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Need to Know

Notes from December 15, 1992 Compaq/Microsoft Executive Briefing

The MS key attendees included Paul Maritz, Brad Silverberg and Carl Stork. Rob Glaser stopped in for only a few moments. Bill Gates joined the briefing at 10:30am. The OEM account team was represented by Joachim Kempin, Mark Baber and Tom Davis. Other MS attendees included Bill Miller and Dennis Adler (Chicago Product Manager?).

Compaq attendees included Gary Stimac, Lorie Strong, John Paul, Mike Clark, Vic Mahadevan, Bob Jackson, Deepak Sharma and Dave Hocker.

The meeting was preceded by a spirited hall discussion with Steve Ballmer over our plans to pre-install both NetWare Lite (NWL) and WfW. Steve could understand why we would want to pre-install the NetWare client product, but he was astounded that we would even consider pre-installing what he thought was a grossly inferior product. He stated bluntly that it would be hard for him to see us as a partner if we were pre-installed NWL because it was a direct competitor and it was counter to MS strategy. He stated that it appeared we were going in different directions, as our strategy did not seem to embody plug and play. Steve was his usual, ebullient self during the entire discussion.

I opened the formal briefing by reviewing the agenda. Lorie picked up form there and lead the discussion through our mutual goals, PCMCIA and plug 'n' play. The discussion tended to center around what Compaq wanted.

There was plenty of agreement on the goals of beating Apple. Brad Silverberg commented that everyone on the Windows team had a copy of the Apple advertisement we showed. He also commented that we weren't the only ones (besides MS) that wanted to take definitive action to combat Apple's campaign. Brad said there were at least 4-5 other OEMs that were poised for action.

We also agreed on the goals of PCMCIA and plug 'n' play:

1. We need to take action sooner rather than later, namely in 1993.

2. What ever we do in 1993 needs to be seen as the first step of a longer term plan, with the second step being Chicago.

However, we are going to have a difficult time figuring out how to get the timing right on these projects. MS sees both tied tightly together. They also see that it takes 12-15 months for the industry to respond to new standards. As a result they feel that the specs for these items will need to be released in 3/93. We have a hard time figuring out how we will obtain our desired "ROI" for involvement in shaping these standards if the gun is fired on 3/93. At this time, it is unclear as to how we might resolve these issues, but MS is willing to see if we can work to some agreement. Lorie and I took the action item to determine how we work out this issue.

The issue of advantageous royalty was boxed tightly by MS. They feel we are getting what we want in the new business agreement and they

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have no interest in negotiating financial issues on a project by project basis. They see it as nickel-and-diming. One thing we did learn, is that MS does not really recognize how important cost is to us. They don't think we should be quibbling over a dollar or two. In a side conversation with Paul Maritz, I asked him what percent of product cost went to MS software. He said he thought it was about 10%. The fact is that two years ago it was well under 1%, but today it is about 6%-8%. He didn't seem to get the point that we fell that's too high.

There were some interesting comments made by Brad Silverberg during the working relationship discussion. He stated very clearly that he didn't think they really understood what our contribution has been, nor do they clearly understand what our future contribution might be. He said it in a context that made it very difficult to tell if he thought we over value our contributions, or if we under value them. He also commented that there are 4-5 OEMs capable of doing what we can do for plug 'n' play and PCMCIA The same 4-5 are just as interested in doing something about the Apple threat.

On the Apple advertising problem, Brad commented that Apple had to withdraw their advertisements in Australia because too much of the content was false.

After the discussion on PCMCIA and plug 'n' play, Gary gave an update on the current situation around PCI. It was agreed that we all would encourage AMD, TI, etc. to have the PCI steering committee ask Intel to publicly state its policies for licensing the patents needed to practice PCI.

Bill joined the discussion a little after 10:30am. At that time, Lorie reviewed where we had been. Bill made additional commentary about the market leadership, royalty and time to market issues, but they were basically the same as the rest of the MS key attendees. Lorie took everyone through the Adams model. Bill commented that it was a superior design, providing of course the real product matched the model.

Bill commented on the MSKK situation, acknowledging that Win 3.1J has slipped to 5/93. He knows they are being hurt just as must as we are by the slippage, but feels all that can be done is being done.

Lorie reviewed the portable and desktop product line charts to give M{ an idea on where we were headed in 1993. Questions were asked about our plans for a sub-notebook, when we would have NICs down, and when we would do something with CD-ROM. MS expects to ship 20 CD-ROM titles in '93.

After the product line overview, Bill gave his view of MS' key strategies and thrusts for '93. It was an impressive list of efforts:

WfW will pave the way to Chicago. "Chicago will be better than the Mac". Chicago is a bigger effort than Windows/NT, the most ambitious undertaking in MS history. They plan to be quiet on Chicago until late '93 because they don't want to confuse the Win/NT message. (Editor's note: Does this sound like a 1Q94 product?).

They will do a heavy DOS 6 upgrade promotion.

Spring Comdex will be a virtual Windows/NT World.

Office integration will be a major thrust for '93. It will involve FAX, PBX and multifunction printers. They are planning to bring in the big name PBX vendors so they can get interfaces designed that will allow PBX's to send Email, Vmail and other data directly to a PC. They are looking to enable a PC to replace a telephone (Bill: "TeleCompaq was ahead of its time"). They will work with major FAX makers to create new capabilities for higher quality FAX.

OLE 2.0 enabled apps will appear. Excel 5.0 will lead the parade, with WinWord, Project and PowerPoint following. All of these apps will sport an "object Basic" interface for customization and user programmability.

A significant number of consumer apps will be released, including some "kids stuff" that Bill thinks is pretty neat.

On-line financial services.

A wave of about 20 or so multimedia titles.

Bill sees "threats" to MS dominance in a number of product areas, such as PDA, CD interactive, Apple, Novell client, OS/2. Lotus Notes was described as an unconventional competitor. Newton was described as good news and bad news. Bad because of their campaign, good because they started from scratch on Newton and Taligent. Also, good news because they haven't figured out where to put a pen on the rest of the Mac line. The PowerPC is seen as significant to Apple because they are so far behind the performance curve. Broad licensing of Apple systems software for PowerPC would pose a significant problem.

An finally, about Sun, Bill commented "who's going after whose market?".

At 12:30pm, we wrapped up the meeting. I took one additional action item for Pradeep Singh. He would like to know whatever we are willing to tell him about how we are going to implement PCMCIA (in hardware).