

Winn 8 -

**Business Applications Business Unit**

**WordPerfect, Novell Applications Group**

**Business Review Exercise Summary**

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## Business Review Exercise Summary

The Business Applications Business Unit has ten products to consider in the business review exercise. The bottom line for all of the products is given below:

### PerfectOffice

- PerfectOffice is the most strategic product within the business unit. The future of business applications will be sold primarily as suites. This is the major focus of the development and marketing efforts for the next 24 months.

### WordPerfect for Windows

- WordPerfect for Windows is the most important product in the suite.
- WordPerfect for Windows is also a major revenue generator in the stand alone Windows word processing market. A reasonable focus will be given to promote it as a stand alone product, although it will always be promoted as part of the suite.

### QuattroPro for Windows

- QuattroPro for Windows is the second most important product in the suite.
- There is also a sizeable stand alone market for Windows spreadsheets and will be promoted as a stand alone product as well as a key part of the suite.

### Presentations for Windows

- The main justification for continuing development and marketing of this product is for PerfectOffice. We are a distant #4 in the market and will not win trying to compete on a stand alone basis. However, presentation graphics is a key component of any suite and we will not be able to have a strong suite without a solid presentation product. We have also seen that working in a partnership with another vendor (ala Borland) does not work well with key suite components, making it difficult to partner with another company for this product.
- It is worth noting that Microsoft PowerPoint was not a popular presentation product until Microsoft Office became popular. As we work to move PerfectOffice to a #2 market share, then Presentations for Windows will potentially become the #2 presentation graphics product.

### WordPerfect for DOS

- WordPerfect for DOS is the cash cow for the division. There is minimal R&D for this product. Major expenses are support and marketing. The revenues are definitely on a

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decline, but we still expect revenue from this product line for some time.

- It is also not recommended to move this to a partner because of the large install base of WordPerfect for DOS customers. There are still more than six million WordPerfect for DOS users who are potential upgrade candidates for PerfectOffice and WordPerfect for Windows.

#### QuattroPro for DOS

- There is a possibility of developing another release QuattroPro for DOS to fix the top bugs and add a few new features. This will only be done after an analysis shows that there is a reasonable return on investment. This analysis will be done in the next 1-2 months.

#### Presentations for DOS

- Presentations for DOS is a weak product from a revenue point of view that was introduced late in the DOS application market. No development is being done and it is recommended that little be done to promote the product, except in conjunction with WordPerfect for DOS. We will probably keep the product on the price list for another year and then phase it out, assuming that the costs of support do not drive it to be in the red.

#### WordPerfect for Macintosh

- WordPerfect for Macintosh is not a clear-cut situation. While the product is clearly the #two product in the Macintosh word processing market, it is greatly overshadowed by Microsoft Office. The Macintosh market is holding its own, and our market share has grown, but without a suite it will be difficult to be a major player here.
- The real question is do we continue in the Macintosh market, with the possibility that the full Tapestry product line will be available on the Macintosh (such as text, spreadsheet, graphics, presentation and other components), giving us a suite product somewhere in the late 1996 time frame? It is unclear how the Macintosh market will look in 18-24 months after Chicago ships. Will the Macintosh market be large enough at that point?
- One advantage to continuing a focus on Macintosh is our ability to promote OpenDoc. One of the significant benefits of OpenDoc over OLE is the cross-platform, distributed object support. Being a strong promoter and supporter of OpenDoc puts us in a good position to partner with Apple on other key technologies that we may be able to use cross-platform in our products, such as their scripting language (AppleScript). For example, there are no current or announced plans for a scripting language in any Windows OS.
- The current recommended plans are to release WordPerfect for Macintosh 3.1 in October and move Macintosh development to Tapestry, with the goal being cross-platform

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support in the Tapestry product line. We will also look at ways to reduce expenses to increase operating profit for the product.

#### WordPerfect for UNIX

- WordPerfect for UNIX is also not as clear cut, but more strategic because of Novell UnixWare. With UNIX being a key Novell technology, it would be a huge blow to the company to discontinue UNIX business application development.
- Again, the main competitors in the UNIX market are either integrated applications or the potential Lotus suite. This makes the full line of Tapestry components being available on UNIX important long term. WordPerfect for UNIX 6.0 is adequately suited to compete today, but long term, it will be critical to have Tapestry on UNIX as close to the release of the Chicago version as possible.

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It is recommended that we stay committed to the UNIX business application market, however, as we finish up 6.0, we recommend reducing the number of developers from 30 to approximately 10 to help increase operating profit for the product line. These developers can be moved to Chicago and Tapestry to increase resources in these areas. (We are in jeopardy of not hitting Chicago in a reasonable time frame because we have very few developers on it right now.)

#### WordPerfect for OpenVMS

- WordPerfect for OpenVMS is one product that needed the business review process sooner. A lot of assumptions have been made earlier to continue development that has not happened: 1) The Digital contract took much longer to sign than anticipated. 2) Digital has not done any marketing to date. 3) Digital has gone through enormous organizational changes that have impaired its ability to market, sell and support WordPerfect for OpenVMS.
- Another justification for developing WordPerfect for OpenVMS was that 65% of the code could be used to develop WordPerfect for UNIX 6.0 character mode version. However, there is a question now how well a 6.0 product will run in character mode on UNIX and OpenVMS. In fact, the experience we have seen with WordPerfect for DOS seems to be very analogous -- 6.0 sales are being surpassed by 5.1+ sales largely because of performance issues. 5.1+ provides all that is necessary and is still fast. Therefore, the argument to do a 6.0 for OpenVMS goes away if all we do is develop a 5.1+ for the character mode version of UNIX.
- The recommendation is to cancel 6.0 development immediately. This will free up developers to move to Chicago and Tapestry. While this will break the Digital contract, meaning we lose \$4.8M in revenue, the product does not make any money (see attached product review). This decision will allow us to focus more on the 32-bit Windows market, which has a much larger revenue potential.

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- There is a possibility to do a 5.1+ version of OpenVMS for large accounts who want file compatibility with 6.0 users, but we are not prepared to make that recommendation at this point. This will be determined in the next 1-2 weeks with a recommendation forthcoming.
- We will out source the sales to Digital and a third party Digital VAR, who will act as a SuperVAR (Spire Technologies) for selling this product through Digital resellers. One possibility is to have Digital bundle WordPerfect with ALL-IN-1. Both Digital and Spire can also pick up service and support over time, so we can plan a smooth migration of this product to two partners.

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**Business Review Exercise Summary****PerfectOffice**

- 1 Current Profitability 11/93 - 5/94: \$5.5M revenue / \$(2.9)M operating profit
- 2 Worldwide Growth 1994: 5.3M units / \$1.2B revenue  
1998: 8.8M units / \$1.5B revenue
- 3 Market Share Objective Goal is to become #2 in market. Need to beat Lotus for #2 position. Requires substantial marketing resources, tremendous focus in development on application integration, strong network integration and major conversion of WordPerfect for DOS users.
- 4 Business Outlook 1994: 60K units / \$20M revenue / \$(.3)M operating profit  
1998: 3.5M units / \$597M revenue / \$107M operating profit
- 5 Leverage a Partner No

**WordPerfect for Windows**

- 1 Current Profitability 11/93 - 5/94: \$205.5M revenue / \$47.4M operating profit
- 2 Worldwide Growth 1994: 7.8M units / \$1.3B revenue  
1998: 15.3M units / \$2.2B revenue
- 3 Market Share Objective Goal is to remain #1 in market. Need to beat Microsoft. Requires strong marketing resources, reliable product, quick product entry into Chicago market and major conversion of WordPerfect for DOS users.
- 4 Business Outlook 1994: 3.0M units / \$390M revenue / \$53.4M operating profit  
1998: 1.6M units / \$185M revenue / \$20.7M operating profit
- 5 Leverage a Partner No

**QuattroPro for Windows**

- 1 Current Profitability n/a
- 2 Worldwide Growth 1994: 11.5M units / \$1.4B revenue  
1997: 14.5M units / \$1.8B revenue

3 **Market Share Objective** Goal is to become #2 in market and help PerfectOffice become #2. Need to beat Lotus for #2 position. Requires ongoing seeding of product to small business and home users, converting 1-2-3 DOS users and WordPerfect for DOS users, and fully leverage the Novell corporate image.

4 **Business Outlook** 1995: \$88.5M revenue / \$20.6M operating profit  
1998: n/a

5 **Leverage a Partner** No

#### Presentations for Windows

1 **Current Profitability** 11/93 - 5/94: \$2.3M revenue / \$(2.0)M operating profit

2 **Worldwide Growth** 1994: 4.5M units (suite) / \$132M revenue (standalone)  
1997: 5.6M units (suite) / \$228M revenue (standalone)

3 **Market Share Objective** Goal is to help PerfectOffice become #2 in market. (Cannot justify product for standalone market.) Need to beat Lotus to become #2 in market. Requires excellent integration with PerfectOffice and NetWare, strong marketing resources, reliable product, quick product entry into Chicago market and major conversion of WordPerfect for DOS users.

4 **Business Outlook** See PerfectOffice

5 **Leverage a Partner** No. We cannot win in suite market by partnering; we must control the applications in the suite.

#### WordPerfect for DOS

1 **Current Profitability** 11/93.- 5/94: \$66.9M revenue / \$19.8M operating profit

2 **Worldwide Growth** 1994: 1.3M units / \$267M revenue  
1998: 190K units / \$30M revenue

3 **Market Share Objective** Goal is to remain #1 in market. Need to beat Microsoft. Requires some marketing. Main concern is to retain customers as they upgrade to Windows.

4 **Business Outlook** 1994: 782K units / \$118M revenue / \$43M operating profit  
1998: 143K units / \$17M revenue / \$8M operating profit

- 5 Leverage a Partner No. We need to carefully upgrade users to Windows.

#### Presentations for DOS

- 1 Current Profitability 11/93 - 5/94: \$1.3M revenue / \$.8M operating profit
- 2 Worldwide Growth 1994: 112K units / \$22M revenue  
1997: 0 units / \$0 revenue
- 3 Market Share Objective None.
- 4 Business Outlook None.
- 5 Leverage a Partner No. Not worth the effort.

#### WordPerfect for Macintosh

- 1 Current Profitability 11/93 - 5/94: \$8.0M revenue / \$(3.6)M operating profit
- 2 Worldwide Growth 1994: 1.2M units / \$216M revenue  
1998: 2.1M units / \$300M revenue
- 3 Market Share Objective Goal is to remain #2 in market. Need to beat Microsoft to become #1. Requires ongoing positioning as leader in using Apple technology, network integration, develop to OpenDoc and as many Tapestry components on Macintosh as possible.
- 4 Business Outlook 1994: 158K units / \$14.2M revenue / \$.8M operating profit  
1998: 283K units / \$20.6M revenue / \$2.6M operating profit  
(1998 numbers are for WordPerfect only)
- 5 Leverage a Partner No

#### WordPerfect for UNIX

- 1 Current Profitability 11/93 - 5/94: \$7.4M revenue / \$(4.0)M operating profit
- 2 Worldwide Growth n/a (good information is not available from market research firms)
- 3 Market Share Objective Goal is to remain #1 in market. Need to beat Lotus. Requires release of 6.0 across the key platforms, strong sales channel, good internal infrastructure support, dedicated field marketing specialists

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for Unix and as many Tapestry components on Unix as possible.

- 4 Business Outlook 1994: 101K units / \$12.0M revenue / \$(4.7)M operating profit  
1998: 175K units / \$21.0M revenue / \$2.4M operating profit  
(1998 numbers are for WordPerfect only)
- 5 Leverage a Partner No

#### WordPerfect for OpenVMS

- 1 Current Profitability 11/93 - 5/94: \$.9M revenue / \$(3.3)M operating profit
- 2 Worldwide Growth n/a (good information is not available from market research firms)
- 3 Market Share Objective None. Recommend terminating all future development.
- 4 Business Outlook None.
- 5 Leverage a Partner Yes. Offer 5.1 product to Digital and/or Spire Technologies to pick up all sales and support. Recommend against having either potential partner continue 6.0 development.