

# Windows Business Review

August 10, 1997

Plaintiff's Exhibit

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# Agenda

- FY97 Business Recap
  - Unit/Revenue summaries
  - Win32 penetration topline research
  - Windows marketing “top ten” challenges list
- FY98 Plan Summary
- NTW Push
  - 4.0
  - 5.0
- Memphis Launch
- NC Attack
- PR/Messaging/Comm

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# Current Business Status

- Win32 ships approx 5M WW units/month.
  - 87% Windows 95 at 4.3M units
  - 13% NTW 4.0 at just under 700K units
- Win32 penetration in US business at 40% (OS Tracker)
- NTW shipped 8% of units, accounted for 16% of rev.
  - Key to increased revenue is to accelerate NT shift.

Total revenue & unit share for FY97 \$4.1B

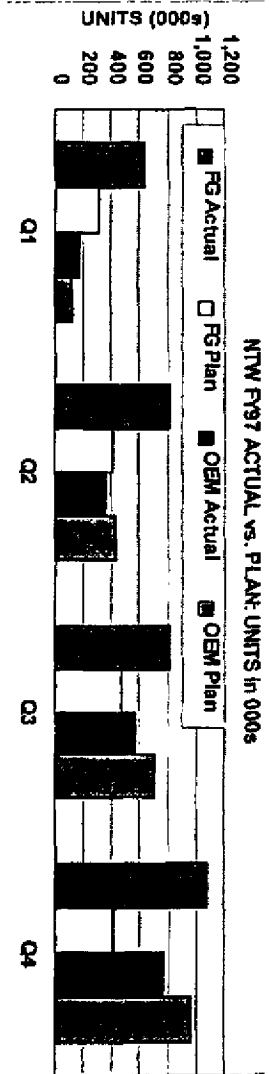
	Rev	Units
– Win95:	66% \$2.7B	76% 49.7M
– NTW 4.0:	16% \$651M	8% 5.2M
– Win16:	7% \$286M	16% 10.3M
– Other:	11% \$448M	n/a

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# OS Business Review

*NTW Shipments exceed plan by 37%*

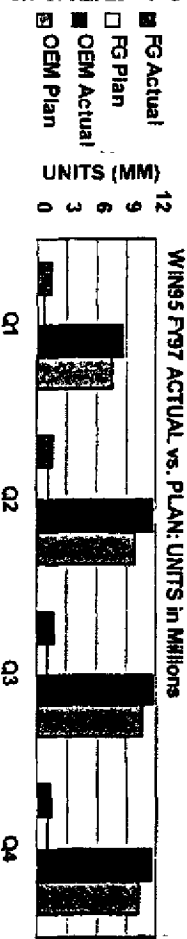
- Led by FG, 110% ahead of plan, driven by strong Select/MOLP sales\*
- OEM shows strong growth during the year, but is behind plan



FY97 NTW TOTAL (000s)			
Channel	Actual	Plan	Variance
FG	3,341	1,587	110%
OEM	1,878	2,229	-16%
<b>Grand Total</b>	<b>5,219</b>	<b>3,817</b>	<b>37%</b>

*Win95 Shipments exceed plan by 17%, led by strong FG shipments*

- Strong Q1 FG sales due to
  - August reseller anniversary push to match prior years numbers
  - NTW Launch drove OS momentum
- Strong Q2 FG due sales to Win95/IESK Bundle



FY97 Win95 TOTAL (Millions)			
Channel	Actual	Plan	Variance
FG	6	4	48%
OEM	44	38	14%
<b>Grand Total</b>	<b>50</b>	<b>42</b>	<b>17%</b>

- *Win16/MS-DOS as Percent of all Shipments is fading:*
- *Will phase out Win3.1 at retail, (not Select/MOLP) in October*
- *Keep WJW at retail through Memphis launch*

Win16/MS-DOS as % of all OS Shipments - Q4	
FG	11%
OEM	14%
<b>Total</b>	<b>13%</b>

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\* Prior NTW "point" was unfounded - based on AIS-Sales issue

# FY98 Forecast

- Overall desktop business grows by 15%.
- FG decreases 9% with Memphis only accounting for 3 months of FY.
- OEM increases 25% with CAGR driven volume and NTW share increasing. NTW up 193% with corporate shift.
- Biggest upside is NTW OEM shift and Win98 \$99 price point. \$35M increase per % point for OEM share. \$100 if we price Win98 at \$99.

		FY98 Windows Desktop Revenue Summary					
		FY97 Forecast			FY98 Budget		
		OEM	FG	TOTAL	OEM	FG	TOTAL
<b>PBSG NA</b>							
Win95		\$1,103,297	\$301,289	\$1,404,586	\$1,383,453	\$104,017	\$1,487,470
NTW 3.5x/4.0		\$147,883	\$208,374	\$356,257	\$379,707	\$178,066	\$557,773
Memphis		\$0	\$0	\$0	\$0	\$96,107	\$96,107
Other *		\$219,467	\$186,580	\$406,047	\$92,905	\$257,075	\$349,980
	<b>Total</b>	<b>\$1,470,647</b>	<b>\$696,243</b>	<b>\$2,166,890</b>	<b>\$1,856,065</b>	<b>\$635,265</b>	<b>\$2,491,330</b>
<b>PBSG WW</b>							
Win95		\$2,247,248	\$495,978	\$2,743,226	\$2,761,318	\$252,228	\$3,013,546
NTW 3.5x/4.0		\$219,440	\$431,486	\$650,926	\$649,471	\$354,172	\$1,003,643
Memphis		\$0	\$0	\$0	\$0	\$152,489	\$152,489
Other *		\$430,540	\$303,732	\$734,272	\$187,864	\$348,928	\$536,792
	<b>Total</b>	<b>\$2,897,228</b>	<b>\$1,231,196</b>	<b>\$4,128,424</b>	<b>\$3,598,653</b>	<b>\$1,107,817</b>	<b>\$4,706,470</b>

\* Includes custom agreements, maintenance, WFW, Win3.x & MS-DOS

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# Windows Research

*Win 95 will hold a 7:1 installed base advantage over NTW in US Businesses by CY97*

- We need to make sure NT5 is an extremely smooth upgrade from Win9x installed base.
- We need to ensure Win98 remains a viable upgrade alternative for those who don't move to NT5. Business represents 50% of the US Windows run-rate

## CY97 Projected Business Market Metrics Windows Machines Only

	SORG	Corporate	Totals
Installed Base	17,334,296	26,239,254	43,573,550
Shipments	5,165,950	7,983,026	13,148,976
% Win 95	57%	51%	53%
% NTW	11%	5%	8%
Replacement Rate	40%	51%	47%

Source: OS Tracker

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# Windows Research

## Momentum is behind Windows 9x and IE

- Windows 9x preferred over NTW in new hardware acquisitions. We must do a superb job communicating why to make the move to NT.

	SORG				MORG				
	Workstations*	Portables	Desktops	Workstations	Portables	Desktops	Workstations	Portables	Desktops
Win 95	38%	40%	38%	27%	35%	30%	27%	35%	30%
Win 98	53%	52%	54%	52%	60%	56%	52%	60%	56%
NT Workstation 4.0	0%	0%	0%	7%	1%	5%	7%	1%	5%
NT Workstation 5.0	9%	8%	8%	14%	4%	9%	14%	4%	9%
	100%	100%	100%	100%	100%	100%	100%	100%	100%

Question: Finally, in the spring of 1998, you will have a choice of Windows 95, Windows 98, NT Workstation 4.0 or NT Workstation 5.0 on the new PCs you acquire. Which would be your preferred operating system for new \_\_\_\_\_ acquired in mid-1998?

- One quarter of business desktops use Internet Explorer as their primary browser. Of those, 80% are likely to upgrade to IE4.0
- We must ensure everyone who upgrades to IE4 also upgrades to Win98 or NT5.

\* Workstation defined as having 32 megabytes or more of RAM

Upgrade to IE 4.0	
Very Likely	39%
Somewhat Likely	39%
Neither Likely nor Unlikely	4%
Not very likely, or	14%
Not Likely at All	4%
	100%

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# Top Ten Windows Mktg Challenges

- Positioning Win9x vis-à-vis NTW vis-à-vis IE4.
- Shifting the OEM market to NTW before NT 5.0 is available.
- Launching Windows 98 with appropriate fanfare in the middle of a big NT5 push.
- Examining where Win95 customers will really upgrade to.
- Coping with a delayed Win 3.x upgrade.
- Ensuring the NC doesn't gain any momentum.
- Figuring out how to increase desktop revenues by \$1B.
- Leveraging the IE4 marketing machine.
- Figuring out how the field can demo our products as they get increasingly complicated.
- Executing on a WW mktg plan with limited resources.

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# Windows FY98 Key Objectives

- Begin the 18-24 month effort to shift the market to NTW 5.0.
- Launch Windows 98 as the no-brainer consumer and general purpose upgrade to Win95.
  - Begin phase one of the Windows Vision: Natural Computing, with above two launches.
- Continue worldwide efforts to prevent the NC from gaining any critical mass.
- *Determine where the the FY98 \$4.7B desktop forecast has room to grow.*

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# NTW Push: 4.0

- Communications:
  - “*NT is not just for the Chosen Few anymore*”
  - August - December Ad Campaign at IT books & web.
- Field & NT/95 Positioning:
  - Updated “which to choose”; presented at MGS in Paulma & Jonro general sessions as well as worldwide product manager session.
  - Now presenting in all corp briefings worldwide.
- Web:
  - New positioning docs launched & posted. with Windows Platform Briefing.

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# NTW 4.0 OEM Update

## Current Situation

- Current NTW run rates = 7.5% of total OEM desktop OS mix
  - Multinational accounts represent >90% of NTW volume
  - 6 OEMs account for 60% of the NTW volume
- OEM FY98 forecast is to reach 15-20%.
  - This would account for an additional \$500 million revenue
- 4QFY97 NTW Run Rates
  - Digital >25%, Dell/SNI at 14%, HP at 10%, Compaq 7.5% estimate

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# NTW 4.0 OEM Push

- Implemented royalty incentive for increased NTW4 penetration
- Waiting for dual install tools
  - Dual OS recovery CD developed as interim solution
- Driving NTW in technical workstation market
  - Compaq - Joint Ads
  - HP - Field engagement/ Sun VAR recruitment
  - Digital - TCO White papers, Benchmarks, direct mail campaign
- Completed NTW focused Technology Leadership Advertising Campaign
- Completed NTW “Train the OEM Trainer Event” with new positioning
- Executing NTW Up-sell Program Kicked Off
  - Sales training focused on direct and named accounts
- Planning NTW4 push on portables
  - Website, joint promotions with OEMs
  - IBM Think-pad 770 announcement
- Syncing NTW and PII messages with Intel
- Driving NTW Barriers and Bridges program

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# NTW 5.0 Corp Push: Barriers and Bridges

## Situation

- NTW 4.0 adoption is not meeting expectations
- Customers and analysts state primary reason is the product
  - Limited legacy application compatibility
  - Lack of driver support for all H/W
  - High Deployment Costs
  - High System Requirements

## Plan-B&B exercise to identify and prioritize specific product issues

- Joint exercise with development (see below for resource/time allocation)
- Visit 10 accounts with diverse needs, interview 15 others (MSNA and Intern'l)
- Solicit feedback from field SEs and Consultants
- Interview top analyst (Gartner/Forrester)
- Analyze NTW 4.0 customer and call data from MTS, and interview TAMs
- Publish prioritized list of top 15 issues that need to be addressed (Sept. 15th)

## Resources

- 1 program manager, 1 product manager for 1 month

## Decision

- Frankar approval to commit resources-done
- Jimall approve overall program

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# Situation **NTW 5.0 Corp Push: SWAT 3K Effort**

- In-house testing matrix limited
- Corp beta sites don't test thoroughly, deploy widely
- Feedback loop is too long, not focused/specific

## **Plan-Test sponsored SWAT 3K program**

- **Objective**-Ensure NTW 5.0 setup is seamless, quality of OS in real world is high
- **Tactic**- Install NTW 5.0 on 3000 corp. desktops with an 100% success rate prior to RTM
- **Breakdown**- 2000 LORG, 1000 MORG desktops-variety of scenarios defined by test
- **Accounts**-RDP, local and concentrated when travel needed
- **Timing**- 500 desktops with Beta 1, 1000 with Beta 2 and 1500 w/ RC1
- **Process**
  - Test/PSS go to chosen accounts for real world testing
  - Setup 5.0, Generate thorough and actionable bug reports for development, uninstall (optional)

## **Resources**

- 1 coordinator part time, length of the project
- 3 test, 1 dev, 1 Product Mgr. per account visit (Program Mgr. optional)

## **Decision**

- Somase approve test resources-done
- Moshed approve T&E budget, Jimall approve program

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## **Situation**      **NTW 5.0 Corp Push: Rapid Dep Program**

- Windows NTW 5.0 is positioned as the default corporate desktop
- Important to show corp. momentum, ease of migration and worldwide support at launch
- Need early experience to develop migration docs, tool and generate PR

### **Plan- Windows NTW 5.0 Rapid Deployment Program**

- **Objective-**To roll out 1000 seats in each of 12-15 WW named accounts by launch
- **Accounts-** Field will nominate, product group will decide based on test profiles
- **Profiles-** NTW 4.0 and Win9x upgrades w/ diff. servers, NTS 5.0 (synch w/ 4 NTS RDP)
- **Account Responsibility-** Migration Team, PR, Ads, On-stage at launch
- **M/S Responsibility-** On-site MCS/MTS support, migration assistance, resolve key issues
- 1 high level contact in product group for CIO, VP of IS at each account
- **Deliverables-** Migration and deployment tools and documentation, Case Studies, MCS Blueprints, MTS training/expertise

### **Resources**

- **Virtual Team-** Per Account-1 MCS, 1 MTS, 1 TAM, 1 Rep, 1 SE 8-12 weeks
- **Product Group-**Product Mgr. to facilitate issues, dev/test to address key issues

### **Decision**

- Frankar, Scmase approve respective team participation/focus-done
- Moshed approve budget similar to NTS, Jimal overall program approval

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# NTW 5.0 Corp Push: Preview Program

## Situation

- Corporate migration is a slow process
- Need to get evaluation copies in customers hands early

## Plan-NT 5.0 Corporate Preview Program

- **Objective:** Generate huge industry momentum and allow wide-scale (100,000 customers) evaluation of Windows NTW 5.0 prior to launch for our MORG customers
- LORGS will receive beta's via standard beta channels
- Pay for beta-cost recovery program (\$TBD)
- Beta 2 or RC1 candidate (based on test feedback)
- Customer receives time-bombed beta, migration tools, resource kit, and PSS support
- Channel will assist/jumpstart their customers in evaluation and deployment

## Resources

- Product Management planning and coordination, Order process center, PSS support
- No development team resources needed

## Decision

- Jonro approval of program-done
- Jimall approval of program
- No budget decision as this is cost recovery model

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# NTW 5.0 Corp Push: Migration Team

## Situation

- Customers need to be pushed through the evaluation/migration process
- They also need daily contact with Microsoft to clear roadblocks, address issues
- Data shows once account hits 20% migration, speed of migration increases rapidly

## Plan-Windows NT 5.0 Corporate Migration Team

- **Objective:** Drive the top 1000 named accounts through the 5 migration steps prior to launch and have 40% in the deployment phase 90 days post launch
- Team of 20 technical reps handling 50 accounts each (MSNA only)
- Evaluation starts with Beta 2 of NTW, continues to 90 days post launch
- Direct contact with the product group for updated info, migration tools, product issues
- Monthly reporting of account status, key product and business issues, tools/info needed

## Resources

- Full time product manager for management, training, issue resolution
- No resources from development team, just buyoff to address product issues

## Decision

- Jonro, Jimall approval of overall program
- Jonro budget approval for 20 temp heads for 9 month period (approx. \$500K)

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# NTW 5.0 OEM Push

- Developing NTW 5.0 "Ready to Run" Program
  - Work with leading vendors to deliver ACPI machines that will support NTW 5.0 power management
  - Trademark and brand OnNow
    - Don't create a logo, but reference it like Nutrasweet
    - Using the OnNow brand equals support for NTW 5.0 power management
  - Drive program within Designed for Windows Logo program
  - OEMs who participate in NTW 5.0 "Ready to Run" program gain preferred status at launch
- Develop early beta preview program for OEMs
  - Enables OEMs to seed machines early in evaluation cycle
- Use FY98 NTW 4.0 OEM push to accelerate NTW 5.0 adoption sooner
  - Best way for customers to migrate to NTW 5.0 is to ship NTW 4.0 machines today

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# Sustaining Win95 and NTW this Fall

- **'Get up to Speed!' Fall Campaign --**
  - What is it? - Drive the "last wave" of consumer Win16 desktops to Win95
  - Objectives - Increase fall Win95 sales by 25+% (80k units in the US). Canadian subsidiary is also participating. Increase Win95 consumer installed base for easy Win98 upgrades.
  - Timing - 8/1 through 9/30
  - Cost - \$4M (\$1M merchandising, \$3M radio/online). 2x ROI
- **Windows 95 / IE 4.0 bundle**
  - What is it? - Put a CD with IE 4.0 in the Windows 95 box.
  - Objective - Keep Win95 PP "fresh" between IE 4 release and Win98
  - Timing - Must RTM by 9/22 to be in channel by Thanksgiving
- **Win NTW / IE 4.0 bundle - repeat the bundle by January**
- **Risks/Issues with Win95/IE 4.0 bundle:**
  - Need two weeks of IE team dev + test resource to update and test Win95 online services clients to support IE 4.
  - If we can't be in channel by Thanksgiving, we won't do the bundle

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# Windows 98 Launch

- **Theme:**
  - Windows 98 is Phase 1 of the '2nd generation of the Internet' and the first step to Natural Computing
- **Objectives:**
  - Sell 2M NA FG units in FY98, \$96+M NA FG revenue (\$152M WW)
  - Reach 75% consumer awareness for Windows 98 at launch
  - Focus on a hardware partner launch (OEM, IHV) for the first time ever
  - Match Windows 95 launch channel depth (7k resellers in the US)
- **Launch Plan:**
  - Tie Win98 launch to a major Strategy Day event
    - Introduce broadcast architecture, broadband, service component with partners
  - Integrated March 4th retail launch with OEM and IHV partners
  - Retail strategy
    - New PC purchasers: Make sure OEMs are in store with great PCs that take advantage of all Windows 98 features
    - Upgraders with new peripherals: Launch Partner Program to promote IHVs with hardware add-ons that add great value to Windows 98 (ex: USB, monitors, digital cameras, tuner cards and RAM)
    - Upgraders without new hardware: Have great instore presence with merchandising that make it clear that Win98 is a great upgrade to Win 95

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# Windows 98 Launch

- **Launch Tactics:**
  - Compelling merchandising and incremental display in-store
  - Radio ads, consumer print and online (details TBD)
  - 100k "Pre-release" program units for consumer IEUs with Beta 3. This program is self-financing.
  - User Group tours in top 15 PC markets starting in January, reaching an estimated 10k consumer end-users
  - Reseller training tour in October for Top 20 resellers and distributors
- **Risks/Issues for Windows 98 Launch:**
  - Customer reaction to lack of a Win16 upgrade at launch
    - Lack of a Win16 upgrade forces the 150k/month Win3.x users who are upgrading to Win95 today to go through a difficult multi-step upgrade path
      - Be prepared for negative PR
  - Dev resources for the upgrade "check" need to be spec'd

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# Win98 Upgrade Pricing

- Current research tested purchase intentions unaided and then at 4 price-points: \$49, \$69, \$99, \$129
- Findings:
  - Research suggests this is not a \$49 product:
    - Lowest resistance price-point is \$62:
      - Among Win95 upgraders it is \$74 (expected from typically more engaged users)
    - At lower prices, significant hesitation regarding product value
      - The percentage of users that say the product would "too cheap, and would have concerns over its value or effectiveness" rises dramatically at \$50 and below.
  - Research suggests that customers "expect" an \$89 price-point
    - Large difference in purchase intentions between \$90 and \$100 suggests a clear breakpoint
    - Minor difference in purchase intentions between \$99 and \$129 suggests past the critical price
- Next pricing exercise objectives
  - specifically measure impact of IE 4 on Win98 pricing.
  - Specifically test \$69 versus \$89 price-point
  - Results due Monday 8/11

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# Win98 Packaging

- Win95 package was one of our most successful packaging designs
  - Want to leverage that success
- Cross-Divisional initiative:
  - investigated having a white box to synch packaging look with Office, IE
  - White box and other “office compatible” boxes did not test nearly as well in side-by side comparison with blue cloud concepts. Awaiting final monadic results.
- Final Research Round
  - Testing 3 blue/cloud concepts monadically and side-by-side
  - Side-by-Side will include white box as final sanity check
  - Results due Friday 8/8

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# Win98 IEU Preview Packaging & Localization

- **Contents:**
  - License (localized)
  - CD
  - 6 page intro brochure (Localized)
- **Localization plans**
  - Tier 1 & 2
  - Ireland can't do Tier 2 and 3 since it collides with the release schedule & testing of final Tier 1 versions
  - Ireland will give you in tier 2&3 languages Release candidates that you can give out to a limited audience right before launch
- **Languages and Deltas:**
  - US is currently Sept 3
  - German +25
  - Japanese +25
  - PanEuro +25
  - Spanish +25
  - French +25
  - Italian +25
  - Swedish +35
  - Dutch +35
  - Brazilian +35
  - Korean +35
  - Simp. Chinese +35
  - Trad. Chinese +35

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# Memphis OEM Update

## Current Situation

- Windows 95 at about 77% of run rate
- Windows NTW 4.0 run rates increasing
  - Current run rate 7.5 % growing to 15-20% in FY98
- Expect relatively smooth OEM transition to Memphis from Windows 95
  - New hardware support motivating OEM transition
- Memphis will become default OS in place of Windows 95 on new PCs
- Majority of Windows OEM marketing efforts focused on NTW 4.0

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# Windows 98 OEM Push

## Key Objectives

- Successfully launch Memphis with support from leading OEMs
  - >100 OEMs support at launch
  - Top OEMs shipping Memphis pre-installed at announcement
  - Rapidly transition OEMs off Windows 95
- Launch Memphis with key international language support at introduction
- Effectively position Memphis relative to NTW 4.0
  - Memphis recommended consumer and general purpose PC platform
  - NTW 4.0 is Microsoft's recommended business OS for new systems with 32MB

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# Windows 98 OEM Push

- Marketing priority with OEMs will continue to be NTW transition
  - Windows 98 is the default OS and only provides incremental revenue gains
  - Windows 98 focus will be on new compelling hardware capabilities
- Partner with key OEMs to drive new PC sales
  - Drive OEMs to build Broadcast PCs
  - Sub \$1000 PCs
  - Multimedia capabilities with DVD, 1394 support
  - Key OEMs focused on consumer channel include: Compaq, IBM, Packard Bell, ACER, HP, SNI, NEC, Fujitsu, Toshiba
- Memphis provides Microsoft opportunity to use OEM pre-install transition to shift % mix to NTW

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# NC Attack: What we've done

- **Products** - Released ZAK for NTW. Announced NetPC, Citrix/WBT
- **Marketing/PR**
  - Launched ZAK at Cebit. 70 articles and 2 product reviews
  - Trademarked and began using IntelliMirror
  - Windows Platform briefing resulted in 22 articles to date
- **Accounts**
  - Talked to 50-60 accounts FedEx, St. of Florida, MCI, British Telecom, Norfolk Southern, AARP, Citibank, Newport News Shipbuilding, Fidelity, PiperMarbury and First Chicago.
  - Found they have need to run Windows apps, are positive on our Window strategy, and view the NC primarily as a terminal replacement.
  - Account visits got us back in the race at FedEx and St. of Florida, where NetPC's have been added to NC evals. Visit to AARP resulted in no further NC deployments.
- **Tools**
  - Which to Choose document, TCO slides, NetPC demo units, and TCO calculator
  - Need to deliver final Gartner Group numbers and more packaged demos for the field
- **Events & Training**
  - NC/Java competitive session #1 rated session at MGS. Delivered tech sessions on NC, Hydra, and ZAW.
  - Completed TCO district tour to every US district office
- **Conclusion**
  - *Luster starting to wear of NC and Java in the press. Customers who have been implementing NC's and Java are now having problems and are talking about it..*
  - *Using the "high road" strategy works because it shows customers they made the right choice with Windows.*
  - *Field is now educated, armed, and motivated to win this battle because they can stand behind our strategy.*

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# NC Attack:Next 6 - 12 months

- **Products** - Announcing WBT spec. Waiting on ZAK for 95, NT 5 beta, Memphis beta 3
- **Marketing/PR**
  - Launch NCFacts.com with WagEd in August to deliver low road NC/Java messages. Continue to use ms.com to deliver high road messages
  - Continue to push the high road - MS solutions via IntelliMirror, NT5, Memphis
- **Accounts**
  - Field driven with assistance from corp in high profile accounts
  - Adamt/Onlee - Philippines National Computing Center, Telecommunications Commission, Dept. of Science & Technology, press, and partners, Keith/Brianr - Dutch Ministry of Education, StevenGuCharlesf - CSX CIO in Redmond
- **Tools**
  - Customer ready scrub on MGS slide decks (End of August)
  - Deliver NC trial/rejector case studies (One by end of Sept)
  - Technical whitepapers on IntelliMirror and Hydra/WBT (Deliver at PDC)
  - Deliver Windows ROI information and updated Gartner numbers (End of August)
  - Provide packaged demos to field via NetPC's provided by NEC (Mid-September)
  - Develop whitepapers on why Windows benefits specific audiences (ie. Education IT Mgr Channel, etc) (October)
- **Events, & Training**
  - Leverage fall events, including Java Internet BusinessExpo, IT Forum, Gartner IT Expo, N+1, and Comdex to continue coverage of messages from Windows Platform Briefing.
  - Train channel via district events and TCO TSB training
- **Conclusion**
  - *Sun and Oracle plan to ship their NC's in volume in the fall, we must continue to utilize the press, events and partners to get the word out that the NC's and JavaOS are the worst of both worlds.*

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# Update on Competitors

- **Infighting between Sun and Oracle**
  - "I'm not sure that Java by itself is a platform for a new industry, but it is certainly the way you program a new platform." Larry Ellison, Internet World, 8/97
    - Oracle not waiting for Java OS anymore, proceeding with new version of NC OS
  - "You know, Larry Ellison keeps picking a fight with a \$500 fantasy computer. I don't know what that is. I don't care." Scott McNealy on CNET
- **Oracle/NCI lots of hype, little progress**
  - NCI laid off 45 employees (30% of workforce) on 7/22 (CNET), plans to sell via partners only
  - "Over the past year, we haven't generated the revenue we had hoped for," NCI CEO Jerry Baker
- **Sun, despite delays, the primary competitor we are facing**
  - Biggest mindshare of any NC vendor in our accounts
  - Sun internal users reported to be "kicking and screaming." (CNET) because the JavaStation lacks full compatibility with internal email systems and Solaris backends
  - Lost Burlington Coat Factory due to delays in shipping stable JavaOS(CMP Techweb)
- **IBM might give away devices to get services business**
  - Claims to have sold 10K NC's, now contemplating giving NC's away to get server and services business
  - Announced new versions of their NC's with varying levels of Java support and performance.
  - *"There is next to no value in a terminal device. The value is in the content. The [NC] market eventually will resemble the razor-blade market. The devices will become handles and the content, the razor blades"* Brian Murphy, The Yankee Group
- **Digital is hedging their bets**
  - NCI plans on Digital to sell their NC's, then Digital announces they are ramping down NC activities over next six months to lead with Strong-ARM processor based WBT's
- **Conclusion**
  - *Delays in delivery of key technologies (such as the JavaOS) is causing pain for customers attempting to deploy NC's and is further fragmenting the NC market.*

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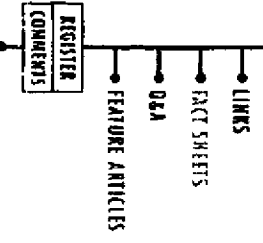
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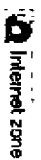
## NCFACTS

## FACT SHEETS



- [Windows-Based Applications on an NC Network](#)
- [Mixing and Matching NC Clients and Servers](#)
- [Availability of Mainstream Applications Written in Java](#)
- [In Search of a Consistent User Interface for NCOs](#)
- [Using Peripherals With the NC](#)
- [Options for Administration on NC and PC Networks](#)
- [A Network Computer Without a Network?](#)
- [Microsoft Windows Software Initiatives for Reduction of TCO](#)
- [Comparison of Total Cost of Ownership Between NCOs and PCs](#)
- [Standards Issues Unresolved by NC-1 Specification](#)
- [Small Applications vs. Fully Featured Applications](#)
- [PC Hardware Initiatives to Reduce TCO](#)

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**NCFacts**

- LINKS
- FACT SHEETS
- Q&A
- FEATURE ARTICLES
- REGISTER
- COMMENTS

**LINKS**

**NC Commentary**

- PC Week
- "NCS Will Go Mobile When Pigs Fly"
- Network World
- "NC Camp Failing to Win Over ISPs"

**"... network computing is not as simple as it sounds"**

- Electronic Buyers News
- "Intel's Grove Dismisses NC"
- Enterx Information Services
- "The 'Network Computer'...The Hype and the Hope"
- ZD Net, AnchorDesk
- "River's Remorse for Network Computer"

Internet zone

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# PR Activities

- Desktop Talking Points Program.
  - Drive proactive PR with rolling 6-week calendar.
- Continue “PR911” Program.
  - Immediate response for urgent PR issues.
- Reviews push for Win98, NT5 & TCO.
- Resurrect Customer Reference Program.
- Reviewers Workshop at PDC.

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# FY98 Windows advertising

## FY98 Windows Marketing Communication print advertising calendar

	July	August	September	October	November	December	January	February	March	April	May	June
TVO ads on flexibility and empowerment												
Windows promotional upgrade (radio)												
Windows brand equity												
NTW no longer a niche product												
Terminal replacement												
Windows/NT5 migration for influencers												
Windows end user launch												
Windows CE positioning												
Cross division app dev. "weblications"												
Windows NT partners program												
Cross division central IT												
Windows desktop partners program												

is fully funded by Windows marketing communications  
 is not funded by Windows marketing communications  
 will participate in, but does not require additional funding any Windows marketing communications

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# Summary

- NT shift is a long haul. We start the investment \*now\*, expecting Win9x to remain the dominant seller for 2-3 years.
- We can't screw up with Win98. Win9x represents 70% of FY98 revenues. Mktg must spend the cycles to do this right.
- NC is likely a long term thrust, despite initial success over the last 6 months.

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