DOS CONNECTION
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Welcome!

This issue of *DOS Connection* will summarize the DRI Competitve Analysis I distributed to senior management. The newsletter will provide you with an overview of DRI's strategy, target markets, as well results from a compatibility test an independent lab performed with DR-DOS 5.0. If you have any comments, please contact me at 65509 or email SergioP.

DRI's Strategy

DRI's strategy is to offer DR-DOS as the low-cost alternative to MS-DOS. DRI is focusing primarily on one product: DR-DOS.

DR-DOS Installed Base

IDC estimates that in 1990, DR-DOS has an installed base of 5M users. We believe that is an aggressive estimate and believe the number to be more like 4.1M. The breakdown of DR-DOS by channel:

	US International
OEM	6% 30%
Retail	11% 53%

Clearly DRI has been more successful selling DR-DOS abroad than in the US.

DR-DOS Target Markets

DR-DOS is targeted at OEMs selling primarily into the mass merchant channel. Selling into this channel requires offering DR-DOS at very low prices to enable OEMs to minimize their COGS and remain competitive. In 1991, this channel will account for 12% of all systems sold in the US. In 1994 this channel will account for 17% of all systems shipped, second only the Dealer channel. The OEMs selling into this channel include: Packard Bell, Commodore, Laser Computer, Epson, IBM, Phillips and Others. DRI is going after the "Others" as this group accounted in 1990 for 240,000 or 25% of all units sold through this channel.

How should we sell against DRI?

Compatibility

- We must emphasize that MS-DOS 5 was tested at over 7000 sites worldwide. NSTL has demonstrated the fact that DR-DOS was not thoroughly tested with applications running in a networked environment.
- For OEMs committed to shipping Windows, only we can ensure 100% compatibility with future versions of DOS and Windows.
- Now that Novell is in the picture, it is even more important we communicate to PC OEMs the importance of MS-DOS as the standard operating system which ISVs and corporate accounts will use to measure against a Novell/DR-DOS solution.

OEM and Customer Support

- We have over 130 OEMs committed to ship MS-DOS 5 on new systems
- We have sold over 1M copies of the MS-DOS 5 Upgrade since we announced on June 11
- We will have MS-DOS 5 available in over 20 languages by October 1991

MS Driving Standards
Power Management

- MS and Intel developed a standard interface between DOS and the ROM BIOS for Power Management. PC OEMs designing new systems can now take full advantage of this interface to ensure compatibility between the ROM BIOS and DOS with regard to power management.
- We should position the spec as one more indictator that Microsoft is taking the lead in setting standards in the power management arena.
- Defining the specification is sustainable because only Microsoft, the developer of the standard operating system used on over 70M PCs, works with CPU vendors, System BIOS vendors and ISVs to define a standard solution today and in the future for supporting power managment in the PC environment.

What does Novell/DRI imply?

- A possible scenario is that Novell might just give away DR-DOS to Novell's corporate customers. Novell could continue selling its networking software and position DR-DOS as the OS which ensures 100% compatibility with Novell networks. The challenge for Microsoft is to stay one step ahead of a future "Novell DOS" and thus keep corporate customers from adopting DR-DOS.

- Ensuring that we remain one step ahead of Novell DOS is to work even more closely with our PC OEMs to understand future requirements and their direction.

- At a minimum, we must be wary of the fact that Novell could easily target key PC OEMs and offer their Novell DOS over MS-DOS. In order for Novell to be viewed as a key player in the DOS market, they need the support of PC OEMs. It is thus absolutely essential that from the DOS/Windows perspective, we understand the direction that OEMs are pursuing

- It is possible that Novell will sell off any of DRI's marginally profitable opportunities. Novell will focus on what it knows best: networking software and it will focus on providing customers with a systems solution: network software and operating system as a single solution.