

Product Groups: Challenges & Opportunities

Bill Gates

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Plaintiff's Exhibit
7448
Comes V. Microsoft

Start

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Microsoft Success

- ◆ 6+ years of focussed execution on broad strategies & major code bases:
 - Windows Family
 - ◆ result: Win95 & WinNT 4.0
 - Office:
 - ◆ result: Office97
 - BackOffice:
 - ◆ result: SQL Server & Exchange
 - Visual Tools
 - ◆ result: Access, VB, VC
 - ◆

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Microsoft Success

- ◆ 4+ years investment in
 - Distributed systems and object infrastructure:
 - ◆ result: OLE/DCOM
 - Consumer Devices
 - ◆ result: WinCE & HPC
 - ITV
 - ◆ result: streaming media
 - Content
 - ◆ result: online titles & new MSN
 - ◆

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Overall Result

- ◆ Delivered on a set of software assets that no other company can match
- ◆ Much expanded customer-base
- ◆ One of the highest valuations as a company in the world

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Challenges: Internet

- ◆ **Internet phenomenon continues:**
 - **more & more information in “Web Paradigms/Formats”**
 - **Web as basis for collaboration**
- ◆ **Our products have to:**
 - **deal seamlessly with Web information**
 - **rapidly improve on what users can do today**
 - **we are only 1/3 way there**

Challenges: Complexity/Cost-of-ownership

- ◆ Our products have grown too complex to own & manage
 - customers are delaying moving to new versions
 - customers are more open to alternatives
- ◆ Our products have to:
 - dramatically simplify user experience
 - become much, much easier to deploy and manage

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Challenges: Leadership & Value

- MS business model is based on customers being willing to pay for value:
 - ◆ danger of competitors being perceived as “80%” as good
 - ◆ still to difficult to do high-value activities with our products
- Our products need to:
 - ◆ enable users to communicate with less effort & in richer ways
 - ◆ provide great platform to both consume and create information
 - ◆ make it easier to automate business processes, from ad-hoc to structured

Competitors - Netscape

- ◆ Continues to provide a high-volume platform for innovation
 - ◆ has majority browser share
 - ◆ conduit for new non-MS standards: eg. NET/One
 - ◆ attack on two major MS assets
 - ◆ Windows Desktop
 - ◆ Office Applications

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Competitors: NC's

- ◆ Oracle, Sun, IBM, etc.
 - leveraging Web/Java popularity
 - threaten a new platform that has no MS code (systems or apps)

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Competitors: Oracle

- ◆ Dominant in key asset: database server
- ◆ In all major accounts
- ◆ Have ambitions to be THE server software company for all types information

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Competitors: IBM/Notes

- ◆ Still market leader in groupware
- ◆ IBM is willing to throw large corporate resources behind Notes
- ◆ Being smart up to now:
 - Have left Notes team largely independent
 - Have moved aggressively "embrace & extend" Internet with Domino Server

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Competitors: Corel

- ◆ “Nothing to lose” attitude
 - Willing to use price aggressively
- ◆ Will cause prices to drop unless we continue to innovate

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MS options

- ◆ Change to completely different strategy, and walk away from Windows, Office, BackOffice assets?
- ◆ Or, address challenges in “embrace & extend” fashion:
 - need to rapidly remove customer issues
 - need to accelerate the “extend”
 - need to remove internal barriers & distractions

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Keys to future success

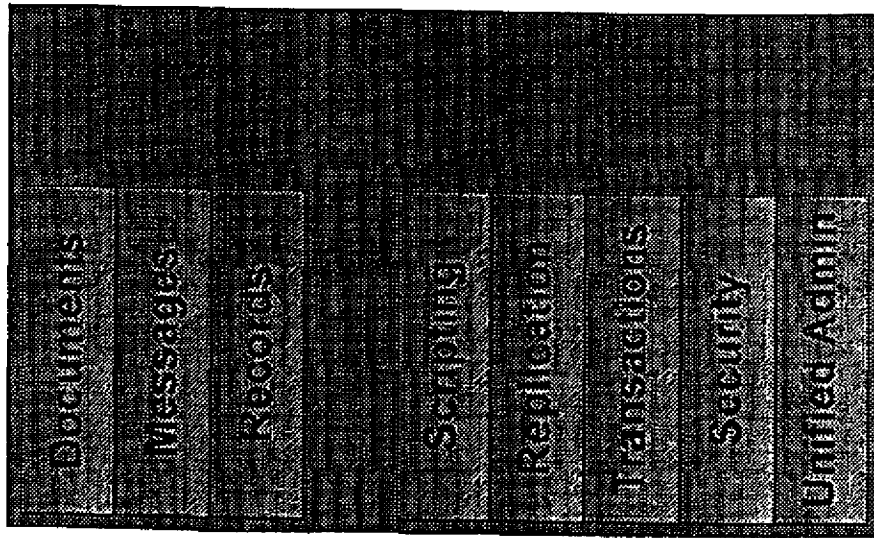
- ◆ Continue to focus on the Internet challenge
 - Get beyond reactive stage
- ◆ Remove TCO as an issue
 - must deliver great solution in “ZAW” & Off97
- ◆ Lay Foundation for new customer value



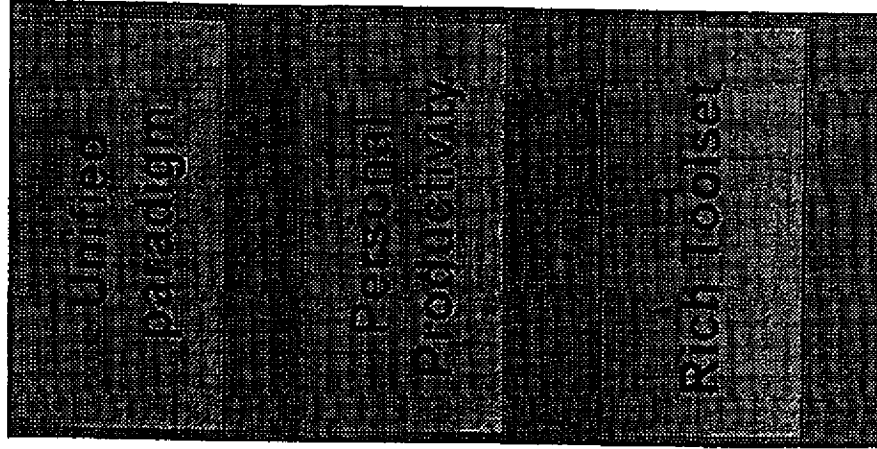
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Integrating Infrastructure for better organization productivity

Server



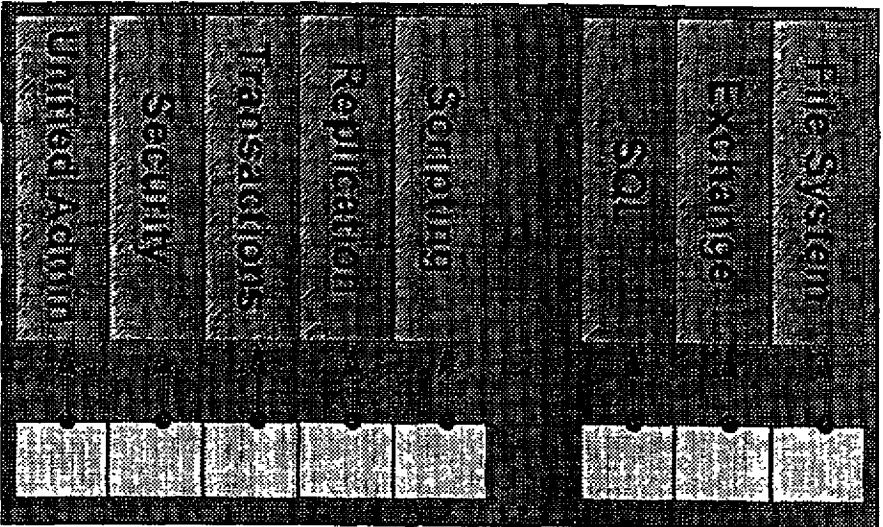
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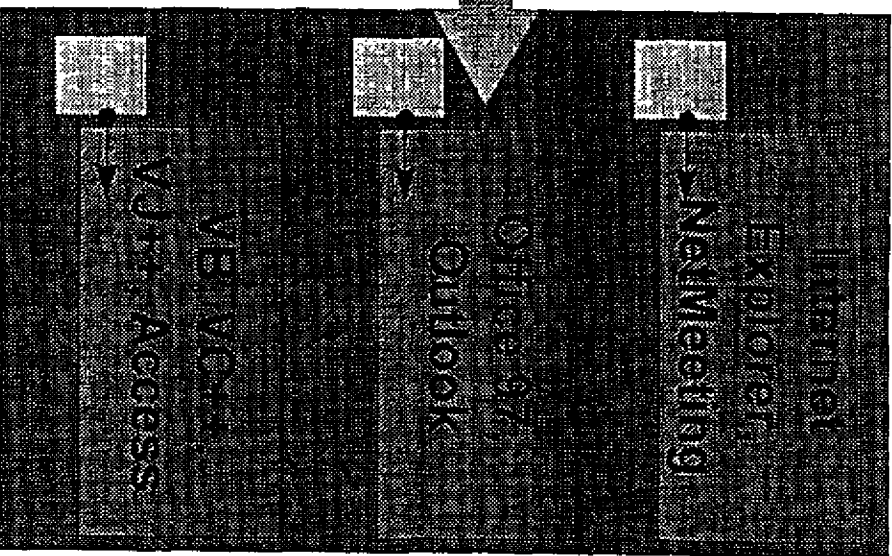
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Integrating Infrastructure - today

Server



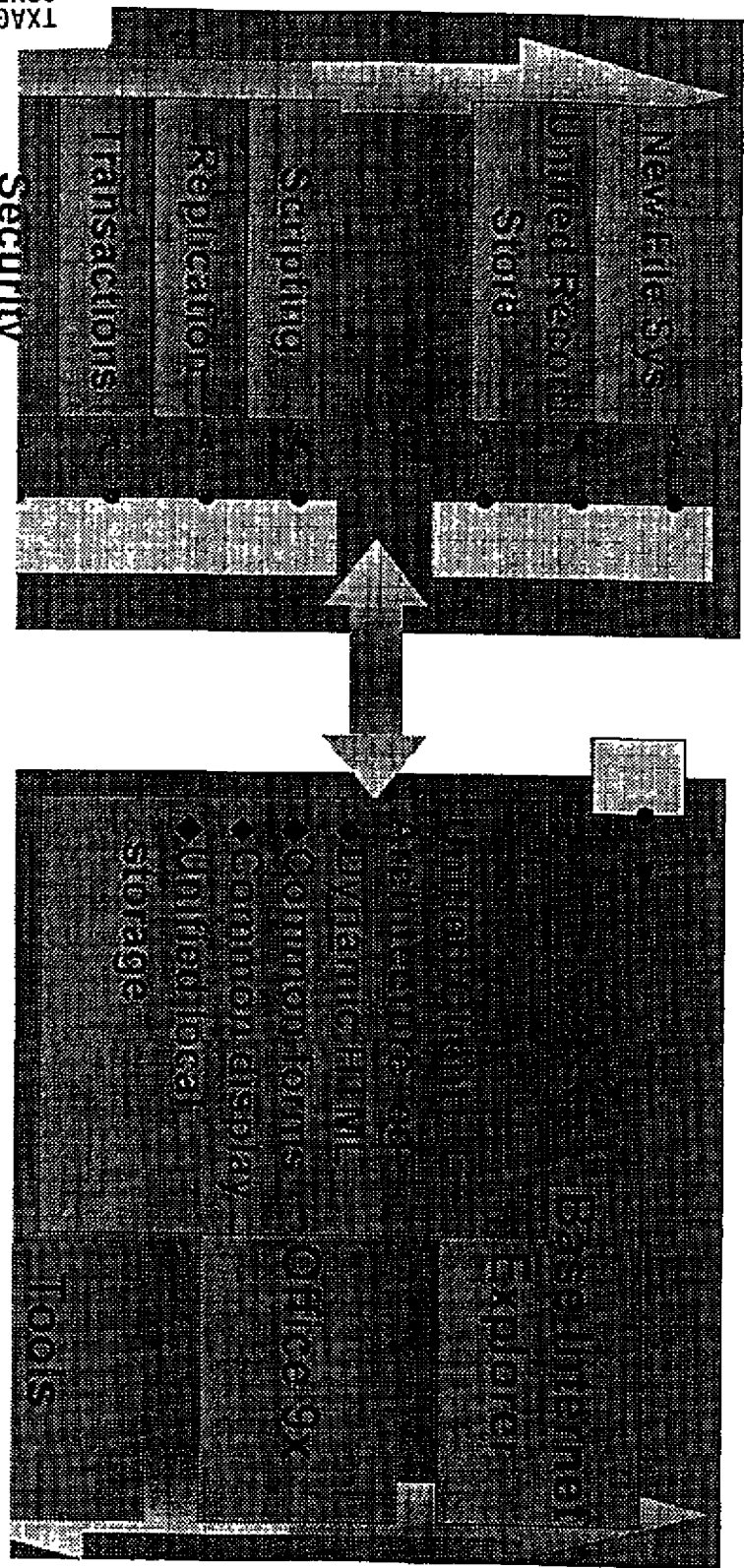
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Integrating Infrastructure - long term goal

Server

Client

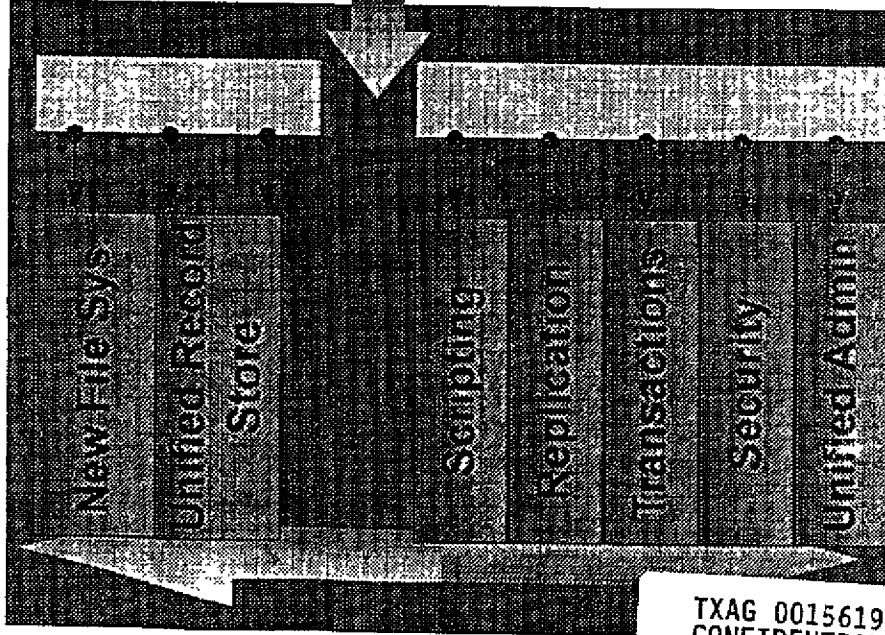


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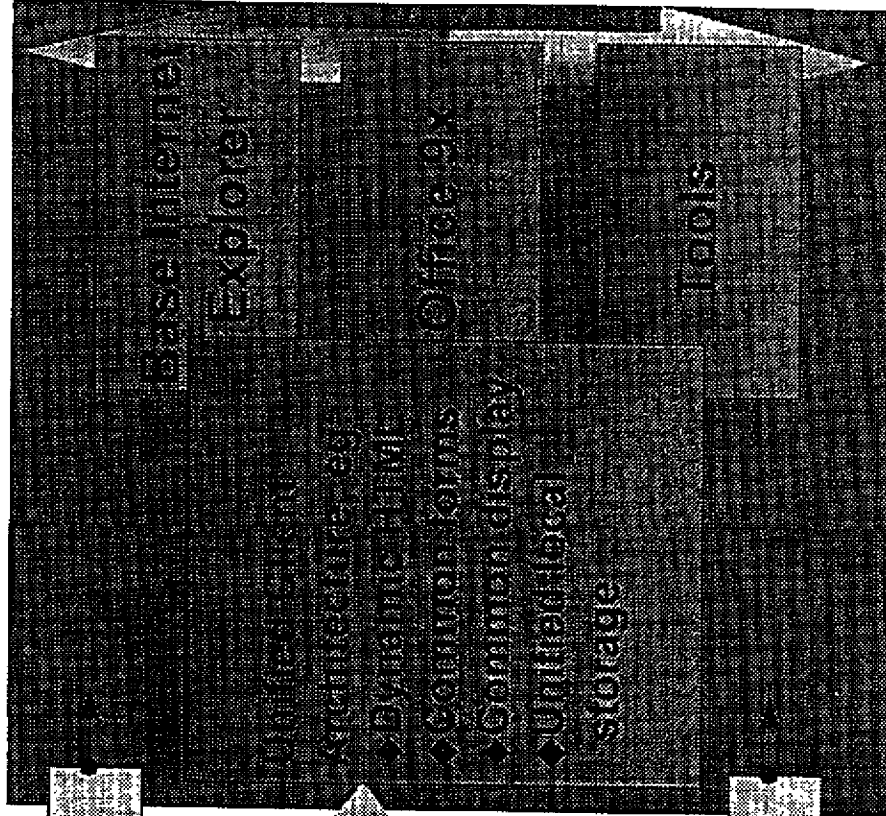
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Integrating Infrastructure - long term goal

Server



Client



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Internal Changes at Microsoft

- ◆ Focus on two key businesses:
 - Systems & Applications Software (Paulma)
 - Content (Peteh)
- ◆ Re-commit to Research:
 - Nathanm to build integrated research team for future PC
- ◆ Re-structure in Systems & Applications to:
 - remove overlap
 - improve integration
 - Paulma to detail

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Executive Committee

- ◆ Executive Committee replaces Office-of-President
- ◆ Jim Allchin & Brad Silverberg become members of Executive Committee
- join Steve Ballmer, Bob Herbold, Pete Higgins, Nathan Myhrvold, Paul Maritz, Jeff Raikes

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