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From: Hank Vigil
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Cc: Brian MacDonald; Bryce Hausmann; Charles Stevens; Chris Peters; Dawn Trudeau; Jon Reingold; Lewis Levin; Mark Kroese; Peter Pathe; Robbie Bach; Vijay Vashee; Year of the Office
Subject: Office Marketing Update - Through Feb 15
Date: Wednesday, February 23, 1994 7:14PM

Over the last several weeks we've focused on closing off launch activities and preparing/implementing plans for the next 6 months worth of demand generation work. We also developed the three year product and mission plans along with identifying messages to leverage the upcoming EMS and Chicago pushes. Contact HankV, MarkK, or RobbieB if you have any questions. FYI: given the size of this month's summary, we will move this status email to a bi-weekly basis starting the week of March 1st.

Key Status Points:
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1) REVIEWS AND PR:

Overall we've done well in reviews relative to Lotus and WP. Office won both the PC Computing review (87 to 78) and the PCWeek review (3.8 to 3.6), Word decisively won the InfoWorld review (8.2 to 6.0), and XL also won NSTL (8.7 to 8.4). On the downside, Word narrowly lost the PC Computing review to WP (86.5 to 87.1). Key Office reviews are in process from PCWorld, InfoWorld, and NSTL, and the results of the NSTL WP comparative and the InfoWorld SS comparative should be announced shortly.
* PC Mag did an office suite comparative that did not name a winner. We did better than we expected both in the individual product categories and for Office and got significant credit for our integration and consistency work.
* "First Look" coverage for all of the products has been solid, including some nice reviews of PowerPoint and "best of 93" kudos from Jim Seymour for Word/XL. PCWeek has been the most "neutral" producing an XL first look and Office comparative review that gave us pretty muted credit for the work we've done.
* We participated in an office suite shoot out at Demo 94 and lost to SmartSuite. The planning/staging of this event was not handled well by David Coursey (lots of rules changes, no rule enforcement, shifting sets of things we need to demo, etc.) but we should have done better. We overplayed the "industry humor" aspects of our demo and should have been more hard core about integration. Note that PR should consider whether this event is more appropriate for the Consumer Division given the nature of the other products shown and the composition of the audience.
* We are also preparing for several press tours for the Feb-May timeframe including an Office programmability tour to announce the Office Developers Kit, a Small Org tour to position our apps better with the small business press, and an "organizational computing" tour to feed off of the energy created by the EMS long-lead and analyst tours/events.
* Expected coverage over next two-three weeks: Office Developer Kit launch, Mac apps news as part of PowerMac launch, possible leak of Office Friendly program.

2) VITAL SIGNS:

Our sales continued strong in both January and early February. In addition to the huge sell-in for Excel, Office has sold through a significant portion of the 4.0 inventory, including the automatic upgrade vouchers. We have roughly a 4-5 weeks supply of product and will work this down as we prepare for Office 4.2 channel availability in mid/late March. Channel inventory of Word VUP is relatively high, although this is not a big surprise given that the channel stocked up on promotional priced $99 product. Note that we extended the $99 promotional period on Excel VUP to April 30 to allow more time to sell this given the late ship date. Share data for November shows a continued uptrend for Office and a strong rebound for Word. XL share has held relatively steady in terms of units due to Office shipments. Standalone XL share will drop through December until the figures reflect XL5 sales

Numbers are North American three month rolling averages for new licenses

		Sept	Oct	Nov
Excel	-- Units	44%	42%	42%

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-- Rev		49%	52%	58%	
Word	-- Units		46%	38%	43%
-- Rev		46%	39%	50%	
Office	-- Units		76%	80%	84%
-- Rev		76%	79%	85%	

3) INTERNATIONAL:

We recently completed a worldwide business review, looking at our performance by region, language, and platform. We also looked at how our competition is doing around the world. A few topline comments (contact EvaCamp for the detailed XL analysis and related slides):
* Not surprisingly, highest growth opportunities are in East Europe, Latin America and the Far East
* Worldwide, Office Pro is 13% of our FY94 Office mix without considering "virtual" Office Pro buyers who bought Office Std and have/bought Access. In North America this mix has increased since the 4.x intro so we should approach 20% worldwide in the near future.
* 55% of Win apps are sold by Intl, while only 25% of Mac apps are sold outside N.A.
* Far East is key area, especially on the Mac where Apple sales are strong. Our lack of localized products has hurt us here.
* Tier 1 languages (Eng, Fr, Germ, Ital, Span, Jap, and Swed) account for 95% of our business; Japanese and Spanish show strong increases as a percentage of our mix.
* Tier 3 language performance varies dramatically; some languages are "up and coming" while others have consistently been slow movers -- usually in places where English product also sells.
* Lotus is clearly our primary worldwide competitor and has been very aggressive with fast localizations and aggressive efforts to buy share. For example SmartSuite is fully localized in several Far East languages.

4) PROGRAMS AND PLANS:

We completed several program and marketing plans over the past 3 to 4 weeks. A quick description (along with related docs) is provided below:
* Office Mktg Plan -- we updated our original plan to include 3 year mission information, objectives for the next 12 months, and tactics and implementation specifics for the next 6 months. Work is underway on a FY95 plan.
<<File Attachment: OFCMKTPL.PPT>>
* Small Org Plan -- summarizes our analysis of the smorg market and outlines strategies and tactics we will use to pursue this key segment where we are losing to Lotus and WP today.
<<File Attachment: STRAT4.DOC>> <<File Attachment: SMORGPL7.DOC>>
(Summary) (Detail)
* Mac Launch Plan -- as we approach the PowerMac launch and the release of our new Mac apps, we need to generate energy and focus to drive our Mac apps sales. The doc below provides an overview on the strategy and tactics we will pursue.
<<File Attachment: MACPLAN.DOC>>
* WordPerfect Response -- with WP dropping free support, cutting of DOS development, and losing the InfoWorld review, we have a solid opportunity to move people to Word. This plan summarizes some response tactics we are using to communicate that "there has never been a better time to switch to Word".
<<File Attachment: WPSTATUS.DOC>>
* Marketing PSS -- we have worked with the PSS marketing organization to establish how we are going to market our PSS capabilities more effectively. This plan summarizes the changes we are making including mandatories that we discuss PSS in advertising, pr, collateral, strategy presentations, etc. The main messages are "high quality support" and (in the US) "unlimited, no charge support".
<<File Attachment: OFF-PSS.DOC>>

5) COMPETITIVE UPDATE

We have instituted a program to track wins and losses in the field to understand where we are strong/weak and what we can do to increase our win ratio. We will produce monthly summaries of this data along with recommendations for action. The docs below are the January summary -- note that since this is the first time we have done this, the conclusions are still preliminary (limited data set) and we have spent most of our time analyzing loses. A few topline thoughts:
* Accounts that have heavy 123 commitment are still difficult for us to move to Office or the individual apps.
* IBM is endorsing Lotus product and working with them on SmartSuite and Notes sales; this creates difficulties for us in "Blue" accounts.
* The apps decision is still not viewed as a "strategic" choice in some accounts; they see it as a leapfrog

features game. We need to heighten the strategic nature of the sale, perhaps with our VB technology, Access, and client server type product connections.
* Feedback has been mixed on whether Notes is a factor, although when it is a part of the eval criteria, we have more difficulty. Note that Notes is on lots of evaluation lists going forward so this will be a bigger issue in the future.
<<File Attachment: WLJAN.DOC>> <<File Attachment: WLTABLE.DOC>>

The other trend we are seeing is Lotus positioning their products as "123 plus other great products". We have seen this in their seminars, advertising (Ami and 123 ads), and promos (123 plus Organizer bundle). Their logic is that 123 is the franchise they need to build from...we need to continue to drive the perception that they are just a spreadsheet company (which research tells us is still the broad market's perception). If you exclude Office sales, they have higher share in standalone apps sales (esp in small orgs) and we need to deterimine what response is appropriate. We are working on a quick draft of a Lotus attack plan in anticipation of a new version of SmartSuite in May/June and will incorporate this trend in that analysis.

Next Steps
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1) Influence and win reviews for individual apps and Office -- special push at NSTL and InfoWorld
2) Complete review/post-mortem of launch activities across all disciplines
3) Roll-out spring marketing initiatives
  - Access/Ofc Pro and Mac launches
  - WordPerfect response plan and PSS marketing efforts
  - Envision
  - Channel distribution programs
  - Smorg
4) Define plan to FUD anticipated SmartSuite release in May/June; evaluate whether/what specific action is required to address standalone apps share situation.
5) Build messaging, support (demos, backgrounders), and tactics to leverage EMS and Chicago efforts.
6) Roll-out "Office Friendly" program to key ISVs; announce at spring Comdex
7) Conduct ABP visits to finalize focus areas for subsequent Office releases