

From: Tom Bailey
Sent: Thursday, June 15, 2000 8:52 AM
To: Joseph Krawczak; John Vail; Ken Myer; Baris Cetinok; Jeff Morris; Steven Sinofsky
Cc: Andrew Dixon; Tom Pilla; Thomas Gruver; Sean Pickton; David Jaffe (OFFICE); Lisa Gurry; Kari Hensien; Karl Leigh; Whitney Whiton
Subject: Waggener Edstrom Offsite Feedback

Yesterday I spent the day at an offsite with about 20 WE VPs and Sr. Acct. Managers. Tom Pilla and Andrew Dixon also attended. The primary objective was to brainstorm ways to reinvigorate the Office business. I spent a couple of hours presenting the current state of the Office business and providing a topline overview of Office 10 vision areas (slide deck attached below). Tom Gruver con called in to drill down on the Office Productivity Initiative and Andrew spent some time introducing NetDocs.

After we finished our presentations and Q&A four WE teams spent the afternoon developing strawman presentations highlighting strategies we should consider to help us w/ Office 2000 sustaining marketing and early preparation for Office 10. The teams then spent another few hours this morning refining their presentations which they will send to us later this week. We are also going to have a couple of them present at a lead's meeting later this month (to be scheduled).

I have highlighted below a number of the concepts that were discussed. Some are more promising than others but they are interesting food for thought for the SDG, SMG and Initiative teams. Baris/Jeff/Tomgru, I will be sure that you get copies of the slide decks for you to consider as we go through our S1 planning process.

I have also attached feedback that Andrew put together on the Office/NetDocs issues.

IEU/SORG Focused Brainstorming

Execute an integrated broadreach PR and advertising campaign which features individual & SORG "hero" usage stories --

At this point in the product lifecycle our end user marketing activities have to focus on getting the general business user excited Office 2000's ability to solve real business/personal needs. To do this the focus needs to be on capturing and showcasing "hero" individual and SORG testimonials. They felt we should really leverage the end user testimonial database to: 1) create a rich set of user stories to pitch to non-traditional pubs and metros; 2) showcase these stories as part of an OPI ad campaign; and c) create end user community-building programs around these users to extend word of mouth excitement about Office 2000.

Develop a stronger, deeper tips and tricks program targeting general business users --

They thought we should consider developing a "Didyknow" campaign for Office. This campaign would involve developing rich, general business user focused content that we could package up for distribution via the web, as takeaways from events, possibly offer through our retail channel partners as a way to drive interest in Office and other grass roots focused marketing activities.

Tie an Office 2000 marketing campaign to the 25th anniversary of Office --

We should consider doing a business-user focused campaign around how business productivity has evolved and how Office has been at the center of it. We could generate some good PR out of this that talks to real customer benefits that would accrue to Office 2000, present MS/Office in a good light and set up opportunities for us to talk about ways that we see Office productivity evolving in the future (ie prep for Office 10).

Office = Work-Life Balance Message must have a productivity/empowerment to it --

There was positive feedback about the Work-Life Balance message that the OPI initiative is focusing on. However, there was also a feeling that there needs to be an intermediate set of benefits that customer's are more likely to see coming from Office. Those things include: getting work done easier; empowering people to be successful in their work; etc.

Consider tying into time management/life management activities to promote Office as a means to improve these things --

**HIGHLY
CONFIDENTIAL**

**MS/CR 0027250
CONFIDENTIAL**

Since Office is such an important part of a business person's life we should consider developing materials that time management and life management experts could use as part of their curriculum. Making the most out of their Office software helps people manage their time effectively and could be a new way to reach a broad set of people with a different value proposition for Office.

IT/BDM Focused Brainstorming

Partner closely with the Exchange and Tahoe teams to drive Office 2000 sales and deployments --

They felt that Office 2000 integration w/ Exchange 2000 and Tahoe could offer ways for the field to reinvigorate interest in Office 2000 and provide PR opportunities for feature stories. Success stories that include collaboration scenarios should be a focus since it's important for us to begin priming the pump on Office 2000/10 relevance in the collaboration space.

Work closely with the LOB Initiative Teams to come us with compelling LOB solutions wins that include Office 2000.

Like us, they recognize that reinvigorating the Office brand will involve broadening it out to include solutions wins that we can drive PR around and that the field can leverage as best practices. From a PR perspective we would pitch these stories to PC and vertical pubs. We would also work closely with international PR teams to get them to find similar showcase customers in their markets.

Broader Business Brainstorming

Consider launching the Office 10 collaboration functionality as a separate "service" before Office 10 --

They thought that announcing the team collab stuff early would have the benefits of: 1) giving Office 2000 a "services" story earlier and allow us to tie better to NGWS; 2) give us something to boost Office 2000 news and sales; and 3) give us something real that helps us reinvigorate our team collab push; and 4) gets people using this functionality before Office 10 that we can use as an upsell to Office 10 when we ship (given that the experience with Office 10 will be better than with Office 2000). Given that OWS doesn't technically require Office 10 they thought we could get the benefits now and still be able to drive additional momentum for this part of the product in 10 (since the code will ship in the box and will provide enhanced functionality for 10 users).

FYI...they recognize that this is not a viable option given current product plans but it was an interesting discussion...:)



WagEd Presentation
2.ppt



WagEd Brainstorming
Offsite: ...

Tom Bailey
Lead Product Manager, Microsoft Office
425.703.5681

HIGHLY
CONFIDENTIAL

MS/CR 0027251
CONFIDENTIAL



The Office Business

Waggener Edstrom Creating Value Day
June 13, 2000

Good Morning!

Want to thank Pam and the rest of you for having us down today. It's a great opportunity for us to have all you spend a considerable amount of time thinking critically about the Office business and offering suggestions about how we should approach the business in the months an years ahead.

As it turns out it really is a great time to be doing this. As many of you know, the Office business is facing perhaps it most difficult challenges since the business was in its infancy. There is a long list of issues that are impacting the business. These include:

- a very mature product which has in many ways solved the core customer problems it set out to solve – document creation, spreadsheets, etc. – in essence, if you have 100 features that solve a basic need, it becomes increasingly difficult to sell the customer on another 5 or 10 features that meet the same/similar need. Xerox example.
- a category which is no longer viewed and/or reported as cool and interesting – a read something in the latest Fortune the other day which stated almost matter of factly that word processors and spreadsheets are no longer where it's at...rather it's graphics, cameras, wireless, etc.

**HIGHLY
CONFIDENTIAL**

**MS/CR 0027252
CONFIDENTIAL**

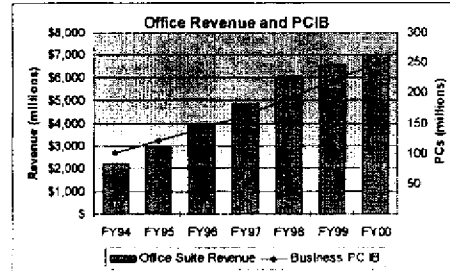
■ Agenda

- Office Business and Office 10 Demo
- Office Productivity Initiative Overview
- NetDocs Overview
- Brainstorming and Value Creation!
- Feedback and Discussion



Office Business -- the rearview mirror

- By the end of FY00 ~45 million Office suite licenses will have been sold
- The legal Office installed base has grown to more than 120 million WW (30% of the PC installed base)
- Office Suite revenue has grown from \$2+ billion in FY94 to \$7 billion in FY00
- Office has 75+% share legal+pirate on all PCs (90+% US retail run rate; 85+% of org desktops)



Type of Office User	FY00
Legal Office Users	120m
Pirating Office Users (est)	75m
Total Office Users	195m

Speaker notes –

- This fiscal year Office will have been purchased for more than 45 million desktops. More than half of those licenses will have been installed on desktops that weren't previously running a legal copy of Office.
- This means that our legal Office installed base will grow by 25 million users to just over 120 million WW. Currently there are about 400 million PCs in use around the world; legal Office users represent 30% of the total PC installed base.
- Our ability to grow and upgrade this installed base has made Office one of the most successful franchises in the world. Six years ago this was a \$2 billion business, this year we expect that it will be a \$7 billion dollar business. That means that Office has seen a 21% compound annual growth rate. The business PC installed base has only grown by 16% during the same period. Since business PCs are the main driver of Office sales, it is very impressive that Office growth has been able to outpace PC growth.
- Obviously this business contributes a large portion to msft's bottom line. Office represents more than a third of msft revenue and more than half of msft profits.

HIGHLY
CONFIDENTIAL.

MS/CR 0027254
CONFIDENTIAL

Office Business -- whose buying?

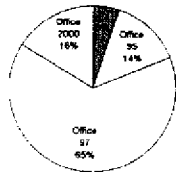
- With 16% of PCs, Enterprise customers drive almost 50% of Office revenue

- Despite high usage in SORG/Home, legal penetration remains low

- Annuity and pre-installed licenses account for almost 50% of annual lic sales

- As of November '99, 16% of Office desktops running Office 2000

What version are they running? Nov Research



Who buys Office?

Segment	Mix		Metrics	
	PCIB	Office IB	Penetration	Rev/PC
Enterprise	16%	31%	59%	\$ 53.76
Morg	14%	17%	36%	\$ 25.45
Sorg	25%	19%	23%	\$ 11.35
Academic	7%	14%	64%	\$ 12.03
Consumer	39%	19%	15%	\$ 5.50
Total	100%	100%	30%	\$ 17.76

How are they buying Office?

Program	License	Mix	Upgrade	Mix	Avg RPL
FPP	.2	6%	64%	\$ 262	
Open	.6	11%	44%	\$ 251	
Select	1.9	20%	46%	\$ 201	
Academic	.8	13%	0%	\$ 66	
Annuity	2.1	22%	0%	n/a	
Pre-Installed	3.3	27%	0%	\$ 117	
Total	46.1	100%	18%	n/a	

Office Business -- who do we sell to?

- **IT Professionals**
 - Some responsible coming up with and evaluating solutions
 - Others responsible for deployment, admin and maintenance
 - Job is to keep up w/ technology; increasingly looking to web solns.
 - Fairly easy to reach through trade pubs and MS field
- **Business Decision Makers**
 - Responsive to solutions that will improve the business
 - Hard to find since they aren't actively evaluating software
 - Org BDMs are often reached through partners
 - SOrg BDMs expensive to reach
- **Developers/Partners**
 - 1M+ build solutions for Office
 - Many now moving to web-based solutions
 - Key influencers in orgs

Office Business -- who do we sell to?

■ **Influential End User**

- Early adopter of new software, including Office
- Finds Office less cool than it used to be
- Wireless, MP3, graphics, the web, etc. are where the action is
- Likely less influential than they use to be in orgs
- Increasingly split between PC Gen and Net Gen
- Still key influencer for in SOrg/Home

■ **General User**

- Typically later to adopt new software
- Usually do so only if it meets key need (ie for new PC, to start business, school, etc.)
- Doesn't find the web elements of Office 2000 particularly compelling

■ Challenges that keep us up at night

- What value proposition do we need/have that will keep orgs upgrading?
- How do we reinvigorate the Influential End User to think Office is cool and buy/recommend it?
- How do we migrate customers to a services or subscription model?
- How do we increase legal penetration in the SORG/consumer market?
- What value proposition can we offer that keeps new competitors (e.g. weblications) at bay?

Office 10 -- key vision areas

- Everyday Tasks Made Easier
- Richer Collaborative Document Creation
- Team Productivity for Everyone
- Unlocking Data for Business Knowledge
- Enhancing Corporate Groupware
- Nailing the Fundamentals

For Office 10 the product team has focused on 6 key vision areas.

Everyone should have received the vision document and for those of you who looked it over this will be a refresher.

- This is all about end user productivity for everyone. Things like sidepane, on-object UI, lots of little discoverability improvements that allow basic users to take advantage of time save features, speech, fine tuning and improved collect and paste
- This is all about making collaboration in a non-connected or ad hoc environment richer than before. This provides significant updates the revisions and track changes features which allow you to do bulk merge and compare, better callouts, recorded comments w/in docs, etc.
- This one is about nailing out of the box team websites which allow teams of people to share, find and collaborate better than they can do today. We have solutions on two different platforms that are out of the box.
- This one is about making it easier to find and use information w/in Office and between Office and the web. This is stuff like fully integrated web parts, advanced searching w/in Office, support for smart tags and web queries that now make sense and really open up some interesting scenarios like tracking stock investments
- This one is about integrating well with Exchange 2000 and Tahoe
- This one is about reliability, data recovery and just making sure the applications work better.

HIGHLY
CONFIDENTIAL

MS/CR 0027259
CONFIDENTIAL

Office 10 -- demo

Office 10 Demo

HIGHLY
CONFIDENTIAL

MS/CR 0027260
CONFIDENTIAL

Office 10 -- timeline

Phase	Beta 1	Beta 2	RTM	Availability
Timing	July 22, '00	September 23, '00	March 2, '01	Early May, '01
Size	3,000 Tech Customers	10,000 Org Customers	Trial Code Available	

HIGHLY
CONFIDENTIAL

MS/CR 0027261
CONFIDENTIAL

Future Products

- Office 11 – Next Generation Office
 - Complete redesign of Office to integrate with Internet services and offer more product and service offerings
 - Targeting 12 months after Office 10 RTM
- NetDocs
 - Integrated communications application
 - NGWS technology that will be delivered as a service

■ Brainstorming/planning topics

- How do we reinvigorate the Office category?
- How do we reinvigorate enthusiasm for Office among our core customer sets?
- What should our PR/communications strategy be to drive and support the efforts above
- How should we rationalize and position Office vis a vis NetDocs and what are the key friction points we need to prepare for?