

Document Separator Sheet

Plaintiff's Exhibit

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Comes v. Microsoft

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Office XP Small Business Marketing Strategy

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1. Overview

The purpose of this document is to provide a high-level view of the small business market opportunity for the Office XP launch. There are examples provided to provide as a reference point, and provided to generate ideas for launch execution in your market.

The materials provided have been developed around the new Office XP Positioning Framework, and from thorough market research of the Small Business audience. The Small Business customer promise is a pivot from the Knowledge Worker customer promise. The element of satisfying your customers was seen as critical end result that a productivity suite provide. This also was reflected as a key element to keeping customers happy and the best way to deal with competition. The Small Business Decision Makers consider the individual benefits that Office provides before they considered how it provides value or benefit to team or to the organization.

This document will provide a recommendation on how to you should think of Office XP and how we want the customer to think about the product. The document will provide a definition of the small business audience, segmentation, needs and recommendations on how to reach the vast audience. Furthermore, it will address channel strategies, partners and piracy.

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2. Small Business Positioning

Office XP
The Smarter Work Experience

Making Productivity Simple

- ◆ Making everyday tasks easier
- ◆ Get information when and where you need it
- ◆ Spend time creating, not re-creating

Working Effectively With Others

- ◆ Communicate clearly and connect effectively
- ◆ Make it easier to manage projects and activities
- ◆ Feedback and review process

Focusing on your Customers & Your Business

- ◆ Extend business solutions & services with Office XP
- ◆ Get the data you need for smart, timely decisions
- ◆ Promote your business & express your ideas
- ◆ Access the Web for more Office tools

3. Small Business Solutions

Small business owners world-wide share a common set of goals and frustrations. Confronted daily with the challenges of finding, managing, and retaining customers while simultaneously juggling information management, employee relations, and day-to-day business management leaves very little time or resources for anything else. Office XP offers the small business owner a comprehensive solution set geared towards assisting them to:

- Making Productivity Simple
- Collaborate effectively
- Focus on satisfying your customers and managing your business

Making productivity simple

Small businesses everywhere can take advantage of a number of new features in Office XP enabling them to make the most of precious resources and workers' valuable time. By making significant enhancements to the suite tools making them simpler, more user-friendly and intuitive, automating some commonly performed tasks, and reducing steps needed in others,

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Office XP offers small business owners an opportunity to maximize their software investment right out of the box!

Take a look at some of the new features designed to help small business users work smarter:

- **Smart Tags** help users gain control over their data. From creating refreshable Web queries and instant access to all Paste options, to precise AutoCorrect controls, Smart Tags give users the assistance they need to work like "power users" quickly.
- **Task Pane** is a new view for users to gain instant access to commonly performed tasks. Perform searches, open and create documents, view the Clipboard, format documents and presentations, even access translation services via the Web!
- **Improved Reliability and Security.** Ensuring users spend their time accomplishing their objectives instead of worrying about or managing their software was a key goal for Office XP. Gone are the worries over lost data if an error occurs, and no more time is lost recreating data. In the unlikely event of an application or system error, the new reliability and recovery features return users to the environment they were working in, at the same time automatically recovering the data. This, along with a number of security enhancements, assures the safety and integrity of customers' work.

Collaborate effectively with others

For many small businesses, the term *team* can be a synonym for the entire organization or include vendors and suppliers. And that team may be in the same room together or stretched across time-zones and continents. In each case mutual, real-time access to information and easy collaboration are paramount for team success. Office XP enables teams and workgroups to share a common knowledge base, review and collaborate on documents easily, and create calendar and scheduling entries seamlessly.

Look at some of the ways Office XP enables a small business team to collaborate and communicate:

- **Scheduling and connecting** with others becomes second-nature with tools like the Outlook Mobile Manager, which helps users stay connected via their mobile device, and MSN Instant Messenger which lets recipients establish an instant connection with an e-mail sender still online. Group scheduling allows easy access to team members' scheduling for efficient meeting and project planning.
- **SharePoint team services** give small and large organizations alike an unprecedented solution set for out-of-the-box Web-based team collaboration. Equipped with only a browser, members can contribute and view information about activities, meetings, announcements, and contacts easily, regardless of physical location. A SharePoint team Web site gives businesses, large and small real-time access to the information they need where and when they need it. This is one way your team can cover for others while they are away from the office.
- **Document collaboration** is streamlined with the addition of tools like Send for Review giving each reviewer a set of tools specific to their role, turned on automatically when they open a document for review. Then the document author can use the powerful Compare and Merge tool to control which revisions and comments are merged into the document.

Focus on customers and managing your business

In an ever competitive business environment, it is more important than ever to deliver effective and timely customer service and have a complete understanding of the critical components to effectively and efficiently run and manage our businesses. Office XP gives these entrepreneurs a powerful set of tools to help them attract and more importantly, retain the customers they have. In addition, Office XP provides the essential business management tools to access and analyze business information to make smarter, timely decisions.

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Here are a few of the enhancements found in Office XP designed to help small businesses focus on their customers and manage their business:

- **Extensible Smart Tags** enable users to quickly and effectively link to a wide range of information services – including 3rd party applications and web services that pull information into Office. This may be to pull business information from your Point-of-Sale systems for ad-hoc analysis into Excel, or capture return status from your transportation vendor into Office. It may simply be to look up a customer's location for a sales call using MSN® Expedia maps.
- **All-in-one solution for creating sales and marketing materials.** There is simply no easier, more intuitive way for you to create, print, and publish professional sales and marketing materials for your business using customizable templates and wizards. Mail Merge features assure all the right people get professional-looking communications, quickly and easily.
- **Promoting your business online and in print** is now easily within the realm of any small business. With the seamless integration provided by Office XP, users will find it a snap to turn ideas into reality online and in print. Solutions from Publisher and FrontPage® make it easy for any organization to look create a professional image every time.
- **Marketing and correspondence templates** give the small business owner a complete set of easy to use, fill in the blank formats covering every business situation from cover letters and formal quotations, to sales and service proposals. Everything a small business needs to promote a professional image every time is available from Microsoft Tools on the Web, Template and Media galleries.

4. Customer: Audience Overview

The small business customer segment is defined as **having 1-49 PCs or 1-99 employees**. The small business segment is sub-segmented by type of business and attitude toward Information Technology.

The four broad business types include

- Professional Services (Legal, Accounting, Consulting, etc.),
- Trade Services (Sub-contractors, mechanics, etc.),
- Production Operations (manufacturing, transportation, etc.),
- and Retail Merchandising (storefronts).

The primary business sub-segments that Microsoft small business marketing targets in the US are **Professional Services and Production Operations**. **Professional Services** are highly collaborative, information based and have a traditional office setting. The examples of these small businesses include legal, consulting, architecture and doctor's offices.

Production Operations firms can be described as process orientation, high laborer work force and produce or move goods. Manufacturing, Distribution, Storage/Freight and Agriculture are typical production operation entities.

The small business owner is frequently wearing multiple hats to keep the business operational. Due to the many demands and requirements of running your own business, the small business owner can often times be considered the Business Development Manager, IT Pro, and/or the Knowledge Worker.

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The majority of small businesses tend to have **fewer than 10 employees and are dominated by the Retail and Other Services sectors**. Typically, small business will start out adopting simple technologies that help them automate routine tasks. We want to market and appropriate Office suite to small businesses during their first wave of technology adoption where they are building their basic infrastructure through adoption and use of PCs, printers and basic business applications, with the goal of achieving a higher degree personal productivity. This introduces us to how small business adopts technology.

Technology Adoption: There are typically three waves of technology adoption that Small Business moves through in their lifecycle. These include **Building Basic Infrastructure, Adopting Communications and Networking Technologies** and **Leveraging the Web and Enterprise Extensions**. As they move through these waves, their needs around collaboration and communication grow. Microsoft can offer a more sophisticated and targeted message to the Small Business during the later phases of their technology adoption. They are looking to enhance the overall organizational efficiency of the business, looking to adopt communication and networking solutions.

AMI-Partners estimate that there are approximately 800,000 to 900,000 businesses launched per year in the US¹. There continues to be a wave of new businesses in this wave of technology adoption. During this phase, is where we want to capture the Office sale during their basic infrastructure acquisition, through the OEM sales channels. Their key desire is simplicity, where the PC purchase includes the necessary tools to help run their small business.

As Small Businesses move through the three waves of technology adoption, they have greater needs and demands of their computing resources. As they move into the second wave of technology adoption, it typically involves achieving organizational economies of scale, i.e. extending the reach of their business through the use of communications technology. The BackOffice/Front Office integration will be the beginning of where we will see an increase of technology investing by small businesses. These later stages is where we can have a more sophisticated message about collaboration with colleagues, clients and co-workers and they are more likely to adopt and embrace solutions like SharePoint Team Services.

Segmentation

Segmentation is an important element to understanding your customer. As the number of small businesses worldwide continue to grow, we need to take steps to better understand differences in IT spending and adoption among SORGs. Below are recommendations on how to identify early adopters, industries with IT spending and adoption, and those who have more sophisticated needs for technology. In the US, I have used the below methods in priority listed below to make a more educated approach to reaching 7.4M Small Businesses. Research is costly, so I have provided resources available to support your efforts to understand Small Business in your market.

A. Primary Research

Primary research will help you identify which business segment have shorter adoption cycles, what segment buys more PCs and replaces them at a faster rate. Additionally, it will help identify demographic opportunities including which industries have high revenues and employee size.

i. National/International Research Firms, e.g. AMI, IDC

ii. Microsoft Library – <http://mslibrary>

iii. bCentral – bCentral has done significant research on the SORG audience in the US. Segmentation studies, resources and recommendations can be found at: <http://bcentralres>

¹ AMI- Partners, US Small Business Overview, September 2000

iv. Market Research Firm – An expensive proposition for many subsidiaries, but depending on your budget, working with an research firm to conduct qualitative and/or quantitative research will help test and validate marketing messages and purchasing/adoption behaviors.

B. **Secondary Research**

If primary research is unavailable in your subsidiary, consider alternative sources for small business information. In the US, a governmental agency, the Small Business Administration, has statistics and resources available to support small business entrepreneurs with business counseling around developing business plans to financing strategies.

- i. Business Associations/Non-Profits, Trade Groups
- ii. Press – Small Business publications and specific industry news
- iii. Banks – Regional banks specializing in small business financing may prove to be a valuable source

C. **Data-Mining** – The existing installed base of Office users

- i. Existing Office Customers

D. **US Segmentation as an example**

AMI-Partners estimates that there are approximately 7.4M Small Businesses in the US. 56% of those have 1-4 employees, 20% employ 5-9 employees. Of the 7.4M SBs, 6.41M have a PC, up 9% from 1998. Those without a PC (.96M), .29M are planning to purchase one in the next 12 months. Of those with a PC, 72% of all US PC SBs run Windows 98 and 48% run Windows 95 or lower. For the next 12 months, about 33% of all US PC SBs plan to install Windows 2000 and 9% plan to install Windows 98. The most widely used software applications are productivity suites (83% of US PC SBs) followed by general accounting software (80% of US PC SBs).²

Professional Business Services

- Legal
- Consulting
- Architecture
- Doctor's Offices

Proportion of all SBs = 25%

Total Number of SBs = 1.9M

Total Spending = \$43B

Share of total SB spending = 40%

Production Operations

- Manufacturing
- Distribution
- Storage/Freight
- Agriculture

Proportion of all SBs = 17%

Total Number of SBs = 1.6M

Total 1998 Spending = \$17B

Share of total SB spending = 16%

Professional Services and Production Operations have the highest rate of PC penetration (97% each) of Small Business. Retail Small Businesses have the lowest penetration rate at 79%.³ We also know that Professional Services are

² AMI-Partners, U.S. Small Business Overview, September 2000

³ AMI-Partners, U.S. Small Business Overview, September 2000

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more collaborative, Production Operation firms have more of a process orientation.

bCentral has also conducted segmentation research with AMI around Information Technology (IT) attitudes and behaviors. The results of this research provided us with information around influences and purchasing channels, growth and risk orientation, IT spending habits, etc. This resulted in further segmenting those verticals where there was higher growth and risk and increased dependencies on technology. We now know that these Strategic Delegators and Strategic Evaluators have higher rates of NOS, NT server and workstation penetration. These are those that we can target in the first 90 to 120 days of launch. As we move through the lifecycle of the product, we can more effectively target the conservative who waits for proven technology solutions. Please reference bCentral research at <http://bcentralres>.

E. Other Subsidiaries: Identify subsidiaries that are of similar size and common industries. Share with one another, what tactics work more effectively.

Needs/Top Small Business Customer Challenges

The needs of Small Business have worldwide relevance. The Top Small Business Challenges identified below are results from the IDC 2000 Small Business Survey of 654 US-based small businesses. Sales and marketing materials will be created around how Office XP solves these common small business problems.

1. Attracting New Customers
2. Attracting & Retaining Staff
3. Working Better with Existing Clients
4. Finding More Time in the Day
5. Sources of Money/Financing
6. Taxes/Government Regulations
7. Using Technology more Effectively
8. Using Internet Effectively

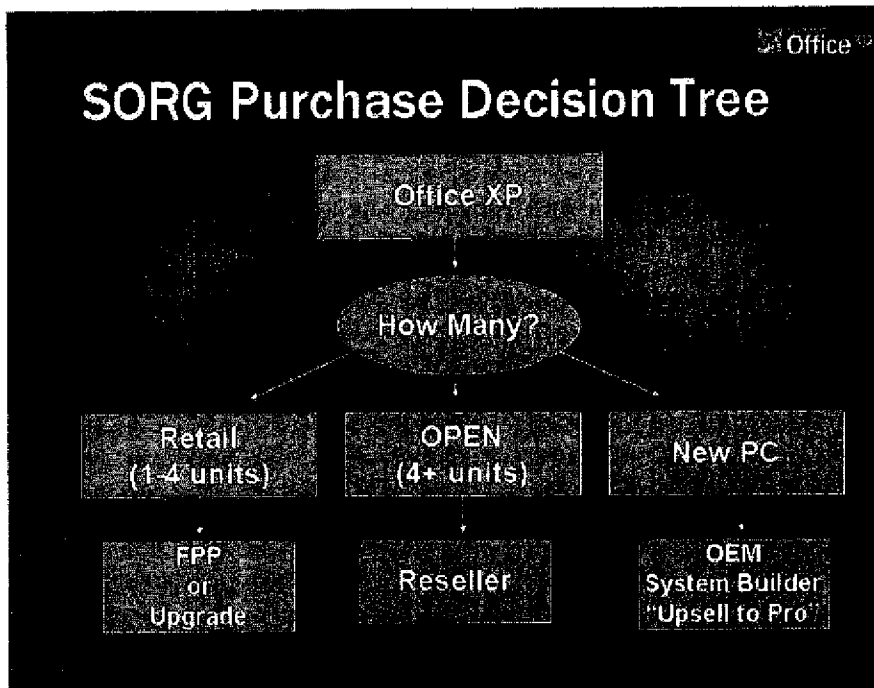
Customer: Reach Strategy

Now that you have taken steps to understand who you want to reach, the next step is to consider what methods are available to deliver the Office XP message.

Vehicle	Cost	Reachability	Result
Website	\$\$	☆☆	☆☆☆
Direct Mail	\$\$	☆☆	☆
Events	\$\$	☆☆☆	☆
Telesales	\$\$\$	☆☆☆	☆
Advertising	\$\$\$\$	☆☆	☆☆☆
PR	\$	☆☆	☆☆☆
Channel	\$\$	☆☆☆	☆☆☆

Small Subsidiary/Large Subsidiary Recommendations to Follow

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Which Office XP is Right for my Small Business?

Microsoft Office XP Professional—is the flagship product of the Office XP family and the product being promoted a significant majority of the time. It will get the most exposure, with all mass-market promotional programs featuring Office XP Professional. Office XP Professional is the world's leading Productivity Suite of Software consisting of five applications:

- Microsoft Word (word processing)
- Microsoft Excel (spreadsheet)
- Microsoft Outlook (personal e-mail and information manager)
- Microsoft PowerPoint (presentation graphics)
- Microsoft Access (database management system)

Professional is an essential set of tools streamlining the process of working with people and information, making it easier for everyone create, share, communicate, manage and analyze important data.

Microsoft Office XP Standard—is for users requiring only a core set of desktop productivity tools. It provides tools for creating, presenting, communicating, and analyzing information.

Office XP Standard consists of four programs:

- Microsoft Word (word processing)
- Microsoft Excel (spreadsheet)
- Microsoft Outlook® (personal e-mail and information manager)
- Microsoft PowerPoint® (presentation graphics)

Because Office XP Standard doesn't include Microsoft FrontPage® or Microsoft Access, it's for users without a need to manage business information and no need for Web site creation and management tools.

Microsoft Office XP Small Business—is for users purchasing a new PC and requiring only a core set of desktop productivity tools. It provides tools for creating, publishing, communicating, and analyzing information.

- Microsoft Word (word processing)
- Microsoft Excel (spreadsheet)
- Microsoft Outlook (personal e-mail and information manager)
- Microsoft Publisher (desktop publishing solution)

This product is only available when purchasing a new PC from an OEM or a System Builder.

After determining what type of license fits the customer's needs and eligibility for that license, the next step is to establish which licensing program suits their requirements best.

Volume Licensing

Most small business organizations benefit from choosing some type of volume licensing program. All the programs enable the licensing of Office XP on an ongoing basis, helping reduce administrative overhead and software management costs. Each program also offers customers significant discounts.

Open License is the appropriate volume licensing program for small businesses. This program provides the greatest advantage for organizations needing 5-499 licenses. The agreement term is two years, and customers can combine product purchases to qualify for the five license minimum. Disk kits must be obtained through Microsoft Worldwide Fulfillment (or local fulfillment mechanism) for installation – the Office XP retail product may no longer be used for Open License installations.

5. Channel: Sales Channel Strategies

The channel has significant importance to your overall launch plan. Ensuring your top channel partners have a plan and training programs in place will help to ensure your subsidiary goals are achieved.

Build channel excitement around Office XP

Begin generating pre-launch communications, buzz and enthusiasm in your channel by planning account sales and technical training and developing launch plans. Develop sales promotions and sales representative incentives for launch and post-launch timeframes. Begin your planning cycle early with clear, consistent communications. Depending on your subsidiary and available resources, please consider the following elements to a successful channel launch plan.

Comprehensive Channel training & awareness

- Train the Trainer sessions
- On-site training for key Channel Partners
- On-demand teleseminars, demos & readiness content
- Competency exams to test knowledge & incentives to complete
- Office Airlift Event to bring Channel Partners together to communicate subsidiary plans

Develop and distribute compelling and relevant channel selling materials

- Office Partner Guide
 - Comprehensive guide on product and "how to sell"
 - Use kits for training content and as key takeaway
 - Orderable through Deanna Trencher. Localized in Spanish and other languages based on demand.

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Integrated retail launch

- Integrate Advertising, Demand Generation, Events and Point of Purchase for launch and beyond
- Create compelling, unique retail offers

Drive incremental revenue around Office XP

- Channel sales person incentives and product promotions
- Office XP Professional up-sell
- Attach incentives
- Drive Trial Kit customers to retail & DMR for purchase

Channel Strategies for Distributors, OEM & DSP, Retail VAP/VAR, and LAR/DMRs

Distribution

Training

- On-site HQ tours
 - Train the Trainer "Airlift" for MS Distributor account managers
 - On-site *or* teleseminar sales rep training
 - Giveaways for training events
 - Contests follow-up training & test knowledge
 - Incentives & promotions based on launch theme to drive sales activity

OEM & System Builder

The OEM and System Builder channels are Microsoft's most efficient delivery vehicle for Office. These channels also present the most cost-effective way for Small Business to acquire Office XP. Pre-installing Office promotes helps support higher ASP's (average selling price) for new PC's and encourages customers to increase their hardware specifications (larger monitors, larger HDD and more RAM). The introduction of the Office Activation Wizard should increase OEM's pre-install business. Customers who previously purchased multiple naked systems and would install one copy of Office on all their desktops will not longer be able to do this and will find purchasing preinstalled office a much greater value. In addition, with the change in upgrade path no longer allowing application to suite upgrades, customers will again find purchasing pre-installed copies of Office a greater value. New features such as extensible smart tags and SharePoint Team Services will allow OEM's and System builders to customize their offerings and direct customers to their hosted sites and provide SharePoint Team Services as a hosted service where small business can store and share their documents.

Training

- MNA Technical Preinstall events (complete)
- MNA OEM & EMEA HQ Tour (complete)
- Microsoft OEM Web site(s) as broad-reach vehicle
 - Office XP Readiness Center- includes sales tools & preinstall exam
 - Office XP preinstall teleseminar supplements Readiness Center content
 - On-line training (video, demos, PowerPoint)
- MNA OEM on-site call center training as appropriate
- Office XP on line training will be available <http://officexp.ms OEM.com/>
- Office XP overview and demo available in MITT, Streaming Media and Video
- Train the trainer for MS Gold System Builder account managers to deliver to their accounts
- OAW (Office Activation Wizard) training tool
- Fun contests follow-up training; Incentives to pass preinstall exam on web

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WW OEM Sales Kit/Starter Kits

- Channel Ready PowerPoint
- Auto-run demo CD
- Demo & scripts
- Value Statements
- OAW info (docs, ppts, training materials)
- Pigs & docs
- RC1's & Trial CD's
- Anti piracy info (E2E, COA info, OAW)
- Top 10 reasons to buy & sell

Incentives & promotions to drive System Builder sales activity

- Leverage Microsoft US OEM System Builder site
- Coordinated with theme across Channel & customer segments

Launch Activities

- OEM sponsorship levels to participate in District launch events
- OEM systems featured in District launch events pavilions
- OEM systems featured in national advertising and vertical magazines

Retail

Retail represents a large distribution channel, depending on subsidiary channel mix, for Small Businesses. For example, in the US, retail represents approximately 64% of FPP sales to small business. Plan early and develop plans accordingly. Presented below are recommended tactics for planning a successful retail launch.

Retail Top Account Tour

- Generate retail excitement & product orders

RSP Training

- US Office XP Live events
 - Provide launch theme giveaways for training events
 - Training/quiz modules on RSP site
 - Contest to increase participation
- **Incentives & promotions to drive sales activity**
- **Drive Office XP Trial Customers to Retail to Purchase**
 - Use OAW registration base
 - Compelling offer through e-mail

Channel Readiness Kit & product follows training

VAP/VAR

The VAP is our front-door entry into the small business community. This channel is considered one of the most influential sources for product recommendation. Office XP provides a number of new revenue and business opportunities to the VAP community. The Direct Access program is an established vehicle to train and develop VAPs. Smart Tags are extensible and for those VAPs looking for new service opportunities, can develop Smart Tags as part of their integrated solution offerings. The introduction of the ESL/Subscription sku will be well received and presents a new revenue opportunity as well as a solution for the small business sensitive towards technology spending. A percentage of this channel offers web hosting. If this is the case in your market, SharePoint Team Services is an additional new revenue opportunity. Begin building your Direct Access training schedule to educate the VAP on the new technology and revenue opportunities with Office XP.

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Training

- **Delivery vehicles**
 - Direct Access Virtual Briefings
 - HOT Labs & Content
 - Web site content (Broad reach)
 - Direct Access Briefings

Office Partner Guide customized for VAPs

- Focus on solutions & sales; includes CPP bits for installation & testing
- Key reference & takeaway from DA events & Big Day Bolt-Ons
- Orderable through Deanna Trencher. The Office Partner Guide will be localized in Spanish and other languages based on demand.

US Delivery Example: Big Day "VAP Bolt-On" Events

- Rolling Thunder in March/April includes Office XP
- SORG launch day event & "After Shocks" (mini-launches) at 57 events through June (goal 6,000 SORGs & VAPs reached)
- VAP participation on-site at events; follow-up Office XP SORG EU trial leads
- National Big Day Sponsors: Compaq, Softchoice (LAR), Office Depot (Office SuperStore)

LAR/DMR

The LAR/DMR channel represents nearly 15% of FPP revenue for Microsoft Office in the US to small business. Additionally, this channel is the most important to selling Open license. The value that release of OAW presents an impressive opportunity for additional license revenue to this channel.

Training

- On-site sales training for top accounts
- Train the trainer "Airlift" for MS LAR/DMR account managers to deliver training to their accounts
- Supplemental teleseminar training (2/1, 2/26-3/16)
- Provide fun giveaways for training events
- Contests follow-up training & test knowledge
- Channel Readiness Kit & product follows training
- Incentives & promotions to drive sales activity
 - Coordinated with "Seeing is Believing" theme across Channel & customer segments
- Provide product guide as "leave-behind" for customer sales calls
- Office XP awareness at National sales meetings (Feb-Sept)

Partner Strategy

Engaging with partners, whether ISVs to build Smart Tags, ISPs to host Share Point, Telcos to build out services and/or other Microsoft products and properties, should be an essential element to your launch strategy. Building momentum with third parties will show customers, press and analysts how Microsoft Office has responded to customer requests and has the support of their partners that build solutions around Office XP.

Below are partnerships in process that may minimize redundancies and generate ideas for building others.

bCentral

Overview

Microsoft bCentral provides integrated software services that help small businesses perform their everyday business processes more efficiently. BCentral provides solutions in three key areas which helps small businesses:

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- Easily to build and manage a web presence
- Respond faster to customers
- Increase their sales and marketing effectiveness

The positioning framework is attached below

(Liz – Can you please attach the link to the office share)

bCentral Summary of Services

Business Card - Business Card gets you up and running on the Web, by registering your company's Internet domain name, setting up an e-mail account, and building a home page for your Web site. \$39.95/year- <http://www.bcentral.com/bc/default.asp>

Business Web Services - Business Web Services is a comprehensive solution that helps a business owner build a successful online business. Business Web Services helps businesses own their domain name, use an e-mail address with their company's name in it, create a professional-looking Web site with bCentral Site Manager, and drive customers to the business with online marketing tools from bCentral traffic builder. It has all the elements of Business Card and more for \$24/95/month.. <http://www.bcentral.com/bws/default.asp>

Traffic Builder - Traffic builder is a service that helps drive customers to your website and keep them coming back with a package of services to improve your site's online marketing power. Price - \$19.95 per month. <http://www.bcentral.com/tb/default.asp>

Customer Manager - Customer Manager lets you manage your customer information and communications from one place, so you can respond quickly to your customers and provide great customer service. This service is \$29.95 monthly. Sign up before March 1st, 2001 and get a 50% discount on your first three months- <http://www.bcentral.com/services/csm/default.asp>

Commerce Manager - bCentral Commerce Manager gives you the tools you need to sell your products and services on popular Internet marketplaces. With or without a Web site, you can start selling across the Web today! for \$24.95/month- <http://www.bcentral.com/services/cm/default.asp>

Finance Manager- bCentral Finance Manager is a new online accounting and finance application designed to help you manage your business. Finance Manager can help you easily manage your finances, collaborate with others, and gain greater insight into business and financial decisions. <http://www.bcentral.com/services/fm/default.asp>. Finance manager will be launched in March'01.

bCentral Portal

The bCentral portal is transitioning into two distinct websites in Mid April.

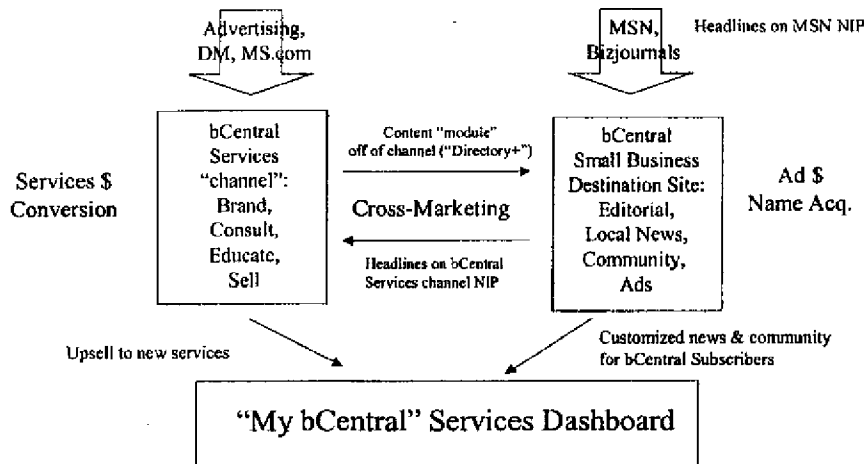
- **Destination Site** - This site will be content only site featuring technology for small businesses and have a bias towards Microsoft technology. The site will feature all the advertising, promotions, editorials, content and community. The objective of this site will be to monetize through advertising revenues and a low cost way to acquire qualified names.
- **Services Channel** - The services site will only feature the services and the integration between the services, there will be no advertising on this site. This will be the site that all

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the marketing efforts of advertising and direct mail will be directed. The site will be measured on service subscription revenues.

bCentral.com Vision



bCentral & Office XP Launch Plans (Additional Details to follow with Subsidiary Recommendations)

Small business editorial content on Office XP and bCentral integration to be promoted on the bCentral destination and its affiliate sites like biz journals, msn.com, VerticalNet, Office depot, Compaq, etc. with links to bCentral. bCentral will be a virtual launch site to our small business customers for Office XP. In partnership with the Office Marketing team, the bCentral portal launch plan will include editorial articles for Office XP and bCentral integration. This will include services and technology discussed below. bCentral will also sell Office XP thru the Microsoft store, www.shop.microsoft.com and will carry banner ad's and promotions through the banner network. The plan is to have some promotions, contests etc running on bCentral around Office XP as the give away.

OAW Registration Email

Email registration confirmations will include an exclusive offer for SharePoint Team Services hosting. The offer will include two months of free SharePoint hosting.

In-box Offer

SharePoint Team Services Hosting. Coupon describing offer directing traffic to bCentral jump page.

SmartTags

bCentral has made a commitment to develop Smart Tags for portal and services. Specific smart tags will be developed to tie the services to Office XP.

Office XP Subscription & Service Offering – recommendation to be delivered at a later date.

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SmartTags

SmartTags are a major component to the Office XP launch and generating momentum in the partner community. This provides an opportunity to build relationship with partners to build integration for their customer's primary desktop productivity environment. The partners of primary interest include ACT!, Goldmine, QuickBooks, Great Plains, Lexis-Nexis, UPS and Simply Accounting. Please refer to Smart Tag Central, <http://odsg/smarrantag/> to learn about other partners and Smart Tags solutions.

ISPs

SharePoint Team Services is a means for groups of people (teams) to collaborate using web technology. We would expect that ISPs would offer SharePoint Team Services to those people who are dispersed over geography and time, but need a place that they can access information to progress on a project. We see three broad scenarios in which customers would want to purchase SharePoint Team Services from an ISP:

1. Hosted Intranet: Essentially a group of people can outsource their "intranet" to an ISP and bypassing the need for networking professionals to set up their infrastructure. This scenario would be for a very small business (say up to 10 employees) that doesn't have the funds for devoted IT resources. Remember that the ISP can also provide them Exchange hosting. So this group could outsource their file sharing and mail services to an ISP

2. Hosted Extranet: This group of people may work for different businesses or organizations but still need a way to coordinate activities that doesn't depend on providing access to their network. A common scenario might be event planning, so one individual (the owner/leader of the effort) establishes a STS account with an ISP and invites the others he needs to work with (event planners, advertisers, partners, etc) to join the site. There they can share all of the information related to that event. Today this is taken care via email, registration web sites, and overnight deliveries.

3. Internet Site: This group of people may need to communicate with a larger audience, perhaps one that requires anonymous browsing, but only requires that two to three people have authoring rights to the site. An example might be a chamber of commerce, in which the board members supply the information but the larger business community can gain access to the site.

SharePoint Team Services is a service. Many ISPs are focused on "space" that is renting out MB on a server, but unless the customer is well versed in Web authoring or has dedicated resources to manage these accounts, it is not appealing to the general population.

We suspect that ISPs would make a base offer of shared SharePoint Team Services hosting (25MB IIS/15MB SQL) and then provide additional services on top of that (email, backup to CD, dedicated hosting, etc). We are asking that ISPs take a look at the population they aren't serving today: businesses/organizations with a need to work together effectively. The best way to do that is over the Internet, but without dedicated web professionals or a devoted web master, this is a solution which is not accessible to all.

Business Associations

Business and Trade Associations can be considered as an important partner in your small business toolbox. Below is an example of an alliance the US Subsidiary has formed and one that can be duplicated in many markets.

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SCORE – Service Corps of Retired Executives

The SCORE Association is a national, nonprofit association with 11,500 volunteer members and 389 chapters throughout the United States and its territories. SCORE is a resource partner with the U.S. Small Business Administration. Combining the small business industry recognized leadership of SCORE and the market leadership of Microsoft products, together will deliver a CD that influences small business to adopt technology. Microsoft has converted the SCORE business templates to Office 9x, 2000 and XP compatible. Production of the CD will be completed by Microsoft, and distributed through SCORE locations nationwide and the Microsoft New Business Welcome Kit (~320,000 kits annually). The CD will include an overview of Microsoft and SCORE, Introduction to Office XP, Key Benefits, autodemo, Piracy/Compliance, links to trail and other small business resources on www.microsoft.com. To learn more about SCORE, please visit their site at www.score.org.

6. Anti-Piracy

In FY00 revenue from our worldwide anti-piracy efforts grew by 60%. SORG represents our largest long-term opportunity. Our biggest successes in FY00 were based on investments in broad-based integrated campaigns, such as the truce program in Brazil, which included air cover through TV, radio and print, highly publicized enforcement actions, and an attractive sales offer supported by direct mail, all working together to drive SORGs to purchase Open License or ROEM products. There are opportunities to intensify this formula in many markets around the world in FY01. In addition, we need to integrate more tightly with the OEM marketing and sales organization, as we focus more on the SORG segment. Finally, we need to aggressively engage our service-only VAP channel in our anti-piracy initiatives, as we begin to build towards a broader and longer-term approach for refining our licensing model for SORGs and MORGs

Key lever points for successful campaigns are the promotion of well timed and well executed activities, innovative use of the mass media, strong channel engagement, seamless cross-group support (externally and internally) and a strong BSA presence.

Office Activation Wizard Overview

The Office Activation Wizard (OAW), formerly known as the Office Registration Wizard (ORW), will be a core feature of the Office XP product. The OAW is an anti-piracy feature that requires Office to be activated in order to use it.

The Office Registration Wizard was introduced with the launch of Office 2000. It introduced a new registration process designed to combat software piracy. Initially, the Office 2000 ORW product was distributed in six test markets. North America was added as a seventh market with the introduction of Office 2000 SR1. OAW will be enabled in all packaged and OEM products distributed worldwide. Open and Select customers will receive bypass keys to de-activate the OAW, and will not be required to activate Office XP.

The following table represents FY00Q2 vs FY99Q2

	FPP Growth	Open Growth	FPPY & Open
Pilot Countries (with OAW)	21%	27%	25%
Countries without OAW	-18%	-5%	-10%




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Delta	39%	32%	35%
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Microsoft's estimated loss to piracy worldwide in CY96 was US\$5 Billion. Counterfeiting is not the majority of the Anti-Piracy problem, although it is the most visible. Other non-product attacks include litigation of Resellers, VARs, and beginning in 1997, end-users. All of these markets are but 20% of the piracy problem. Small business and home customer segments are the biggest sources of "casual" piracy, where the modes are copying and distributing original media and performing multiple installations from single media without sufficient licenses.



	Tier 1 Piracy = 50%
	Tier 2 Piracy = 50-
	Tier 1 Piracy = >80%

TARGET AUDIENCE:

The OAW feature was designed to combat piracy in the small business and home casual copier customer segments. These customers use full packaged product and typically copy from friends, co-workers, or install on multiple PC's.

OAW will be enabled only in full-packaged Office XP products. Open and Select customers will not be required to activate Office XP.

7. APPENDIX

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