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Microsoft Memo

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FROM: Bill Gates

DATE: October 31, 1988

Cc: Adrian King, Michael Cooper, Russ Werner, Jeff Raikes,
Susan Boesch, Pete Higgins, Jeff Harbers, Bob Gaskins,
Tandy Trower, Peter Morse

RE: Australian Trip Report

FRIDAY

I arrived Friday October 21 at 6:00 in the morning. Daniel took me to the Intercontinental Hotel in downtown Sydney. We started out at 9:00 with a press session with Ira Johnson of PC World. From 9:30 to 11:00 we met 18 journalists. I spoke for twenty minutes and then took questions. Lots of interest in the NeXT machine, surprisingly little interest in the 1.1 ship date. On NeXT, I am now positive on its good aspects and merely note how difficult it is to become mainstream. Lots of interest in MCA v. EISA. I am very open about the bus not affecting today's performance, which I hope doesn't bother IBM. DOS 4 is a mess to discuss - bugs, too big, strange shell interface, who wrote it? DOS 4 has a terrible reputation. IBM has less share than in the US (around 22 v. 30) Compaq and Apple about the same. There are more players in the market than in the US, despite the size. Amstrad is still shipping 1640 machines with GEM.

For lunch, Compaq invited about 35 people, including large accounts. Our Arthur Young, Peat Marwick, and Arthur Andersen accounting deals are incredible worldwide - we should focus even more on accounting firms - influence and revenue are great. Arthur Young and Peat Marwick are Australia's best accounts. Arthur Andersen imports from the US.

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I spoke for about one hour on the future of software. This is a nice set of slides I can provide to anyone - easy to make more or less technical or more or less Mac. PTT videotaped it as well. Compaq is first class in Australia. They had just introduced the SLT to rave reviews. The SLT and 20e are backlogged, but that's all. After Q&A I met Compaq's technical group. These guys were very smart but confused about OS/2 and multiuser. This came up a lot. We need a standard answer to, "when will you make OS/2 multiuser?" Compaq's high-end machines are 65% DOS, 25% XENIX, and 10% PICK, BOS and other. After lunch we went to our office, where I met everyone. An appropriately nice facility out in the suburbs where Apple is. We had everyone from Apple over for a one hour pitch on our Apple plans and a long Q&A. Have a nice slide set for this also (Mike Slade has the latest set). A lot of frank questions on how Apple will stay ahead to which I answered that they will have to continue to innovate. Apple will do a Write-Draw bundle with the Plus unless we do a below transfer price deal for Works. They are opening Apple centers, but it is not clear how important they will be. The Apple price increases were apparently done throughout their International markets.

On Friday night everyone came to a dinner at which I spoke.

WEEKEND

Over the weekend I read about hypertext, did a two hour interview with Colleen Rivers of Australian Business, did mail, saw Linda Graham, went to an industry party and relaxed. Linda has a very very nice house with an incredible view. She has relaxed for three months and will for three more. After that it looks like she will get involved in some unusual save the environment stuff. She is still an important industry person and people call her, but I doubt she will do anything related to computers in the future. At this party I met our New Zealand distributor and was fairly impressed. There were a lot of Ashton-Tate people there and it sounded like Full-Write is doing better than in the US.

MONDAY

On Monday at 6:00AM I was on T.V. 8:00 to 10:00 was a dealer breakfast. I gave the same one hour speech four times this day and five times the next day. 10:00-12:00 was a futures interview with Australian PC (APC) - we should get a copy since I think it will come out very well. 12:30-2:30 was an executive briefing with 18 MIS executives. Banyan is popular in Australia because of Comm software for the UNIX Server. Novell has a huge telecom deal that Daniel will look into to see if we can change (DISNET - 15,000 workstations!).

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3:30-5:30 was an open session with 500 attendees. It's hard to keep a Mac lover happy with a general futures pitch, but I think I did pretty well. Then we flew to Canberra where I gave the speech to 450 user group members. For some reason, we had expected over 1,000 people to come. My UNIX slide said UNIX was for government so I had to discuss MS DOS/POSIX/Zenith and explain what that meant! I position UNIX as important and growing because of its role in specialized workstations and replacing proprietary minicomputer OS'es. It helps to be positive on UNIX as part of the move to a few open OS'es, which is the key underlying trend. I talked about confusion in UNIX being too bad but that it will take two-three years to resolve and we are neutral while selling the most AT&T UNIX. I position it off the desktop because of binary issues - although that's not as strong an argument as I would like it to be (something like CD-ROM would make it easy to compile for ten instruction sets or some 'setup' could actually compile).

TUESDAY

From 8:00-10:00 we had breakfast with twelve government computer users. Imagineering, who distributes 3Com, has a bad reputation with government and some real selling will be required.

Then we flew to Melbourne. From 12:30-2:30 I spoke to twenty MIS executives. This was an excellent audience - the best of the trip. They don't buy much Microsoft today but they listened. Lots of networking questions - we should have had 3Com representatives at my presentations probably. We will really need to work closely with 3Com world wide to make LAN Man sell. Our sales group isn't ready at all for any type of architecture sale (more on that in Issues). Then we had a photo session with a Blue Chip dealer who bought 10,000 copies of Windows. From 3:30-5:30 was an open session with over 200 attendees. 6:00-7:00 was a user group with 200 attendees and very technical questions. Our support in Australia has not been professional enough - major problems trying to use DIAL and On-Line. 7:30-11:00 was a dealer dinner.

WEDNESDAY

At 8:00 I did a PC Week interview. From 8:30-9:30 I met with six press people, including a Full-Write lover. At 11:00 we left to fly to Sydney, SFO and Seattle.

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ISSUES

GENERAL: The Australian subsidiary has not been as professional and hard working as we expect. The caliber of the sales group is inadequate to the task at hand. We haven't established a single significant national account or government deal. Many people told me our Sub is cocky and flaky - although they felt it was improving. The good news is that Daniel recognizes all this. He went through it for me when I first arrived and I totally agree with him. He is new to this kind of management and a lot of the employees resent his imposing any kind of discipline. He is going to need support and encouragement and the timing of my visit was good. There will be turnover in sales. His direct reports - Lynn, Phil and Jennifer are good and can grow to do their jobs a lot better. He has gained their confidence even though that wasn't easy. Daniel is a real asset. Over a period of years I think he can be one of our best GM's, which is saying a lot.

DISTRIBUTION: Daniel has cut the number of people we do business with from 270 to 70. He agrees we need to cut it to more like 20 as real distributors emerge, which it looks like will happen.

SAMPLES: I want to re-open the issue of Subs being able to buy sample product in some quantity at COGS. I think we make a real mistake by not doing this. Our competitors like WordPerfect use it. We need it so we can train RSP's and let them have copies. Some Subs probably use updates or find some tricky way but that shouldn't be necessary. This might drive down profit percentage but not profits. We are treating Subs in a discriminatory way to the US. Jeremy, let's talk about changing this.

WORD: We are losing badly to WordPerfect. They have 10 national account people where we have effectively 0-2. They use samples and beta test versions. Our people don't understand how to counter their strengths. WordPerfect underprices us in large deals - below transfer price. If we are serious about changing all this, Daniel needs his management to get involved in the problem - if someone from Apps needs to visit we can do it - let's get a market share goal and figure out how to achieve it.

DELAYS: PowerPoint 2.0 is just arriving! Dave N - I want to understand the delivery delays for Australia products - when will they get Mac Word, Mac Works, Mac File, PC Word 5? Are you an advocate for getting these products out quicker?

ONLINE: There is some crazy proposal about us paying GE \$60 an hour. My view is we need to get the database on PC's and distribute on CD ROM with PC software for dial up, sub use and customer use. I will talk with Joachim to understand what is going on better.

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BUGS: Lots of complaints about bugs. For example, there are a lot of output and speed problems with Project (Mike Maples what is the plan?) In C we lose a lot of market share by not having better information or patches available. A local C compiler is viewed as the product of choice

DR-DOS: I expected to hear we had more of a problem with this. Apparently, we still haven't lost a lot of business. I want us to track this very closely. I want to re-examine the price of the 88/86 version and make sure it's low enough.

PRICES: A US company called Direct Source runs ads in Australian magazines offering products at very low prices. In the case of Word it's apparently 100% different. This has created some bad feelings in the Australian market place. I don't understand why the differential is so high. We also need to decide if we want to try and stop sales to people who advertise like this.

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