

Debra Vogt

From: Bill Gates
To: Jim Allchin
Subject: RE: Novell comments on our pricing
Date: Wednesday, September 22, 1993 1:02PM

I think this time to fix this is when the \$1495 pricing expires.

From: Jim Allchin
To: Bill Gates; Steve Ballmer
Cc: Paul Maritz
Subject: RE: Novell comments on our pricing
Date: Wednesday, September 22, 1993 12:40PM

There are two basic pricing models that have been used in the "server" market: charge by number of concurrent users or charge per client software. The old LM pricing was charge per concurrent users. Somewhere along the way that was switched with NT [I don't know the history] -- however, it wasn't switched consistently. For example, there was no charge for MAC clients. So, we really looked stupid.

In the server area, Novell uses server-based pricing. They give away the clients. Banyan also uses server-based pricing -- in fact, Banyan actually started this and Novell copied Banyan trying to compete with them.

Our change was slightly botched from my perspective because all we did was begin to give away free the client software. We didn't go to server based pricing. That means that for small work environments, Novell is still cheaper than we are and for larger networks (e.g., 1000 clients), we are ridiculously cheaper than Novell.

I take some responsibility for this since I told them to fix the client software pricing. It was hard for customers to buy the client software, we were inconsistent anyway as I mentioned above, we were too expensive at the high end, etc. I told them we should go to server-based pricing with no cost for the client. Well while I was gone, they executed on the change with Steve, but no roadmap was made for the rest of the change to server-based pricing. So, as I said above, we're still not as cheap as Novell on the low-end and way cheap on the high end.

I will work with Rich to straighten out what we're going to do longer term.

Novell-wise, I think we're fine. In fact, it does my heart good to see them scream. We have a good legal position because (a) since it's about the same system on the desktop as on the server and we will have much more volume [eventually] and (b) we're trying to get more competitive with Novell since we were too high, and finally (c) customers had asked us to do away with the client side problem.

Business-wise, we're leaving so much on the table, it makes me sick. I want to fix this.

jim

From: Bill Gates
To: Jim Allchin; Steve Ballmer
Subject: Novell comments on our pricing
Date: Wednesday, September 22, 1993 9:43AM

Novell has given away clients forever. How can they claim that our giving away clients is predatory? I am confused about their claim.