

From robg Sun Jan 5 17:00:12 1992

To: brads1
Subject: retailing MS-DOS
Cc: billg jonl steveb
Date: Sun Jan 5 17:00:00 1992
Status: RO

I know it's just north of heresy but incidents like the one described in the attached message make me think that we should change our policies so we can sell packaged product full MS DOS through distribution besides OEM in at least some cases. It may be that in the attached case we can get by selling just a RUP but I have seen a number of cases where DRI merchandises the fact that only they sell and support a full DOS.

I think I understand the downside of selling full MS-DOS direct -- we don't want to erode our OEM channel or do anything that would make OEMs think they don't have to take MS-DOS per system. HOWEVER, the reality of the "new world" is that a la carte systems are getting more prevalent, not less. I believe it would be a mistake for us to wait for a cataclysmic event like IBM bundling DR-DOS to trigger us using these channels. As the attached example shows Novell has a very strong distribution capability and they will likely be applying it more and more in service to promulgating DR-DOS.

Another datapoint (also anecdotal) came up when I was travelling in Australia. I dropped by the MS PTY headquarters in sydney just to say hi and spent a few minutes talking to the OEM guys. They estimate that perhaps as much as 20-30% of the Australian PC market is made up of no-name local assemblers (apparently none of the U.S. direct guys like dell or gateway have yet set up shop in australia). There are a number of reasons that the no-name market is so large (for instance they import motherboards at artificially low transfer prices which saves them hundreds of dollars in import duties).

Anyway within this no-name segment (say 30K machines a month!) we have very few per-system deals, and the local guys estimate that our market share for true purchased MS-DOS is about 20%. Piracy is a major problem of course (worse than any other major english speaking country unless you count india) but to my surprise the PTY guys also mentioned concerns about DR-DOS (evidently Novell is pretty strong in australia).

Net net what I guess I am suggesting is that we establish a major account policy in the U.S. that allows us to bid and provide MS-DOS directly in any deal of more than say 1K units. I would make this a very low key thing (I certainly wouldn't announce it although we probably should tell big OEMs who are still very close to MS such as Tandy and Compaq) but I think there really is a need to be more aggressive in the trenches against DRI/Novell.

HIGHLY
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Rob

>From lynnej Sun Jan 5 13:01:42 1992
To: comptalk
Subject: DOS 5 Upgrade
Date: Sun Jan 5 15:58:01 1992

C 007736

MS 5035177
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Hi Folks -

Here's a midsize deal we are working on in upstate NY. The end user has 2500 pcs, but is only upgrading 1000 because he is upgrading hardware concurrently and will add later as he needs additional copies. I am in the reseller channel in beautiful downtown Albany.

I got a call from a reseller who has serviced a large NY State Agency for years - they are faithful customers of his Logical Micros). He is a small indirect, about \$5,000 annual MS. His State Agency was going to upgrade 1,000 pcs to DR DOS cause they got a great quote (DR DOS is pushing hard for a big install in State Govt. here in NY). My reseller blanched and told the customer to wait til he heard from MS because Logical Micros does not want to support another DOS.

The corp rep (Connie Dean) and I are trying to get a quick PO on this sale, but the strategies for allowing a small reseller to sell to an account this size are not there from MS. I was told that volume purchases from MS were set up to help "the larger or direct reseller who are the only ones who will be selling to these accounts". MS cannot sell direct to the end user for this deal either.

Question - shouldn't we be making it easy for ANYONE to sell our products anywhere at any time?

We will let you know when this closes. Please advise whomever put together the two documents about DR DOS, the press blurb list and the multipage tech expose, that THEY saved this deal (so far) for Microsoft. I gave it to the reseller and he gave it to the client.

We will also let you know about any other deals DR is trying to get here in this area. I had heard a rumor that they were offering to "seed" certain state agencies at no cost.

As FUD is our witness, we will never go hungry again.

Ynne Johnson, NY

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MS 5035178
C 007737 CONFIDENTIAL

From paulma Thu Jan 2 09:28:48 1992
To: jonl mikemap
Cc: jimall
Subject: FW: thoughts about OSF
Date: Sat Feb 10 23:22:09 PDT 1990
Status: RO

Fwd at request of jimall...

>From jimall Fri Dec 27 18:28:39 1991
To: billg paulma steveb
Subject: thoughts about OSF

Date: Fri Dec 27 18:27:07 PDT 1991

Early this year we had talked about using DCE as our weapon against Novell. As we have discussed the problems with this are many. We don't control the technology, it is very costly to license the technology, and the technology is behind what Novell will have anyway shortly. I've concluded that our path to win is the open client architecture and embracing DCE, Novell, Artisoft, etc. while at the same time slowly dropping the integrated functionality as fast as possible. Further, we can raise the game to a new level through win4. Of course, this is in addition to hitting Novell from below with Sparta and making NT the competitor that OS/2 never was.

Given this strategy and OSF's position on pricing, etc. I do not think there is anything that can be done.

Getting people to port DCE server-side functionality to NT will also be problematic long term, but I think we should not discourage it now and use whatever carrots we have to get people to adopt NT. We should all be aware however that we will conflict with our partners eventually with win4. Through service providers on the client side and gateways on the server side we can potentially work with anyone. However, the marketplace message will end up being confusing (For example, MS will end up promoting OSF with integrated DS support. We will want our partners to pick that up no different than any other piece of software from us.) The sad point is that if Novell delivers a quality 3.2, then DCE will matter much less than it does today.

Below is some old mail about OSF that details one conversation that I had with Tory on the subject.

C 007738

jim

MS 5035179
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>From jimall Wed Oct 2 10:12:19 1991
To: billg bobkr mikenash paulma steveb stevem
Cc: jimall mikemur

Subject: phone call with David [REDACTED]

Date: Wed Oct 02 10:12:10 PDT 1991

I had a long phone call with david on Monday. The purpose of the call was to clearly present the MS position on DCE licensing and our relationship with them on DCE. The highlights follow:

- I discussed our current plans: open client with plug in modules for components of DCE that we didn't support natively. Native support was RPC and Kerberos.
- Either we would work with another vendor to ensure that the other client pieces are developed for DCE interoperability or we will ship the client support ourselves. Even though not fully the truth, I told him that the decision on what we do depended on the price they give us for the client components. In reality I want DEC to do it no matter what -- doing it ourselves is the last fall back position.
- Their current price of \$6M/year reduced! to \$1M/year is silly. I told him that they weren't going to have enough market to make it without us and that they should be begging us to ship the client in our boxes. That way, they would have seeded demand in the marketplace for their server side components. He said that if they did this it would prevent Gradient, etc. from making a business in the PC space and that would be bad. My response was that no one was going to make a business out of the client support without demand on the server side using this approach and that no one was going to create that demand. In short, OSF was going to lose. It was a catch-22.
- We agreed that I was presenting a completely new business model to him than what they had planned for. He also told me how concerned he was about how they were doing. They need significant dollars to keep going.
- He said he had to go away and think about it and we would talk again. He wanted me to tell him what price MS considered reasonable. I told him that it would be fixed -- not for a year but forever. He said .. what do you mean ... a couple hundred thousand dollars and I said that we would brainstorm about it. He really wanted a firm number. In order for a reasonable price they would want us to commit to ship DCE client support with most all systems. (I told him that would end up being a COGS issue.)

The next step should be for us to get on with the relationship with DEC and get it cemented. I am concerned that we're not making any progress on this.

Dave should be getting back to me about the concept I suggested. I don't hold much hope for it however.

We should also brainstorm about the price for DCE client support. For the right price I would license it even with DEC doing the work. It would help our RPC and Kerberos work.

| jim

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