

Document Separator Sheet

Plaintiff's Exhibit

6846_Q

Comes v. Microsoft

MS/CR 0051636

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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 Word 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.

Microsoft Word 2002 is a word processor. A word processor is a program by which written, verbal, or recorded information is transformed into typewritten, printed form or as Web pages. A word-processor can produce a wide variety of documents, including letters, memoranda, and manuals, rapidly and at relatively low cost. A word processor allows users to not only type in text to a file, but to format it visually as you type it in, thus controlling the layout and adding graphical elements. Microsoft Word 2002 also enables different users to work on documents together efficiently.

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?

Microsoft Word is the leading word processor and is one of the core components of the Microsoft Office suite. In FY00 Microsoft sold over 48 M licenses of Office, which represented nearly \$7 billion revenue worldwide. Microsoft Word as a standalone application only sold 1.2 M licenses or \$82 million worldwide in FY00. These sales are decreasing year-over-year, because of the enormous success of Office suite sales. Only 400,000 licenses of these licenses were packaged products sold through the retail channel - this represented \$30 million revenue. Word as a single packaged application is being outsold in revenue by Excel, Access and FrontPage.

However, Microsoft Word is the most frequently used application in the Office suite. There are literally millions of satisfied users of previous versions of Microsoft Word. Word is the cornerstone of many small business and document centric organizations (legal offices, research, academic world, students, government, ...). Moreover, in a time where knowledge management is strategic success factor for many businesses, it is important to know that over 80% of knowledge in organizations is not in databases or spreadsheets, but in documents created in Word.

Microsoft Word has the following challenges:

- Motivate users to **upgrade from old versions**. Word 97 is omnipresent and people are convinced that it offers them all they will ever need from a word processor.
- Remain the word processor of choice for **professional document creation by document centric users**. Many of these users are still not fully satisfied with the feature set of Word and nostalgically remember the "good old WP 5.1 days".
- Become simpler to use and more discoverable for the average Word user. Users have the feeling they only use 20% of the features in Word and they do not need the other 80%.

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- *Stay relevant in the Internet Era, where new ways of collaboration and new ways of doing business emerge. The Net generation turns towards web based products and environments to collaborate (www.hotoffice.com, www.blox.com, ...).*
- *Deliver value vs. free word processors offered by competitors like Sun. If users are convinced that they only need and use 20% of the product.*
- *Become more reliable and secure: virus attacks on the Microsoft apps have made users of Office apps very skeptical of the Office apps.*

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: *Heavy document centric users - legal offices, research environments, academic world, students, government agencies, administrative assistants, writers, journalists, ...*

Primary Audience Mindset: *Microsoft Word is their primary tool for daily work. They author long documents and reports, mainly for printing and storage. Word has to be a rock solid application. Word has to be able to deal with documents created in previous versions of Word, without loss of formatting and data. Collaborative work and publishing on the web are becoming more important.*

Secondary Audience Profile: *PC Generation Knowledge Workers*

Secondary Audience Mindset: *An understanding of the Generational Model of knowledge workers is helpful in understanding the mindset of the overall target audience. It segments knowledge workers based on generational experience with computing.*

The TV Generation came to computers later in life and is more wary of the benefits of technology. Microsoft views them as relics.

The PC Generation currently comprises the overwhelming majority of the American workforce. This is our positioning sweet spot. The PC Gen knowledge worker tends to be fairly settled, stable, and likely to be rooted in a family. They are also more likely to be comfortable with their personal identity; they need assistance in balancing the often-competing needs of self, family and work. Technology – they recognize – could potentially help them with this, making their job faster and easier. However, being not as comfortable as their Net Gen counterparts, they have ambivalence towards technology – they feel anxieties about adopting technology – the fear of being overwhelmed by too much new material. This can lead to defensive behavior with regard to new technology – avoiding it ("I'll wait until v2.0 when it is stable"), claiming not to need it ("What I've got now works just fine"), or finding fault with it ("It's just bloat ware").

The Net Gen (GG1) is extremely proficient in technology and grew up online. To them, Microsoft is a relic. The PC Generation (25-54) grew up on personal computers – but not the Internet – and is generally comfortable with technology.

4. COMPETITION

Who are the main competitors to the product? What are their strengths and weaknesses? Where can MS win?

These are the competitors for Microsoft Word as a packaged product, in order of importance.

1. Prior Versions of Microsoft Word and Office

Over the years, Microsoft Word and the Office Suite have achieved significant presence in the productivity suite market. Competition not only arises from competing retail products but from previous versions of the product, specifically Word 97(Office 97) and Word 2000(Office 2000). The market has evolved into a "skip" pattern where most users tend to skip a release between upgrades as many users say they are satisfied with the current version and do not perceive a need to upgrade.

2. Microsoft Works Suite

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Microsoft Works Suite contains a full version of Microsoft Word and is cheaper than a full version of Word (\$ 109 vs. \$339) and is therefore a direct competitor for Word as a packaged product. Works Suite is also offered as an OEM product. (Works Suite 2001 contains Microsoft Word 2000, Microsoft Works 6.0, Microsoft Encarta Encyclopedia Standard 2001, Microsoft Money 2001, Microsoft Picture It! Publishing 2001, Microsoft Streets & Trips 2001, Microsoft Outlook Express, Microsoft Internet Explorer 5.5).

3. Sun StarOffice 5.2

Sun StarOffice is the most dangerous non-Microsoft competitor in the market is a cross-platform Web application suite only 65MB in size that contains a word processor called Writer. The personal version is offered for free, but customers have to pay for support. Unlike Microsoft Office, which is PC based platform, Star Office is network based and downloaded for free. It works on Windows, but also under Sun Solaris, OS/2, and Linux. StarOffice includes a word processor (Writer), spreadsheet (Calc), database (Base), presentation maker (Impress), illustrator (Draw), and PIM (Schedule), as well as a built-in browser (IE can be plugged in instead) and email and newsgroup reader front ends. It can save files in Microsoft's Word, Excel, and PowerPoint. However, it lacks strength in solutions for deployment, support, and maintenance costs, file format compatibility and integration with the Web and the enterprise, and enhancing the end user experience. Star Office is also trying to duplicate the look and feel of Microsoft Office.

4. Corel Word Perfect Office 2000

This Corel Suite has the largest installed base of all our competitors and is built around the long-time competitor of Microsoft Word – WordPerfect. Corel WordPerfect has stressed file format compatibility with Microsoft Office and supports HTML, ODBC, Java™, SGML and XML. WordPerfect is still popular in the legal industry and government. After not being successful in delivering a Java based Suite, Corel has focused its attention on the Linux platform. Microsoft has recently taken a 25% stake in Corel, in exchange for a joint focus on the .Net platform. Linux bundles its operating system software along with Corel desktop applications as a bundle.

5. Lotus SmartSuite

Lotus SmartSuite is a 32-bit Windows application suite that contains a word processor (WordPro), Spreadsheet (123), database (Approach), presentation (Freelance), and PIM (Organizer). Using IBM's via-voice Lotus SmartSuite has integrated speech recognition into the word processor and spreadsheet products. It also has compatibility with Microsoft Office and supports HTML and XML.

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® Word 2002 helps users create great looking documents in less time and simplifies working on documents together.

Key Support for Positioning:

1. Word 2002 helps users create documents in less time and unlocks the power within Word.
2. Word 2002 is significantly more reliable and offers users security while working with documents.
3. Word 2002 greatly facilitates the process of working on documents together.

6. TOP BENEFITS/MESSAGES

What are the top product benefits, in priority order?

Word 2002 helps users create documents in less time and unlocks the power within Word.

- A key objective for Word 2002 is to enable users to create documents in less time. The Template Gallery provides users with hundreds of professionally designed document templates to get jump-started. Word 2002 also offers users new ways of creating documents, by using speech recognition, handwriting recognition or document imaging (not in all languages).
- With Word 2002 we also want to make the existing features more discoverable and accessible to users that may already be familiar with Word. The Task Pane feature will quickly and easily bring out a lot of these features (Clipboard, Mail Merge, Styles and Formatting, Paste SmartTags). Smart Tags appear when the user might want to perform additional actions on a piece of text (Paste Options, AutoCorrect Options).

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- **Create great looking documents**, thanks to special attention to consistent formatting (Style and Formatting TaskPane, Reveal Formatting TaskPane, custom Table formatting). The new Diagram Gallery allows users to add business diagrams to their documents to bring their ideas alive. We also made it easier to add watermarks to documents, so that users can easily personalize their business documents by selecting a picture, logo or custom text and apply it as the background. Users have easy access to a rich collection of online clipart called the Media Gallery from within Word.
- **Have access to information** straight from within Word: Search TaskPane finds text in a document (or even a scanned document), and find files or folders regardless of where they are stored, without leaving your document. Makes tasks quicker and easier; Uses the Web to improve common Word Tasks. Find templates, clipart and translation on the Web (Template Gallery, Media Gallery, and Translation Services). In previous versions of Word recognized URLs and e-mail names and assign links associated with these items. Word 2002 extends this functionality to include information from Microsoft Outlook® or the Web, including names, dates, addresses, phone numbers, places, and stock symbols.

Word 2002 is significantly more reliable and offers you security while working with documents.

- Word 2002 will allow users to spend their time creating solutions rather than worrying about their software. Application and Document Recovery gives you the option of saving their current files at the time an error occurs in an application. Application Error Reporting - Word 2002 allows you to have the applications automatically report any errors that occur directly to Microsoft (no personal data is sent). This gives Microsoft the data needed to further diagnose and correct these errors, as well as, a mechanism to report back if a solution or fix is available.
- A variety of security enhancements have been included in Word 2002 to help users be more secure when working with their files and applications. Word 2002 gives users the ability to digitally sign documents; these signatures enable other users to know if a document has come from a reliable source as well as if the document has been altered from its original state. Word 2002 also offers improved password encryption options. Macro Security are set to High by default – where only digitally signed macros will run, others will be disabled automatically.

Word 2002 greatly facilitates the process of working on documents together.

- Working together on documents is extremely common today. The most prevalent way that users collaborate on documents is by attaching the document to e-mail messages. Word 2002 gives users an easy way to review, compare, and merge documents with others via e-mail without changing anything about the way they do things today. (Send for Review, Compare and Merge, Markups and Reviewing Toolbar enable this process). Backward and forward compatibility with previous versions of Word (Word 97, Word 2000).
- The Web is the place for people to share information with others. Using MSN™ Communities, users can save their documents to a file cabinet on the Internet, which can be private or public. This allows users to easily share files on the Internet without ever leaving Microsoft Office.
- Teams also need to capture, store, and find cumulative team knowledge. Word 2002 integrates with Microsoft SharePoint-based webs, easy-to-set-up team web site where members can collaborate and share documents, calendars, announcements, contacts, and a variety of custom lists and applications with one another.

7. PRODUCT DISTRIBUTION

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

What is the percentage of product sold, licensing vs. packaged?

31% packaged vs. 69% licensed and OEM

What are the channels for distributing packaged product?

Direct, DMR, Retail, VAP

What is the distribution mix between the channels?

Of Word FPP:

Direct	1%
DMR	6%
Managed Outbound	12%
N/A	1%

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Retail	46%
VAP	33%

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

	Licenses	Revenues
Standard	63%	64%
Upgrades	37%	36%

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

Revenues			Licenses			Std Mix	
Standard	Upgrades	Total	Standard	Upgrades	Total	Revenues	Licenses
801,792	568,819	1,370,611	16,761	8,518	25,279	58%	66%

8. PRODUCT PRICING

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

Word 2002 pricing is TBD: If cost changes from current Word 2000 price, the price change won't be significant or need to be highlighted on the packaging.

9. RELATED MARKETING ACTIVITIES

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

Calendar of tentative events TBD, events will likely kick-off after 1/19/01 when the general PR announcements are planned to occur. Availability and launch planned for 4/26/01.

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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[GG1]Is this in positioning?

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