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Message 135:

From nathana Thu Jul 12 17:26:55 1990
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Subject: Win & OS/2 naming & positioning
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A recent discussion with Steve inspired me to think some more about the Windows & PM issue, particularly from the point of view of naming and positioning.

There is a classic marketing decision in establishing a position for a new product - do you position it as a new version of a old thing, or a new thing altogether? The question of whether you follow product line extention or establish a new brand can be crucial in many industries.

The heart of the issue is how and whether you win a clear position in the mind of your customers. With all due respect to the people who buy our products, this is a notoriously small place - there isn't room for long complicated messages. Furthermore, the communication channel that you use to get the message there is noisy and unreliable. Finally, once you do get a message in it is very hard to change. This can be the payoff if the message is right, or it can be a very difficult barrier to overcome if you want to change it.

In our industry line extention it its most extreme and most powerful form is known as the "single architecture" approach - DEC VAX and the Apple Macintosh are two good examples. Here, line extention is not only a marketing strategy, it becomes listed as a direct end user benefit. Japanese car companies have recently been the most dramatic users of new brand creation in their assault on the luxury car market with Acura, Lexus and Infinity.

This is nothing new to any of us. The reason I bring it up is that I want to propose that this is central issue in both the Windows and PM question, and in our RISC war with SPARC. You can view this all as line extention versus brand creation - how do we manage the Dos, Windows, OS/2 and PM brand names and their positions.

Current Windows Position

Here is my view of the current position that Win 3 has in people's minds. Note that this is NOT what we are saying, but rather what I think end users percieve.

- It is a retail product which you buy separately from the operating system (Dos) in order to utterly transform it into something like the Mac. It is GUI for PC compatibles.
- It runs on a variety of machines, but you need at least a 286, and it has some enhanced mode which really uses a 386, so there is a real reason to at least buy a 386SX machine.
- You want the best graphics you can get - at least VGA, and super VGA sure looks good with it.
- Finally, you can use more memory easily. If you have a 386 machine Win 3 will let you use plenty of RAM, and it has virtual

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memory too.

- Its main competitor is the Mac, particularly in the sense of occupying a similar position. OS/2 is talked about as a competitor, but mainly in the context of industry people saying that they think there is no need to get OS/2 if you have Windows. Windows is also where all the applications and all the excitement seem to be.

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The key points here is that it is hot, it is an aftermarket add on to Dos, and it is not "low end" in any sense. The ideal Win 3 machine has as fast a processor as you can afford (fast 386 or 486), at least 4 meg or RAM and as fancy a display card as you can afford. There is no perception that somebody with the ultimate PC should feel embarrassed running Win 3 on it - whereas it would be odd to buy that set up for Dos alone. You buy it for dos, but dos disappears once you have it. If you asked people what the ideal Dos machine would be it would have a lot less horsepower - less RAM, less processor etc.

Current OS/2 Position

- OS/2 is a big, complex operating system that is not really ready to buy yet. People say that it is strategic, and maybe it will be someday.

- It is an OS. It is not a window manager, or GUI environment, but rather it is the whole operating system. It is not an add on to Dos, but instead is an alternative.

- It requires a big powerful machine with lots of memory, but it doesn't seem to give you much in return for that. It is not a question of saying that it unleashes the power of a 486 or 386/33, but rather that it takes that amount of speed to be tolerable. It does not even take special advantage of the 386 or 486 like Windows 3 does - there is no "386 enhanced mode" yet.

- PC users see it as a UNIX competitor, but this is largely because they don't understand the need for either of them. UNIX users by and large do not think it is a unix competitor, and see it as an attempt by the PC community to build a "real" operating system but it does not occupy the same position in their minds as UNIX. This is like Edgar Allen Poe's famous story "The Murders in the Rue Morgue" - every witness thought they recognized the killer's language and they all disagreed, but each of them picked a language they did not speak themselves.

The bottom line is that it has no clearly defined market position. It is not GUI for the PC - that is Windows. It is not a high end product, because it has no easy to understand high end features, and you can make the case that Win 3 actually has more high end features than it does (386 enhanced mode, DPMI etc).

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Our approach in naming it something different than Dos (I know it wasn't our choice...) and the message that we have been sending is that it is a new operating system which will someday inherit Dos. Right now it has no real distinguishing features which we have been able to translate into an understandable market position. The attempts we have made in our "family" story do not ring true and have too many contradictions.

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Current SPARC position

Sun is not trying to position SPARCstations as a "line extension" to the PC world - a sort of high end PC. Instead they are on a strategy to create a new brand, and a new market position. This is a parallel world to the current PC market - like the Macintosh was when it was introduced. This position is distinguished by:

- Higher absolute performance because of RISC technology.
- Much better price performance. Next year you will be able to get a SPARCstation which is significantly faster than a 486 (like 2X) and at the same time considerably cheaper (\$1000 difference in OEM cost = \$4K difference to customer).
- High resolution graphics, nice big monitors etc.
- A strong binary standard - the SPARC ABI.
- UNIX. This has both strengths and weaknesses, but their positioning is to use it as a differentiating factor.
- Mature networking strategy. This is not super high tech, but it works and it allows you to have lots of servers, diskless desktop machines etc.

They are creating a product family which will completely overlap the mainstream PC world - it is not a high end phenomena - there will be \$3K SPARC machines by late 90 or early 91. The Sun business plan is to continue selling the machines as "personal workstations" and slowly gather momentum with PC industry ISVs and OEMs, then go into the retail channel. The positioning will not be as a PC replacement, but rather as a different kind of beast. Nevertheless it will be a beast which appeals to someone who might buy a PC - just as the Macintosh was.

This market segmentation is why I have always said that NO amount of strength in the PC business will let us stop SPARC. Would any amount of greater strength in the character mode IBM PC stopped the Mac? It would be hard to imagine the PC being much stronger in 1984 - 85, but even setting historical facts aside, the Mac was different enough to be perceived as being in its own market niche. I do not think that anything in the PC industry could have stopped the Mac. The key is having features which were compelling enough that it allowed them to occupy a different niche in people's minds. They didn't compete head on, and as a result it got a chance to enter the market against the IBM PC even at a time when it was growing like a house on fire. Sun is counting on the features above (especially RISC performance and price) as providing a sufficient differentiating feature which software developers can turn into something tangible for end users in the same manner that the graphics hardware and quickdraw ROM in the Mac did this.

What we should do

Given the present positions of the products above, we have some leeway as to what we do. Nothing is more different than changing a position that is firmly established in people's minds,

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but you can augment them or put a different twist or focus.

The family approach has failed to date, and will continue to fail as long as there are no compelling, easy to understand ways in which OS/2 truly is the high end and Windows the low end, and no ways in which there is a contradiction to this message. Making this be true technically is very difficult unless we want future versions of Windows to go backwards from where Win 3 is today - the most compelling and important things that ISVs want are all in Win 3 today. Then there is the time scale that this would take to come true - given today's momentum for Windows, by the time Cruiser is released it will have conquered the industry and soaked up most of the bandwidth that could be channeled to OS/2 .

I think that the approach that makes the most sense is:

- Position Windows as the graphical environment - NOT a part of Dos. This is consistent with our retail distribution and a ton of other things so I think that it is actually a simple message to communicate.

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- Dos and OS/2 are positioned as OS kernels, one low end and one high end.

- Windows is available on each of them. The packaging issue is somewhat separable from this - i.e. the Windows package could include the NT OS/2 kernel - the main point is to emphasize that in the high end configuration the OS/2 kernel is present, and we say so. This should be like buying a Mercedes (apologies to Dick & Winthorn) - you know that a 190 has a smaller engine than a 560; but they are both Mercedes.

- This combination is available on RISC as well. The point here is NOT to try to compete with Sun in their "workstation" segment, but rather to deny them the differentiating features which allow them to credibly position themselves that way in the first place. If RISC, price performance, graphics etc are also available in the PC world, they can't get off using these as their differentiating features.

- There will also be other versions of Windows, which helps to support this positioning. Handwriting Windows, Rom Windows, Multimedia Windows etc. Windows will be the universal graphical environment which is available on more than one OS (Dos & NT OS/2)

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and more than one hardware platform (x86, RISC, handheld machines...). This is our version of the "single architecture" approach - Windows as the PC Industry GUI.

This a line extension strategy for Windows, with the twist that we position it as the GUI environment in order to allow us to also have the OS/2 brand. OS/2 is the advanced kernel, and could also be positioned as the server operating system.

The obvious problem is what to tell IBM about PM. I have some other thoughts about this which I'll send separately.

Nathan

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