

Systems Marketing

*Brad's
FYI*

To: Systems Marketing Group
From: Russ Werner (fw)
Subject: Overview of Systems Marketing Strategy
Date: 7/26/90

In the spirit of staying current, attached is a copy of the presentation that Steve Ballmer gave to the financial analysts today.

I think the presentation does a good job of articulating a broad, integrated strategy for systems division.

Please read this and we will discuss.

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Plaintiff's Exhibit
5147
Comes V. Microsoft

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Steve Ballmer
Senior Vice President
Systems Software

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Microsoft Graphical Desktop Operating Systems

- ◆ **MS-DOS/Windows:**
 - Ultimate in personal computing
 - 1 MB systems and up
- ◆ **OS/2:**
 - "Windows plus"
 - Brings personal computing to mission-critical applications
 - 4 MB systems and up
- ◆ **A family**

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MS-DOS: The Foundation

- ◆ **FY 1990:** 15 million licenses
- ◆ **FY 1991:** New release coming

**Focus on memory utilization,
user-oriented features, easy
upgrade**

Replaces MS-DOS v. 3.3/4.0

**Standard and ROM versions
available to OEMs**

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Windows 3.0: Red Hot

FY 1990: Key features: Better memory utilization,
improved appearance, installation,
network support

Over 700 applications

800,000 retail copies & upgrades shipped

FY 1991: Enhancements for speed, font handling,
Kanji, multimedia, handwriting

Extensive investments in marketing
planned (>\$17 million)

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OS/2: Advanced Operating System

- FY 1990:** 200,000 Licenses
Strength among corporate developers
Limited application support
- FY 1991:** OEMs ship OS/2 version 1.21 in August
Foundation for LAN Manager 2.0
Implement family strategy with OS/2 2.0
Version synchronization with IBM
High level of on-going development investment

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OS/2 Version 2.0

- ◆ **Requires and exploits 386 processor or higher**
- ◆ **Follow Windows 3.0 model**
- ◆ **Application support**
 - DOS, Windows, OS/2 1.2, new 32-bit
- ◆ **OS/2 2.0 includes "OS/2 Windows"**

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DOS/Windows And OS/2

- ◆ **Family strategy not replacement strategy**
- ◆ **Windows and OS/2 v. 2.0 compatibility
(user interface and applications)**
- ◆ **Windows will help OS/2**
- ◆ **Business healthy overall**

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Microsoft Crusades

1980s: Graphical user interface

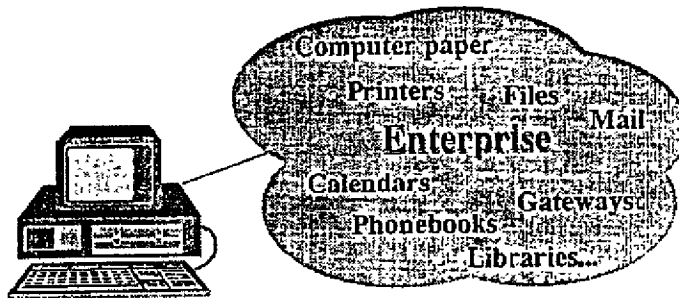
1990s: Information at your fingertips

Huge opportunity:

- Drive new PC penetration
- Increase value of PCs
- Increase Microsoft revenue per PC

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Computer Systems In The 90's



"Information at your fingertips"
More than sharing disks and printers

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Why Microsoft?

- ◆ **Requires integrated approach**
 - Operating systems, networking software and facilities, user interface
 - Blurring of network clients, peers, servers
- ◆ **Needs evangelism of standard interfaces**
 - New breed of information/resource sharing "client-server applications"
 - Mail, data access, etc., "sockets" in OS

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Requirements For Information At Your Fingertips

- ◆ Rich client-server applications
- ◆ Powerful server platforms
- ◆ Efficient administrative tools
- ◆ Reliability and security
- ◆ Information access transparent
to users
- ◆ Multiplatform connectivity

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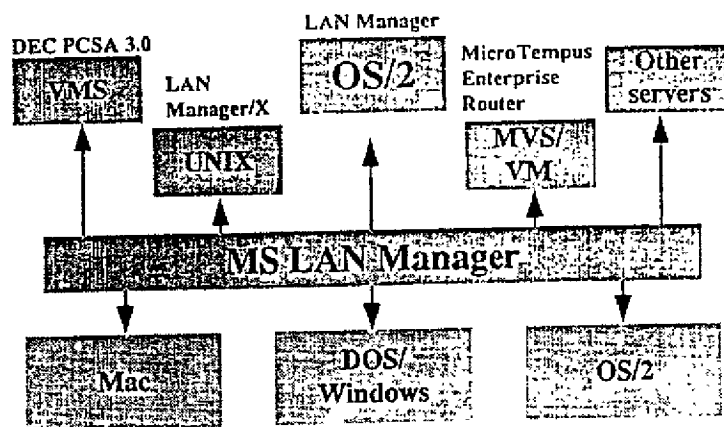
LAN Manager Version 2.0: A Giant Step Forward

- ◆ With OS/2, strong platform for information sharing
- ◆ Optimized for 386/486, multiple processors
- ◆ Pioneering PC concepts of domains, replication, and assistant administrators
- ◆ Provides fault tolerance, secure systems
- ◆ Multiplatform connectivity
- ◆ Windows 3.0 and LAN Manager 2.0 present a simpler user view

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New Information/Resource Sharing Applications

- ◆ Microsoft SQL Server
- ◆ Oracle for OS/2
- ◆ IBM Extended Edition/Office Vision
- ◆ DCA/MS Comm Server
- ◆ Micro Decisionware DB2 Gateway
- ◆ Lotus Notes
- ◆ 3Com Maxess & Mail
- ◆ Saros FileShare

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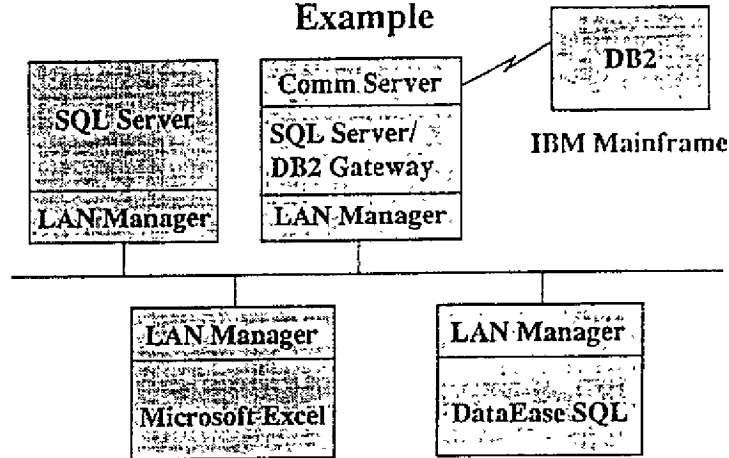
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Microsoft Server-Based Applications

- ◆ **SQL Server**
 - High-performance database engine
 - Server-based data integrity
 - Highest rated database product, *Infoworld, Software Digest*
- ◆ **Comm Server**
 - Full IBM host connectivity
- ◆ **Mail server**
 - X.400 compatible server in development

Information At Your Fingertips

Example



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LAN Manger: Filling Out The Product Line

- ◆ Will require spending money on code
 - Novell connectivity
 - Macintosh connectivity
 - Additional transports
 - Server-to-server WAN connectivity
 - LAN utilities

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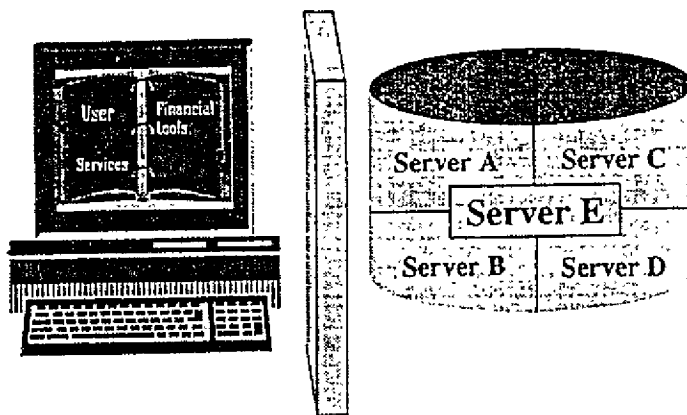
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Microsoft LAN Manager: Futures

- ◆ Graphical user interface
- ◆ Directory service
- ◆ Physical location transparency
- ◆ IBM LAN Server convergence
- ◆ Software distribution
- ◆ Remote client administration
- ◆ Network management

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LAN Manager Directions



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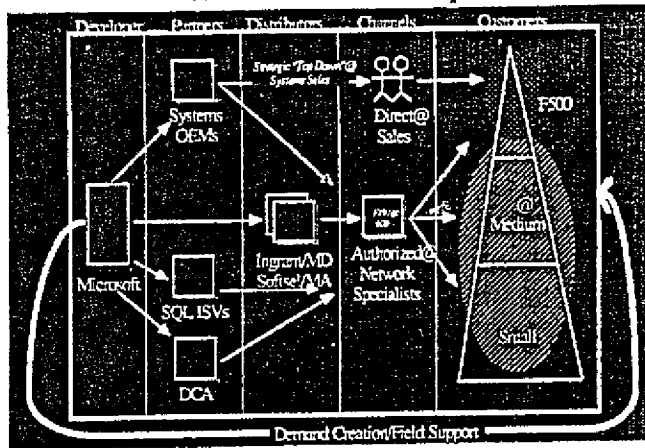
Marketing Challenges

- ◆ Novell: \$500 million, 2000+ people,
65% market share, 10,000+ dealers
- ◆ Novell will not be overwhelmed
- ◆ Strong OEM support necessary but
not sufficient
 - 3Com, IBM, HP, NCR, DEC, Olivetti, AT&T,
Nokia, NEC, Fujitsu, UB, Unisys . . .

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Microsoft 1990 Network Products Distribution Map



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**Limited Number Of Highly
Trained Resellers Authorized
Exclusively By Microsoft**

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Network Specialist Authorization And Training Requirements

- ◆ Complete two courses for each product
- ◆ Demonstration system for MS network products
- ◆ Phone and on-site customer support
- ◆ Return product registration cards
- ◆ Submit business plan to Microsoft
- ◆ Participate in customer satisfaction program

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Training Plan

- ◆ COMPAQ will conduct training courses for resellers (with Microsoft materials)
- ◆ Microsoft will train all other candidates
- ◆ Authorization training courses are free

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Packaging

- ◆ **Traditional model: Server-based**
- ◆ **Limitation: As server gets more powerful, the price of the network operating becomes too expensive for the workgroup**

Example: Netware ELS I - \$695 (4 users)
 - No fault tolerance, no 386 support, no advanced features
 Netware 386 - \$7995 (250 users)

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Packaging

- ◆ Microsoft model: User-based
- ◆ Advantage: The customer can "size" his system economically without losing power or functionality

Example: Microsoft LAN Manager 2.0

Skus #1: Server - \$995 (with all advanced features)

Skus #2: 10 User Pak - \$995

Skus #3: Unlimited User Pak - \$5495

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A Worldwide Business

- ◆ **Launch this year throughout the world**
- ◆ **Except Japan, distribution modeled on U.S.**
 - **Japan - OEM strategy**
 - **Products being localized for major languages**

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Customer Satisfaction And Support Program

- ◆ **GOAL = Satisfied Customers**
- ◆ **Focus = Network Specialists**
 - Network Specialist returns registration card
 - Microsoft calls to confirm customer satisfaction
 - Microsoft reports any customer concerns to Network Specialist
 - Microsoft and Network Specialist work together to ensure successful installation

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Additional Microsoft Support Offerings

- ◆ **For Resellers - free for first year**
- ◆ **For End-Users - marketed through Resellers**
 - **Baseline Plan**
 - **Gold Plan**

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Demand Generation

- ◆ **\$16 million worldwide budget in addition to sales/support people**
- ◆ **Print advertising targeted at MIS and network administrators**
- ◆ **Direct marketing**
 - **Lead tracking**
 - **Outbound telemarketing**

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Demand Generation

- ◆ **Product launch seminars - Fall 1990**
 - 13 cities, 300-500 attendees per city
- ◆ **On-going seminars - January 1991**
 - 100s of Network Specialist Seminars
- ◆ **Corporate Account Reps/Systems Engineers**
- ◆ **Tradeshow participation**

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Investment Summary

	<u>Increase</u>	<u>Total</u>
Development people	+100	260
Sales and support people	+400	400
Marketing	+\$16M	\$16M
Outside development	+\$2M	\$5M

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Information At Your Fingertips

- ◆ **A huge opportunity**
- ◆ **A huge investment**
- ◆ **Products roll out next month**

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