

Document Separator Sheet

Plaintiff's Exhibit

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Comes v. Microsoft

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Microsoft □□□□□□□□
Assignment Brief
Product Packaging

The purpose of this brief is to inform our packaging agency, Landor, about the product, its marketing situation, and the details of the assignment. Product Manager: We will work with you to get your input on sections in blue. If you have any questions, please contact your Packaging Manager.

Product name/version: Microsoft PowerPoint 10
Initiation date: 9/18/2000
Revision:

1. PRODUCT DESCRIPTION

What is the 1-3 sentence description of the product? Should be a flat, factual description of what your product is, not a messaging statement.

PowerPoint 2002 is a presentations graphic package, also included in Office Standard, Professional and Special Edition. Powerpoint, is not included in Office Small Business. Powerpoint 2002 is a comprehensive set of tools to organize, illustrate and deliver your ideas professionally. The presentation can be delivered face-to-face meetings, or meetings conducted remotely and broadcast over the Web.

2. MARKETING SITUATION

Explain applicable past and present market information. What are the marketing challenges and/or opportunities that are being addressed? Are there trends we can exploit?

Office represents an \$8 billion dollar business for Microsoft today and has predominant market share in its class. Distribution is primarily driven in the corporate environment through volume licensing but approximately 20% or over \$1.3 billion dollars of revenue are generated from retail or Full Package Product sales. The Office individual applications represent a \$103M business for Microsoft or about 10% of the FPP revenue generation for the Office Family.

Office 2000 launched in June 1999. To date, the overall pace of sales is comparable to Office 97, but the volume of retail sales has dropped launch over launch. Revenue was down during fiscal year 2000 and deployments in accounts with Enterprise Agreements were slower than expected. Forecasts for the beginning of the new fiscal year indicate a continued decline in Office 2000 revenue.

We believe this lack of enthusiasm can be attributed to 4 factors: 1) the launch of Office 2000 was primarily directed at IT, 2) there was no compelling benefit communicated to end-users driving upgrades from Office 97, 3) there was no prescriptive focus to the field to promote and sell Office 2000 to end-users, and 4) the importance of end user excitement was underestimated. The result is that end-users today are unenthusiastic about Office 2000. With limited grass roots demand for the product, IT has been slow to deploy it within organizations.

Currently, Microsoft is planning to launch Office 2002 in May 2001 and Office 11 in the 2002/2003 time frame. With this release, the "marketing pendulum" swings back from an IT focus to the end user. Office 2002 was designed for, and will be primarily marketed to, the Technically Savvy Knowledge Worker and will be a trend-setting product in many ways. With Office 2002, Microsoft will introduce advancements to simplify the way

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people work, new ways to license the product, and new anti-piracy measures. We are committed to making our programs and content relevant, useful, and reusable for our global marketplaces. Also with the release of this version, customers will get their first taste of .NET services integrated into Office. Office 2002 will play an important and critical role in introducing this concept to customers and bridging the PC based Office experience to the web based Next Generation Office or Office.NET.

Microsoft acquired Powerpoint

3. TARGET AUDIENCE

Define and profile the target audience(s) of the retail packaging. What are their needs and attitudes with respect to your product category? Include, where relevant, their attitudes toward your product and competitive offerings. Specify IT, Dev or End User Target.

Primary Audience Profile

Office marketing organization is moving away from the traditional Influential End User (IEU) marketing approach and is adopting the latest corporate Microsoft Taxonomy 2000 audience categories. Within this taxonomy, Office 10 will be primarily targeted to the "Tech Savvy Knowledge Worker." Generally speaking, knowledge workers also have the following characteristics:

- They spend a majority of their time creating, analyzing, manipulating, reporting, and otherwise "touching" information as their primary function at work.
- They have a job which entails doing work for which there is no set process. The tasks are not prescribed in advance; rather they are determined as a "just-in-time" in response to issues, opportunities or problems as they arise.
- They gather, analyze, modify, and add value to information, then communicate and share that information with others.

However, typically individual application up-graders are more "power users" that see the need to have the new functionality of the product and they are concerned with a greater amount of detail than the average suite purchaser. Importantly, is that the Office box is the number 1 resource, tied with the Web, which knowledge workers use to seek out information on the product.

Audience Mindset

We want to ultimately convey how Outlook is the best single solution to manage your time and information more effectively, and to simplify how you create documents and share information with others. But our primary goal is to reinforce the benefits of Outlook as a component of Office and up sell to Office Professional. We want our customers to come away thinking that Outlook is the best way to organize their everyday life by consolidating and delivering information to them when they need it, by managing and organizing vast amounts of information, and by being a communication solution to them in either a desktop or mobile scenario.

On a more macro level, over the last several years Microsoft as a whole has neglected communication directly to end-users. We have corroborating evidence from multiple research sources, which indicates that knowledge workers are aware of, but not engaged with, nor excited by, our productivity tools. This lack of relevant brand image will have increasing consequences as software becomes a service, switching costs decrease, and end-users have increasing autonomy to make decisions about what's on their desktop. With Office 2002, we will invest to re-build our relationship with knowledge workers so that we are well poised for future success with this audience.

4. COMPETITION

Who are the main competitors to the product? What are their strengths and weaknesses? Where can MS win? Astound 5.0 is a presentation program with many similarities to PowerPoint, available for both Windows and Mac. It is focused on providing presentations with multimedia/animation effects for the business market. Astound has a

very small market presence compared to its suite-integrated competitors, but is building a niche based on its multimedia capabilities.

Astound is unlikely to ever mount a competitive threat to PowerPoint, but it could grow a significant niche market among customers who need more multimedia capabilities but are not ready to use a product like Director. Astound's most significant impact on PowerPoint is likely to be that of raising the level of multimedia quality and sophistication that customers see, expect, and ultimately demand from presentation software.

Astound is a product that is equal to PowerPoint in a number of areas, surpasses it in some areas (particularly multimedia and animation), and deficient in other areas (particularly presentation tools, collaboration and web support). As such, it provides a reasonable alternative to PowerPoint for:

- People who do not use Office or another suite and need presentation tools
- Suite users who need additional multimedia presentation capabilities.

HyperStudio is an interactive multimedia authoring product, focused on educational markets. It is a 16-bit Windows and Mac application, with a HyperCard lineage.

HyperStudio competes with PowerPoint only in educational markets. In addition to providing education-focused content and documentation, it has several advantages, primarily its support for path animation. However, its claim to "simplicity" is more a result of its basic feature set than its ease-of-use—PowerPoint may be easier to use, especially to Office-experienced customers. PowerPoint is functionally superior in most other aspects. HyperStudio was recently sold to Knowledge Adventure, a Cendant Software company.

Macromedia Director 6.0/6.5 is the market leader in interactive multimedia authoring, a market that overlaps with PowerPoint's presentation authoring market. Many PowerPoint customers are attracted to the kinds of productions that can be created with Director.

PowerPoint is the easier tool to use for creating simple presentations. It is learned more easily, and is more appropriate to the kind of presentations created and delivered by business people who are not professional multimedia authors. However Director, after a steep learning curve, is better suited for creating complex multimedia (animation, sound, video, and interactivity) productions.

Overall, Director has a consistent multimedia model that requires much time to learn, and requires programming to use fully. It is best suited to use by a dedicated specialist, rather than by most Office customers.

Microsoft Vizact and **Macromedia Flash** are animation products with many similar features, but they are intended for different applications and different types of users. Flash is intended for web designers; Vizact for Office web-document authors. Flash creates animations and interactive text that can be placed on or exported to web pages. Vizact can open web pages and animate their content. Each of these products is a good choice for its intended purpose, with qualifications. However, neither addresses the need to create animated effects or interactivity within PowerPoint.

In addition to the above products, Lotus SmartSuite presentations graphics package, Freelance Graphics, StarOffice Impress and Corel Presentations 8 compete as a suite against Powerpoint, but not necessarily as stand-alone packages.

5. POSITIONING

Singularly focused statement, 1 sentence, that answers the following questions: What is it or what does it do? What is the main product benefit? What differentiates it from other products in the market place?

Positioning Statement: Microsoft PowerPoint 2002 makes it easy for groups of people to work together, re-use existing content, to create top-notch presentations for live or on-line delivery.

Key Support for Positioning:

Collaboration: enable people to work together to create, edit and review a presentation.

Knowledge Management: facilitate the reuse of existing data, particularly existing presentations, in the creation of new presentations

Web and Broadcast: support rich presentations and archival in the web medium

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End user excitement: generate excitement and productivity by making presentation creation painless and fun

Animation: allow the average user to easily add animation, and the high-end user to author world-class animation.

Graphics: Enable users to produce great drawings and images without leaving PowerPoint.

Fundamentals: continue to improve on simplicity, robustness, performance, backwards compatibility, and suitability for existing purposes

6. TOP BENEFITS/MESSAGES

What are the top product benefits, in priority order?

- **Empowering the Individual** - Whether you are a small business owner, a user in an organization, or a user working from home, Office 2002 is the essential tool to maximize your productivity. Office 2002 allows you to use more of the rich functionality within the Office 2002 applications to simplify the way you work.
- **Improving Team Effectiveness** – Today, more than ever, working and communicating with teams is critical to success. Whether you are working with one other person on a document, working with a group of co-workers, or external partners on a project, Office 2002 gives you easy solutions that help your team(s) share and collaborate with one another more effectively.

Office 2002 also delivers customers early .NET services. These services take advantage of the interaction between Office and the Web to continuously extend the value of Office. Integrated into the Office applications, .NET services allow Microsoft to enhance the overall feature set of Office by delivering relevant services to the activities the user is working on. These services are highlighted throughout the product.

Benefit #1: Simplify the Way you Work

Support #1: Advancements in Productivity and Efficiency

- Saves you time; Powerpoint successfully completes tasks that users expected to have to do themselves. Formatting presentations never requires repeating the same operation on every slide.
- Allows experimentation on the fly; Usage of existing features in PowerPoint increases, because they are automatic or much easier to find and use.
- Allows you to be a "power user;" Presentations are better looking and take less time to create.

Support #2: Access to Information

- Makes web presentations easier to create, modify, navigate and deliver
- Makes capturing disparate presentation data quicker and easier; Uses the Web to improve common Office Tasks
- Extends PowerPoint's feature set; Enriches the interaction of Powerpoint and the Web to continuously add value to the product.

Support #3: Improved Reliability, Data Recovery, and Security

- Confidence; Reliable, secure tools to work with
- No recreation of work; Ensures the protection of your data
- Gets you up and running quickly; Data is captured and restored if an error occurs
- Continuous Improvement; Error reporting allows you to be notified when solution is available

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Benefit #2: Delivering solutions to engage others – Improving team effectiveness

Support #1: Coordinating and Connecting with Others on Documents, Presentations and Projects

- Simplifies communication and collaboration; Presentation routing and review process automatically set in motion through email
- Easy to use process for merging presentations; Improved Annotation and tracking/accepting/ rejecting reviewer changes
- Simplifies the coordination of activities with others; Improved calendaring, scheduling and notifications

Support #2: Integration with Microsoft SharePoint

- Coordinate your teams projects and organize shared documents with Team Web Sites; Tight integration with Office

7. PRODUCT DISTRIBUTION

How much packaged product is sold? Where is it sold?

What is the percentage of product sold, licensing vs. packaged? (Units and revenue)

What are the channels and distribution mix for distributing packaged product?

Direct	2%
DMR	10%
Managed Outbound	26%
Retail	48%
VAP	13%

What is the mix of FPP vs. Upgrade? (Units and revenue)

Standard	70,174	\$12,311,230
Upgrades	74,182	\$ 6,096,970

What is the estimated monthly sell-in of FPP vs. Upgrade?

Fiscal Month	Revenues		
	Standard	Upgrades	Total
July, 1999	958,709	461,896	1,420,604
August, 1999	-146,062	-35,890	-181,953
September, 1999	235,274	229,981	465,255
October, 1999	443,304	175,951	619,255
November, 1999	498,437	214,812	713,249
December, 1999	190,692	467,268	657,960
January, 2000	551,878	405,923	957,801
February, 2000	983,931	518,493	1,502,424
March, 2000	1,708,369	512,417	2,220,786
April, 2000	930,131	470,110	1,400,242
May, 2000	946,976	318,643	1,265,619
June, 2000	930,574	453,814	1,384,388
July, 2000	1,491,162	481,811	1,972,974
August, 2000	616,093	343,055	959,148
September, 2000	1,129,148	555,781	1,684,929
Grand Total	11,468,616	5,574,065	17,042,681

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Monthly Average	764,574	371,604	1,136,179
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8. PRODUCT PRICING

How much does the product cost? What value does the packaging need to convey?

NA English FPP:

NA English VUP:

NA English CUP:

NA English CVUP:

9. RELATED MARKETING ACTIVITIES

List other relevant marketing activities happening during the next six months. E.g., advertising, launch event, road shows, etc.

N/A

10. ASSIGNMENT

Briefly describe packaging assignment and components needed in this section.

11. COMMUNICATION OBJECTIVE

What is the primary communication this packaging needs to convey? Retail packaging: Introduce new product or version, highlight new features/benefits. Enterprise packaging: Reinforce purchase decision and product benefits.

Overall:

Front-of-Box:

Back of Box:

12. TIMING

What are the major milestones for the product?

Software Code Complete:

System Requirements Final:

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NA English Software RTM:

Delta of First Localized Language RTM:

Estimated Channel Availability Date:

Initiative Portfolio:

First Date Artwork Needed for Creation of any Marketing Materials:

Milestone Trigger Date:

Ad Kit Materials due:

13. COMPONENTS

List of components to be created including cartons, CD components, EULAs, etc.

North American English Components

Components agency will be creating:

Components Microsoft User Ed will be creating:

Third-party pieces or other considerations:

International English Components (please note if any pieces can be shared with NA English)

Components agency will be creating:

Components Microsoft User Ed will be creating:

Third-party pieces or other considerations:

List any different needs/product offerings for international products (artwork, non-encryption, etc):

14. ADDITIONAL INFORMATION

Other requirements for the packaging components.

Required logos or certification (i.e. Windows 2000):

Other icons/logos needed:

Back of box cross-sell:

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Back of box web site URL:

Box size configuration:

Qualifying upgrade products:

Other considerations:

Related Deliverables:

Ad Slick

Electronic Box Shot:

Mock-ups:

15. CONTACTS

<i>Name</i>	<i>Title</i>	<i>Phone</i>	<i>Fax</i>	<i>Email</i>
	<i>Packaging Manager</i>			
	<i>Product Manager</i>			
	<i>International Product Manager:</i>			
	<i>User Ed Contact:</i>			
	<i>User Interface Contact:</i>			
	<i>Operations Product Manager AOC:</i>			
	<i>Operations Product Manager EOC:</i>			
	<i>Localization Project Manager:</i>			
	<i>Ireland Print Production Specialist:</i>			
	<i><Others as needed></i>			

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