

From: David Vaskevitch
Sent: Friday, October 01, 1999 6:34 PM
To: Jim Allchin (Exchange); Joachim Kempin; Brian Valentine (Exchange); Deborah Willingham; Paul Flessner; Bill Gates; Steve Ballmer; Jeff Raikes; Paul Maritz
Subject: McNeally Rant, Advertising Aircover, Opportunity, Challenge

Normally when we think about "the (Sun) scaling (e-site)challenge" we think about very big dot.com sites. There is another (Sun) scaling (esite) challenge, which is about smaller businesses. It is both horrifying that we are losing there too, but also, maybe, very exciting that it is a place where we can go on the attack immediately. But, we would have to be really aggressive to make this happen, and move quickly in ways we are not necessarily accustomed to.

Last week, Great Plains, described to us how our platform (Windows, NT, SQLserver) which had been a huge selling asset for them, has become a major liability. Read that again: in a segment where we should be just plain winning, our platform has become a liability. Companies who adopt the GP solution, built on Windows + SQLserver + NT, feel like they should switching to Oracle + Sun. Even if they don't switch they believe / feel that they have to keep their choice of platform a secret. Imagine that, having to be so embarrassed about using a great solution that works, that you think you have to keep it secret.

The thing that is particularly scary is that small and medium sized companies would think they have a scalability problem with NT + SQL. That these small and medium sized companies would think they need Unix + Oracle just to be on the web. If that mindset persists, people will soon assume that not only does NT not scale at the high, but worse it scales nowhere.

Opportunity
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This particular market threat -- claim -- represents a very interesting opportunity for an immediate counterattack, one which can have some real commercial and revenue impact. When we are done, if we do this right we can totally own -- claim -- the small and medium sized e-business market (okay, over-claim for effect).

Two Observations
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1. Windows 2000 + SQLserver scales far more than enough for the needs of all small and medium sized businesses today.
2. It's the Application, Stupid: The best, and perhaps, only way to really do e-business on the web, for a small / medium sized business, is by having a front-to-back integrated solution. EG: A "run-your-business-app" that has been rewritten to project out onto the web. Anything else is just putting a less-than-adequate veneer on old apps. Big businesses can re-write their apps, small businesses need to get that rewritten app from an ISV

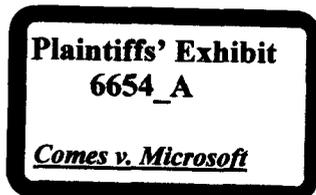
Opportunity
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Work with Great Plains (or another partner) to reach the hundreds of thousands of small businesses that are currently terrified of the web or don't understand it. Get them on the web. Prove once and for all that, not only do we scale, but we have the solution too, and best of all, we have the market share

Strategy
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Executing here requires development of three parallel channels of sales / distribution:

1. ISV (eg Great Plains)
2. VAR / ISP / Dealer: Technical Installer 3. Accountant / Consultant: Helps with the



education and core business changes required to make this work.

Size of Opportunity
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This is a chance to replay the "Novell developing the channel" tidal wave.

To do this we need field engagement, seminars, advertising, education, training, support. But, if we do it the upside could be huge.

And, it cements the bottom and middle part of the market for us once and for all.

Out of Left Field
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Hopefully this "proposal" doesn't sound like it is coming out of left field. Doing it will require a lot of energy. And, perhaps it is just another one of those ideas that is uttered but then has no effect. But it feels big . . .

----- Original Message -----

From: Jim Allchin (Exchange)
Sent: Thursday, September 30, 1999 6:10 PM
To: Joachim Kempin; Brian Valentine (Exchange); Brian Ball (Exchange); Deborah Willingham; David Thompson (NT) (Exchange); Paul Flessner; George Spix (Exchange); Jeff Westerinen (Exchange); Bill Laing (Exchange); Casey Kiernan (Exchange); Michel Gambier; Mike Nash; Jim Ewel; Rich Kaplan; Wael Bahaa-El-Din (Exchange); Richard Fade; David Vaskevitch; Carl Gullledge; Deborah Black (Exchange); Jay Goldstein
Cc: Holly Grabowski (Exchange)
Subject: RE: Reaction to McNealy rant in Fortune?

Marketing owns.

jim

----- Original Message -----

From: Joachim Kempin
Sent: Thursday, September 30, 1999 6:02 PM
To: Jim Allchin (Exchange); Brian Valentine (Exchange); Brian Ball (Exchange); Deborah Willingham; David Thompson (NT) (Exchange); Paul Flessner; George Spix (Exchange); Jeff Westerinen (Exchange); Bill Laing (Exchange); Casey Kiernan (Exchange); Michel Gambier; Mike Nash; Jim Ewel; Rich Kaplan; Wael Bahaa-El-Din (Exchange); Richard Fade; David Vaskevitch; Carl Gullledge
Cc: Holly Grabowski (Exchange)
Subject: RE: Reaction to McNealy rant in Fortune?

let's put a value selling pitch together to show them how to win in hte WS space today and sell them some futures as we do so. The same for mid size servers. I asked some of the questions today in a WS review meeting and di not get a lot of answers from the product mktg people:

Is win 2k more rellaible?

Do we have better performance ? etc. while I believe we do nothing is there to hard core quantify this. we will need your help on this.

----- Original Message -----

From: Jim Allchin (Exchange)
Sent: Thursday, September 30, 1999 5:46 PM
To: Brian Valentine (Exchange); Brian Ball (Exchange); Deborah Willingham; David Thompson (NT) (Exchange); Paul Flessner; George Spix (Exchange); Jeff Westerinen (Exchange); Bill Laing (Exchange); Casey Kiernan (Exchange); Michel Gambier; Mike Nash; Jim Ewel; Rich Kaplan; Wael Bahaa-El-Din (Exchange); Richard Fade; Joachim Kempin; David

Vaskevitch
Cc: Holly Grabowski (Exchange)
Subject: FW: Reaction to McNealy rant in Fortune?

We must blow them away.

1. I am counting on Unisys next year. I fear Merced won't do it, but it is also critical next year. This is about scale up. We should NOT miss any opportunity to promote our scaling ability. We need marketing behind these. We need customers saying they did it. We need customers who left SUN to be in print. We need analysts to be able to talk to customers that are running their business.

2. For scale out I am counting on progress from Paulfle's team on TPC-Cs. I am also counting on simple guidelines to do cookie cutter web/app servers that scale beyond what SUN can do. I am counting on telling our message NOW. I am counting on a management story that holds together for this scale out environment. (This is not enterprise management -- this is scaleout simple clustering.)

3. I am also counting on us getting OEMs fighting against SUN much much harder than they are today. There is no excuse that SUN is winning any workstations sales today. And it is outrageous that SUN small/mid-sized servers are selling at all. What are the OEMs doing? Finally I am counting on more progress getting storage systems out there competing with SUN storage systems. There is a lot of money at stake here. I hear all about how the OEMs are hungry against SUN, but I don't see the action. I don't see the ads. I don't see the sales force engagement.

Jim

----- Original Message -----

From: Rick Belluzzo
Sent: Thursday, September 30, 1999 5:32 PM
To: Bill Gates; Business Leadership Team
Subject: RE: Reaction to McNealy rant in Fortune?

Having competed with Sun directly for many years, I think it is urgent to get a System partner to provide all the ingredients to compete against Sun in the high-end server space. The PC model makes it hard for PC companies to make the investments in building the kind of platform that will consistently win against Sun in the higher end of the market. With the advances of NT I think that this is a perfect time. Again, the PC model makes it difficult to make the platform, selling, and solutions investment.

Rick

----- Original Message -----

From: Bill Gates
Sent: Thursday, September 30, 1999 11:50 AM
To: Business Leadership Team
Subject: FW: Reaction to McNealy rant in Fortune?

I find it amazing how much Scott goes around and bad mouths us and come up with new ways we should be handicapped in competing with him.

It will give me a lot of satisfaction when Jim figures out how the company will deliver on our scale up and out efforts and people understand that SUN servers aren't the only way to get high end reliable computing.

----- Original Message -----

From: Greg Shaw (Corp. PR)
Sent: Thursday, September 30, 1999 11:08 AM
To: Bill Gates; Mich Mathews
Cc: Christine Turner

Subject: FW: Reaction to McNealy rant in Fortune?

----- Original Message -----

From: Greg Shaw (Corp. PR)
Sent: Thursday, September 30, 1999 11:07 AM
To: 'David_Kirkpatrick@fortunemail.com'
Subject: FW: Reaction to McNealy rant in Fortune?

As you may know, Mich is away on maternity leave-thus (scarily) leaving me in charge. I am going to respond to the points you raise on behalf of the company if you don't mind. Bill will be unable to respond today. You can identify me as a spokesman for the company if you like.

I am at 425-936-0875.

Our response to these points below is to say that his comments are a mass of contradictions. Mr. McNealy recognizes (in a backhanded way) that customers are excited about Windows NT v. Solaris. Then he says that within 5 years Windows will be irrelevant. How can he point to competition and change on one hand and then complain that there is no competition on the other hand? He claims to have put the com in dot com but I guess he also put the COM in COMplain. We can agree on one thing: Sun is doing quite well in the Internet age considering its growth and apparent optimism. The market works amazingly well.

----- Original Message -----

From: Mich Mathews
Sent: Thursday, September 30, 1999 9:02 AM
To: Greg Shaw (Corp. PR)
Subject: FW: Reaction to McNealy rant in Fortune?

----- Original Message -----

From: David_Kirkpatrick@fortunemail.com
[mailto:David_Kirkpatrick@fortunemail.com]
Sent: Wednesday, September 29, 1999 8:45 AM
To: Mich Mathews
Subject: Reaction to McNealy rant in Fortune?

Sent this earlier to the wrong email address. Thanks for any help you can render in your domesticated situation. Congrats on your continuing parenthood, and don't listen to too much loud punk music when your kids are around. Might be a bad influence. Cheers.

Forward Header

Subject: Reaction to McNealy rant in Fortune?

Author: David Kirkpatrick

Date: 9/29/99 5:24 AM

Hi Bill. I'm writing because Scott McNealy came by our offices the other day and made some very strong and, it seems to me, new statements about Microsoft and the legal situation that I thought you might want to respond to. If you do, please reply by Thursday late afternoon NY time. Thanks.

Below are some of the statements Scott made that we will probably be publishing in an article closing this week:

"I got a real problem with Microsoft buying my customers. That's why we need government scrutiny. (he mentions ATT, Roadrunner, Comcast, etc.)

"They're buying a piece of all my customers.

"If you look at anticompetitive behavior by monopolists in textbooks, the most fungible barrier to entry is cash. Chapter 58 of this textbook is bundling your browser with your operating system, but chapter one is J.D. Rockefeller buying all the gas stations on the planet, and Shell

has no place to sell their gas...

"The one remedy that is critical is Microsoft should not be allowed to make minority investments, and should have to divest current ones, and can't acquire ANY companies or intellectual property with money. No buying of anything for five years. That's the only remedy we need.

"Microsoft says we don't want the government to tell us how to innovate. OK Microsoft-so just once, innovate.

"They've come in under the radar of Hart-Scott-Rodino.
"We have been harmed hugely over the past 10 years because of the pall over our stock and customer buying decisions caused by expectations about what NT would eventually be.

"All I need is five years, because by then 80% of the devices will be non-windows."