From: Brad Silverberg [DWGROUP/BLACK/bradsi]
Sent: Monday, January 24, 1994 5:45 PM
To: Paul Maritz; bradc
Subject: RE: 2 Chicagos or 1

I must admit I too am coming to the One Chicago viewpoint. I think there will be room for various targeted add-on packs or utility packs (maybe just one?). But the worst thing would be confusion about Chicago itself.

The hard part is that there are things I can easily justify not being in the base, like peer to peer networking, or tcp ip stack, or other features of a more narrow (especially corporate) point of view. But we have also learned it's death to have multiple versions of the OS. So that means either extension/addon/utility packs to skim extra $, or only one mondo gigundo product.

|From: Paul Maritz
|To: bradc; bradsi
|Subject: RE: 2 Chicagos or 1
|Date: Monday, January 24, 1994 10:49AM
|
|I agree that we have to do what you describe below (ie. have stepup,
|which is not positioned different from base chicago in a major
|functional way), or have only one product.
|
|The more I think about it, the more I come to conclusion that we cannot
|afford to have "2" Chcago products. It will be a disaster for us, and a
|gift to our competitors, if people are confused about "which Chicago"
|to review or buy. Can you imagine the field day that the press and our
|competitors would have. It would be bad enough EVEN if we could give
|each version a legitimate identity and role, which have proved to
|ourselves we cannot. We have to bite this bullet.
|
|Our job #1 is to get OEMs and existing end-uers to move to Chicago. We
|should make this as simple as possible, and eschew anything that
|threaten this - and nothing will threaten it as quickly as confusion.
|People should not have to think.
|
|The consequences of accepting this point of view is that retail revenue
|is going to be lower than we would like, and we have to focus on OEM
|revenue - both for the base and the stepup. I would be interested in
|seeing the numbers.
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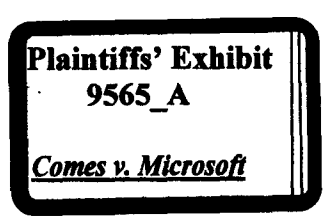
|| From: Brad Chase
|| To: Bill Gates; Joachim Kempin; Mike Maples; Steve Ballmer; Tom Evslin
|| Cc: Brad Chase; Brad Silverberg; Jonathan Lazarus; Paul Maritz;
|Richard Freedman
|| Subject: RE: 2 Chicagos or 1
|| Date: Monday, January 24, 1994 9:59AM
||
||
|| another idea that may be easier to sell and communicate is to
|| have two products, Windows 95 and the Windows 95 Step-Up. The
|| Step-Up could be the Potporrui or something else but lets say
|| for the sake of arguement and visualzation that it has the
|| speed and space features we discussed at the BOOP meeting. So
|| the product has DoubleSpace and a little more speed.
|| Hopefully over time we can add even more speed. Anyway, now
|| we have only one Windows 95 for both OEMs and Upgrade. Then
|| there is the Step-Up product that sells at retail say for b/t
|| $29-$49.
||
|| Some advantages of this approach are that
|| a) Joachimk can still try to get more money for the base Windows 95



|| b) The step-up has a clear retail value so if it does well it
|| is easier to sell it to oems for another $5-$15
|| c) More revenue upside. Everyone (not just base customers)
|| who gets Windows 95 can be step-upped. Much easier to sell to
|| people who get Windows '95 on a new PC.
|| d) Way less confusing b/c the Upgrade and OEM products are the same
|| e) You can do more with less features b/c you do not have to
|| have this amazing set of features to differentiate the step-up
|| like you do to differentiate premium from base. For example
|| speed and space is hard to sell as premium. but while it is
|| not earth shattering, it is not as bad as a step-up (if you
|| count some % of the MS-DOS 6 Upgrade and Stacker monthly sales
|| compression has a pretty good monthly retail run rate even
|| though now almost all new machines already have DoubleSpace).
|| f) Base customers are more likely to step-up b/c they pay $29
|| to $49 instead of $99. You could argue that you lose revenue
|| here too of course if you believe lots of base customers will
|| pay $99 (which i don't believe).
|| g) Makes it easier to keep Capone in the base product b/c the
|| Step-Up is half the price of the Upgrade
|| h) Gives you some retail flexibility, for example you have
|| your font pak for launch. you could bundle the two products
|| is sales are slow.
|| h) Gives you more flexibility over time than having one product
||
|| Some disadvantages of this approach are:
|| a) One more retail sku to market, support etc.
|| b) The lower SRP of the Step-Up puts boundries on what you can charge
|OEMs for it
|| b) Less of the Windows magic fairy dust. The Step-up is not
|| Windows itself so it will be more clearly seen as a utility
|| pak (even though the delta b/c base and premium would likely
|| be the same feature set). We can mitigate this somewhat by
|| still making sure that the features can not be copied. No
|| integrated compression without the step-up for example.
||
|| We haven't run #s on this yet, worked through the technical
|| issues or talked to alot of people about it. But I thought I
|| would throw it out now for feedback.
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|| From: Tom Evslin
|| To: Bill Gates; Joachim Kempin; Mike Maples; Steve Ballmer
|| Cc: Brad Chase; Brad Silverberg; Jonathan Lazarus; Paul Maritz
|| Subject: RE: 2 Chicagos or 1
|| Date: Monday, January 17, 1994 9:40PM
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||
|| If we follow Joachim's suggestion, then I think the logic is that mapi and
|| all capone need to be in base. This should be OK (I hope) if we're only
|| tring for a $15 delta for premium from oems.
|| ---------
|| From: Joachim Kempin
|| To: billg; mikemap; steveb; tomev
|| Cc: bradc; bradsi; jonl; paulma
|| Subject: RE: 2 Chicagos or 1
|| Date: Monday, January 17, 1994 11:49AM
||
|| After thinking about this over the Weend, and reading this mail, I
|| recommend we investigate an approach which goes like this:
|| define an attractive base product which contains all the APIs we deem
|| to be strategic and try to sqeeze $5 more per system shipped from OEMs.
|| Define a premium product with some performance improvement and other
|| attractive features which fall more in the "Norton tool and nice to
|| have" area. Make the premium version the only retail version and let

|| OEM pay $15 more if they want it. This would allow the retail biz to
|| sell at a reasonably high price, cuts down the SKUs and will attract
|| e/U as well as OEMs to make a fast transistion.
|| I have not done the math, but a rough estimate tells me this will get
|| us to 3 B$ no problem.
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|| From: Tom Evslin
|| To: Bill Gates; Mike Maples; Steve Ballmer
|| Cc: Brad Silverberg; Brad Chase; Joachim Kempin; Jonathan Lazarus; Paul
|| Maritz
|| Subject: 2 Chicagos or 1
|| Date: Saturday, January 15, 1994 12:30PM
||
||
|| Disclaimer: What I am arguing below is best possible outcome for workgroup
|| strategy. But I believe it's right for Chicago revenue as well.
||
|| problem in maximizing Chicago revenue is to add enough value vs. Win 3.1 so
|| either oems or consumers buy a high priced version most of the time. Having
|| a base version. I think, makes this harder rather than easier.
||
|| (obvious) if there's a base, the money making version has to have a big
|| value delta over the base as well as over 3.1. This is a mkting nightmare
|| because we have to differentiate two new windows versions and sell against
|| our own low end version while still promoting as better than the very
|| popular win 3.1. It's also a problem for dev which needs not only to make
|| and test two versions but also needs to make sure that upgrading base to
|| premium isn't a slam dunk for some 3d party. We spend dev effort making
|| things worse rather than better.
||
|| Although speed is a great differentiater, it is not enough (I say) for
|| promoting a total shift of the market AND a new price point. Windows isn't
|| faster than DOS; it is easier to use and applications which are easier to
|| use require Windows. APIs are a great differentiater for the longterm
|| although they have little shortterm market value. Once apps are wrtitten to
|| the new APIs, anyone who wants those apps or any oem selling machines to
|| people who will probably want them needs the system software that supports
|| them - price is much less a factor.
||
|| But we can't use APIs as a differentiater between base and premium
|| effectively because apps won't rely on APIs that are only in premium. Apple
|| is getting nowhere with system seven pro. Desktop can be ordered to support
|| the new APIs significantly but that means that Office competitiveness
|| suffers because cool new features are unavailable not only on Win 3.1 but on
|| new machines with base Chicago. Similarly, if these APIs like MAPI are key
|| to keeping ISVs from using competitive APIs and are the entry point to our
|| servers, then we hurt ourselves by keeping them off base. So, if we have a
|| base and a premium, we will end up supporting the same APIs on both and
|| can't differentate this way. If we do end up with both, I'D ARGUE FOR
|| PUTTING MAPI AND CAPONE ON BOTH.
||
|| If we sell one Chicago we can put all our wood, systems and apps, behind
|| making that compelling. We may have to license it at a fairly low price in
|| its first year to build installed base for apps and workgroup. But I would
|| think we could raise the price yr by yr as the apps appear that support its
|| APIs (Joachim, is that reasonable?). By the third year, we hit the revenue
|| target by a combination of higher price and great penetration - and killing
|| OS/2. This strategy leaves no big hole for a competitor because we only
|| raise the Chicago price as it becomes compelling vs. win 3.1.
||
|| Our recommendation for server pricing and packaging is converging on a model
|| that supports a highpriced one Chicago model. I think we will end up
|| recommending that client software - sql, ems, filesharing, sna etc - always
|| be delivered with Windows "free". We will charge at the server for
|| connections. But these "free" clients let us charge more for Chicago since a

|| competitor would have to provide all these bits in his desktop OS or have it
|| be an incomplete client. This packaging model also lets us promote Chicago
|| or create oem addons by putting tokens for server access in a bundle with
|| Chicago (or Office).
||
|| You could argue that we should only put the "free" clients in premium. But
|| these clients have APIs. And we hurt the chance of making a server suite
|| (Microsoft BackOffice) a standard.
||
|| So I recommend one Chicago; failing that I think we shoudl make sure both
|| Chicagos have all APIs including MAPI.
||
|| Technical note: We could deliver Capone client capabilities including APIs
|| and LMS with base whether or not it has the Explorer capability. This would
|| actually be our NT client. It is 32 bit and lack only the integration with
|| File manager that the Chicago client has. Navigation between the lms
|| folders and file system folders is possible but means two separate windows
|| with hierarchies in them. Drag and drop still works.
||
||
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