From nathanm Sun May 26 10:03:18 1991
To: pradeeps
Cc: billg bradsi cameronm gregs jeffr jonl karenh lloydfr marline mikemap
    raleighr robg steveb
Record-folder: C:\NATHANM\FOLDERS\WSENT.FLD
Subject: RE: PCs that aren't PCs
Date: Mon Mar 16 11:31:28 PDT 1992

I agree with much of what you say. In fact, the part that you said I didn't
understand is exactly what I would have expected you to say. The only
differences that we have are rather subtle, but I think that they are
important. Here are some specific comments:

>   The assumption that the PenWin mkt is the 'existing PC user'
>   while GO's mkt is the 'new user' is wrong. (What the hell is
>   a 'new user' anyway? Presumably over the past 10 years, we've
>   gathered 50m 'new users'.) GO wants to position us that way -

Yes, that is my point! I think that we in violent agreement. There are
several quite different topics that seem that we potentially could discuss:

- What your marketing position *is* - i.e. what people really percieve. This
 is what you tell them as filtered by what they believe and retain.

- What your posture *should be* - i.e. the message you should be saying. Note
that this is usually a strong function of the audience, or market segment.

- What the fundamental "lay of the land" is - i.e. the techincal and market
realities. Note that these can be quite different than either what you say
or what people percieve. Sometimes you can get away with saying things that
are very untrue (like the misuse of the word "Open" in the UNIX community, or
the old practice of calling dictatorships "The People's Democratic Republic
of...").   The usual case however is that you need to make sure that what you
are saying is in line with techincal realities.

Go's message is very pure in that all three of these line up. They say that
they are for people who are likely to only use a Pen based machine, and do so
primarily in tasks which are not typical on desktop PCs (that is a good
definition of a "new user" in this regard). PC industry people believe Go when
they say this, because it is obvious that they can't run any PC industry apps -
so it is clear that they want to be something else. Also, Go can make some
credible claims to having technically optimized for this case.

My comments about Pen Windows were primarily about the technical and market
reality, and I think you interpreted them as statements about what your message
should be.

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WITNESS
SUSAN ZIELIE

The reality is that if you completely subtract the connection to Windows apps, Go is way ahead of us (in my opinion). That is not a message I would suggest you communicate, and I don't think that many people percieve that yet (fortunately) because you have done good work. The good news is that we don't have to subtract Windows out, and you can use the aura of Windows to help in the other markets. This is explained more below:

> we're in this business precisely because we have no intention
> of giving that market up. Better than 50% of pen system sales
in the next couple of years are likely to come from fleet
> sales to people who are so-called 'new users'. We intend
> to win those sales. Yes, most of these will be sold direct;
> will have few apps on them, but will still lead to a critical
> mass of pen machines (and pen OS's). Once the socket gets out
> there it will attract ISVs. Those sockets must be PenWin
> sockets.

I agree that it is dangerous to cede these sales to Go, and I had no intention of suggesting that you do this. Your goals, and your message should reflect the fact that you want to win there too.

Even in the case of fleet sales, I believe that your ability to convince people that we have an advantage is directly or indirectly Windows. If you had to give a demo and sales pitch where you never once ran a normal Windows app, or otherwise used the imprima of Windows, you would be at best be on even ground with Go, and I don't think that would be much fun.

So, to sum up on this, I was not misunderstanding your goal of doing well in that market, or your message which supports that goal. I just think that Windows is your ace in the hole, and that within the next 2 years 90% of your sales will be either directly be to Windows users, or to "new pen-centric users" (as defined above) who picked Pen Windows over Go directly or indirectly because of the connection to Windows (part of coroporate strategy, support from machine mfgr, FUD with going "against" Windows, expectation of future apps...).

As an aside, I think that there is a big danger in your message becomming to diffuse if you tell everybody that you'll win against Go in all markets. Go has a very focussed position, and as much as possible you should use this againtst them by letting them position themselves into a corner.

In particular, when it comes time to talk to ISVs, you really want to make the point that Go's intended market is NOT a good place to sell their apps. I think that the point you raise above about fleet sales eventually becoming sockets for apps may have some merit, but this is a terrible thing to say to ISVs. I think the best *message* to ISVs is that Go's market is IRRELEVANT to them in turns of selling any maintstream PC app. Many of the other points I made in my previous email also apply - the machines are priced such that PC industry people are a large part of the early market, PC OEMs are building the

machines etc.

> A specific point - yes, Pens should be positioned as an
> integral part of the Windows soln (the PenWin SDK will be
> bundled with the 3.1 SDK), but it is an oversimplification to
> say that any good 3.1 app is a good pen app.

I believe that you must MAKE this true as much as possible. People making
Windows apps that ship in 92 should feel embarrased as hell if they don't work
well with a pen. Note that this is ANY Windows app - I didn't say "Pen Windows
ISVs".

> We've got to evangelize the pen stuff specifically - no Win
> developer is likely to build support for 'ink' (scribble
> objects), interaction with the recognizer, extended
> gesture support etc unless we raise the awareness of why pens
> are important.

Yes, you must raise awareness, but ideally it should be in a Windows context.
I would for there to be an ISV that says "yes we have a great Windows app, and
later on we'll make a Pen Windows app". I'd rather have the guy thinking "we
really have to fix our Windows app so that it works well with Pens, outline
fonts and other new Windows features". Some apps will target Pen specifically,
just as color paint programs target machines with color monitors, but the broad
mainstream should cover it all.

> We can get people to buy our OS only because the end-user sees
> solutions that he can't get elsewhere - thus forcing the OEM
> to support our OS. Building relationships with consumer OEMs
> is important as is building a lighter weight Windows version=
> for the PCs w/o kbds. But NEITHER is as fundamental as
> getting apps out there which meet those needs - even
> though they may be on machines sold by traditional PC OEMs and
> on a overweight OS. The very existence of those apps will
> then drive the consumer OEMs to adopt the MS soln. The basic
> argument is that the proposition laid out in Nathan's email:
> "PMK = Consumer hardware + ? apps + consumer positioning" is
> a non-starter.
>
> You HAVE to build from your strength - existing PC's; get the
> apps built; get people using them, then grow the mktg broader
> through lowered price points on   the hardware. And that's what
> our pen effort must do.

There are many valid points in what you say, but there are some subtle
distinctions which I believe are crucial. I believe that they could make the
difference between success and failure in this area.

What you have described is ONE way to approach the consumer market. It could

be paraphrased as "PCs move down and take over consumer electronics". We start with PCs, on which we are already successful, get apps built which satisfy consumer needs, let them incubate in the PC industry until the machines are cheap enough, eventually "forcing" (your word) the consumer electronics companies to go with us.

I would love it if this happened, but it would be negligent of us to RELY on this happening. We are presently investing in this direction, because it happens to be a direct extension of our PC business - i.e. this bet is already covered. Pen Windows is one great step in this direction and our Multimedia efforts are another one.

I agree with you that we must build on strength, but this is more than one way to do this! We must hedge our bets.

The consumer electronics companies will regard the scenario you describe as all out war. They are oriented around proprietary standards and have a different mentality than the PC industry. If we remain insular and focus just on "PCs will move down", then consumer companies will create alternatives. CD-I is exactly such a thing, but consider that the tip of the iceberg - they will create many more for PMK machines (and enhance CD-I a lot). Remember that these guys buy movie studios and record companies just to feed their gadgets today. The amount of money that Philips has invested in CD-I titles and other infrastructure is staggering. They will make similar software investments for PWKs if they feel they have to, and the "PCs move down" scenario is so threatening to them that they will feel they have no choice. I would like to see them do this in partnership with us.

I think that we should continue to press forward on "PCs move down" approach but IN ADDITION we should do a project with the following characteristics:

- Work closely with at least one major consumer electronics company from the very beginning, and learn to adapt to their culture and approaches (as much as is feasible). I think Sony would be best for a variety of political reasons in the consumer industry, but this is a huge topic unto itself.

- It would be nice to have 2 projects with them in the PWK area. One would be a fairly near term thing (such as Sony Bookman?), and another would be much more ambitious - which might be considered a prototype in the inital stages, but which we want to be a product. The reason is that near term stuff is important to get a foot in the door and establish a working relationship, but it is too limited in terms of the hardware (8088 character mode...) to be a the base of anything longer term. We need to get in on this, but also leapfrog out to the point where our full gamut of software (Windows etc) is feasible.

- We would try to draw on things which appeal to our partner. As an example, Sony is a MIPS architecture licensee, and really wants to get into chips. Suppose we had a project to make a lightweight portable Win 32 implementation for a PWK. Sony could focus a project on making a super low cost MIPS system

with custom chips, and perhaps even custom CPU. If we found a way to need a couple of special new instructions (say for power management...) and they could feel they were getting an edge on the world this way, so much the better.
↑Another example would be to support some cool hardware that they had in the works - a new kind of storage (next generation mini-disk). We want to work our way into their strategies so that they rely on us in many ways.

- Our "strength" in this case is our credibility in software, our position as a partner, and the connection to the PC industry. I believe that we can get such a project going on this basis.

- Technically we want to tie in to the Windows world. This is what gives us the huge strategic win - we can draw on apps and other things being developed in the PC industry and our other initiatives (Pen, MMsys...). The various options mentioned in the previous mail (drop Dos etc.) still leave considerable overlap with Windows.

- When I wrote "? apps" in the equation you quote, I didn't mean that we would want to run PC industry apps (although there are subsets, like Dos apps, that may not be relevant). The point is that the apps which will be compelling to PWK users are not part of the PC industry's current inventory. We need to get them developed. The consumer companies are more than willing to spend millions doing this (again, look at the CD-I investment). We want this investment to be channeled into something that will also benefit the desktop - by being based on Win 32.

I would love it if the PWK battle between consumer computers moving up and PCs moving down was fought with Windows on both sides. Our destiny is to be the Krupp Werks of the 1990s. I want us to be in a position such that we DON'T CARE if the PWK of the future is sold by Sony (and leverages connection to entertainment media), or Sharp (and is more of a calculator), or is sold by a communications equipment company (and leverages cellular telephone), or in fact is a PC that moved down and is sold by IBM, Compaq and Tandy. In ALL cases they should be running Microsoft software - in particular, some variant of Win 32.

We have one of these avenues firmly in hand, but we are not far along in getting the consumer people to work with us. I think it is time to start cultivating that community.

Nathan

From nathanm Mon May 27 22:39:49 1991
To: bradsi cameronm
Record-folder: C:\NATHANM\FOLDERS\WSENT.FLD
Subject: RE: the only thing in life worth living