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TRIP REPORT

Mike how can we work Hy?

At Hewlett-Packard Personal Software Division

July 12, 1988

Mark Chestnut

Distribution: Joachim Kempin, Mike Maples, Jeff Raikes, Jeff Harbers, Charles Stevens, Jeff Sanderson, Mike Griffin

MS Attendees: Mark Chestnut, Jeff Sanderson

HP Attendees: Bill Hahn, Division Marketing Manager
Bill Crow, NewWave Project Manager
Steve Hoch, Product Line Manager
Tammy Baker, R&D Manager
Mike Webb, ISV Account Manager
Rudy Batties, Product Manager

Introduction

The purpose of this meeting was to determine what would be required to gain HP's commitment to license Windows Word. Up until a couple of months ago, HP's plans for NewWave were to introduce their own NewWave word processing application which they also code named "Opus" with the first end user release of NewWave scheduled for the end of this year. Since that time, however, HP has made it clear that their Opus product is not a full featured, production word processing application, and they have expressed an increasing amount of interest in Windows Word as possibly being positioned as the production word processing application of choice under NewWave. The interest in Windows Word has also grown as a result of the Excel agreement – HP believes that much of the NewWave encapsulation work that they are doing for Excel can be leveraged to similarly encapsulate Windows Word, so the amount of incremental work required of HP to integrate Windows Word with NewWave should not be that significant. Bob Frankenburg, Group General Manager responsible for HP's office products, and Doug Chance, Executive VP, have both confirmed in recent weeks that HP is definitely interested in licensing Windows Word.

Presentation

Jeff Sanderson did a great presentation/demo of Windows Word and tailored it nicely to HP's requirements. HP was extremely impressed with the product. They had been looking very seriously at NBI's Legend product in recent weeks, and indicated that they consider Windows Word to be a vastly superior product.

Technical Requirements

For the short term, HP is essentially willing to accept a working relationship similar to the one that we have established for Excel. That is, they would agree to do the encapsulation of Windows Word (which would provide the integration with the NewWave agent and object management facilities), and would expect that we would add some hooks to Windows Word for NewWave that would be roughly equivalent to what we are doing with Excel (in the Excel case, this represents about one man-month of work). With respect to our ability to put the NewWave hooks into Windows Word, we have consistently told HP that we would have no available resources to do this until January, and I reminded HP of this. HP's position is that they would like to have this work begun sooner, and that they don't feel that we should have to allocate much in the way of resources, to the extent that a single summer intern is currently doing all of the Excel work for NewWave.

For the long term, HP suggested that they were looking to a stronger commitment to do future versions for NewWave than we agreed to for Excel. I pointed out that we really could't agree to this, since Ballmer's group is just now beginning to investigate the possibilities for incorporating NewWave into OS/2 PM and that any such commitment would be dependent on what Ballmer decides any therefore very premature. After some discussion, HP indicated that they could live with the same language that we have in the Excel agreement in which we express an intent to provide NewWave support in future versions subject to technical considerations.

The next step on the technical side is to meet in the next couple of weeks to determine what amount of work would be required of MS to create the necessary NewWave hooks for Windows Word, and to provide HP with a better understanding of what will be required of them to do the encapsulation work. In the meantime, HP will be evaluating an alpha release of Windows Word so that they can be prepared to address these issues.

Business Terms

The Excel agreement again appears to be a good model since the retail price is the same for both products and HP seems comfortable with a $1 million minimum commitment at the same pricing as for Excel ($148.50 for packaged product).

In addition, HP has an installed base of word processing application users (Samna was the previous word processing solution that they pushed, and they also have a fairly large installed based of HP Executive Memomaker users) that they would want to migrate to the NewWave word processing application, and this would also allow for them to potentially make a higher volume commitment to Windows Word than they did for Excel. We agreed that the next step would be for me to draft a Letter of Intent, which would be substantially similar to the Excel Agreement, and submit it to HP by July 19.

Summary

We clearly have a great opportunity to get HP to 1) license and make a substantial dollar commitment to Windows Word (in excess of $1 million); 2) kill a potential competive

product, HP Opus; 3) migrate HP's current installed base of non-MS word processing application users to Windows Word and 4) position Windows Word as the single word processing application of choice for NewWave users. All of this, however, can only happen if we agree to do the approximately one man month of work necessary to put the NewWave hooks into Windows Word so that HP can have a product to ship with NewWave in the late 1988 to early 1989 timeframe. If we are unable to begin work on this until January, we can probably still get HP to license the product, but HP will be forced to introduce their Opus product and position it as the low end NewWave solution and we will likely get a smaller dollar commitment for Windows Word.

Action Items

1. Submit Letter of Intent to HP by 7/18 - Mark Chestnut

2. Set up initial technical meeting - Mark Chestnut / Bill Crow

3. Provide beta code to HP when available - Jeff Sanderson