

From eziob Sun Oct 18 15:57:05 1992
To: paulma
Subject: NT and Chicago strategy
Cc: bobmc eziob jonl stefanop steveb umbertop
Date: Mon Oct 19 00:29:26 1992

Paul,
Chicago and NT strategy are 2 different problems.

NT.
I do agree with you when you say we doing a large investment to push NT as a mission critical platform, well suited for networked environments. This message was only partially conveyed at the MCS meeting. The message given by Marketing was very simple and in a way correct:

We need at least 2 years before mission critical applications will be available, there is a need to start selling NT the earliest possible time to show a positive response in term of sales. There is a large number of power users, if we reach a portion of them we get an excellent startup with NT.

My points are as simple.

We competing with excellent chances to establish the standard operating system of the future. It never happened in history a company different from IBM has been even trying to achieve that. We talking about the control of the computer industry in the years to come; do we really care about short term sales?

We doing fine on the client side, we get the server side and bingo!!! Talking about defocusing if we try too hard to run after a niche segment (Power users) we do not pay enough attention to the really long term strategy. I believe product groups got this vision. Hermes is a clear and additional demonstration of the attention we pay to networked mission critical environments. (And, by the way, Hermes will most critical to the success of NT).

Furthermore I do not believe the appealing power user segment is so large. We do not have, day 1, that much hardware support; as example for advanced computer graphics we would need support for hardware 3D transformations, we do not have, day 1, that many device drivers and subsystems for handling analog and digital peripherals.

Most important we do not have the appropriate support structure in place. The segment is large, but we can only target a portion of this segment with some difficulties in term of structure.

I think we did fine with Lan Manager, our sales cannot be compared to Novell, but we could compare our Lanman growth rate. Most important we now have the appropriate people to support the networking strategy.

Chicago is a different story.

MS 0156329
CONFIDENTIAL

W4W is the product that will blow away Novell market share. I don't care if every W4W license will be used on a Lan; people may buy W4W even because they need

Windows and they like a calendaring package. To me each W4W sale is a networking license. Looking at the number of Windows sales, W4W will let us walk into an account and avoid to be reminded about Novell market share. W4W is really addressing Novell and Lotus Notes.

A product like Chicago (or W4W on Chicago) will not keep the attention away from NT or W4W.

We released Win 3.1 this year. We will release Chicago in 94. I think it is too long between releases.

OS/2 is now positioned between NT and Win 3.1 (or W4W).

I do not think it is a problem, I do not believe there is the need for 32 bit flat memory model and for multithreading to deploy a large networked installation. But I say that with some understanding of Win, OS/2 and the necessary background for the implementation of large projects.

But think about the MIS manager of a large corporation, the IBM director will walk in there and tell him: would you deploy 3000 PCs without multitasking? They both do not know what they talk about, but they old friends and the MIS manager will buy that, he will ask his technicians and they will confirm OS/2 has more multitasking than Win 3.1 and multitasking is important for networking.

Now, we lucky with this account, we too talk to this MIS manager and we tell him: You need multitasking? No problem, NT has all of it, and even more. The MIS manager will ask his technicians how much? (he only understand those numbers) and he will find out for 3000 PCs he will need 1.000.000 K additional dollars. Later on he will find out OS/2 was underestimated at 4 megs, but memory cost will be down and the OS/2 sale will be already done.

OS/2 is the IBM problem, but not so much of a problem as Office Vision. IBM is not dropping OS/2 like Office Vision. OS/2 is not completely dead. Win 3.1 will have to compete against OS/2 for about 2 years. IBM is going to release Workplace on 32 bit this year. We show Cairo as the future (94..) and we show a user interface similar to OS/2 Workplace.

I do not believe IBM will loose the operating system market completely. I believe IBM will have a share of this market and we will have an other one. The question now is how big will be our and IBM share? With Chicago IBM would have had a much more difficult time.

Ezio

MS 0156330
CONFIDENTIAL