

**From:** Tom Button  
**Sent:** Thursday, February 20, 1997 9:07 PM  
**To:** Bill Gates; Steve Ballmer; Paul Maritz; Brad Silverberg; Jim Allchin (Exchange); Jeff Raikes; Bob Herbold; Sam Jadallah; Deborah Willingham; Brad Chase  
**Subject:** Visual Tools 97, launch update

with March 19 quickly approaching and given that we're in the thick of the Visual Tools '97 rollout, here's a snapshot of where we are and where we're headed with this year's tools launch:

**Summary:**

- Focus of the launch is Visual Studio, the "Office-like" bundle for developers, priced to give you 5 leading Professional development tools for the price of 2.
- Primary target audience is the 4.3 million mainstream, professional corporate application developers worldwide - including VARs/SPs and internal corporate MIS.
- The overall message is that Microsoft helps developers **integrate client/server solutions with internet technology**. The key supporting benefits are **scalable, open, comprehensive**.
- Rolling thunder PR underway, with weekly product news announcements from January through March
- Competitively, Oracle recently announced their Web Developer Suite and licensed Borland's RAD CBuilder and JBuilder products to go head to head with our suite. Netscape's announced tool suite is a less competitive repackaging of partner's products at full price.
- Huge worldwide DevDays event on 3/19. 40,000 developers in 45 countries/90 cities, pay approx \$100 each to hear 90 minute broadcast from Redmond followed by locally presented depth technical tracks.
- Major selling programs (DM, channel push, ads, seminar series, etc.) kick off immediately following DevDays, in sync with broad availability of the tools in the channel
- Financially, we expect the Enterprise Editions of Visual Studio and strong demand for the higher priced individual tool upgrades to drive tools revenue to roughly a half billion in FY97

**Objectives:**

Since most developers write to the tools, not the system API, the dominant objective for our tools is to function as the channel through which our platform strategy reaches most developers. If we succeed in the tools business, the strategic payoff comes in the form of millions of professional developers creating the majority of the world's commercial apps, hardcoded to exploit (and thus entrench) MS standards and platforms. It turns out that we can also make hundreds of millions of dollars in direct revenue as well. To maximize the power of our tools business as both a strategic and tactical asset, we must:

- **Win share:** Win and defend share in strategic tools categories, including winning the enterprise/RAD tools market with VB (VB5/Enterprise as the leading high-end IS tool), winning the Java tools category with VJ++ (>50% usage share of Java), while defending our 65% VC++ share.
- **Define the new programming model:** Define how to build component-based, multi-tier apps, that integrate client/server with the internet, while establishing Visual InterDev (VI) and Visual Studio (VS) as the leading app construction tools for these scenarios.
- **Raise the competitive bar:** Define and establish the legitimacy of the comprehensive tool suite category, then win it. Make a complete tool suite the minimum bar for any credible development tools competitor.
- **Harvest the revenue:** Upgrade, upsell, cross-sell our way to \$500 million in FY97, leaving less revenue on the table. Make sure all existing active users get v5.0, upsell 13% of pros to Enterprise editions, and cross-sell 20% of users to other tools via Visual Studio. Also cross-sell 15% of pros a Mastering Series training title or MSDN subscription.

**Developer Messages:**

Date 7-21-02 Exhibit # 2  
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The central theme of our developer messaging this year is that Microsoft offers a comprehensive solution consisting of platforms, tools, and support to help you integrate your existing client/server systems with the internet, in a way that's open and scalable. We talk about these messages in the context of three logical business/app scenarios (moving to multi-tier, activating the web, and integrating the internet) which give customer context to our various keynote presentations and customer-ready documents. I've attached below a one page summary document that describes the messaging strategy in more detail, a draft strategy overview document to go public on 3/19, and a pointer to the keynote slides from our reviewer's workshop to show how the messages have been used in NDA events so far (and will evolve into our major public keynote presentations such as DevDays).



Developer Messages 1-pager (27)

	Learning	Professional		Enterprise	
	FPP	FPP	CUP/VUP	FPP	VUP/CUP
VB	\$99	\$499	\$249\199	\$1,199	\$699
VC++	\$99	\$499	\$249\199	\$1,199	\$699
VFP		\$499	\$249\199		
VJ++		\$99	\$80 rebate		
VI		\$499	\$249\199		
V Studio		\$999	\$499\399	\$1,499	\$999
ODE		\$799	\$539\499		

	Library	Professional	Universal	
	FPP	FPP	FPP	VUP
MSDN	\$199	\$499	\$2,499	\$1,999

**Competitors:**

Netscape's SuiteTools announcement in December and Oracle's recent announcements of its Web Developer Suite (consisting of Dev/2000 and Des/2000 with Borland's RAD Java and C++ tools) mean this should be an interesting category after all, given the intensity of the platform battle which these tool suites are really all about. Even though Oracle and Netscape are relying heavily on 3rd party licensing for their suite, our own cross-tool integration is not sufficiently strong in this version for us to have much of an integration advantage. All three suites clearly have a lot of work to do to fix the critical cross-tool debugging and project management scenarios. In the meantime, about all we can say is that Visual Studio products are synced on the same versions of underlying DLLs and drivers, were tested together, are relatively inexpensive when purchased in the suite, and can create, use, and share components based on COM.

**Launch Tactics Timeline:**

The first round of NDA/rollout events were staged in January, starting with a 2-day technical MS field "pre-briefing", followed by our "Megasummit" event for 275 3rd party partners and ISVs to prepare them for their role in the launch, and the reviewer's workshop for 75 analysts and long-lead trade press. Each of these events started with the keynote presentation above, followed by 2 days' worth of technical sessions that drill into each of our new tools products and their role in the outlined enterprise scenarios.

**Rolling thunder PR**

This week we completed our "rolling thunder" of product announcements, where over the last 4 weeks we lifted the NDAs and got trade press coverage on all the major new tools products via press releases and short-lead press tours.

- 1/28 - Visual Studio
- 2/3 - Visual Basic 5.0
- 2/10 - Visual C++ 5.0
- 2/17 - Enterprise Editions of all the above.

Lots of pointers to coverage have been circulated via email already, but if you haven't seen the articles and are interested let me know and I'll email you a sample of the highlights.

To keep momentum up, we plan to continue weekly press releases and calldowns through March

- 2/24 - VB 5.0 Control Creation Edition - released and on the web
- 3/3 - VJ++ 1.1 announce, with new wizards and better COM support
- 3/10 - 3rd party ISV announcements in support of Visual Tools '97 launch, VI momentum
- 3/19 - DevDays, announce pricing and immediate availability
- 3/26 - New fleet of VBA licensees signed, first xx apps shipping

#### Events calendar

While the private NDA briefings happened in January, the bigger public events start in March:

- VC++ DevCon: 3/3 - 3/5 in Orlando staged by TPD, expect 2K+ developers for first public show of VC++ 5.0
- VBITS, 3/10 - 3/14 in San Francisco, staged by Fawcette, expect 2K+ developers for first public show of VB 5.0
- DevDays, 3/19, 90 minute BillG highlighted keynote broadcast from Redmond via satellite to 90 locations in 45 countries worldwide, followed by 9 technical breakouts in 3 tracks presented locally by 3rd party partners (trained at our January summit event). Expect attendance to be in the range of 40,000 worldwide.

#### Channel, DM, advertising, etc.

Full slate of targeted channel push, DM, and technical trade press advertising for the whole product line planned to hit starting 3/19. Coordinated creative approach and messaging across all tools DM and advertising. The focus is tactical sales generation programs (to push customers beyond the normal version upgrades) is on upselling to Visual Studio and cross-selling MSDN and associated Mastering Series CBT/courseware titles.

#### Individual Product Prospects

VB5.0 has the strongest upgrade revenue potential. The user base has swelled to over 1.5MM, and VB5.0 with native code, the new code editor, and ability to create components, is an obviously compelling upgrade. Given that we are also doubling the upgrade price for VB5 Pro (\$199) relative to VB4 Pro (\$99), we expect this highest volume SKU to show dramatic revenue growth over VB4.

Visual Interdev is also looking like a potential hit, based on the incredibly positive reception this product is receiving from developers at every event where it's presented. It seems to have found a real sweet spot in the market, addressing a very real need, and feels a lot like the launch of VB1.0 in this regard. Press and customer interest is very high, but sales are very difficult to predict.

Visual Studio is the product most likely to blow away its forecast for the year, given our decisions to price it more aggressively and make it the centerpiece of a coordinated launch where it is always offered alongside individual product upgrades. We have a good chance of more than doubling the FY97 Visual Studio plan.

Visual C++ 5.0 should also be a solid success, given the obvious compiler superiority, which in the C++ market makes the upgrade a near automatic. Phasing out of the subscription model isn't expected to have much negative impact on upgrade rates. The biggest concern here is that we may lose reviews to the new set of RAD C++ competitors, but compiler superiority should ensure strong sales.

Visual J++ 1.1 is not a factor in revenue planning given our prioritization of marketshare above all else in this category, offering free upgrades and web downloads in addition to widespread book

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deals. Danger of losing reviews here as well to RAD Java tools, but we're so far holding our own (won Netscape World Java tools review).

**Mastering Series.** We are launching 4 new Mastering series titles simultaneously with the core products they support, including Mastering Office Development, Mastering VB 5.0, Mastering VC++ 5.0, and Mastering VJ++. At \$99, these titles are priced as an impulse add-on to the core product upgrade, and with a coordinated launch and cross-sell program we hope to see attach rates approaching 10% during the upgrade cycle. We will also sell MSDN subscriptions as another key add-on cross-sell opportunity, focusing on level 2 (professional - Windows and SDKs as well as the library) and level 4 (universal - all the tools, test platforms, and apps via subscription).

Visual FoxPro 5.0 is already shipping, yet is only 66% of plan for the year. We don't expect it to do any better once the rest of our tools line launches. Despite the disappointing run-rate, the Fox user community stubbornly holds on to their old versions and continues to account for 10% of all professional developers (approximately 500K worldwide), and they're incredibly vocal in defense of their beloved tool, making this a tough situation for us to improve.

Here's a summary of our pricing across the product line for this wave of releases:

If you have any questions about this launch plan or would like to review it in more detail, just let me know. We are anxious for your feedback and welcome the chance to leverage this launch more broadly across the company where it makes sense.

tom

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### Developer Messages:

The overall theme of our communication to developers this spring is "Integrating client/server with the Internet". This message not only scored as the top priority among senior IS, VARs/SPs, and web pros, but it also is the message where Microsoft is perceived by these audiences to have the greatest competitive lead over Oracle and Netscape.

In support of that theme, we outline **3 solution scenarios** that show how our tools work with the latest platforms and standards to address the highest priorities of corporate development teams today while providing greater business value to the organizations they serve. The 3 scenarios include:

- **Move to multi-tier.** Now with DCOM, Microsoft Transaction Server, and a full suite of tools to create DCOM-based components and containers, it's finally practical to evolve traditional client/server apps into DCOM-based multi-tier solutions. By centralizing the core business rules in components on a middle tier server (as opposed to maintaining business rules as stored procedures in the database or mixed in with the client UI code), it's both easier and faster to develop and deploy changes to business rules as market conditions demand, plus it frees up the client side to be purely tactical - meaning custom client development can be decentralized to address specific user scenarios (vanilla HTML browser on any platform, custom Win32 app front-end, or automated Office as client) while inheriting all the robustness built into the centrally managed middle tier.
- **Activate the Web.** Building Web applications with Active Server Pages on IIS 3.0, dynamically generating HTML using server scripts tied to corporate databases, enables businesses to reduce the number of HTML pages they need to maintain a rich presence on the Web. Web applications also make it practical to present users with personalized, dynamic content, while simplifying site management.
- **Integrate the Internet.** The combination of multitier architectures, which provide a secure business process layer, and the broad accessibility of the Internet makes it practical to implement Web interfaces to existing client/server or legacy systems. This creates a new opportunity for businesses to forge direct connections with customers, suppliers and partners more efficiently than ever before.

We managed to find actual customer demos to support each of the above scenarios (wasn't easy to find given the recent ship of DCOM and Viper), that credibly show the technology and the business advantage that results.

In addition to the 3 scenarios, the same customer sets (senior IS, VARs/SPs, and web pros) identified 3 requirements they look for in their preferred vendor of app development technology which we are focusing on in this launch:

- **Scalable:** provide high performance enterprise data access, robust transactions, fastest executables, team development. Oracle is perceived as the leader in scalability, but with DCOM, MTS, SQL Server, and our Enterprise Tools, we now have a competitive story.
- **Open:** support industry standards no matter who drives them (vendor or committee), open our own API to 3rd party ISVs, while maximizing choice of products with which we interoperate. Currently Netscape owns this position and we are perceived dead last.
- **Comprehensive:** offer the most complete set of languages and tools, apps, and systems technology, as well as the richest 3rd party community providing components, training, and support. Microsoft is the perceived leader here, but this is the least important of these three.

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