

**From:** Joseph Krawczak  
**Sent:** Monday, February 12, 2001 10:41 PM  
**To:** Jeff Raikes  
**Subject:** PBS PRISM Memo - Office XP

Ignore the prior copy, it had a typo. Look at this one instead.



BS PRISM Memo -  
Office XP.doc...

**Plaintiff's Exhibit**

6928\_F

Comes v. Microsoft

**HIGHLY  
CONFIDENTIAL**

**MS/CR 0028292  
CONFIDENTIAL**

# PBS PRISM Memo: Office XP

## Overview

Office XP is a milestone release that begins to deliver on Microsoft's .NET vision of empowering customers to move beyond disconnected applications, services and devices to complete, connected computing experiences that redefine the relationship between people, software and the Internet. Office XP, will deliver the most important knowledge worker experiences – personal, collaborative, and organizational. Couple this with exciting new branding and we have an incredible opportunity with this release.

This memo covers key background info for Office XP at PRISM:

### Go-To-Market Strategy

Appendix: What's New and Exciting in Office XP

Appendix: Launch Overview

Appendix: Business Results

## Go-To-Market Strategy

An important discussion item for PRISM is our go-to-market strategy, especially in Home/SORG. Here is a summary of our current strategy by segment. Items in *Italics* are possible new or expanded strategies for PRISM discussion. Prices are approximate US street prices.

	Home/Consumer	SORG	MORG	LORG
<b>Product Strategy</b>	Retail FPP at Launch: - Office Pro SE - \$459 - Office Pro - \$329 - Office Stnd - \$219  <hr/> <i>Retail FPP</i> - Office Stnd Student Lic - \$99 - Or, Office ESL Student Lic - \$50/year	Retail FPP at Launch: - Office Pro SE - \$459 - Office Pro - \$329 - Office Stnd - \$219  OEM MNA: - Office SB Preinstalled - Office Pro Upsell - \$200  OEM SB/DSP: - Office SB - \$195 - Office Pro - \$310  <hr/> <i>Retail/DMR/SB PC Attach</i> - Office SB ESL \$99/yr - Office PRO ESL \$149/yr	Open and Select: - Office Pro+FPAGE - Office Pro - Office Stnd	EA and Select: - Office Pro+FPAGE - Office Pro - Office Stnd
<b>Sales Model</b>	End User Demand Driven	End User Demand Driven for Retail/DMR  OEM MNA preinstall attach and upsell at point of sale  COEM point of sale attach  <hr/> <i>Channel PC Attach with ESL</i>	Local LARs	Direct Selling

HIGHLY  
CONFIDENTIAL

MS/CR 0028293  
CONFIDENTIAL

## Discussion Items – Home/SORG Strategy

### Student License

- EMEA experience shows an increase in Home sales, with limited cannibalization to FPP/OPEN. Some estimate that 90+% of student license product goes to households with students. If student license may be effectively limited to households, this is a positive approach to enhancing \$/PC in the home.
- How should we think about Student License for Office XP? Options:
  - Expand the current model as a WW recommended offering.
  - Keep Student License, but use ESL technology for low-priced student annuity. Example: Offer students Pro for \$50/year.
  - Maximizing launch revenue: Should Office XP Student License be introduced at launch, or keep Office 2000 Student License and introduce Office XP Student License 60-120 days after XP launch?
  - Do we need any further product differentiation in the student license product? Example: add more consumer only content?

### Subscription (ESL)

- Originally designed for large-scale PC attach penetration, targeting HOME/SORG. In other words, deal-driven volume at the point of manufacturing, or guaranteed attach at the point of sale.
- Revenue example: do a deal to put SB ESL on 500K PC's, at a channel cost of \$25 for first year, then end user cost of \$100/year to renew. Get 18% renewal. Yields incremental revenue of approximately \$25M over 3 years.
- At MYR, the decision was made to not broadly roll out ESL in the OEM channel, due to existing MNA business
- How should we best maximize opportunity with this technology? Options:
  - Is there opportunity for large-volume ESL PC attach deals with PC Retailers/DMRs?
  - Is there opportunity to offer ESL PRO to OEM SB's at channel price of \$100-125 for first year, with the end customer paying \$149/year for renewal thereafter.
  - Subs that want to stock stand-alone ESL FPP at retail may want to delay introduction for 60-120 days to focus on higher priced skus first.

## Appendix: What's New and Exciting in Office XP

As seen in BillG's "Experiences" memo, we need to convey that this release embodies a fundamental shift from applications to experiences. Office XP will deliver rich, end-to-end user experiences, allowing partners to add to them. Office XP propels us forward toward Microsoft's .NET vision to provide complete, connected computing experiences by providing user experiences & scenarios that .NET can enable. We need to be clear to the market with this positioning, so that our customers and partners appreciate Office XP as leading edge and the start of a new generation.

There are 3 essential areas in which Office XP delivers innovations that enable new experiences. It's important that everyone understand what is compelling about Office XP for customers:

- Working Smarter
- Enabling Collaboration for Everyone
- Enabling Business Solutions

**HIGHLY  
CONFIDENTIAL**

**MS/CR 0028294  
CONFIDENTIAL**

### ***Working Smarter - Simplifying Personal Productivity***

Customers still value ease of use and simplicity innovations as a top priority. With Office XP, we deliver tangible answers to top personal productivity issues:

- **Would you like to be able to get more out your software without a lot of training, searching through help, and trail and error?** New Task Panes let people easily find common and advanced features in one place.
- **Would you like your software to alert to the most relevant options you need right in the context of your work?** New Smart Tags give you immediate access to the capabilities you need to work faster.
- **Would you like to access the right information you need to get directly from inside Office documents?** Smart Tags make it possible to integrate information services and content directly into Office from different locations – including third-party applications, the Internet and other Office applications – through seamless links within the product. Using the extensibility of this approach, many partners will create custom Smart Tags.
- **Would like software that is more reliable so that you don't loose work and waste time?** Document recovery saves your work automatically in the background and at the time of an error, so you don't loose work and time.
- **Do you increasingly get business information through your Intranet or the Internet? Would you like to have information in your Excel speadsheets that is linked to the web source and always up to date?** New Refreshable Web Queries let you link information from the web directly into Excel for live, real time updated data.
- **Are you ever frustrated by manually searching for information?** Improved Search lets search for information across your files, your email, and your network places servers all at once right from inside of Office.
- **Do you spend time looking for example documents or graphics to enhance your documents?** New Tools on the Web give you thousands of professionally authored templates, images, photos, and animations available from the Web right from inside Office.
- **Do you ever feel like Microsoft Word is out of control when it automatically makes changes to your documents that you didn't ask for?** Now Office XP puts you back in control over these auto-features so you get the results you want the first time.

Many end users will answer Yes to these questions, and once they do, we start to get them hooked on why they need to get Office XP.

### ***Enabling Collaboration for Everyone***

People spend a large amount of their day finding information, communicating, and collaborating. Other than browsing web sites and email, technology is not having a big impact on the way most people work in these areas. Office XP delivers new innovations that will streamline how people communicate and collaborate.

- **Would you like to streamline the tedious process of getting comments on a document?** New Send for Review allows you to automate document review workflow and combine comments from many people in a single document.

- **You have many email accounts plus instant messages. Would you like to get all your messages in one place?** New Integrated Mail in Outlook lets you access all of your Exchange and Internet mail, plus MSN Messenger, right from inside of Outlook.
- **Is it ever difficult keeping everyone on the same page and easily sharing information? Would you like to have a single place for all the essential information your team needs?** New SharePoint Team Services deliver a pre-built Web team web site that is easy enough for all team members to use to manage team projects, documents, and activities.
- **Do you waste time today trying to find people and set up meetings?** New Group Schedules let you easily see the availability of the people you work with and set up meetings. When you receive a meeting request you can't make, New Suggest Meeting Time lets you reply back with a meeting request for another time.

### ***Enterprise Ready Software that Enables Business Solutions***

For IT Pros and BDMS, we also must demonstrate how Office XP delivers flexible tools that enable valuable business solutions. And, Office XP delivers new administrative capabilities that make it the most enterprise-ready productivity software available.

- **Have you ever read a document that was full of invoice numbers, customer ID's or other business codes that you could not easily define?** Now Microsoft Office XP applications allow you to access the context-sensitive information you need by clicking on a SmartTag icon that links you to the relevant back-end data.
- **Do you have a backlog of reports? Is IT constantly getting requests for help creating new ways to slice and dice business information?** Office XP delivers Improved Office Web Components that allow you to transform static web sites into interactive pages where users can access and manipulate data with powerful analytic tools, all in the browser.
- **Do you business information you would like to transparently move between your business systems and Excel?** New XML Spreadsheets make it easier than ever to use business information from many sources.
- **Do users in your company ever ask you for a tool they can use to identify & analyze business trends in their e-commerce transaction data but none of the tools you use today are flexible enough to use XML?** Now Microsoft Excel and Access are fully fluent in Internet-standard XML, enabling users to easily access & analyze data from your e-commerce applications so they can make more informed business decisions.
- **Have you ever thought about developing a solution that enables your company to optimize its business operations using real-time data like stock quotes, interest rates, exchange rates, or even commodity prices?** Now your developers can create powerful solutions using real-time data in Microsoft Excel.
- **Do your users ever create and distribute documents to customers & partners that haven't been through the proper review procedures?** Now Office XP offers flexible tools for creating customized document routing solutions using Outlook and Exchange Workflow Designer so your documents go through the right processes before they are published.
- **Would you like a way to eliminate the spread of Office document and Outlook email viruses?** Improved security capabilities in Office XP give you enhanced ability to protect against viruses, including the ability to disable macros and potentially dangerous email-based attachments.

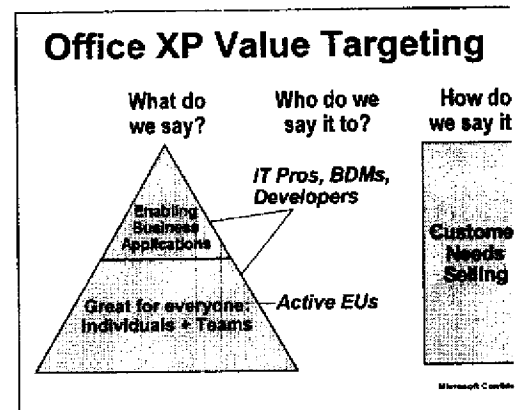
**HIGHLY  
CONFIDENTIAL**

**MS/CR 0028296  
CONFIDENTIAL**

- **Would you like to automatically track Office errors that are experienced by your users and use that information to help track down solutions?** New Application and Corporate Error Reporting tools allow IT Professionals to automatically track all of their users' application system errors and provide an error report for the entire company. This allows you to quickly identify and solve the most common problems whether on their own or by working in conjunction with Microsoft Product Support Services.
- **Would you like easy to use tools that give you complete control over how Office is configured and deployed in your environment?** Improved Custom Installation Wizard and Custom Maintenance Wizard which allows IT Professionals to customize security settings and Outlook profiles, to eliminate features or applications that are not needed on the desktop and to control the way in which Office is rolled out and maintained over time.
- **Would you like to be able to get a new PC but keep all of your Office settings?** With Microsoft Office 10, you only have to set up your personal computer settings once, even if you change locations or machines. Microsoft Office 10 lets you save your settings to a file or on the Web and instantly apply them to any computer, anywhere.
- **Have you ever installed a piece of software only to find out that your other applications and custom solutions no longer work because it updated your system files?** Office XP doesn't require new system files<sup>1</sup>, which means you don't have to test all your current software and you can roll out Office faster.

## Appendix: Launch Overview

With Office XP, we need to re-ignite grassroots end user excitement. We have a great release for individuals, as well as a compelling release for organizations. To fully succeed in achieving our potential with this product, we must communicate effectively to both audiences. Below is a visual way to think about this. The message that Office XP is great for end users is a relevant message not just for end users themselves, but also for those IT Pros and BDMs who make decisions on behalf of their employees. In addition, to IT Pros and BDMs, we must demonstrate how Office XP helps enable valuable new solutions that can impact a company's performance, aligning with the overall Microsoft messages around enabling the agile business. Finally, the way we communicate, both to end-users and organizations, should be in terms of the customer need: what does it mean for me, how does this help solve a problem I care about, what are the concrete benefits that are relevant and compelling.



## Key Launch Highlights for GMs

- A key subsidiary focus area must be clean execution of the rollout of Office XP pricing and later MS-wide updates to our volume licensing programs. Customer and channel education must be top priorities to avoid market confusion which could stall sales.

<sup>1</sup> Note that any PC running Windows ME, Windows 2000, or Office 2000 SP1 will not require a system file update for Office XP.

- Office XP global price waterfall and tech guarantee information is available on: [http://officemarketing/office\\_10 Pricing Tech Guarantee/Office 10 Pricing & Tech Guarantee Conf Call \(DRAFT\).ppt](http://officemarketing/office_10 Pricing Tech Guarantee/Office 10 Pricing & Tech Guarantee Conf Call (DRAFT).ppt)
- All Office XP sales and marketing information being created by the product group is available on: <http://officemarketing> and will also be populated into Infoweb. The site is organized with information on End-User/SORG, Enterprise, Developer, PR, Pricing and Licensing, OEM, SharePoint, FrontPage, and International.
- Here is a link to a master list of over 100 sales tools and deliverables being created by the product group for WW launch readiness: <http://officemarketing/Lists/Deliverables/AllItems.htm>
- The FPP launch date for Office XP is May 31 with Office XP Pro and Standard available in English, French, German, Spanish, Arabic, Italian, Swedish, Danish, Norwegian, Dutch, and Brazilian.
- Plans for US launch activities the week of May 31 are being worked on. Focus areas are on PR reach including broadcast, EU and IT events. Subs are encouraged to leverage their own activities around this week for applicable countries. Based on sub input, we will not be doing live satellite links. However, our goal is to make launch content and videos available before this date so that you have material for your local events.
- Regions and Subs need to plan if and how you will use ESL FPP product. If you wish to delay or not ship FPP product, the product group requests you notify them.
- The Office team has executed training and readiness planning with our worldwide subsidiaries. Upcoming events include an Office XP Technical Readiness event for MCS and TS's, a visit to the top 20 worldwide subsidiaries to drive sales readiness and deployment conferences in both Europe and Asia. Ken Myer and others from Office Product Management just completed the first wave of sub tours in Western Europe Sub tour to help kick off subsidiary excitement and launch readiness. Tours in other geos to follow.

## Appendix: Business Results

Here is an overview of our WW business for H1, showing YOY changes:

Revenues (000's) Segment	FPP		OEM		Open		Select		Annuity		Total		R Ac
	H1-01	%	H1-01	%	H1-01	%	H1-01	%	H1-01	%	H1-01	%	
Depth	3,838	-55%	13	17%	85,178	-2%	546,469	-13%	465,776	20%	1,118,010	-1%	1
Breadth	3,866	-42%	2,680	-63%	135,713	-24%	268,007	-8%	232,078	50%	652,181	1%	1
Enterprise	7,704	-49%	2,693	-63%	220,891	-16%	814,477	-11%	697,854	29%	1,770,191	0%	1
High MORG	1,688	-29%	3,042	-44%	110,590	-11%	67,124	52%	27,557	72%	211,113	9%	1
Core MORG	94,060	-39%	98,236	-25%	146,666	9%	6,559	-37%	6,420	-15%	353,439	-20%	2
MORG	95,748	-39%	101,277	-26%	257,256	0%	73,684	35%	33,977	44%	564,552	-11%	1
Small Business	147,027	-40%	226,905	-5%	139,848	12%	6,160	-24%	3,608	24%	530,998	-14%	1
Consumer	105,631	-41%	48,964	-7%	2	-30%	188	-80%	0	-100%	155,227	-34%	2
Academic	1,049	n/m	6,022	-39%	8,358	-25%	3,141	-10%	1,004	21%	212,530	-11%	1
PIPC	374,264	51%	0	n/a	0	n/a	0	n/a	0	n/a	374,264	51%	1
<b>Grand Total</b>	<b>731,424</b>	<b>-14%</b>	<b>385,863</b>	<b>-13%</b>	<b>626,355</b>	<b>-5%</b>	<b>897,651</b>	<b>-9%</b>	<b>736,443</b>	<b>29%</b>	<b>3,607,761</b>	<b>-4%</b>	<b>1</b>

\*Academic is included in the total

### FPP

Not counting PIPC, FPP revenues declined from \$599M to \$357M, or 40%. These are sell-through numbers and reflect the launch spike of sell-through for Office 2000 FPP in H1FY00 (June '99 launch) and declining sales since then. Sell-in has been basically flat YOY.

### PIPC

HIGHLY  
CONFIDENTIAL

MS/CR 0028298  
CONFIDENTIAL

Japan has seen very strong growth in their PIPC business, driven by increased PC shipments and increased Office penetration on those PCs. Licenses increased from 2.19M to 3.17M, or 44%. Going forward, growth is expected to moderate significantly for PIPC.

#### **OEM**

The OEM space shows an overall -13% decline in revenue. However within OEM segments we see diverging results. MNA Office units have declined by -24%, driven by lower attach rates for Office driven by a large drop in Gateway Office shipments and declining PC prices overall reducing attach opportunities. Named units have declined by -17.8%, driven by declining PC market share for Named OEMs, and declining PC prices reducing attach opportunities. SB/DSP has increased by 6.5%, driven by increased attach in this segment.

#### **OPEN SORG, Consumer, Academic**

Excluding Enterprise and High MORG, our Open licenses have increased from 1.04M to 1.17M, or 12%. Revenues have increased from \$270M to \$295M, or 9%. 12% growth in units is reasonable performance, but we can do better given the low legal penetration we have in this area.

#### **Select + Annuity + Open (Enterprise and High-Morg)**

In total, revenue from these areas combined showed little growth, going from \$1.937B to \$1.964B. This is the area of our business where we have by far the highest \$/PC, and the highest legal license coverage. Growth in this business will be driven only marginally by further legal PC penetration, but more significantly by the shift to annuity maintenance with EAs and L&SC.

Looking at this same set of revenue areas by customer segment, we see that Depth is flat YOY at \$1.1B, Breadth showed small growth from \$622M to \$635M, and High MORG showed stronger growth from \$184M to \$205M. The larger the customer segment, the flatter our revenue growth.