

MEMO

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TO: TONY SPEAKMAN
FROM: MIKE SHELTON
DATE: 12th DECEMBER 1989

RE: Meeting with Peter Bondar at Nixdorf on 11th December.

Tony,
I just wanted to pass on the information that I managed to obtain from Peter during my visit.

His responsibilities

Peters actual title was "Manager, Product Marketing, CBS". This seems to be a corporate role for the UK and Northern Europe. Their definition of Northern Europe covers Ireland, Benelux and Scandinavia, with the UK treated as a separate region. I got the impression that he has the power of recommendation and a vote, but cannot make the final decision.

Nixdorf PC product line

It seems that Nixdorf have a number of PC's in a range on 20 machines. These include:

- NEC V20 (8Mhz) Handheld device
(Using MS-DOS 3.3 in ROM)
Uses a LCD, CGA compatible screen with 2,000 characters.
- 8086 based machines
- 80286 based machines
- 80386SX based machines
- 80386 based machines

These are known as the 8810 range on machines. About 4 of their machine range are actually assembled by Nixdorf, but the others are sourced from suppliers including:

- NCR
- OLIVETTI
- MATSUSHITA

EXHIBIT NO. 562
4/27/88
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D.S.'s
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Plaintiff's Exhibit
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Comes V. Microsoft

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Nixdorf PC market

The PC business was mainly advocated by their recently departed CEO, Klaus Luft, so the corporate strategy here may change! Nixdorf are basically selling PC's to complete their product line, and therefore the pricing of their machines is comparable to that of IBM and COMPAQ PCs.

The market that they sell PCs to is mainly governed by their existing account for their Targon minicomputer equipment. They see their PC business as mainly incremental from existing accounts. The split for their PC market is as follows:

- 25% Desktop market
- 25% Finance

The remainder is mainly covered by Government bids and POS equipment

In the UK they are shipping 3,000 - 4,000 units per year. They see their market for PCs as pandering to Quality, Backup/Service, and connectivity to networks and other Nixdorf equipment such as their Unix based Targon kit. The main networks to consider and NOVELL, LAN MANAGER and 3COM.

Bundled software

Currently, Nixdorf in Padderbourne have a number of OEM software licences, from which they supply each of their regions. Therefore each region buys packaged product from Padderbourne at a preset transfer price. Each region is now charged to try and find a cheaper supplier for these products if possible and then use that source. Eg. Nixdorf UK can currently buy a number of software packages cheaper from local distributors than they can from Padderbourne!

Current German OEM licences include:

MS-DOS 3.30	MS-DOS 4.01	Windows/386
OS/2	MS WORD	EXCEL
MS MOUSE	MS Compilers	MS CHART
SCO XENIX	LOTUS 1-2-3	DBASE IV
WordPerfect		

They are currently NOT shipping DOS 4.01 or OS/2 in the UK, but they do see both OS/2 and SCO XENIX as being appropriate for their high end 80386 machines.

The Operating System strategy is defined individually by each of the regions, as Nixdorf are clearly defocusing the corporate power at Padderbourne and moving towards much more autonomy. Last year, the only region to really move away from Padderbournes direction was Spain, and this region enjoyed the largest growth and profit according to Peter.

In the UK, they are obtaining MS-DOS 3.30 Packaged product from Padderbourne at approximately £10 per copy according to Peter! Most of the packaged product is obtained from local distributors. There is NO contract with Microsoft in the UK.

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Contradictory?

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DOS and PC Futures

There are a number of things here that may help us. Their Finance group are looking to move away from having Terminals connected to their larger machines and have Workstations instead that are capable of working in local and remote modes. The Local mode would be DOS, and the remote mode may be UNIX on a Targon machine.

Issues in choosing an Operating System would be:

1. Margins - they are looking to improve wherever possible their current margins to improve profitability.
2. Sales/Support They see sales/support as being vital in helping them to achieve their quality image.
3. More Memory When the local machine is running a network and a TSR for terminal emulation, memory for DOS applications will be an issue.
4. Large Disks On the Higher end machines this will be an issue.
5. Security Many of their systems are going into the Finance and Government sectors.
6. Connectivity They need a clean solution to allow them to use all their existing hardware. For example, they had a problem with SCO XENIX because it was incompatible with an existing hardware board used in their machines.

DR DOS Benefits

1. As Nixdorf do not have a contract with Microsoft in the UK, there are no contractual reasons to prevent them from signing a licence for DR DOS if it was seen as being financially beneficial to them.
2. The UK has full autonomy to take DR DOS even if no other region did, as long as it made good business sense.
3. As DR DOS is developed in the UK, we ^{can we really though?} can offer far superior support and after sales support than Microsoft could ever hope to do for DOS or OS/2. If we can prove this to them, this may be more important than the price tag!
4. If we can persuade them to put DR DOS in ROM on their Workstations, this will mean they will have more memory with a network loaded and a terminal emulator loaded under DR DOS than under MS-DOS. 40K is a lot of extra memory!



ACTIONS

1. Supply additional information before February
2. Tony to contact Peter with regard to DR DOS commercial issues as soon as possible
3. Obtain date from Nixdorf for presentation
4. Contact Stewart Tilly after Christmas to obtain feedback on evaluation so far.

I hope this gives you all the information that you need to progress this Tony.

Best regards

Mike

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