

MOHANBIR SAWHNEY

It's a New Day: Microsoft's Office 2007 Launch Campaign

In April 2007 Jordan Passon, advertising director for Microsoft Office, sat at her desk poring over a stack of marketing materials for the upcoming launch of Office 2007. She was both excited and concerned. Her excitement came from the fact that Office 2007 was the most significant update to the product in twelve years. At the same time, Passon was concerned because Office was a mature and widely-accepted product, and evidence suggested target customers felt little need to upgrade. Furthermore, the last Office product launch in 2003 had failed to meet expectations for creating the desire to upgrade.

Passon turned her attention back to the materials with the knowledge that her team had little time to finalize the components of the campaign.

Microsoft's Office Business

Office had been a major part of Microsoft's business for nearly twenty years. By 2009, the vast majority of enterprises used some version of Microsoft Office, making it Microsoft's largest product.

1989–2002: An Integration Revolution

Microsoft Office, a set of interrelated desktop productivity applications, servers, and services, collectively referred to as a "suite," was introduced by Microsoft in 1989 on Apple's Macintosh operating system, with a version for Windows released in 1990. The first version of Office contained Microsoft Word, Microsoft Excel, and Microsoft PowerPoint. The "Pro" version of Office included Microsoft Access and Schedule Plus. At the time, the integration of multiple software applications into a suite was a novel value proposition—prior to the release of Office, productivity applications had been available only on an individual basis. The market leader for word processing applications was WordPerfect and Lotus 1-2-3 led for spreadsheet applications—Microsoft's individual applications did not lead in any category.

As Windows quickly gained market share among corporate users in the early 1990s, Office became the best-selling productivity application, eclipsing all other individual and bundled

software products. By one estimate, Office had more than a 95 percent share of application suite products by 2000.¹

2003–2005: Serving the Information Worker Segment

The contribution of Office to Microsoft's dominance of the software market was reflected in the company's reorganization into seven product segments in fiscal year 2003. One segment was dedicated to the information worker (IW). The IW segment was "responsible for developing and delivering technologies that focus on improving technologies for information workers in corporations,"² a brief that included Office-related programs, servers, services, and solutions.

By 2005, the IW segment's focus was expanded "beyond personal productivity to look at how people interact with the flow of information in an organization."³ This broader scope was reflected in the new features of Office 2003 (see "The Office 2003 Launch" section below for details). However, IW segment revenue for fiscal year 2005 reflected slowing annual growth, which was likely the result of the maturity of the Office product line.

2006–2007: Facing Maturity

In July 2006 Microsoft reduced its seven segments to five and made the IW segment part of the Microsoft Business Division. As the firm prepared to launch Office 2007, Business Division revenues (recast at the end of 2006 to reflect the reorganization) were growing at a rate of 7 percent annually. This growth rate suggested IWs felt their current versions of Office were sufficient for their needs. Office was a mature product (almost twenty years had passed since its initial release) that was facing increasing competition from web-based software such as Google Docs and ajaxWrite's word-processing application.⁴

The Office 2007 campaign was the first launch since Office 2003, which had succeeded in creating awareness but had failed to create the perception that the upgrade was necessary or desirable. Passon's team was determined to apply the lessons learned from this previous launch. (See **Exhibits 1** and **2** for a timeline of Office releases and recent Office revenues, respectively.)

The Office 2003 Launch: The New Era Campaign

With the 2003 version, Microsoft Office became a system of twenty-three products (including programs and servers) aimed at improving individual, team, and organizational productivity. Office 2003 included minor feature-related enhancements (e.g., a special Word pane linking to research sites, a new junk-mail filter for Outlook), but its primary value proposition was improved collaboration. As a Microsoft product manager stated, "Office [2003] is aimed at

¹ "A Peek at Office Upgrade," *PC World*, September 14, 2000, <http://www.pcworld.com/article/id,18462-page,1/article.html>.

² Microsoft Corporation Annual Report, 2003 10-K statement, p 1.

³ *Ibid.*

⁴ Stephen Wildstrom, "Watch Your Back, Microsoft Office," *BusinessWeek*, June 28, 2006, http://www.businessweek.com/technology/content/jun2006/tc20060628_286363.htm?chan=search.

personal productivity, and productivity of the team you work with, and productivity of your entire organization.”⁵

The campaign for Office 2003, which ran from March 2005 to April 2006, was part of a marketing and messaging effort based on the theme “A New World of Work.” Its goal was to change IWs’ perception of their current Office version from “good enough” to “not good enough anymore.” The campaign ran in print in twenty-four countries. Of the more than \$30 million budgeted for the campaign, 29 percent was allocated to digital elements, with 71 percent going toward traditional media. Among the elements included in the digital campaign were streaming video clips, online banners, and special programs (e.g., a CNET Download.com screensaver) that directed audiences to a website where they could trial products and find more information.

The results of the campaign showed that traditional media, driven predominantly by print ads, significantly improved recognition in many countries, including the United States, Japan, and the UK. Among the digital elements, search drove a significant portion of site traffic despite receiving a very low proportion of the spending; special programs drove nearly half of referral traffic, but they did so at a much higher cost than search.

In general, the advertising-heavy campaign was successful in improving awareness, but resulted in almost no movement toward perception-change goals. Many IWs continued to believe—justifiably, according to industry observers—that their existing Office software was sufficient for their day-to-day tasks, and thus tended not to seek Office upgrades. Many firms only made the switch to Office 2003 because they had purchased licenses that included free upgrades.

Learning from the Office 2003 Campaign

Microsoft’s marketing team asked two key questions about the Office 2003 campaign:

- Did we have the right target audience?
- Was the perception change too hard to effect?

The team concluded it had targeted the right audience, but with a less-than-effective approach that resulted in suboptimal shifts in perception. Specifically, Microsoft had overestimated the impact of advertising on consumer perceptions. Further, the launch had used copy-heavy advertisements that tried to explain too much, rather than intriguing viewers and motivating them to learn more about the product.

Finally, the team had underestimated the need for target audiences to experience the product before purchasing. Compounding this, Microsoft had underestimated the impact of version confusion among its target users; for example, almost 60 percent of users held the misperception that the current version of Office at that time was Office XP, rather than Office 2003.

⁵ Todd Bishop, “Microsoft Unveils Office 2003,” *Seattle Post-Intelligencer*, October 20, 2003, http://seattlepi.nwsource.com/business/144528_msftoffice20.html.

It's a New Day: The Office 2007 Campaign

Passon and her team faced several major questions as they finalized the Office 2006 campaign. What was the right mix of traditional and digital media in the marketing campaign? How could the team balance the need *to create awareness* of Office 2007's availability and value proposition with the need to motivate the target audience *to experience* the new product? Related to that, how should the launch team optimize the campaign budget? How should it define and design the most effective "digital experiences"? How should it measure the impact of these experiences?

Targets, Goals, and Metrics

The objective of the launch campaign was to convince target segments that Office 2007 would help them achieve a significantly higher level of productivity. According to Alex Holzer, group ad manager for Microsoft's central marketing group, this was especially challenging because IWs had little emotional connection to Office, seeing it as little more than a useful tool. Passon's team was targeting the high end of Microsoft's IW segmentation scheme, or what it called the "super engaged" and "enthused practicals" segments—groups that had generally high levels of PC skills and positive attitudes about the potential of technology to improve productivity.

These target segments were large. Of the estimated 400 million IWs worldwide, approximately 25 to 35 percent fell into these two groups—14 percent super engaged and 18 percent enthused practicals in the United States, for example. Both categories tended to skew toward males (63 percent) who were married, had high household incomes, and lived in or around urban centers. Super engaged IWs were early adopters with strong influence on IT decisions at work; enthused practicals, although reliant on technology and willing to spend money on hardware/software, did not think of themselves as particularly knowledgeable about computing.

Based in part on lessons learned from the Office 2003 campaign, Passon's team developed specific targets, goals, and metrics for the campaign,

Significantly, the team set the campaign goal well beyond a single perception change; the team would not only measure perception shifts at multiple points in time but also gauge target audience experiences and version awareness in order to understand their intended actions. The team aimed for an increase of 10 percentage points in unaided new version awareness of Office 2007, and a shift of 6 percentage points in the "I need Office 2007" perception.

Microsoft also engaged in corporate-level marketing efforts aimed at other segments, including IT and business decision makers (BDMs) for Office 2007, but these were separate from the IW-focused campaign managed by Passon's team.

Campaign Strategy

The launch team intended to utilize both traditional and digital advertising to generate the enhanced awareness and intrigue that would drive target segments to experience Office 2007 digitally. The experiences would shift the IWs perceptions and ultimately motivate them to influence BDMs to purchase or upgrade to Office 2007.

Out of this approach grew the “It’s a New Day” campaign strategy for Office 2007, which was based on a simple idea as expressed in the following equation:

$$\textit{Version Awareness} + \textit{Product Experience} = \textit{Perception Change}$$

Essentially, the two-step strategy would stimulate awareness of Office 2007 using traditional media, which would drive target groups to experience it online at Office2007.com, leading to a change in perception. (See **Exhibit 3** for an overview of the approach.) Several specific tactics emerged from this two-step strategy, including targeting IWs based on attitudes, highlighting the right product to promote version awareness, exposing audiences to new and unique features to drive perception change, and focusing on digital marketing.

The general advertising strategy was to create awareness and drive experience using a mix of out-of-home (OOH), print, and online ads. Specifically, OOH, print, and broad-reach online ads were to be used first to “jolt” and deepen market awareness, which would be followed by more print and online ads that would drive consumers to engage with the product through hands-on digital experiences. (See **Exhibit 4** for examples of Office 2007 OOH and print advertisements.)

Creating Digital Experiences

The Office 2007 campaign took place at a time when marketers in many industries were shifting from “exposure-based” marketing to “experience-based” marketing. That is, they were moving away from merely exposing potential customers to traditional advertisements—whether print, television, or online banner—as the means to heighten awareness, and moving toward engaging them with interactive elements that would not only create awareness but also enhance their perceptions of the offerings and ultimately drive greater revenues. Interactive elements (which included ads) enabled target audiences to explore, discover, and engage with products rather than just passively view ads about them. As part of this shift, marketers were willing to sacrifice the broader reach generated by traditional ad campaigns in exchange for the deeper and more enduring interactions between customers and products fostered by digital experiences.

Although interactive marketing tactics were effective in both analog (e.g., an interactive in-store display) and digital (e.g., online) formats, the Internet provided a medium that offered in-depth experiences to a large number of potential customers quickly and at low cost. As a result, offering digital experiences had become the standard interactive marketing approach in many industries by the time Microsoft rolled out its Office 2007 campaign.

Several brand marketers had experimented with interactive digital experiences to promote their brands. For example, energy drink Red Bull had launched “Roshambull” (also known as “RoShamBo”), a Facebook application based on the game “Rock, Paper, Scissors.” Users were invited to challenge others to “best of three” showdowns and to wager on their skills.⁶ Similarly, in 2007 automobile insurance provider GEICO invited online users to visit the “Caveman’s Crib” site, where they could view commercials, download applications, and visit the virtual home of the popular characters from the television ad campaign.⁷ The award-winning Caveman’s Crib started as a simple site that invited the viewer to be the first guest at a hip party at the caveman’s penthouse apartment, but it quickly grew into an interactive entertainment portal offering multiple digital experiences.

⁶ Facebook website, “Red Bull Roshambull,” <http://www.facebook.com/apps/application.php?id=2319814274>.

⁷ GEICO website, “GEICO Caveman,” <http://www.cavemanscrib.com>.

Among these was “Party Out of Bounds,” which allowed users to view the party’s aftermath from different points of view through three virtual camera phones featuring embedded video. “Eyes Wide What?!” took users to a costume party with different rooms that contained clues to the backstories of the cavemen, complete with 8mm movie footage of their childhoods. The “iHEARTCAVEMEN” portion of the site gave users an online “dating” experience that provided opportunities to examine dating profiles of the cavemen, to morph themselves into cave people, and to view potential cave-baby offspring. (See **Exhibit 5** for a screenshot of the Caveman’s Crib site.)

Digital Experiences for the Office 2007 Campaign

Even though digital experiences enhanced perceptions of energy drinks and auto insurance, the products themselves were inherently nondigital—unlike Office 2007, which could be experienced online. It was an “experiential digital product,” the value of which could only be understood when experienced onscreen, rather than seen in a television or print advertisement. As Microsoft’s Alex Holzer put it, the campaign team’s motto was, “Seeing is believing.”

Passon’s team recognized that Office 2007, although it represented an improvement over previous versions, was likely to be initially disorienting for existing Office users because it included multiple new elements, including a new user interface called the Ribbon (see **Exhibit 6**). With this in mind, the team decided to offer an online product demonstration, an online trial (“test drive”), and a downloadable trial.

A *product demonstration* was an interactive (Flash-based) demonstration or a non-interactive “show and tell” video that required no registration (see **Exhibit 7** for an example). A *test drive*, which required registration, was a free online trial using a web-based product simulation and a downloadable browser plug-in. A *downloadable trial* was a free trial version of the full software—it, too, required registration. Each experience required a different level of commitment from an end user, and therefore was assumed to vary in its relative effectiveness in changing perceptions.

Issues for the Office 2007 Campaign

As it considered how to deploy the digital and traditional components of the upcoming campaign, the Office 2007 team confronted three key issues: determining the optimal mix between traditional and digital ads, designing effective digital experiences, and measuring the impact of the digital experiences.

Determining (and Budgeting for) the Optimal Mix of Components

The Office 2003 campaign had utilized a mix of approximately 70 percent analog and 30 percent digital media. Although the Office 2007 team still planned to use traditional ad placement (e.g., print, television, billboards) to generate awareness and drive target audiences to experience the new product, it felt the new campaign needed to place more emphasis on digital media. This was in part because the team wished to stimulate *both* awareness and experience, but it was also necessary to familiarize current users with Office 2007’s revamped interface.

The team knew it had to shift the balance toward digital experiences, especially in light of the Office 2003 campaign’s results, but it wrestled with exactly *how much* to modify this balance.

The interdependence of the two types of media meant that even the most beautifully designed and engaging digital experiences would do little to enhance perceptions of Office 2007 if traditional media-based approaches failed to entice audiences to seek them out.

Balancing the media mix also involved cost considerations. Digital experiences were potentially more expensive to develop and their effectiveness had not yet been proven. Passon's team knew that at some point it would face diminishing returns on digital experiences, but there was no research to help it understand where that hypothetical point was.

Finally, when deciding the media mix to implement, the Office 2007 team had to take into account the product's point in its lifecycle. Office had debuted almost twenty years earlier as a revolutionary, industry-changing product, but in the current market, bundled productivity applications were commonplace, and web-based applications (such as Google's) were gaining popularity. In addition, as the team knew all too well, IWs generally felt their current Office versions were sufficient for their needs. The maturity of the Office product was clearly an important factor in the launch, but it was not clear to Passon's team how best to account for it in the media mix decision.

Designing Digital Experiences

Once it had finalized the media mix and budget and chosen its three digital experiences, the Office 2007 team still had to answer some key questions. For instance, it had to decide the *specific nature* of the digital experiences that should be offered, in particular their optimal depth or comprehensiveness. For example, the team had decided to offer online demonstrations, but it still had to determine the number and duration of the demos, along with the number and types of Office 2007 features to include.

Similar questions arose for the online test drive and the full downloadable trial. What was the optimal duration for the downloaded trial—thirty days? Sixty days? Longer? The team had some preliminary evidence that shorter digital experiences (e.g., relatively brief demos) could be disproportionately effective, but it had little else on which to base its decisions, which would affect not only the impact of the digital experiences but also their cost and the team's ability to measure their effectiveness.

Passon's team also had to consider the *sequence* in which audiences were likely to access digital experiences, as well as the effect this would have on their perceptions. It was easy to assume that online users would move naturally from a demo to a test drive to a downloaded trial, but the team had no data to support this. Similarly, it could only guess how the digital experiences would complement—or potentially clash with—each other. Would viewing an online demo be sufficient for target audiences, to the point that they would not utilize the test drive? Would the test drive obviate the need for the full download?

Finally, the team debated the best *placement options* for links to the digital experiences. It recognized that much of the campaign content would be housed on the Office2007.com website, but placement of digital experiences—or at least links to Office2007.com—on other sites would be an effective way to drive awareness and interest. One clear candidate for placement was MSN.com, the Microsoft Network's Internet portal, one of the most visited sites on the web. Other candidates included technology-focused sites (e.g., CNET.com) and popular social networking sites such as Facebook and MySpace. Some of these sites offered broader reach, and others delivered a potentially higher proportion of the target IW segments.

Measuring the Impact of Digital Experiences

Partly because the Office 2007 campaign's digital experiences represented new territory, Passon's team was especially interested in measuring the individual and collective impact of these experiences. Return on investment would be used as one metric, but determining exactly how to measure the effectiveness of the digital experiences presented many challenges.

A key challenge for the team concerned the specific *unit of measurement* to use in assessing impact. Given the level of interactivity of the Office 2007 digital experiences, traditional metrics such as CPM⁸ would probably be inadequate for the team's purposes; the team hoped the impact of each experience would be far greater than making a shallow "impression" on a passive viewer. But what, then, were more valid measures?

A related question concerned the relative impact of each type of digital experience on the audience's perceptions of Office 2007. Based on the assumption that deeper experiences such as the downloadable trial would have a greater impact on perception, the team created an "experience point system" that assigned point values to each digital experience based on its projected impact: 1 point for a demo, 7 points for a test drive, and 14 points for a downloadable trial. But a fundamental question remained unanswered: Was it possible to create a valid, easily communicated "common currency" to measure all digital experiences?

Even if the team could create such a currency and design optimal measures to gauge the impact of the digital experiences, it faced many additional questions with regard to measurement. For example, it could only hypothesize about how the design of each experience would affect its reach and impact. Would a shorter demo have broader reach but less impact? How could the team measure such a scenario? Similarly, it had to determine a specific point in time to test the different digital experiences for their effectiveness. This was related to the earlier question of whether the experiences would have complementary effects, as hoped. Would a demo lead to a test drive and/or a downloaded trial? How could the team measure this?

Conclusion

Passon played these and other questions over in her mind as she continued her review of the Office 2007 launch materials.

The Office product was a key element of Microsoft's competitive position; she knew that a successful launch was crucial. Her team was in uncharted territory, without data to validate its decisions, but she knew it was time to finalize the details of the campaign.

⁸ CPM stands for cost per thousand impressions. Each impression represents the exposure of one person to a given ad through print, television, or other means.

Exhibit 1: Microsoft Office Timeline

Date	Office Version
1989/1990	Office released for Mac OS and Windows
August 30, 1992	Office 3.0 released; Repackaged as Office 92
January 17, 1994	Office 4.0 released
June 2, 1994	Office 4.3
July 3, 1994	Office for NT 4.2
August 30, 1995	Office 95 7.0
December 30, 1996	Office 97
January 27, 1999	Office 2000 9.0
May 31, 2001	Office XP (10.0)
November 17, 2003	Office 2003

Exhibit 2: Financials for Microsoft Segment/Division Housing Office, 2000–2006
(\$ in billions)

	2000	2001	2002	2003 ^a	2004	2005	2006 ^b
Segment	Desktop/ Enterprise Software & Solutions	Desktop/ Enterprise Software & Solutions	Desktop/ Enterprise Software & Solutions	Information Worker	Information Worker	Information Worker	Microsoft Business Division
Segment Revenue	9.30 ^c	9.54	9.60	9.23	10.80	11.01	11.76
Restated Revenue	—	8.42	8.21	9.11 ^d	10.75	11.17	14.49
Segment Operating Income	—	—	5.93	6.49	7.15	7.92	8.29
Microsoft Total Revenue	22.96	25.30	28.37	32.19	36.84	39.79	44.28

^a The number of product segments was revised from four to seven. The IW segment was created to focus on improving productivity for information workers in corporations.

^b The number of product segments was revised from seven to five. The IW segment was eliminated, and the Microsoft Office (accounting for more than 90 percent of revenue) and Microsoft Dynamics products were placed in the new Microsoft Business Division.

^c Indicates Desktop Applications revenue only, which included Microsoft Office. Revenue for the entire Desktop/Enterprise Software & Solutions segment was \$20.4 billion, \$22.41 billion, and \$24.01 billion in 2000, 2001, and 2002, respectively.

^d Prior fiscal year information recast to conform to change in operating segments.

Exhibit 3: Overview of Office 2007 Campaign Strategy

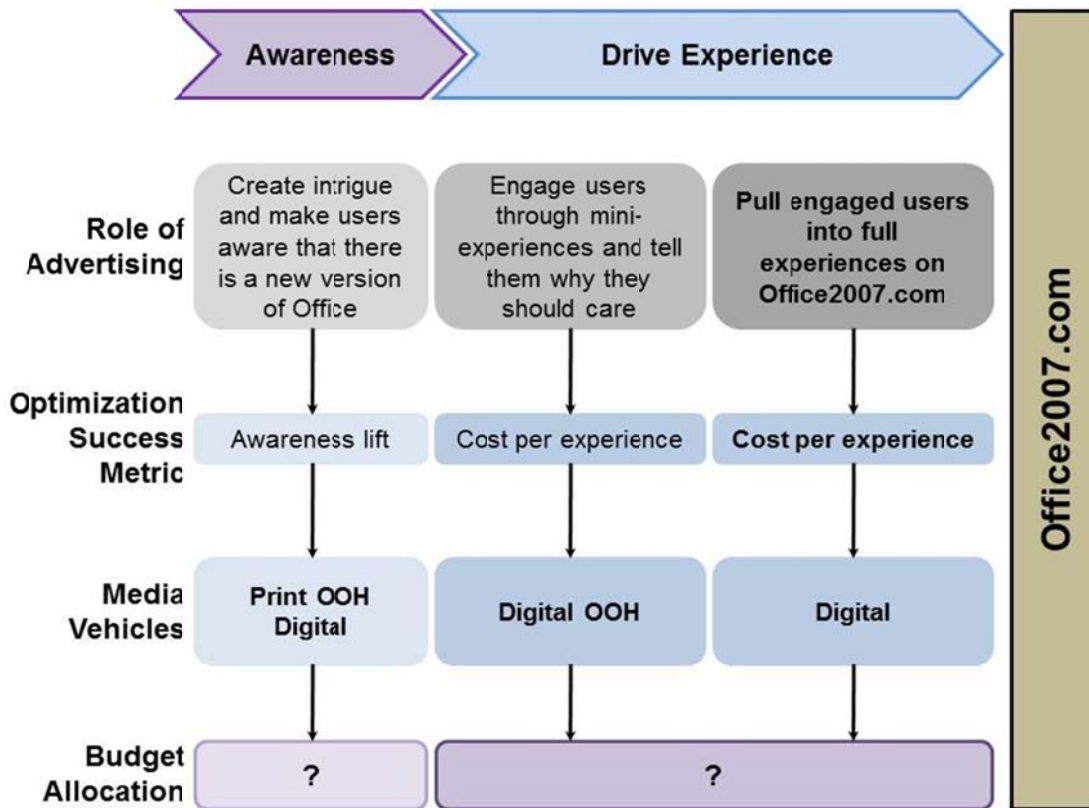


Exhibit 4: Examples of Office 2007 Out-of-Home and Print Advertisements

Out-of-Home Advertisement (Billboards)



Print Advertisement



Exhibit 5: Geico's Caveman's Crib Site

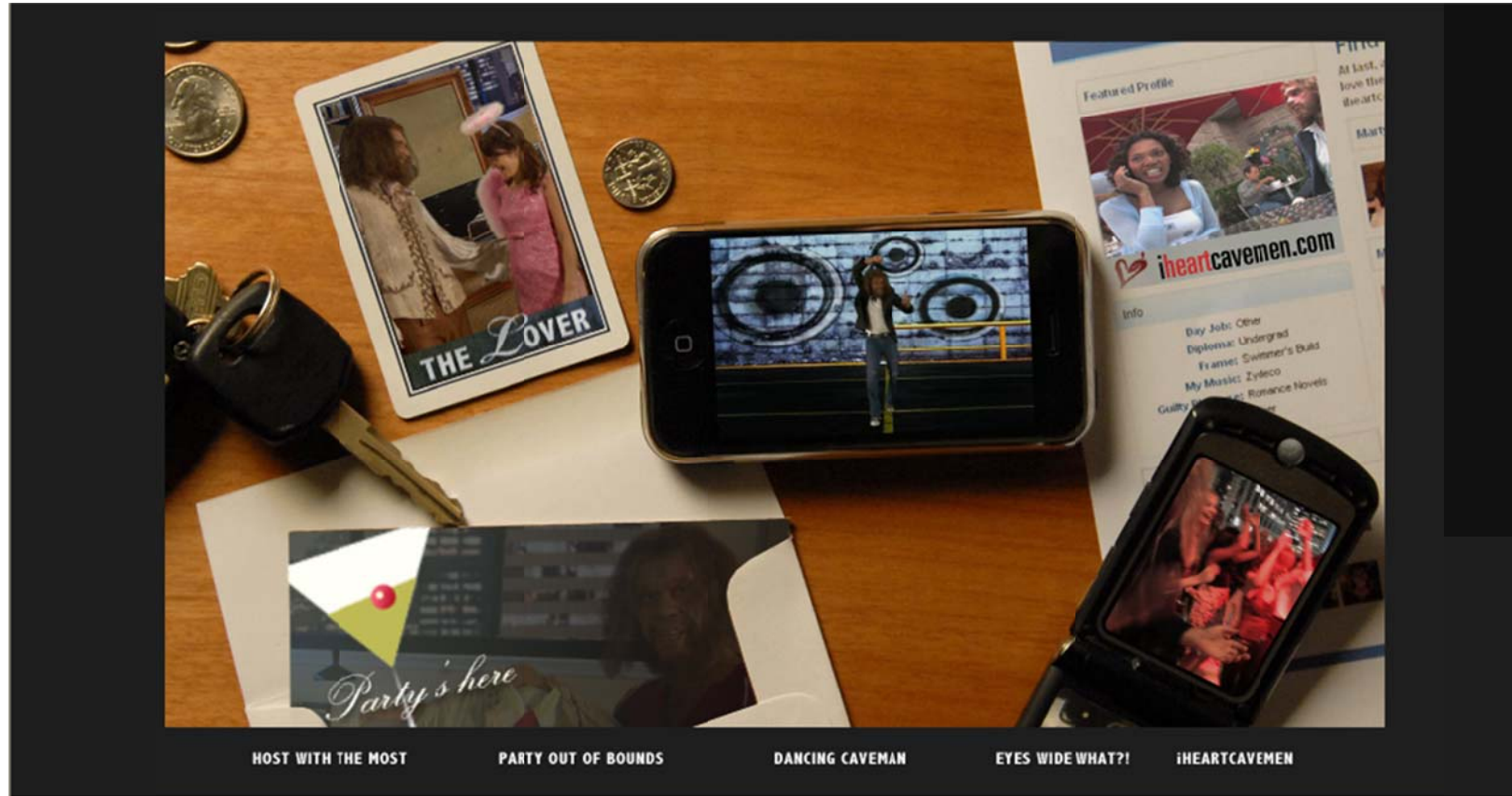


Exhibit 6: Office 2007's User Interface—The Ribbon Feature

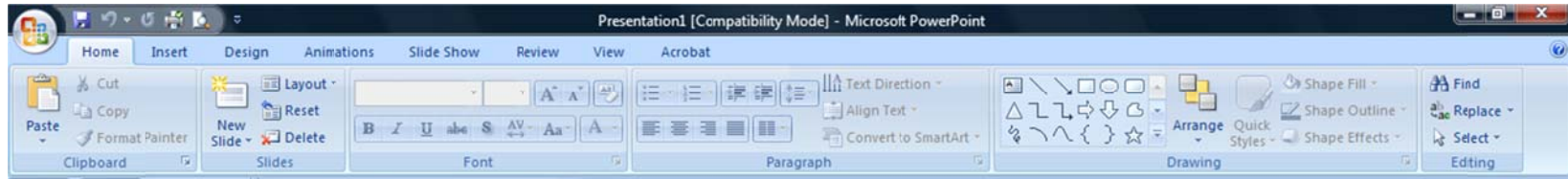


Exhibit 7: Example of Office 2007 Show & Tell Video

Quick Links | Home | Worldwide

Search Microsoft.com for: Go

Home | The improvements | The Facts | The Films | Download a Trial

Sales Report - Microsoft Excel

Home | Insert | Page Layout | Formulas | Data | Review | View

Vendor	Jan	Feb	Mar	Apr	May	Jun
Adventure Works	38,218	64,838	65,960	17,843	34,834	28,218
Alpine Ski House	25,792	20,936	31,064	32,545	64,911	30,911
Blue Yonder Airlines	28,691	18,359	19,542	69,934	48,752	41,411
Coho	32,485	14,552	26,569	63,195	65,860	28,218
Contoso, Ltd	34,063	39,755	16,563	27,724	41,695	27,011
Fabrikam, Inc.	47,791	54,927	64,059	69,565	12,656	31,111
Northwind Traders	62,709	41,227	57,183	62,831	63,866	62,211
Tailspin Toys	63,895	26,447	57,870	48,781	26,337	24,311
Wingtip Toy	65,473	25,602	29,997	48,721	18,512	19,011
Woodgrove	14,232	48,515	65,827	31,015	24,495	61,211
Total	413,349	355,158	434,634	472,154	401,918	354,011

Paused: