versions of Mac PowerPoint since these skus cost us more to maintain than what we make on them. In order to be consistent globally, I recommend that we discontinue Mac PowerPoint Standalone on a global level.

In order to break even, in some markets (notably English, French and Japanese - where Apple is strong), we would need to recapture a certain percentage of lost PowerPoint standalone licenses into Office in order to break even. For example, 65% of the standalone mac PowerPoint customers would need to transfer their purchase to Office if PowerPoint wasn't available.

<< OLE Object: Microsoft Excel Worksheet >>

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