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Subject: "Enterprise" applications  
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DEPOSITION  
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To: Steve Ballmer, Jeff Raikes, Mike Maples, Bob McDowell, David Vaskevitch, Bernard Vergnes, Daniel Petrie, Paul Maritz, Jon Lazarus, Darryl Rubin, Jim Allchin, Brad Silverberg, Pete Higgins, Roger Hennen, Dave Fulton, Norm Judah, Rick Hargrove  
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## Enterprise Applications

For a long time a major debate at Microsoft has been to define our role in enterprise computing and services. A key element of this debate has been the dichotomy between pure products and pure services. The company has a track record of success with products. The leverage of doing a product can lead to high profitability which means that product creating is very competitive but we have managed to execute better than other companies and capture that profitability. Our product groups understand the feedback loop that can keep us ahead for a long time once we get ahead.

One of the goals we have laid out for Microsoft Consulting is to spread the use of our platforms and applications as much as possible. Indirectly this has turned into an effort to teach client-server methodology since that seems to be something accounts are open minded to and our platforms perform particularly well. However the term client server is a vague term that really doesn't mean all that much to people. We have made the term so popular that I don't advocate backing away from it but it hardly provides an incentive for someone to switch from all Novell servers to having some Microsoft servers unless there is a concrete application.

In this memo I propose that rather than customer needs dividing into needs that packaged products can meet and other needs that require large amounts of services that there is a spectrum with these simply being the extremes. Even our packaged products achieve success because of their customizability which will improve significantly as we integrate Visual Basic for Applications. I claim that many of the customer needs that translate into lots of special development today will require significantly less in the future. Its hard to overstate the improvement taking place in tools today. Within the next few years we (and others) will provide development tools that support very easy sophisticated UI development and very sophisticated access to secure, replicated structured and unstructured data. These tools will allow people to plug in their "business objects" without having to rebuild all of the other pieces. Features will migrate from custom work to standard tools and from standard tools into the operating system.

David Vaskevitch has come out with a memo recently entitled "Enterprise Computing: Can It Be... A Packaged Product Market in the future?". Although the thrust of his memo is quite different than what I propose here I agree with his basic premise: the Enterprise Market is interesting to Microsoft only as it becomes more like a product business.

A key belief I have developed in that a very high percentage of Enterprise applications can be fit into about 5 different categories. I believe that we should identify these categories and come as close as we possibly can to offering a product sell for each one of them. I believe this approach will provide incredible benefits:

1. Feedback to the product groups. Today we really don't understand how our server/tool offering work for Enterprise applications. When we get feedback from one special situation we don't know if it is representative. If we drive towards 5 key applications those applications will play the same role in helping us do great tools/servers as Excel and Word did in driving us to make Windows a great single user productivity platform. By understanding these big application categories we will be able to make better decisions about the role SQL server or other database engines need to play in our strategy. These applications will force us to be a lot more integrated in the pieces we offer.

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2. Leverage for our message. We will write a white paper about each of these applications - perhaps all put together in a book with my name and some co-authors. We will demonstrate these applications far and wide by making it easy for our sales force to do so.

3. Leverage for our consulting man hours. We will be willing to turn over these application pieces for customization to outside groups - in fact we will certify outside groups in each of the application areas and give them referrals. We will charge a product fee for these applications. Solution providers who work in these areas will understand what we are doing and they can either work with us or not. We might even buy some code to get ourselves to a leadership position on these applications. Solution providers who don't work in these areas will know that we will not "compete" with them except in very rare circumstances where a very big customer insists and we make an exception. We would stay out of applications that are specific to an industry although we would customize our generic applications for an industry. Our consulting hours will be focused on enhancing and customizing these applications. Either MCS or the product groups will have a "product manager" for each of these applications. I am not sure how to best organize this. I can see "product management" being in: a) Tools (Roger Heinen) b) Servers (Paul Maritz) c) HQ sales and marketing (Jeff Raikes) or d) Consulting (Bob McDowell).

4. Leverage for our productivity applications. We will make sure our productivity applications are part of the runtimes of these systems as much as is reasonable. This will not only help us sell more of these applications in competitive situations it will provide a concrete benchmark for how good our applications are for these applications.

5. Leverage relationships. We will make sure to tie these applications into other peoples applications - for example SAP in Germany who we should invest even more energy into working with.

6. Allow us to provide a benefit to small customers who can use the simple uncustomized forms of these applications. Small customers are the big volume in the PC business.

7. Leverage our expertise by making it clear who should understand the advances and needs in each of these areas.

This all sounds great but it only works if we can really identify a few key applications and focus on those. With the experience we have had with consulting I think we should be able to identify a number of these. Perhaps it is naive to expect that the wide variety of customer requirements can be met by using a body of code along with some customization. This is the key proposition I want us to examine before we move down this strategy. Steve Ballmer deserves credit for the key idea behind this memo if it turns out to be correct. Many of the application areas should be things we need internally and could do a much better job on. With a lot less data than most people I propose the following areas:

1. Ad hoc Information sharing/Mail/Bulletin board/Forms/Document management. Our product groups won't have a great foundation for this until EMS ships but we can already do work in this area. This area includes ad hoc unstructured sharing of information where NOTES is strong today except that its database, development tools, cost and integration are still weak points. This area sounds very broad but with EMS and VB-Mail integration we will have the key pieces. We will have to decide if SQL server is needed here and if so when. Microsoft internal just bought an application from GTE to do some of these things. We would need to get some EDI connection code that ties into our VB-Mail product. We would probably have to work with an imaging specialists - Filenet, Wang or one of the more nimble companies.

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2. Sales reporting/Expense reporting/EIS. The new Excel and Access can be a valuable part of this because of the data viewing and Object BASIC support. Forecasting may also fit in here if we can work closely with the group who provided the tool Microsoft is using.

3. Customer service information/Workflow. A tracking database is required to do this correctly. Again EMS would be a key element.

4. Order management/CICS kind of stuff. Perhaps this is the area someone would say we need transaction management. However I would rather work together with SAP, Platinum, D&B and others who have already decided how they want to handle data management. I don't want to infringe on their space since I think we can get them to focus on our platforms if we are smart. I think Sybase and Oracle will provide all the back end strength that is needed so a transaction product would just complicate things and have us colliding with them.

5. Office automation: Directory/Organization chart/Voice Mail/Fax/Video phone/telephony integration. This is a forward looking "application".

Fundamentally this strategy will allow us to use consulting to help us move strongly into areas we are weak today and LOTUS and IBM are strong and Novell is now threatening to become strong. With this focus along with architectural consulting I would feel like there is an even stronger link between our product efforts and our consulting efforts.

The big flaw here is if we can't cover a lot of customer needs with some particular focuses. Consulting should go back over the work they have done and see what kind of match up there would be and how much leverage a product approach might provide. Please remember to assume the product groups continue to strengthen the foundation for all of these high volume applications.