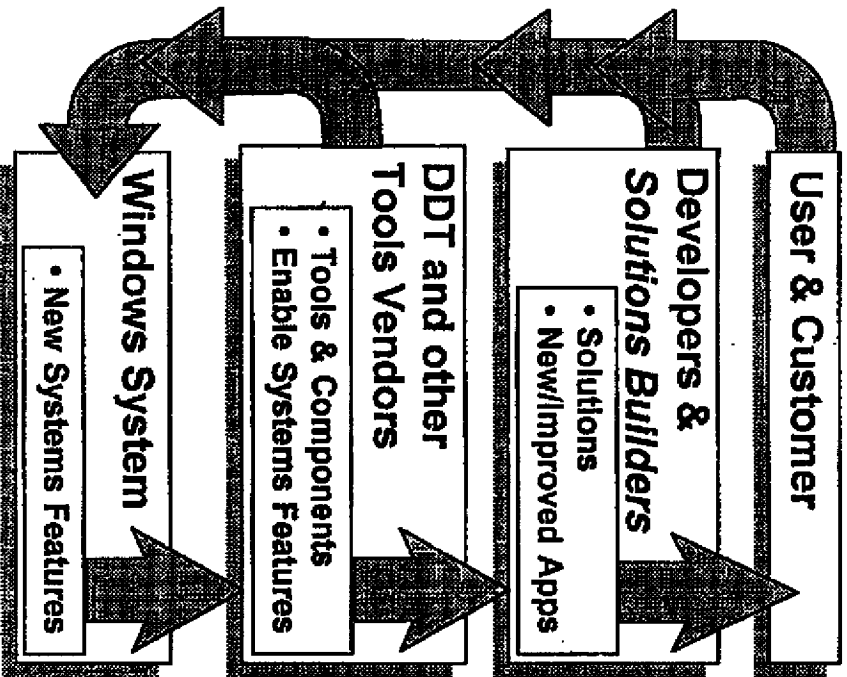


# Development Tools Chain of Value

\*

Provide the Tools and Components to build the applications and solutions that drive the success of Microsoft platforms

- Build Microsoft *Shareholder Value*
- Be Revenue / Profit Leader in \$B International Market
- Build a healthy third-party community to enhance our strategy and tools
- Highest customer satisfaction in market



Plaintiff's Exhibit

5619

Comes V. Microsoft

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*DDT 3-year Plan Kickoff*

# Outline

- Key Assumptions, Observations, To Dos
- Observations
  - What apps are needed for Microsoft success?
  - Who writes 'em?
  - Who else builds tools?
  - Where do we stand today?
- Strategic Objectives
- Time Line
- Issues/Dependencies

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# Key Planning Assumptions

\*

- Tools and DB a key element of a larger, wider Microsoft technical and business strategy. Synergy and Alignment.
- International markets, customers and opportunities; all DDT products are internationalized.
- Limited headcount and resources
- Leveraged: Just because we can do something, does not mean we should. Healthy third-party community of enhancement and support. Buy it if you can.
- Synergy by definition
- High-volume, packaged products

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# Key Observations

\*

- Tools Crossroads
- DDT tools support development of today's PC client applications
- Customers want Windows / Windows/NT in broader application areas (e.g. Client/Server) where DDT Tools don't fit well.
- Tools market place is larger than we thought... changing...
- DDT tools do not support teams, VARs, MIS developers
- Fox, VB, VBA and Access target similar problems
- Database architecture is complex, fragmented and inadequate for emerging applications needs
- Confusing messages, programs and tools for MIS Field and developer customers

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# Key Objectives... To Dos

\*

- Fix database architecture and engines ASAP
- Focus VC++ on ISVs, component developers and system needs
- Merge VB, VBA, Access and Fox into a single product line for *Solutions Builders* aimed at broader applications needs, VARs, MIS to compete with Powersoft
- Unify our voice to MS Field, Developers, Solution Builders about tools, information, etc. for software development
- Improve *Shareholder Value* - Continue BU Fiscal Tune-up

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# Distributed Application Types

\*

*Increasing  
Sophistication*

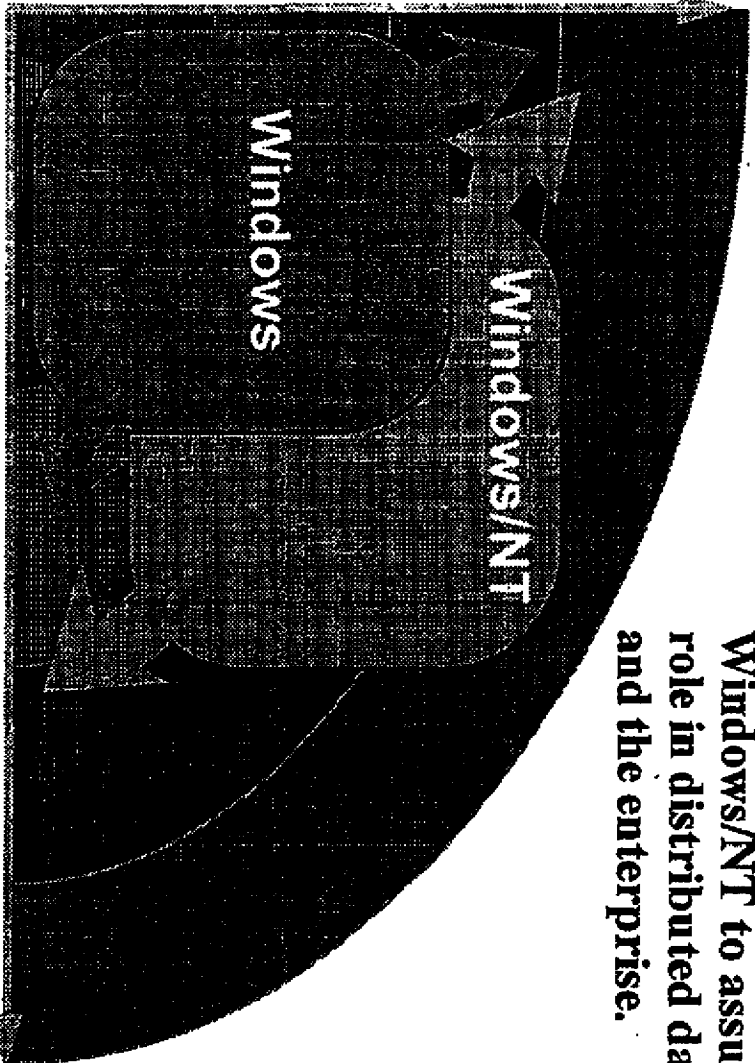
OLTP

Collaboration

Decision  
Support

Personal &  
Professional  
Productivity

- Customers want Windows and Windows/NT to assume a larger role in distributed data processing and the enterprise.



Personal Workgroup Department Enterprise Inter-Enterprise  
*Increasing Mission Criticality & Heterogeneity*

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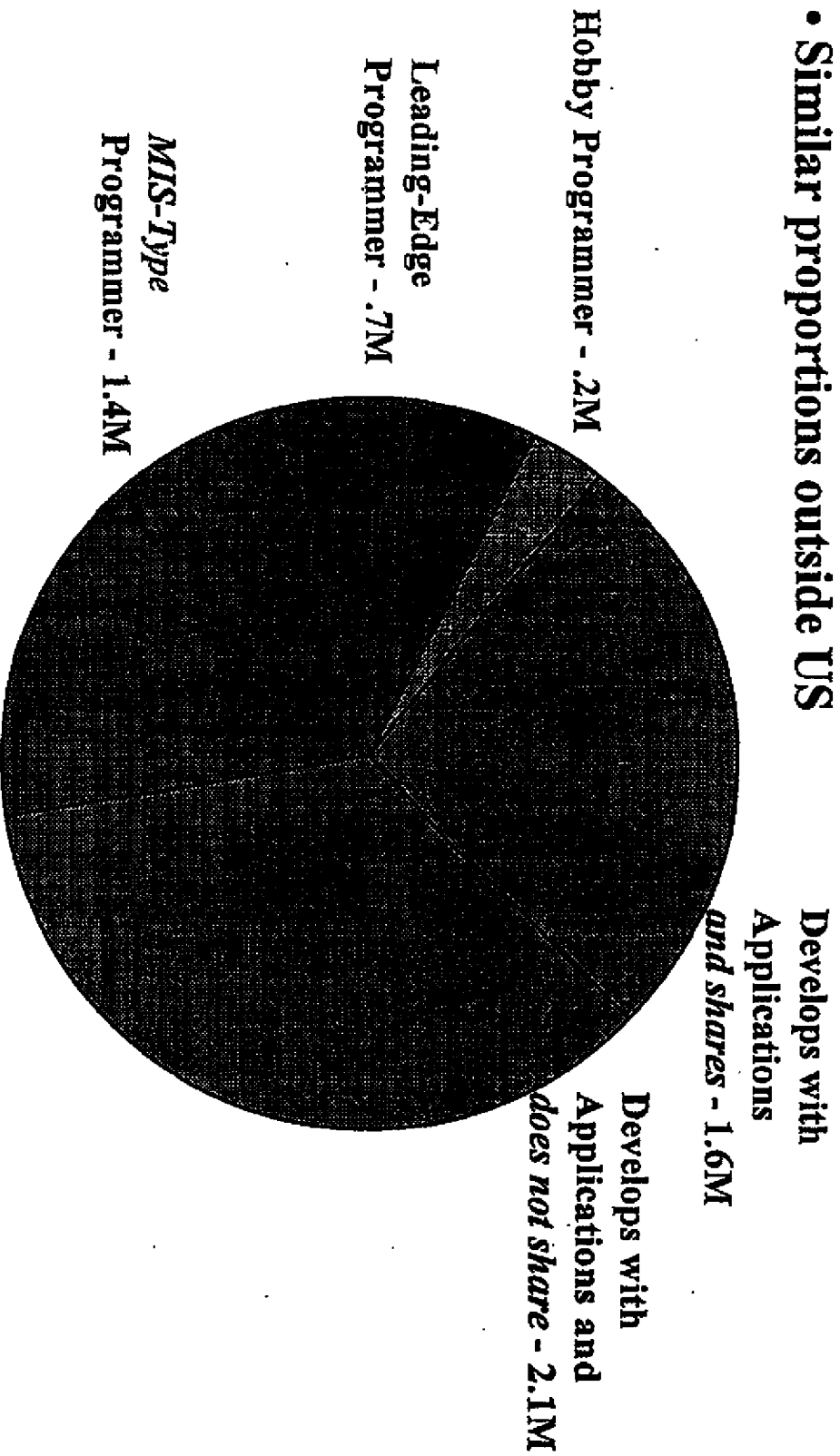
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# Developer Segmentation/Sizing Study

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- US developer market is 6.3M people
- Similar proportions outside US



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# Distributed Application Types

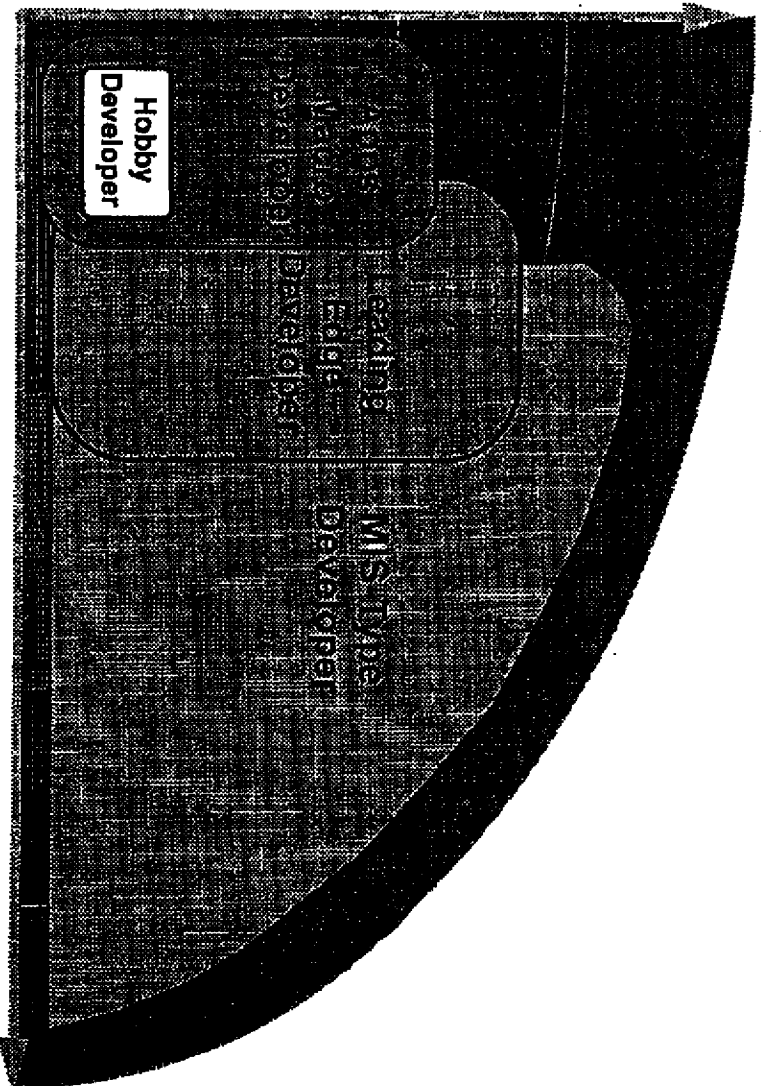
*Increasing  
Sophistication*

OLTP

Collaboration

Decision  
Support

Personal &  
Professional  
Productivity



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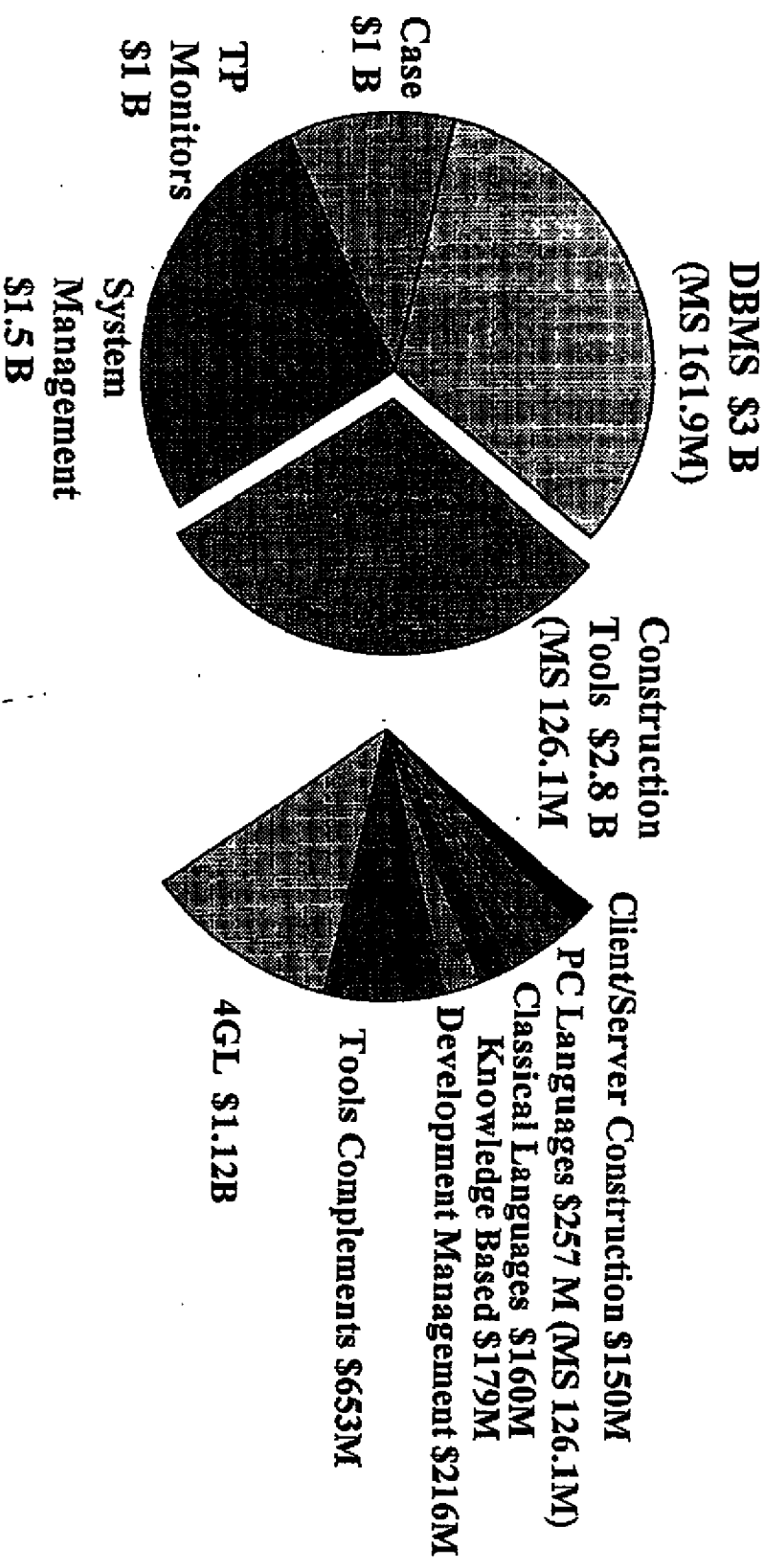


# Developers...



	Pop'n Size	Tools Used?	For Whom?	Product this year?	Interest?	Leverage?	DDT Notes...
<i>MIS-Type</i> Programmer	1.4M	COBOL MF-Lang DBMS C/C++ PC DBMS	67% internal use	MS - 20% Borland - 28% Powersoft Oracle Sybase	Buy Power + Leverage + Move to PC + Population +	42M PCs \$6.6B	Don't use MS Tools New Products? Volume Dist & Spr?
Leading Edge Programmer	.7M	C/C++ VB Fortran Pascal	53% internal use	MS - 33% Borland - 30% Symantec Powersoft Oracle	Share War =	40M PCs \$4.1B	Current Market Competitive
Application Macro Developer	3.7M	Lotus 1-2-3 WordPft rBase Excel	71% internal use	MS - 44% Lotus - 54% WordPft- 36% Borland	Population + Entrenched - Seed Mkt +	7M PCs \$4.2B	MSStrength Big VBA Opportunity High Conversion Cost Not Experimenters
Hobby Programmer	.2M	Basic Assembler	40% internal use	MS - 76%	No Dough -	4M PCs <\$10M	MSMarket QBasic?

# 1992 Tools Marketplace \$9B



- Microsoft tools revenue was ~\$300M in '92
- Trend is slow revenue growth

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\* IDC 1992 US Revenues

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# DDT's Top 10 Competitors

	<i>MIS-Type Developer</i>	<i>Leading Edge Developer</i>	<i>Applications Programmer</i>
<i>Broad Providers</i>			
Borland	C/C++	C/C++	Paradox, dBase
Lotus		Notes	1-2-3, Approach
IBM	dB2, O/S, Langs	dB2, O/S, Langs	3rd-Parties
CA	CA-Realia	CA-Clipper CA-Realizer	CA-Compete CA-dBFast
Symantec	C/C++	C/C++	Norton 5th Generation
Novell	Netware	NetWare, AppWare	Netware AppWare

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# DDT's Top 10 Competitors

		<i>MIS-Type Developer</i>	<i>Leading Edge Developer</i>	<i>Applications Programmer</i>
<i>DBMS Moving into Tools</i>	Oracle	Oracle Server SQL Net SQL Connect SQL Forms Oracle Tools	Oracle Server Oracle Tools SQL Forms	DataBrowser Oracle Glue
	Sybase	SQL Server Momentum	SQL Server Momentum APT WorkBench	
	Informix	Informix-Online Informix-4GL	Informix-Online Informix-SE	ViewPoint Wingz
<i>Tools Moving into DBMS</i>	Powersoft Watcom	PowerBuilder	PowerMaker Watcom SQL	PowerViewer
	Gupta	SQLBase Team Windows	SQLBase SQL Windows	Quest

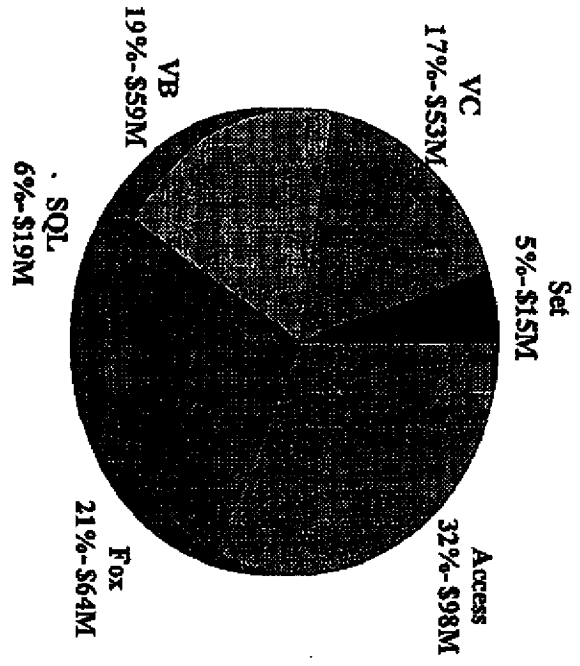
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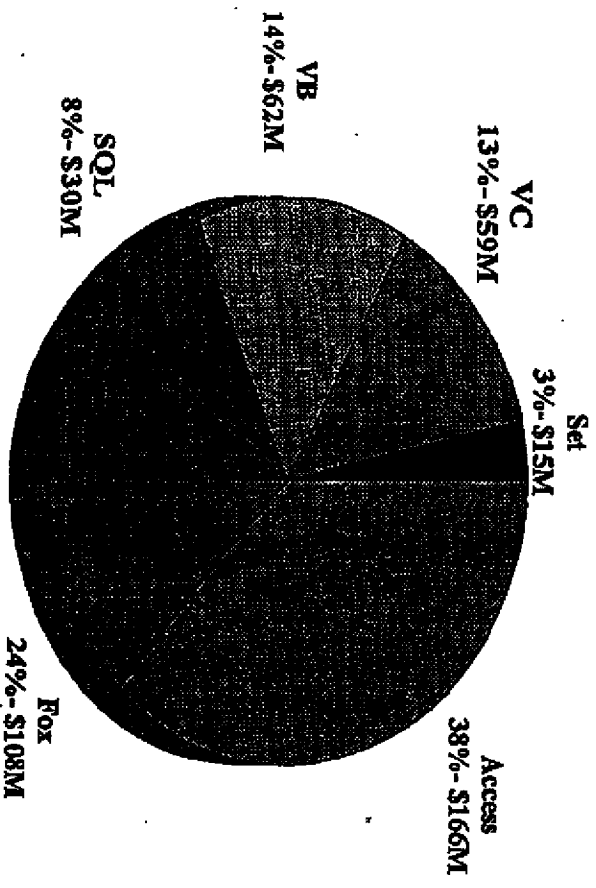
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# DDT Worldwide Sales

FY'93 Actual, \$307M



FY'94 Plan, \$445M



Product	Sales (\$M) FY'93a	SP A Market Share FY'94e	Licenses	Gross CA GR(S)	Rev/head	Responsibility Margin/head
Fox	\$64	\$108-	19%	21%	\$1.11M	\$303K
Access	\$98	\$166=	25%	21%	\$1.09M	\$309K
SQL Svr	\$19	\$30=	--	--	\$1.09M	\$309K
VB	\$59	\$62+	70%	80%	\$1.09M	\$309K
VC	\$53	\$59+	42%	5%	\$1.09M	\$309K
SET(FORTRAN)	\$15	\$15=	--	9%	\$1.09M	\$309K

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# Products Vis-a-vis Application Types?

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Sophistication*

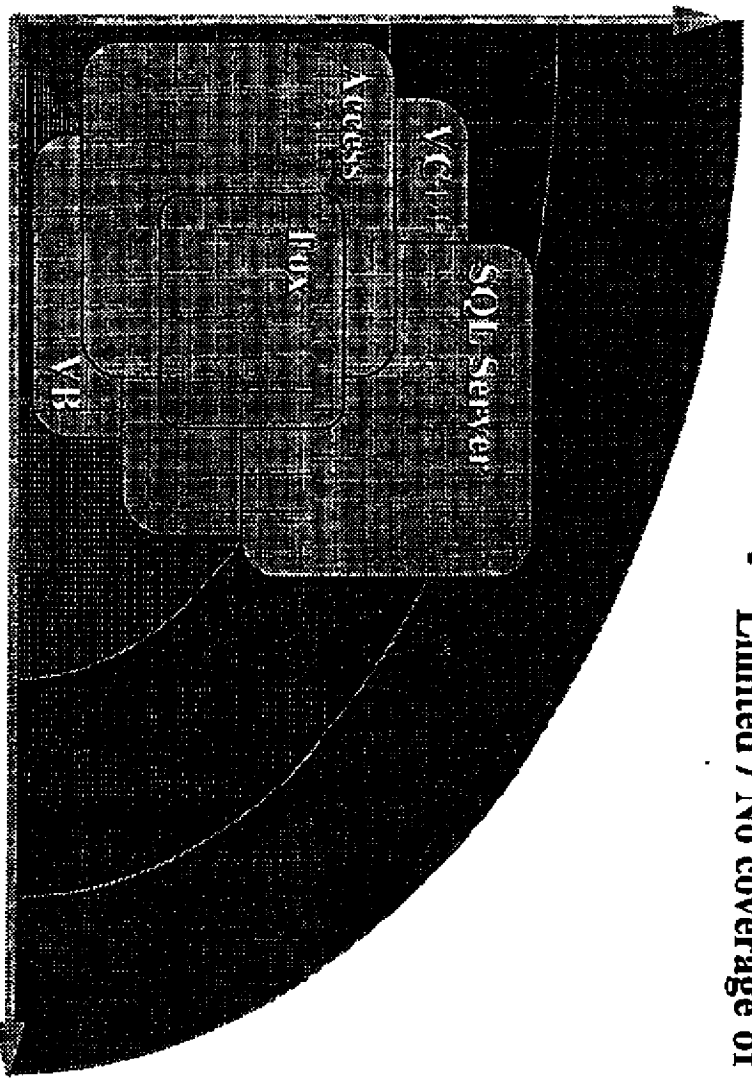
- Tools overlap needs
- Limited / No coverage of emerging areas

OLTP

Collaboration

Decision  
Support

Personal &  
Professional  
Productivity



Personal Workgroup Department Enterprise Inter-Enterprise  
*Increasing Mission Criticality & Heterogeneity*

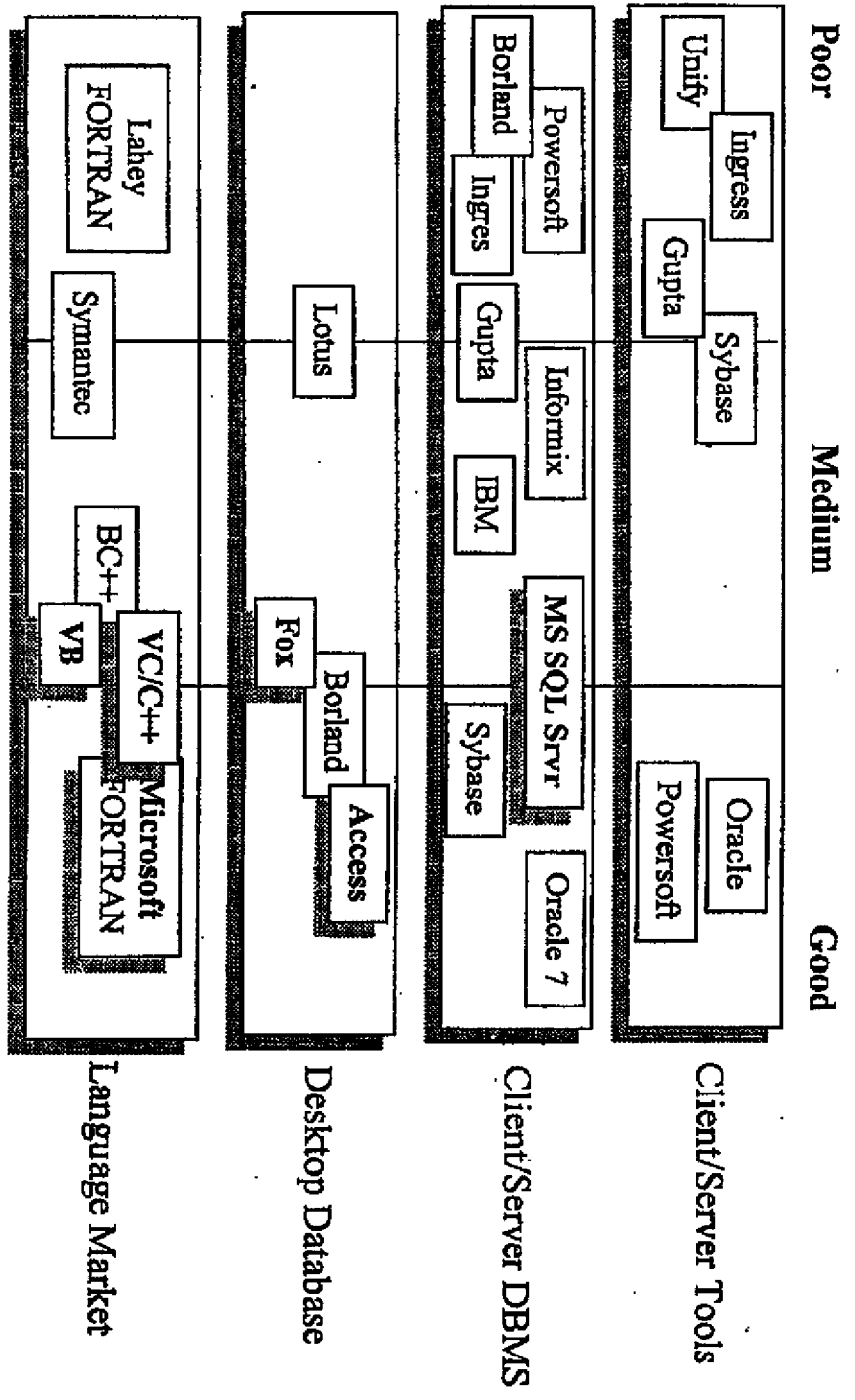
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# Today's Competitive Position?

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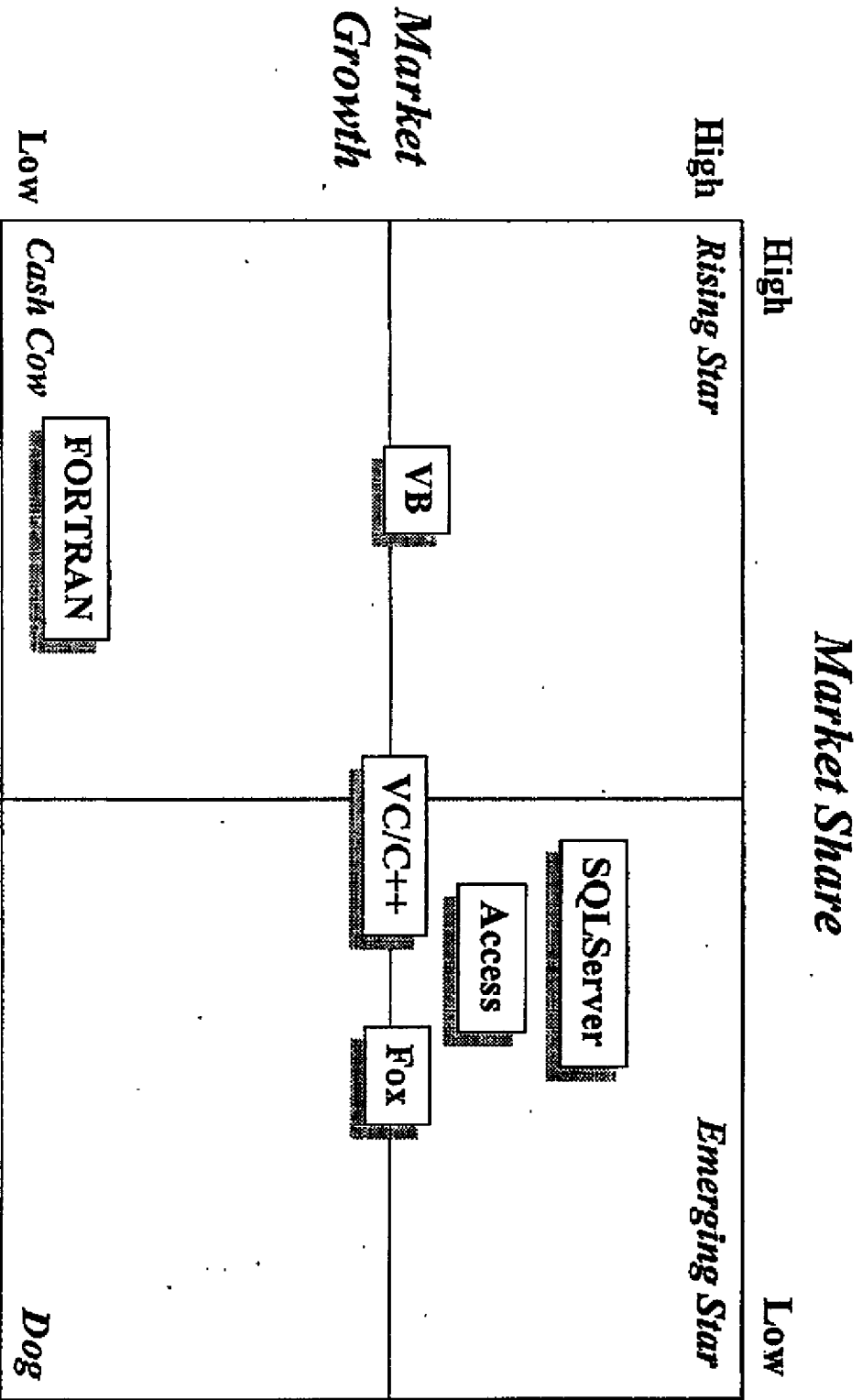
*Competitiveness*

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# Stars or Dogs?



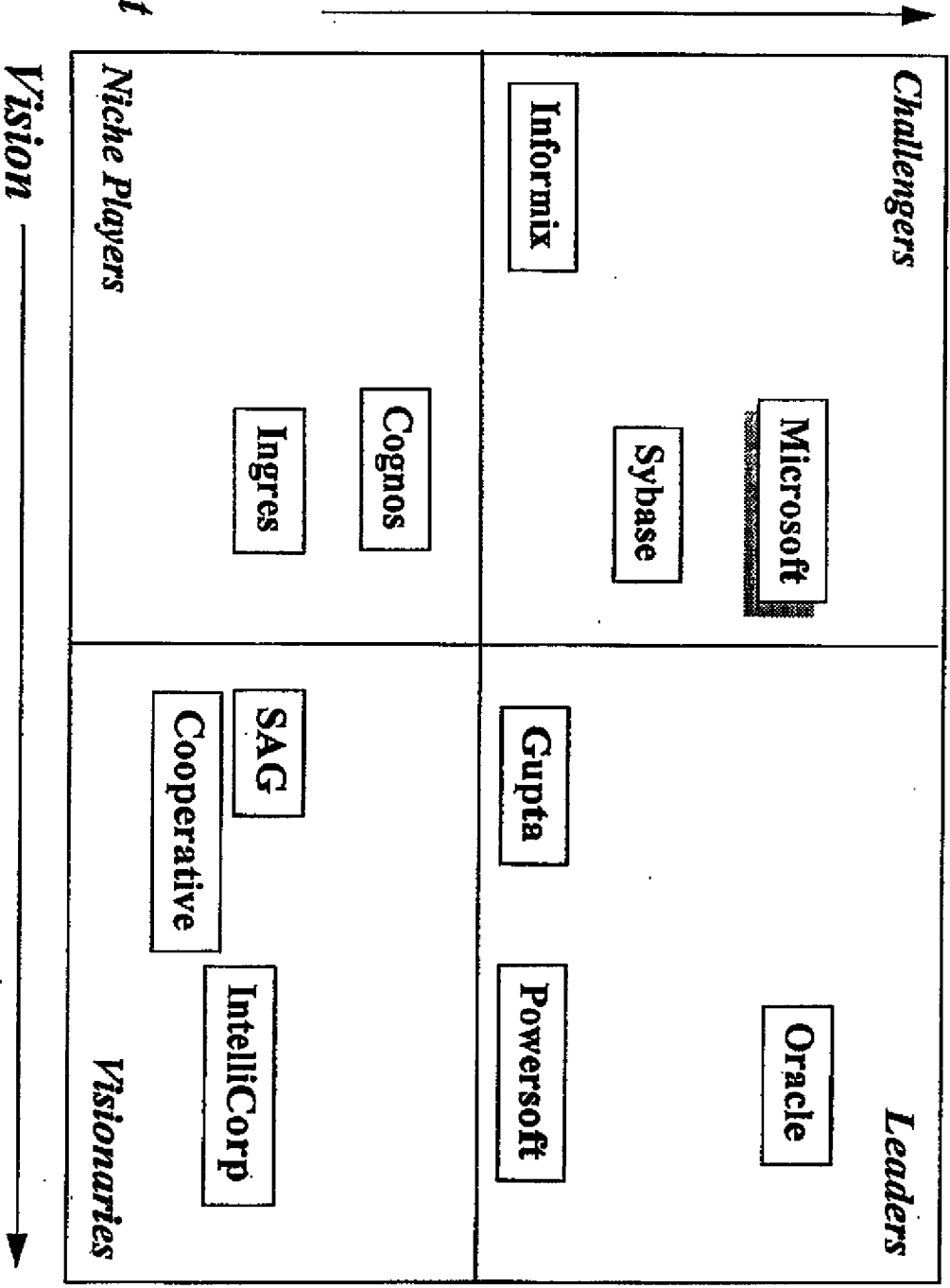
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# Gartner Client/Server Players?



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# DDT Today SWOT Analysis

\*

<p><b><u>Strengths</u></b></p> <ul style="list-style-type: none"> <li>• Broad product line</li> <li>• VC++ re-gained v. Borland, Symantec</li> <li>• 50+% of desktop db mkt - Access and Fox</li> <li>• VB &amp; VBA technology for VARs &amp; MIS</li> <li>• SQL Server NT Price/Performance</li> <li>• Can weather price storm</li> <li>• Cross-platform coverage</li> <li>• 3rd-party community</li> <li>• Invitation to be Client/Server tools supplier</li> </ul>	<p><b><u>Weaknesses</u></b></p> <ul style="list-style-type: none"> <li>• VB, Fox, Access overlap as <i>developer</i> tool</li> <li>• Incomplete client/server tools/DB products</li> <li>• Diverse / incomplete DB products &amp; APIs</li> <li>• Weak <i>Family-ness</i>, Synergy &amp; Architecture</li> <li>• Language technology</li> <li>• Confused messages and customers</li> <li>• Developers don't <i>trust</i> Microsoft</li> <li>• Low MS tools awareness among some devos.</li> <li>• Workgroup &amp; Team tools strategy</li> <li>• Lack comprehensive understanding of MIS/Ent.</li> <li>• Only as good as our next product</li> <li>• Does not address AT needs</li> <li>• Population of <i>secure</i> customers</li> <li>• DDT Responsibility Margin is very low</li> </ul>
<p><b><u>Opportunities</u></b></p> <ul style="list-style-type: none"> <li>• Tools market is bigger than we thought...</li> <li>• Client/server tools strategy for VARs / MIS Solutions Builders, broadly defined...</li> <li>• NT opens new apps areas</li> <li>• Application Developers</li> <li>• Market headroom</li> </ul>	<p><b><u>Threats</u></b></p> <ul style="list-style-type: none"> <li>• Competitive combinations e.g. Powersoft Watcom</li> <li>• Market window for Client/Server tool purchases in next 18 months</li> <li>• Price pressure as competitors seek share</li> <li>• IBM, Oracle, Novell as "systems" vendors</li> </ul>

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# Top-Line Objectives for '94-96

\*

1. Unified Data Architecture and Engine Family
2. Solutions Builders Tool Family
3. VC++ Component Implementation Tools
4. Unified Voice to Solution Builders
5. SET FORTRAN Revenue
6. Synergy with Microsoft
7. Improve *Shareholder Value*
8. Organization Effectiveness

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# 1. Unified dB Architecture and Engine

Engineer and deliver a unified dB Architecture, Components, Engine Family for Windows, Windows/NT and Cairo.

- **Why?**
  - Current database strategy is unfocused and inadequate (features and performance) for many applications where Windows and Windows/NT could be strong e.g. client/server scalability.
  - Risk becoming a niche front-end vendor to other database strategies.
- **Objectives**
  - Leading-edge dB architecture meshed with Chicago, NT & Cairo strategy
  - Consistent set of open APIs (DNA) exposed via OLE 2 incorporating compatibility with existing APIs e.g. ODBC, SQL
  - Scalable local, workgroup and server data engines which are robust, secure, high-performance and industrial-strength.
  - Integrated management, replication, backup and other system utilities.

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## 2. Solutions Builder Tool Family

Engineer and market a single, complete, scaleable *Solutions*

*Builder* product line spanning software development needs from Office application customization through VARs and up to the needs of MIS teams building Windows and Windows/NT based client/server solutions.

- **Why?**
  - Market opportunity where developers want to build applications
    - *Solution Builder* need for an integrated tools product line
    - Customization of Office Applications
    - Emerging workgroup and team development needs
    - Competitive attempts to isolate system via tools and glue APIs
    - Credible challenge Powersoft
  - Overlap / confusion of Fox, Access, VB, VBA as *developer* tools
  - Opportunity for engineering and marketing synergy in Fox, Access, VB, VBA.
  - Availability of OLE 2, controls and forms architecture makes this possible

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## 2. Solutions Builders Tools Family...

- Objectives:
  - A single product family of interoperating OLE Controls/DNA Components Sync'd with Office '95, Cairo and Office '96.
    - » Consolidate VB, VBA, Fox and Access into unified strategy, plan, P/L, effort
    - » Phase 1 with Office '95 - Phase 2 with Office '96 and Cairo
    - » Bring forward current VB, Access and Fox applications
  - Consolidated *Solution Builders* and market specific packages...
    - » With Office
      - » VBA application customization, Forms, ...
      - » Access 3 Controls/DNA components - Data Docs, Navigator, Query Tool, ...
    - » General-Purpose Development Environment
      - » Step up in capability from development with Office and Office apps
      - » VB, Access, Office components, CDE Support
    - » VAR and MIS team development environment
      - » VB, Access, Office, Fox/X-base const., Repository, Raven technology,...
      - » Access and Fox end-user packages as market demands

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### 3. VC++ Component Implementation Tools

Make Visual C++ the primary implementation tool for developer workgroups building high performance Windows components and applications, inside and outside of Microsoft

#### **Objectives:**

- Promote the adoption of Microsoft strategic APIs / platforms; expedite the deployment of applications that exploit the latest Microsoft platforms.
- Be the market share leader in the Windows C++ market.
- Maintain the highest customer satisfaction in this category.
- Be the primary tool supplier for Microsoft Systems and Apps.

## 4. Unified Voice to Solution Builders

Lead/Participate in a Microsoft-wide effort to speak with a unified voice to *Solution Builders*.

### Objectives:

- Form partnership with SP, Systems to coordinate activities
- Create and articulate a compelling, meaningful story for solution builders to trust / choose the MS family of technologies, tools, components and support services.
- Facilitate DDT communication with the field and the MS subsidiaries. Ensure a world-wide perspective in all solution builder marketing programs, communications and selling tools.
- Drive customer and market research.

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## **5. SET FORTRAN Revenue**

**Provide Scientists and Engineers with the best tools and components for computation and numerical analysis on Microsoft platforms**

### **Objectives:**

- Contribute to the success of Windows/NT in the Scientific and Engineering market (5mm users world-wide)**
- Maximize revenue from position of #1 vendor of PC-FORTRAN**

## 6. Synergy with Microsoft

Achieve ...

1. Measurable alignment with Applications and Systems
2. Significant synergy within DDT

- Objectives
  - Consistent *tools* inside Microsoft and out...
    - One Linker, C++ compiler, MASM, etc.
  - Alignment of Access, VB, Fox with Office waves
  - Alignment of VC++ deliveries with System waves
  - Architectural synergy in DNA, Forms, OLE 2, etc.
  - Sharing of Components - Reports, Queries, Source Control,
    - ...

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## 7. Improve Shareholder Value

### Objectives

- Improve all market and competitive positions
- Institute business metrics above/beyond revenue
  - Track fewer P/Ls
  - Stress synergy and contribution
  - \$750K/person revenue, \$200K/person RM
- Complete '93 BU tune-ups and divestment

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## 8. Organizational Effectiveness

Recruit, value and retain the very best and diverse work force recognizing our employees as our most valuable asset.

### Objectives

- Hire the best v. a warm body.
  - Value diversity in skill set, experience, cultural background, style, philosophy and personality.
- Focus on developing managers and key employees.
  - More emphasis/time on quality v. problem performers.
- Set, coordinate, implement realistic hiring goals / expectations.
- Maximize team development, synergy and momentum
  - communication, organization structure,...

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# 3-Year Objectives v. Application Types?

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*Increasing  
Sophistication*

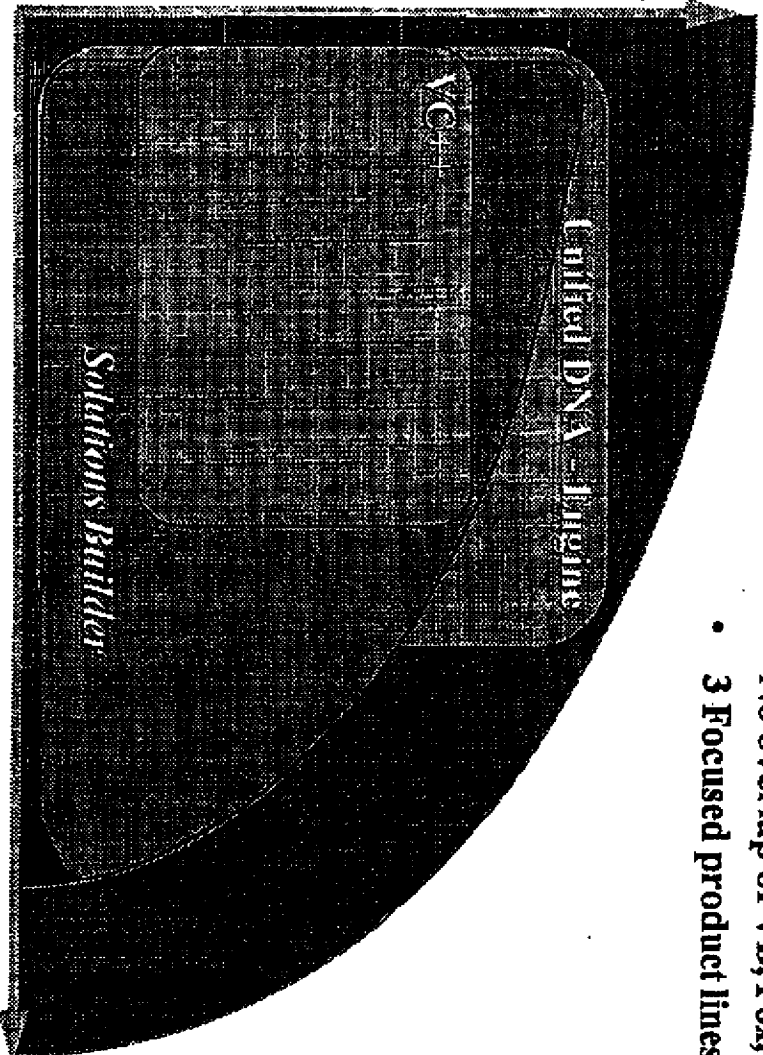
- Coverage of broader apps area
- No overlap of VB, Fox, Access
- 3 Focused product lines

OLTP

Collaboration

Decision  
Support

Personal &  
Professional  
Productivity



Personal Workgroup Department Enterprise Inter-Enterprise

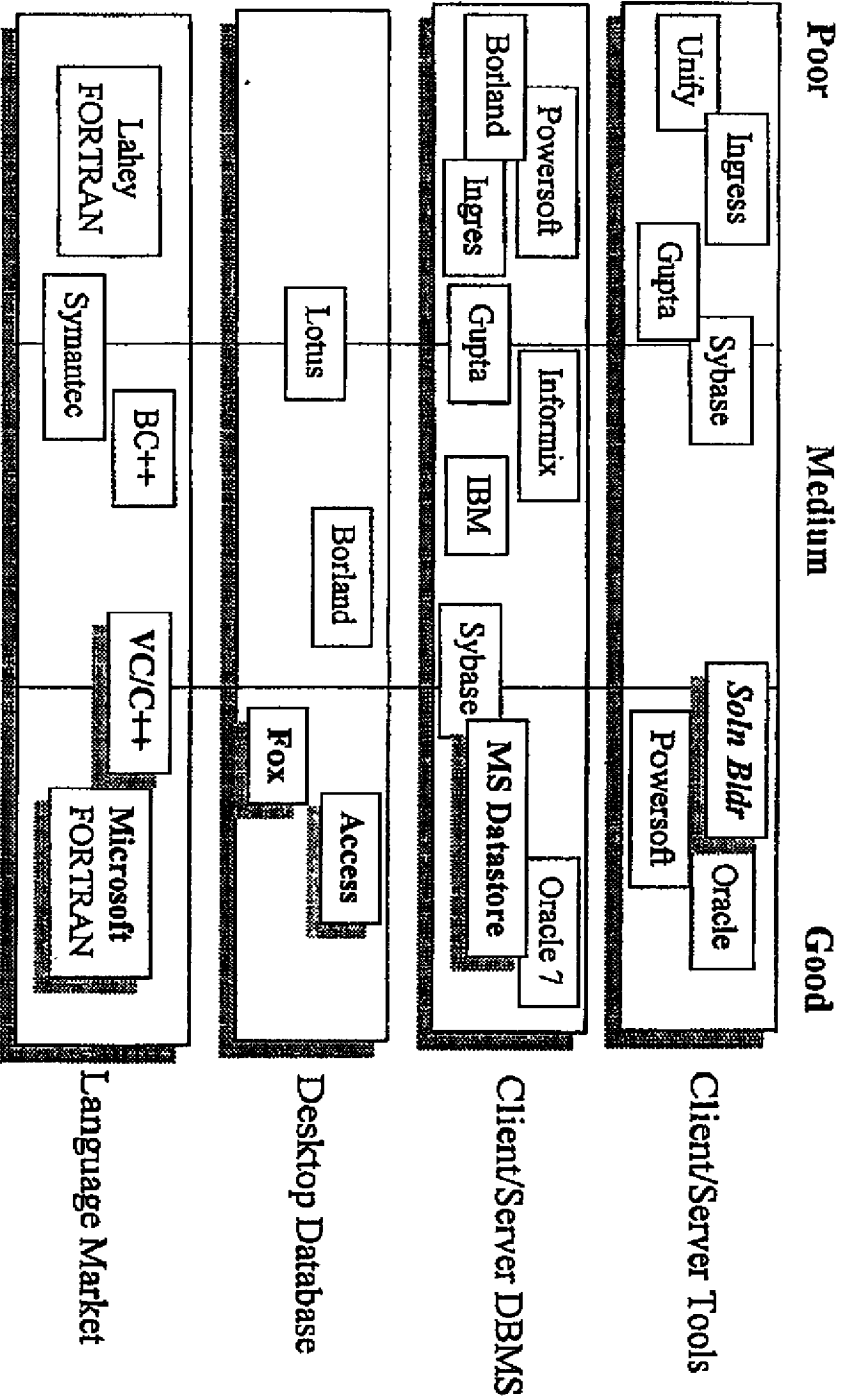
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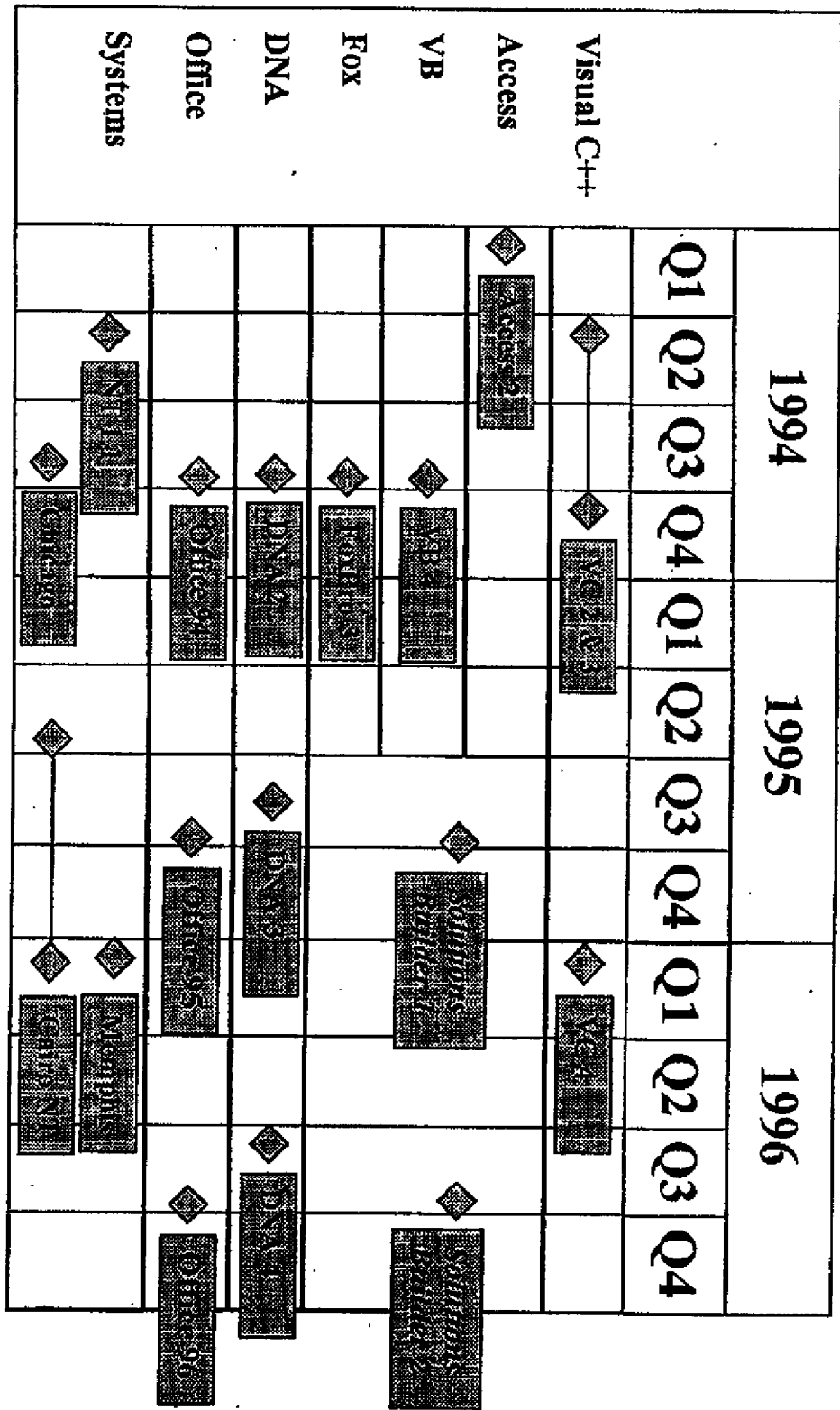
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# 3-Year Competitive Position?



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# Timeline



# Issues and Dependencies...

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- **DAD**
  - From: VBA Integration, Access in Office, Office '94, '95, '96
  - To: VBA, Access components, dB architecture/engines
- **Systems**
  - From: Dependable systems plan
  - To: dB architecture/engines
- **Tools technology and products for AT?**
- **How do we market tools to MIS, VARs, etc. without direct contact?**
- **Partnerships and Acquisitions to get it done faster.**

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