Erik Stevenson (LCA)

From: Mosne Dunie
Sent: Monday, February 24, 1997 11 07 PM
To: Bill Gates; Paul Maritz, Jim Allchin (Exchange)
Subject: Memphis IEU focus groups report

The focus group report in the mail below is long so I just selected the paragraph that seemed especially interesting

- Most of our IEUs were Navigator users. They said they would not switch, would not want to download IE 4 to replace their Navigator browser. However, once everything is in the OS and right there, integrated into the OS, 'in their face' so to speak, then they said they would use it b/c there would be no more need to use something 'separate'. The stunning insight is this: To make them switch away from Netscape, we need to make them to upgrade to Memphis. The good news There is enough value in Memphis that they would shell out even $89 for the upgrade Due to methodological restrictions we will test the price elasticity further in a quantitative survey

—Original Message—
From: Christian Wildfeuer
Sent: Monday, February 24, 1997 10 38 AM
To: Adam Taylor Carl Stork, Jeff M Johnson, Bill Veghte, John Gray; David Williams (POSD), Ed Stubbs WIN Marketing Group
Cc: Rich Tong; 'Brad Chase', Rob Schoeben, Bob Foulon, Jessica Vania, Yusuf Mehdi, Lora Shiner, Christian Wildfeuer
Subject: Memphis IEU focus groups report (long mail)

Here is a summary of the second round of Memphis focus groups This time we had IEUs who bought Win 95 within the first month of its release Bobfou, feel free to add comments from your end

Our objectives were to
1) Test the compellingness of the Memphis feature set based on the latest thinking in this area
2) Find out whether IEUs would recommend to buy Memphis (this will be key!)
3) Test naming (Windows 98 vs Windows 5 0)
4) Test positioning based on what we learned from the focus groups last time
5) Test the IE 4 positioning based on the latest drafts from the IE team
6) Find out how people perceive Memphis vs IE 4
7) Get a first idea of price elasticity

Summary:
- The IEUs liked what they heard about Memphis The features we added to the list definitely helped them perceive the product as more than an upgrade The overall list we presented (attached below) positioned the product somewhere between 'More than an upgrade' and 'Next Generation' of Windows, but definitely not just an Upgrade. It was also pretty clear that the Internet is just one more key thing they are now doing on their PC, similar to Word or Excel. They cared a lot about the overall feature set, and would be disappointed, if IE 4 were essentially the only new thing in Memphis

- After seeing the latest feature list and watching a demo of WebView and Web page subscriptions they said they would definitely buy the product and recommend the product

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to other users Interestingly, only a minority would download IE4, even if it will be free and available a couple months before Memphis Most of them said they would rather buy the whole package They generally attributed WebView more to Windows than to IE4 despite the fact that we repeatedly pointed out they would get this new interface with IE 4 It seems to be too much of a dramatic UI change (they LOVED it) that somehow to them this is an attribute of the OS

- Most of our IEUs were Navigator users They said they would not switch, would not want to download IE 4 to replace their Navigator browser However once everything is in the OS and right there, integrated into the OS, 'in their face' so to speak, then they said they would use it b/c there would be no more need to use something 'separate' The stunning insight is this To make them switch away from Netscape, we need to make them to upgrade to Memphis. The good news. There is enough value in Memphis that they would shell out even $89 for the upgrade. Due to methodological restrictions we will test the price elasticity further in a quantitative survey

- Therefore, the key takeaway from these focus groups seems to be clear We need to strengthen our key asset and our key brand which is Windows to win the Internet war on the desktop side. If we do a great job with Memphis for consumers and later NT 5 for businesses delivering solid products with new compelling features and conducting great product launches, we can leverage these assets to convert the Navigator installed base and eclipse Netscape's browser market share leadership But if we rely on IE 4 alone to achieve this, we will fail. Not only will we not overtake them in market share, we would also give up leadership on the operating system side and become vulnerable targets for attacks from Netscape (Constellation) and the NC alliance

Findings in detail:

1) Feature set:

Of the new features in discussion the following were most compelling (ranked by perceived value)

- Anti-Virus with automatic updates over the Web People did not really care what product this would be as long as it's part of the OS and has Microsoft's 'blessing'
- 'Self-maintaining PC' (automatic, user-defined system clean-up and application uninstall)
- Unfolding control panel from within the start menu
- Start menu always on top
- Desktop icon on the task bar (provides single click access to all the items on the desktop area without having to minimize all open windows Reveals all icons, shortcuts, folders and open windows on the desktop in one menu)
- Internet-enabled game

People did not care about

- Performance Wizard (they do care about faster though just don't want to go through extra steps to get it)
- Partition magic (surprisingly, disk management was not a biggy for them)
- Desktop Themes as in Plus
- WinZIP
- Image Composer
- One extra free month from an ISP
- Web community a la Office 97 (did not catch their interest at all)

Adding more features to the list for Memphis definitely helped increase the compellingness of

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the product The overall list we presented (attached below) positioned the product somewhere between 'More than an upgrade' and 'Next Generation' of Windows, but definitely not just an upgrade Most compelling were the buckets Easier, Faster, More Reliable, More seamless Internet access, and More Powerful Interestingly, the IEUs were VERY much interested in More Reliable as in more crash-proof, bug-fixes etc In our prior groups this only mattered to IS

It will be important to point this out as it will be one of the reasons IEUs will recommend to buy the product It was also pretty clear that the Internet is just one more thing they are now doing on their PC It has not moved into the center of their universe. They cared a lot about the overall feature set, and would be disappointed if that were the only new thing in Memphis

2) Will IEUs recommend to buy Memphis?

The answer is yes even without all the features we talked about. The new list seemed to be very rich to them Some things they did not care about (Multiple display support, DirectX, Internet System Update, Web Community), others were very important and impressed them a lot such as faster (app load, boot time), easier (they did like WebView quite a bit despite a very short 3 minute glimpse only), more reliable integrated Internet access, subscriptions with 'Off-line' Web access due to caching

We have a winner on hand with Memphis, if we add some of the proposed new features and if we make it a big launch It needs not be as big as Win 95, but it should be similar in scale to the launch of Win 3 1 The IEU's will be the key audience that will give us enough word of mouth so that fringe users and second wavers will also go out, buy the product and join Microsoft's Internet camp

3) Naming: Win 95 vs. Windows 5.0

This was very educational. The IEUs were very confused when they heard Windows 5 0 We heard the following unaided connotations:

- Inconsistent to 95
- Unclear
- I am confused
- Next version coming after 95 (he added 'they must think they have screwed up the naming w/95, and people didn t like the year naming convention')
- Addendum (you need to have both 95 and 5 0)
- Technical
- Fix to 95
- More complex product
- Upgrade
- Faster, friendlier
- Customizable and seamless Internet
- Regression to old naming style
- Trash
- Knock-off of WordPerfect
- Backwards (why buy this when WordPerfect s already at 7 0)
- NT stand-alone version
- Business use
- Means nothing to me, don't know what that could be
- Advanced version of 3 1
- Less powerful and smaller than 95

No one made the connect to NT 5 0, and they definitely got very confused on what this product would be Only one guy out of 18 total identified it as the successor to Win 95 It seems clear that it would be very challenging to call Memphis Windows 5 0 People have identified

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Windows 95 as Microsoft's OS for the masses and expect future versions to follow this naming convention

Windows 98 unaided connotations
- Major upgrade
- More natural more clear
- More fun, more bells and whistles
- Want to know more about it
- Crash-proof
- 64-bit

Similar to the focus groups Rob Bennett did last year this was the clear winner

4) Memphis positioning:

We tested the following concepts:
- *Windows 98 is the productivity boosting information highway system that is faster, easier to use and delivers the best information on the internet to you.*
  This tested very badly People thought Information highway system is an overhyped term and means nothing to them In general they thought this talks too much about Internet features.
- *Windows 98 is even more than an upgrade faster more powerful, self-maintaining and is the best and easiest way to get the most out of the internet*
  This tested better. People liked self-maintaining and faster
- *Windows 98 is the next generation of Windows, combining the best of the Internet with the best of the PC*
  Here we got closer to what people preferred to hear. Some liked next generation more, some like the combination benefit statement
- *Windows 98 is the upgrade to make Windows more reliable, more powerful, easier and faster, while giving you the best of the internet.*
  This was the clear favorite of our test persons. They liked the buzz words and thought it was a succinct statement. Giving you the best of the Internet' did not ring much of a bell though They thought this does not tell you what you get.

Generally speaking, people used terms like faster saves time, more efficient, productive, friendly to describe when they like one of these statements Most of them thought that the last one came the closest to describing these attributes
This confirms the results from our previous groups (OEM users, fringe users, IS)

Let's recall. In this test we combined iterations from the IE team with our famous fast/easy buzz words We also tried upgrade and next generation The fast and easy buzz words are clear winners, but I recommend to combine them with Next Generation going forward Upgrade is too limiting. People have acknowledged that this is more than an upgrade Let's take advantage of that On the Internet side of the equation we need to huddle with the IE team and see where they are. We have enough data now to recombine what works well in a compelling succinct statement. Whatever we come up with should then be included in our quantitative survey coming up in the next couple of weeks

5) IE 4 positioning test:

At the end of each group we tested the following 3 statements that the IE team is currently considering

- *Internet Explorer 4 is the leading integrated suite that delivers the easy personalized, and*

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complete way to get the most out of the Internet
This was the clear favorite Some did not like the many words

- *Internet Explorer 4 is the leading integrated suite that delivers the best information on the Web to you*
  This tested the worst People are not yet familiar with what the Push model can do for you. Therefore basing the positioning on this feature might create an unnecessary barrier
- *Internet Explorer 4 delivers the Internet in an easy and personalized way*
  This came in second People liked its shortness, but many said it does not say enough

People also liked a statement that was used in earlier IE focus groups using the terms 'More Ease, More Personalization, More Possibilities: Get more from the Internet' This seemed to be nearly as compelling as the first statement.

6) Memphis vs. IE 4:

I did a quick demo showing WebView and the subscriptions They loved it The demo was rated very high averaging 9 on a scale 1-10 with 10 being the highest possible rating They liked the following concepts

- Descriptions for what an icon represents on the right side of the screen
- Back-button
- Single-click
- Visual attractivity
- Uniformity
- Auto-download at pre-set times (no busy signals!)

Their feedback had comments like 'This is information at your fingertips', 'feels powerful', 'not intimidating', 'seems so easy', 'would have to work less hard', 'fast'. I told them the new UI would be optional Some liked to hear that, but most wanted the 'new thing'

They had liked the feature set already. After seeing the demo, everyone said they would buy the product Interestingly, they attributed these new features to Windows and not to Internet Explorer, and this despite the fact that we repeatedly hammered home the message that they would get all that in IE 4 for free, if they downloaded it off the Web This did not stick They came back saying they would want to buy Memphis to get this. I think we hit two issues here

a) Some do not like downloads. They think it is clumsy and slow, and are afraid of viruses.
b) The shown features look so much like an OS attribute that they automatically identify them with Memphis, not with IE 4 Some also said they would want Memphis to get the 'fully tested and integrated version'

It seems clear that it will be very hard to increase browser market share on the merits of IE 4 alone. It will be more important to leverage the OS asset to make people use IE instead of Navigator. I have summarized this key insight in the summary section at the beginning of this email

7) Price elasticity:

Our findings in this area need to be taken with a grain of salt. We will be able to address this more methodically in the survey, but nonetheless we wanted to do a good first sanity check to find out what a small sample of IEUs thinks about the product's value.
To our surprise $89 did not seem too high to them After seeing the feature list and the demo and remembering what they paid for Win 95 they thought, yes, they would shell out another $89 to upgrade to Memphis Some said they would buy it for $69 But in any case they saw more value in the product than the OEM and fringe users in our previous focus groups So

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there is hope for a higher price point than originally suggested. Our original thought was $49 for Win 95 users, and $89 for 3.x users

Next steps:

1. Get together with the IE team and come up with a coordinated positioning statement that works well in the optimal semantic space as outlined by the focus groups participants
2. Write 'sub positioning' statements for IS vs. end users
3. Differentiate from NT5
4. Finalize support points for the positioning statements
5. Communicate positioning work to International product managers.
6. Commission quantitative survey to validate findings and expand on price elasticity research.

Attached: Memphis tentative feature list, as tested:

FEATUR~1.DOC

One last note: A complete study report from the research company will be sent later this week. We used the same company and moderator as the IE team

Thanks to bopfcu, Jeff Johnson, billv, andreasb, jessicav and all the other people who contributed to this research!

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