Excel Push Objective

Grow PC Excel market share from 10% to 30% by June 1990
Corporate Salesforce Growth

- Move from account penetration to account development

- 12 applications specialists, 6 SE's

- Corporate Development Program
  - 12 target accounts
  - 1 dedicated specialist, 1/2 an SE
  - Goal: 1,000 units over 12 months
  - Microsoft Executive involvement
Pricing Action

- Price cut to resellers through 6/30/89
  - Expected street price $229-$249
  - Egghead retail price from $329 -> $259
  - Egghead corp. price from $290 -> $229

- Sell-through rebate

- Lotus Exchange Offer
  - $75 or free copy of Windows
Marketing Expenditures

- Product improvements--up to $700K

- Working copies of Excel--$2 million
  - Ad response vehicle
  - In Windows box
  - Proactive mailings
  - Telemarketing follow-up

- Incremental advertising and public relations expenditures
Marketing Expenditures

- CUI/GUI Study--up to $350K

- 6 heads in ABU marketing

- Seminars
  - 5 people
  - $300K in FY89, $1 mm in FY90
CONCLUSIONS

- Market share has increased to 13-15%. 30% unlikely by June 1990. Sell-through is up 75% Q489 vs. Q488.
- Primary obstacle remains product/environment
- End-user trial is key to success
- Many individual programs did not deliver
- Execution is very important; it takes time to implement high-quality programs
Additional Considerations

- Windows 3.0 and WinWord delays have delayed results

- No new version of PC Excel for 2 1/2 years

- Lotus marketing investment and "wait-and-see" attitude toward 2.2/3.0 froze market

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### PUSH PROGRAM RESULTS

<table>
<thead>
<tr>
<th></th>
<th>Effective</th>
<th>Cost</th>
<th>Budget</th>
<th>Variance</th>
<th>ROI</th>
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<td>Product/Environ.</td>
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<td>$700K</td>
<td>$550K</td>
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<td>Pricing/Price Protect</td>
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<td>$5.5M</td>
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<td>Sell-through rebate</td>
<td>Ltd.</td>
<td>$600K</td>
<td>$700K</td>
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<td>Lotus Exchange</td>
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<td>$150K</td>
<td>$500K</td>
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<td>Advertising</td>
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<td>Working model</td>
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<td>$1.6M</td>
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<td>81%</td>
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<td>Telesales</td>
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<td>Yes</td>
<td>$400K</td>
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<td>GUI Study</td>
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<td>$350K</td>
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<td>$300K</td>
<td>$250K</td>
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Qualitative Program Assessment

• Product
  - Win 3.0 solution to most problems
  - Q+E a major win
  - Underestimated importance of 123-ness
  - Macro conversion efforts didn’t produce big wins
  - Have been waiting for WinApps

• Pricing
  - Not effective relative to cost
  - Increased channel inventory with no little change in sell-through growth rate
  - Cost=$5.5M

• Sell-through rebate
  - Effective for limited promotional spike
  - Sell-through increase not sustained
Qualitative Program Assessment

- Distribution
  - Limited change in breadth of distribution

- Lotus Exchange
  - Not effective
  - Not part of Trimester; Limited ASR attention
  - Better corporate account tool than through storefronts
  - Launched too early

* wasn't an explicit goal, but maybe it should have been
Qualitative Program Assessment

- Advertising
  - Good awareness tool. Data is sketchy
  - Effective tool for Working Model response
  - Enthusiast press more cost effective than business press, although WSJ was very good
  - Exchange offer ads not effective

- Working model
  - Effective
  - Good fulfillment conversion-8% (esp. with Telesales-19%)
  - Good corporate selling and seminar tool
  - Windows package conversion study TBD

- Telesales
  - Effective with working model follow-up
  - Effective with Seminar follow-up
Qualitative Program Assessment

- Corporate Sales Growth
  - Met goals in 5 accounts; 4 more possible
  - Long sales cycle
  - No PR Results
  - Win 3 ship will be test of investment
  - Insufficient training; 25% turnover

- Push Team
  - Effective in support of Push Programs
  - Effective in support of sales, sales training
  - ISV/Developer program gaining momentum

- Seminar Team/Accounting Seminars
  - Late start for Permanent Seminar Team
  - PST attendance improving; conversion rate good
  - Accounting seminars effective
Qualitative Program Assessment

- Public Relations
  - Limitation was ideas, not resources
  - Good spring '89 (2.2/3.0, Q+E)
  - Losing to /G, winning vs. R3 and 2.2
  - Lotus has much higher volume of press
  - Lotus better at communicating overall strategy
  - Limited corporate account win publicity
  - Didn't spend much money

- CUI/GUI Study
  - Not done yet
  - Looks good overall; less benefit for spreadsheets
Product Issues

- Product obstacles mostly unchanged since Jan 89
  - Windows (Memory, networks, 3270, setup)
  - Is Windows "strategic"?--changing rapidly
  - WinWord just shipped; other apps coming
- 123-ness still largely unaddressed. This is an important goal for Excel 3.0.
- Q+E a major win
- Macro conversion efforts not leveraged
  - Few leveraged macros
  - We can't do many conversions
Product Fixes

- Windows 2.10/2.11—setup, add'l memory
- 386Max promo/bundle abandoned due to Win 3.0
- Q+E shipped Feb. 1989 ($75K expenditure for 2.0)
- Excel prog. mgmt. helped with Win 3.0 3270 support
- PUSH team response to individual customers
- Switching Guide for Lotus 123 book
- 123 Keyboard/Macro interpreter for Excel 3.0
- Still trying to solve Lotus One Source compatibility
Pricing Action Conclusions

- Sell through rebate worked temporarily, but increase wasn’t sustained
- Price cut increased channel inventories without increasing sell-through
- Increased depth, not breadth of distribution
- Considered a confusing marketing tactic by resellers
U.S. PC Excel Retail Sell-Through

Includes Node Packs

Units/Mo.

75% Increase Q488-Q489

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PC Excel Unit Market Share Trend
Pricing Action

Reseller price decrease
Distributor price decrease
S-T Rebate

Units


Microsoft

*<sup>2</sup>PC Excel Sell-thru
<sup>1</sup>PC Excel Inventory
Sell-through by Reseller class

Reseller price decrease

S-T Rebate

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Penetration Down, Concentration Up

Distributor Price Decrease  Sell-Thru Rebate

- Dist break down/shift
- Vol increase hypothesized
- Directs are better able to execute
  proposals here
- Indirects
Distribution: Excel vs. Windows.
Distribution: Excel vs. Word

- PC Excel
- X-PC Word

Word 5.0 ships

Units

Sell Thru: Excel vs. Word

Excel Push Results
Lotus Exchange Offer

- Limited use
  - 1,900 $75 Rebates
  - 100 copies of Windows

- Most done by Corporate Software

- Little end-user awareness. Too early?

- Should it remain in our corporate account toolkit?

How much ad $41 914
Advertising Effectiveness

- $2.4M program ($1.8M incremental)
- Qualitative starch results positive
- Successful at fulfilling Working Models
  - Fulfilled 85K from ad response
  - Cost/Response was $35 \textit{on average}
- Product awareness and trial is increasing relative to Lotus 123
# Response Cost by Media Type

<table>
<thead>
<tr>
<th>Level</th>
<th>Trade</th>
<th>Business</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 1 (Issues)</td>
<td>$50</td>
<td>$386</td>
<td>$185</td>
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<tr>
<td>Level 2 (Product)</td>
<td>$49</td>
<td>$109</td>
<td>$60</td>
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<tr>
<td>Level 3 (Promo)</td>
<td>$11</td>
<td>$29</td>
<td>$16</td>
</tr>
<tr>
<td>Overall</td>
<td>$21</td>
<td>$64</td>
<td>$35</td>
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</table>

Business Press costs skewed up by BusinessWeek.
Media Conclusions

- Best Media
  - Business: WSJ
  - Enthusiast: PC Magazine, Lotus
- BusinessWeek starch results show ads above average. Starched #1 in one issue.
- WSJ consistently pulled well and was less expensive than PC Week for level 2,3 ads.
- In Business Press, Level II Ads pulled 4 times better than Level I

SS?
Ad Message Conclusions

- Pull directly related to message
  - Issue messages pull least
  - Product messages pull well
  - Promotional messages pull best
- Issue messages probably NOT good for Business Press
- Issue messages pulled better than product messages in Enthusiast Press
- Conversion was similar for Level I, II, III ads
Conversion Rate by Media Type

- Install rate is 20 points higher (77% vs. 57%) for enthusiast vs. business press

- Purchase rate after 9 months is similar (13% enthusiast vs. 16% business). N=100

- Enthusiast and business press recipients both bought about 4 units

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We are studying Win Packag...
Techtel % "Heard of"

Microsoft

AAU Study will tell us something
"narrowed gap"
Working Model

- 125K total fulfillment; 85K ad response
- 95K bundled into Win 2.11

Ad Response Results:
- Install rate is 50%
- Purchase rate is 6% after 3-4 months
- Purchase rate doubles after 9 months
- Total units is 1.5 per after 3-4 months
- Total units is 4-6 per after 9 months
- ROI of 81% (@ 3-4 months, 1.5 units)
Working Model

- Lake breaking: New Study (and Survey)
- 1/2 mailed to business address; 1/2 home
- Most uncommitteds have made a decision after 9 months
- Improve program execution and qualification process
- Other uses of working model are worthwhile

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# Telesales Effectiveness

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<th></th>
<th>Install rate</th>
<th>Purchase rate</th>
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<tbody>
<tr>
<td>No Follow-up</td>
<td>50%</td>
<td>6%</td>
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<tr>
<td>With Follow-up</td>
<td>85%</td>
<td>19%</td>
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</table>

- Working Model follow-up ROI of 168%
- 7 people, Starting in April
- Seminar Follow-up
- Sales of Excel and Word to IBM
Corporate Development Program

- Met goals (ex-PR) in 5 accounts
- Might meet volume goals in 4 more
- 3M is a recent standardization
- Investment period longer than anticipated: Start-up slow, Sales cycle long.
- Role of Apps specialist
  - Insufficient training; 25% turnover to date
  - Role and job focus unclear
- Executive involvement
  - Obscures effectiveness of specialist
  - Different levels of involvement
- 2/12 accounts were poor choices
# Actual Corporate Headcount Growth

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<th>2nd Quarter</th>
<th>3rd Quarter</th>
<th>4th Quarter</th>
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*CONFIDENTIAL*
# CD Program Results
Based on LVA data

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<tr>
<th>Accounts</th>
<th>T1-89</th>
<th>T2-89</th>
<th>T3-89</th>
<th>Total</th>
<th># of 286/386</th>
<th>% Installed</th>
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<tbody>
<tr>
<td>Ford</td>
<td>936</td>
<td>908</td>
<td>2,100</td>
<td>5,172</td>
<td>28,000</td>
<td>18%</td>
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<tr>
<td>Hewlett Packard</td>
<td>653</td>
<td>1,312</td>
<td>1,048</td>
<td>3,869</td>
<td>25,000</td>
<td>15%</td>
</tr>
<tr>
<td>Dupont</td>
<td>306</td>
<td>234</td>
<td>236</td>
<td>1,581</td>
<td>20,000</td>
<td>8%</td>
</tr>
<tr>
<td>American Airlines</td>
<td>79</td>
<td>911</td>
<td>532</td>
<td>1,550</td>
<td>20,000</td>
<td>8%</td>
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<tr>
<td>Hughes</td>
<td>216</td>
<td>160</td>
<td>350</td>
<td>998</td>
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<td>125</td>
<td>550</td>
<td>15,000</td>
<td>4%</td>
</tr>
<tr>
<td>Bank of America</td>
<td>14</td>
<td>226</td>
<td>267</td>
<td>531</td>
<td>10,500</td>
<td>5%</td>
</tr>
<tr>
<td>Rockwell</td>
<td>83</td>
<td>81</td>
<td>126</td>
<td>514</td>
<td>20,000</td>
<td>3%</td>
</tr>
<tr>
<td>Aetna Life</td>
<td>46</td>
<td>102</td>
<td>338</td>
<td>504</td>
<td>13,000</td>
<td>4%</td>
</tr>
<tr>
<td>Northern Telecom</td>
<td>23</td>
<td>40</td>
<td>95</td>
<td>279</td>
<td>3,500</td>
<td>8%</td>
</tr>
<tr>
<td>3M</td>
<td>7</td>
<td>124</td>
<td>89</td>
<td>245</td>
<td>12,000</td>
<td>2%</td>
</tr>
<tr>
<td>Monsanto</td>
<td>30</td>
<td>21</td>
<td>41</td>
<td>141</td>
<td>3,000</td>
<td>5%</td>
</tr>
</tbody>
</table>
### Permanent Seminar Team

- # Seminars, September-Present: 150
- Average Attendance per seminar: 40 and rising
- % Purchased (as of 12/89): 24%
- Average purchase: 1.5 units
- Intend to purchase: 52%
- Intend to purchase units: 6.5 units
CUI/GUI Study

- Not delivered yet
- Testing completed end of December; White Paper due by March
- Positive overall message -- "GUI is great, big benefits to those who move now"
- Under GUI, people:
  - Work faster, better
  - Become less frustrated, less fatigued
  - Learn more
  - Have ability to self-teach/explore
- Results are less compelling for SS users than WP users

Like it better
Techtel % Heard of

Excel Push Results
Excel Push Results

Techtel % Heard of

- 100%
- 90%
- 80%
- 70%
- 60%
- 50%
- 40%
- 30%
- 20%
- 10%
- 0%

Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4

* Word
* Word Perfect

Microsoft
Excel Push Results

Technel % "Tried"

![Graph showing quarterly sales data from Q1 1988 to Q4 1989 for Excel and Lotus 1-2-3. The graph indicates fluctuations in the percentage of products tried across the quarters.]

Microsoft
Excel Push Results

Techtel Tried
Techtel Tried

- Excel Push Results

- Microsoft