



From: Adam Taylor  
 Sent: Saturday, August 09, 1997 4:22 PM  
 To: Jim Allchin (Exchange); Jim Allchin's Direct Reports; Jonathan Roberts; Rich Tong  
 Cc: Personal Business Systems Mktg Leads  
 Subject: Windows Business Review (long)

Given Jimall asked for this week's Windows Business Review to be re-scheduled later this month, I thought I'd give a summary of the core issues facing the desktop business, a quick recap of FY97 performance and the specific deliverables I'm planning for the core Windows marketing team (I'm sitting on a plane to Hong Kong to hit NC threatened accounts next week. I've got 5 batteries and loads of coffee). Please feel free to let me know if you don't see something covered in this mail. As a part of Jonro's larger org, my charter is the classic Windows business: corporate & end user marketing, PR & product reviews, and field tools & communication. I've also included my deck of ppts for greater detail.



**Core Windows Marketing Objectives**

The Windows business was just over \$4.1B last year. We're expected to grow it approximately 15% to \$4.7B in FY98. Given our packaged product business is forecasted to decline a bit (9%), OEM units are what make up the growth. And it's no real surprise to anyone, the more units we move to NTW, as opposed to Win9x, the more upside we can expect. In fact, for every 1% of additional NT OEM volume, we make about \$35M on top of the normal Win9x royalty. Put in perspective, increasing our forecasted 13% NTW OEM share to, say 25%, allows us to bank another \$400M. This is by the most important thing we can do to increase revenue. Even charging \$99 for Win98 (instead of \$49) only translates into an additional \$100M for worldwide finished goods (we don't plan any increase in Win98 OEM pricing). So suffice to say, shifting the world to NT is clearly one of the 3 mandates on my team. It's pretty cool to see the fruits of the NT effort translate into the NT desktop business reaching the \$1 billion mark this year.

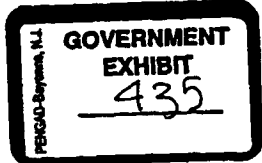
But we should be very clear in understanding what drives the bulk of the desktop business: Windows 9x. In fact, Win95 accounted for 76% of overall units and 66% of overall revenue. No doubt NTW will start eating more and more into this business (we shipped 5.2M units of NTW 4.0 last year, 37% over plan!), but Win9x will continue to be the dominant selling OS for at least the next 2-3 fiscal years. True, NTW is forecasted to be a \$1B business this year, but that still leaves Win9x as a \$3.2B business. So ensuring we do a great job launching Windows 98 is the 2<sup>nd</sup> mandate on my team. I can't emphasize enough how important it is to avoid shooting our Win9x business in the head while we move the market to NT. That's why we will spend a huge amount of time ensuring our positioning effectively communicates NT is the best choice, but Win9x is ok too. Much of that work has recently been completed in the new "Which to Choose" document distributed at the Windows Platform Briefing. You can review this doc on the web: [www.microsoft.com/windows/winplat](http://www.microsoft.com/windows/winplat).

The third major mandate on the core Windows team is to ensure that our competitors specifically Sun, Oracle & IBM don't succeed with their plans of replacing PC sales with NCs. You all are well aware of the issues surrounding this debate, as we've made substantial progress over the last 6 months understanding, dissecting and responding to the NC. But hey, Larry and Scott have big egos and lots of cash. We should be ready for a long, OS/2 style platform battle.

**Business Challenges To Overcome**

1) Positioning

I've put together a list of the things that can limit our success, from a marketing POV. Topping the list is positioning (Win9x vs. NTW vs. IE4). I've mentioned that already so I won't go into further detail. If we screw up here, well, we're screwing up big. The company convinced thousands of IT managers to standardize on Win95. We need to gently but effectively communicate the next move is to NT, but in doing so avoid invalidating their decision regarding Win95. Making it even more complicated is the cool factor of IE4. If you're a Win95 or NT4 user, why not just download IE4 and forget about upgrading to Win98 or NT5? This is a nightmare scenario we should be very concerned about. We've started the initial thinking on how to respond, ie, "Win98 will be the fastest way to run IE4", but we have more work ahead of us. If you look at the attached chart where I've done some back of the envelope forecasting of how the Win95 installed base behave moving forward, you see four options. 1) Do nothing. 2) Upgrade to Win98. 3) Upgrade to NT4/5. 4) Download IE4 only. There is a fifth (download IE4, then upgrade) but I'm keeping the model simple for now. The net net is that I believe about 50% of those who upgrade, will move to Win98, simply because of the higher amount of machines that can't run NT4/5 without additional RAM, and the fact there are still plenty of older apps that require legacy compatibility. We hear the same message again: don't screw up the Win98 launch. In addition to this worry, the chart illustrates how a potentially large group of people could conceivably download IE4, and then stop. Again, that is a nightmare scenario we need to avoid. We'd potentially lose substantial upgrade revenues.



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**FORECASTED UPGRADE PATHS FOR WIN95 USERS**

US Installed Base at Memphis launch Capable Machines:	Percent	RAM	Forecasted Upgrade Path from Win95				Total
			No Move	to Win98	to NTW 5	Download IE4	
3 175 331	28%	32- MB	48%	30%	13%	11%	100%
28 378 856	64%	16 -32 MB	55%	24%	7%	14%	100%
13 080 899	7%	8 - 16 MB	97%	1%	0%	2%	100%
<b>44,816,205</b>	<b>100%</b>	<b>Overall:</b>	<b>55%</b>	<b>24%</b>	<b>8%</b>	<b>13%</b>	<b>100%</b>

2) Shifting the market to NTW before NT5 is available.

If we remember back to Windows 95, we spent nearly two years seeding the market with the reliability, stability and performance of 32-bits, the new and easy to use user interface, and the power of this new generation of 32-bit Windows applications. We spent months of months of the infamous "Goliath" early adopter program, the huge 400,000 user Preview Program and huge amounts of field training and education. Most of this work must be repeated (fortunately, we have a large percentage of the original Win95 team in place) but the challenge will be to do so when the market perceives the current NTW product to be suffering from fairly substantial shortcomings. The point of this is for everyone to understand this is analogous to the NT 5 development project itself, marketing will require the next 18-36 months of hard work to establish NT5 as the default Windows desktop operating system.

3) Launching Windows 98 in the middle of a huge NT5 push.

Billv and I are already feeling the pinch on this one. Even with our own internal MicroNews, Bill and I were forced to educate the managing editor why she couldn't write a headline of "Who Needs Windows 98 With NTW 5.0 Coming?" The answer to that is pretty simple: Microsoft does. Just remember, we're expecting \$3.2B in FY98 from Win9x. We will be incredibly business foolish to hurt that revenue stream. This is just one example. We will have to be very creative in all our communications to the field, the channel, our partners and most critical, our customers, on how Windows 98 is a great upgrade for both business and home users alike. As part of the overall Win98 challenge, having a two staged upgrade path for Win 3.x users will also be a challenge to overcome, especially in the retail channel at launch. We still have 150,000 Win 3.x users in the US who upgrade to Win95 every month. Those users aren't just going to go away. They will in fact, likely buy Win98 as the obvious successor to Win95. So we will need to be clever in our packaging, pricing and product support so these users don't have a negative experience.

**FY98 Marketing Strategies**

Ok, so how is your marketing team going to deal with the above? We'll do it with great sustain marketing during the Fall timeframe and great launch marketing in the Spring timeframe, as follows:

A) Signal the shift to NT by starting with NTW 4.0

We will run an advertising campaign, starting in mid-September, that will communicate "NTW is not just for the Chosen Few". This is all about changing the perception that NTW is only for high end users and in fact, we can back it up with recent research that shows 60% of NTW deployments are for "exclusive" or "primary" use for Office type general business productivity applications. A secondary objective will be to communicate surging momentum over the last year (ie. "NTW sales have tripled over the last 12 months"). The clear takeaway for readers will be "you should be getting NTW on your new machines". This campaign will target IT publications throughout the Fall.

In addition to this ad campaign, we are also pushing hard on our OEM partners to increase the percentage of machines shipping with NTW. OEM is currently shipping NTW on just over 7% of their systems with 6 major OEMs accounting for 60% of NTW volume. As I mentioned above, doubling or tripling this percentage is the #1 way we can both earn higher revenues as well as begin the move to NT5. To incent OEMs to increase their NTW pre-installation, the OEM team is scoping out a royalty incentive to ship NTW while we wait for the dual installation toolkit. As an interim measure, the OEM team is putting together a "poor man's" dual boot by shipping a Win95 recovery CD with NTW installation which enables customers to install Win95 if they choose. In addition, we will execute on a variety of co-marketing activities, including promoting the new NTW 4.0 laptops shipping with with improved power management and PnP, joint ad opportunites with Compaq and joint channel training tactics with HP as well as a slew of marketing materials developed with DEC.

We have, as you probably already know, made substantial progress with press and our field organizations, clearly sending the signal "NTW is the best choice for business". The recent Windows Platform Briefing and MGS clearly sent the right signals in this area. Our field now gets it quite clearly.

B) Prepare the market for NT5.

We need to take several steps to ensure we are as successful getting NT5 adoption as we were moving from Win16 to Win32. We have just completed plans to take the best of what we learned from 2 years of Win95 pre-launch migration efforts and modify it for NT5. This will be a combined program management & product marketing effort and consists of 5 core tactics. We've held initial conversations with Frankar on resources. Need final approval from Jimall.

- **"Barriers & Bridges" Analysis.** We will create a publish a list of top customer needs/issues for NT5 (reality check against what we know/assume at this point) by targeting 10 accounts with diverse needs for personal visits, 15 additional accounts (both domestic and international) for phone interviews and conversations with SEs, MCS and TAMs.
- **JK Swat Effort.** To ensure NT5 has the absolute best installation and upgrade possible, we will install NT5 on 3,000 corporate and morg desktops, targeting 100% success before RTM. The point of exercise is to uncover real account upgrade issues that are simply too hard to replicate in our own test labs. Given NTW currently has a reputation for compatibility problems, a successful Swat efforts is critical to our ability to convince corporate customers NT5 is ready for 'primetime'.
- **Rapid Deployment Program.** Tycar has iterated on the original Win95 Goliath program to the point where we now can drive for 12-15 accounts to upgrade 1,000 desktops each BEFORE launch. This program involves a host of MS resources, mirrored by the local account and will provide the critical customer references and adoption case studies we will need at launch. For those of you who went to the Win95 launch event, the Goliath exercise yielded an amazing video with household name corporations publicly

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stating their deployments in large numbers. It was impressive.

- **NT5 Preview Program.** Similar to the Win95 Preview program, we will distribute a "pay for" preview of NT5 (likely beta 3 or RC1) to 100,000 customers, primarily MORGs. We will reach our LORG community via the field. Aside from generating huge momentum, this will also serve as a final reality check before we ship and also, PSS's opportunity to ramp on NT5 support issues.
- **NT5 Migration Team.** Finally, we are evaluating a 20-person team which handholds a select group of 1,000 companies through the major steps of migration. Again, this was used with great success for Win95. The basic program is a technical rep who handles 50 accounts personally, calling them on a weekly basis to gauge deployment progress, product issues and provide a constant source of assistance up to 90-days after launch.

In addition to the corporate marketing activities, we will drive aggressively to ensure all OEMs participate in the NT "ready to run" program, which will be a natural extension of the above NT4 OEM push. We'll ensure new technologies, such as OnNow are used in a creative way (ala NutraSweet) to incent OEMs to begin building in support for core technologies as early as possible. In fact, patfox has started the ball rolling in this area as follows:



NTW push on IBM  
ThinkPads

#### C) Leverage IE4 Momentum and Win95 Upgraders in the Fall

Although we tend to focus on large "launch" related marketing activities, executing on strong sustain marketing is often harder to do. Last year's Win95/IE3 packaging bundle increased sales 37% in the US and is a great example of a sustain campaign which brought life to the product in between launch periods. We have done the same this year, but planning (assuming the IE teams hits mid-Sept dates) to do another Win95/IE4 and NTW4/IE4 bundle for the retail channel. This will be a Winter/Christmas push and allows us to leverage the huge momentum expected from IE4 marketing activities.

In addition to this packaging bundle, we have just kicked off a "Get Current" radio and retail campaign which is targeting the last wave of Win 95 upgraders, and offers a coupon book with discounts on cool computer stuff (memory etc) up to \$2000. This is also running in Canada, and will continue until the end of September.

#### D) Launch Windows 98 in the Spring as the first step of "Natural Computing"

The big launch for the year will be Win98 of course. We're still very much at the brainstorming stage, but current thinking is to create a very strong tie to all the cool new hardware now supported in Win98, including USB cameras, peripherals, new PCs, etc. Win98, in many ways, is the coolest "hardware" release Microsoft has ever produced. We're targeting an early March launch date, which allows us to not only get OEMs and hardware peripheral manufacturers tied into this plan, but it also gives Billv more time to minimize the time delay in between the Win95 and Win 3.x upgrades to Win98. There will be much thinking spent on the overall theme of "natural computing" in the next few weeks. I'll plan on updating everyone as we make progress. In terms of some of the marketing basics:

- **Preview Program.** To ensure Win98 is not swallowed up in NT5 momentum, we will do a 100,000 IEU Preview Program with Beta 3 and tie this to a user group tour to create as much interest as possible for Win98.
- **Pricing.** The biggest issues facing pricing are a) Speed and b) free IE4 features. We would traditionally maintain pricing consistent with Win95, which would be around \$99, with expected street prices at the \$89 pricepoint. However, we don't yet know if we can deliver on speed. If we can say Win98 is 30% faster than Win95, we can price high. If we can't, then it gets harder. On top of this, the cool UI features are obviously all free by downloading IE4. We've been doing research to determine how this impacts customer price perception. I'll drive a meeting with Billg (as follow up to the naming meeting we held a few months back) to present findings. Early indicators suggest customers are willing to pay \$89 for Windows 98, despite the fact that IE4 is free. They feel the complete integration between the browser and OS, in one installation is worth it. Both Jonro and I agree, though, we need speed to seal the deal. Charging onloly \$49 brings many complications, including cannabilization in the OEM DSP channel, pricing conflicts with the IE4 Plus product and in general brings down the value of Windows. Net net, we will wait until research is complete, and we know what our speed advantage nets out before committing.
- **Packaging.** We've made good progress with the Win98 box. We started out hoping we would be able to move to a white box, and allow Windows, IE and Office to sync on a "desktop" look and feel at retail. However, the research clearly shows users identify heavily with the "blue clouds" look on the current Win95 box. That being the case, we are down to 3 iterations of a new blue/cloud combination and will decide on Monday which way to go. This allows Billv and his dev team to move forward with sync'ing branding elements in the product.

#### E) Continue efforts with NC Attack.

The entire Zero Admin Initiative, with the NetPC, ZAK and our Windows-based Terminal plans have successfully prevented the NC from gaining critical mass over the last 8 months. The field is now fully trained from our district tours, SE airlifts and recent MGS. More importantly, they are feeling empowered to tell our TCO story. It's clear the tone is no longer "shit, what are we doing?", but more "the NC is toast". However, we are dealing with some overzealous individuals in the form of Larry and Scott. Given that, we will continue evangelizing our strategy, responding to accounts under threat and hammer away at the NC. We are launching NCFACETS.COM over the next few weeks to be a website for editors and product reviewers to get the facts on how flawed the NC really is. Assuming we make progress with educating Garner on how MS solutions offer the best TCO story, we will make evangelize those results accordingly.

I am driving a Billg NC review in 2 weeks, at which time I'll send out a more complete summary.

#### F) PR/Reviews.

A core fundamental is to win product reviews and get the best PR possible. To that end we have beefed up the PR team and will have dedicated PMs on Windows 98, NT5 and TCO product reviews. We'll use the PDC for a NT5 Reviewers Workshop and Win98 beta 3 as our next opportunity to educate reviewers on the benefits and positioning of both products. To help drive the best, most proactive

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PR (tough to do in any situation) I've just instituted a Desktop Talking Points program, which allows us to drive broader and more frequent PR on desktop specific issues. More specifics coming from Philhol.

**G) Advertising/Communications.**

We have a very full advertising plan pulled together by Robscho's team. I've attached the schedule which is the quickest way to communicate the various campaigns. Be on the lookout for the new NTW campaign, slated to hit in mid-September newspapers, October weeklies and November monthlies.

FY98 Windows Marketing Communication print advertising calendar

	July	August	September	October	November	December	January	February	March	April	May	June
TVO ads on feasibility and empowerment	██████████											
Win95 promotional upgrade (radio)		██████████										
Windows brand equity		██████████										
NTW no longer a niche product			██████████									
Terminal replacement			██████████									
Win95NTS migration for influencers									██████████			
Win98 end user launch									██████████			
Windows CE positioning									██████████			
Osce division app dev "vendors"					██████████							
Windows NT partners program				██████████								
Osce division central IT												
Windows desktop partners program									██████████			

██████████ is fully funded by Windows marketing communications

██████████ is not funded by Windows marketing communications

██████████ will participate in, but does not require additional funding by Windows marketing communications

let me know if you have any questions. thanks  
Adamt

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# Windows Business Review

August 10, 1997

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# Agenda

- FY97 Business Recap
  - Unit/Revenue summaries
  - Win32 penetration topline research
  - Windows marketing “top ten” challenges list
- FY98 Plan Summary
- NTW Push
  - 4.0
  - 5.0
- Memphis Launch
- NC Attack
- PR/Messaging/Comm

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# Current Business Status

- Win32 ships approx 5M WW units/month.
  - 87% Windows 95 at 4.3M units
  - 13% NTW 4.0 at just under 700K units
- Win32 penetration in US business at 40% (OS Tracker)
- NTW shipped 8% of units, accounted for 16% of rev.
  - Key to increased revenue is to accelerate NT shift.

Total revenue & unit share for FY97 \$4.1B

	Rev	Units
– Win95:	66% \$2.7B	76% 49.7M
– NTW 4.0:	16% \$651M	8% 5.2M
– Win16:	7% \$286M	16% 10.3M
– Other:	11% \$448M	n/a

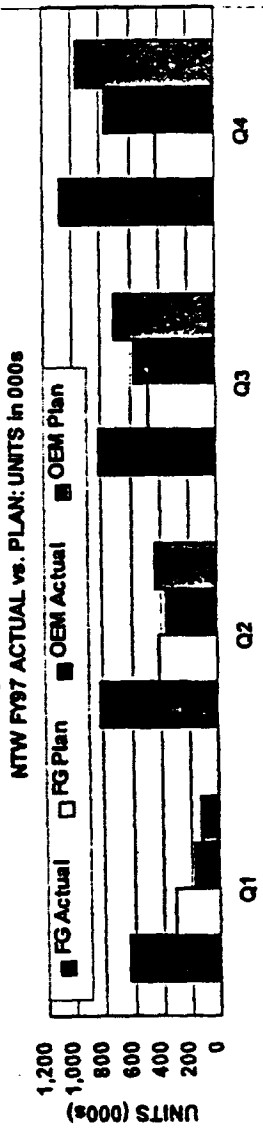
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# OS Business Review

## NTW Shipments exceed plan by 37%

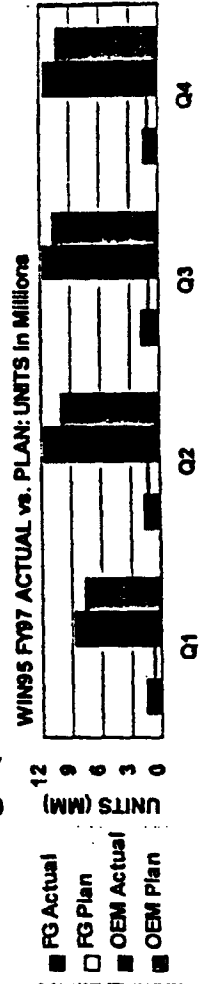
- Led by FG, 110% ahead of plan, driven by strong Select/MOLP sales\*
- OEM shows strong growth during the year, but is behind plan



Channel	Actual	Plan	Variance
FG	3,341	1,587	110%
OEM	1,878	2,229	-18%
Grand Total	5,219	3,817	37%

## Win95 Shipments exceed plan by 17%, led by strong FG shipments

- Strong Q1 FG sales due to
  - August reseller anniversary push to match prior years numbers
  - NTW Launch drove OS momentum
- Strong Q2 FG due sales to Win95/IESK Bundle



Channel	Actual	Plan	Variance
FG	6	4	48%
OEM	44	38	14%
Grand Total	50	42	17%

- Win16/MS-DOS as Percent of all Shipments is fading:
  - Will phase out Win3.1 at retail, (not Select/MOLP) in October
  - Keep WjW at retail through Memphis launch

Channel	Actual	Plan
FG	11%	14%
OEM	14%	13%
Total	13%	13%

\* Prior NTW "panic" was unfounded - based on MS-Sales issue

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# FY98 Forecast

- Overall desktop business grows by 15%.
- FG decreases 9% with Memphis only accounting for 3 months of FY.
- OEM increases 25% with CAGR driven volume and NTW share increasing. NTW up 193% with corporate shift.
- Biggest upside is NTW OEM shift and Win98 \$99 price point. \$35M increase per % point for OEM share. \$100 if we price Win98 at \$99.

FY98 Windows Desktop Revenue Summary						
		FY97 Forecast			FY98 Budget	
	OEM	FG	TOTAL	OEM	FG	TOTAL
<b>PBSG NA</b>						
Win95	\$1,103,297	\$301,289	\$1,404,586	\$1,383,453	\$104,017	\$1,487,470
NTW 3.5x/4.0	\$147,883	\$208,374	\$356,257	\$379,707	\$178,066	\$557,773
Memphis	\$0	\$0	\$0	\$0	\$96,107	\$96,107
Other *	\$219,467	\$186,580	\$406,047	\$92,905	\$257,075	\$349,980
<b>Total</b>	<b>\$1,470,647</b>	<b>\$696,243</b>	<b>\$2,166,890</b>	<b>\$1,856,065</b>	<b>\$635,265</b>	<b>\$2,491,330</b>
<b>PBSG WW</b>						
Win95	\$2,247,248	\$495,978	\$2,743,226	\$2,761,318	\$252,228	\$3,013,546
NTW 3.5x/4.0	\$219,440	\$431,486	\$650,926	\$649,471	\$354,172	\$1,003,643
Memphis	\$0	\$0	\$0	\$0	\$152,489	\$152,489
Other *	\$430,540	\$303,732	\$734,272	\$187,864	\$348,928	\$536,792
<b>Total</b>	<b>\$2,897,228</b>	<b>\$1,231,196</b>	<b>\$4,128,424</b>	<b>\$3,598,653</b>	<b>\$1,107,817</b>	<b>\$4,706,470</b>

\* Includes custom agreements, maintenance, WFW, Win3.x & MS-DOS

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# Windows Research

*Win 95 will hold a 7:1 installed base advantage over NTW in US Businesses by CY97*

- We need to make sure NT5 is an extremely smooth upgrade from Win9x installed base.
- We need to ensure Win98 remains a viable upgrade alternative for those who don't move to NT5. Business represents 50% of the US Windows run-rate

## CY97 Projected Business Market Metrics Windows Machines Only

	SORG	Corporate	Totals
Installed Base	17,334,296	26,239,254	43,573,550
Shipments	5,165,950	7,983,026	13,148,976
% Win 95	57%	51%	53%
% NTW	11%	5%	8%
Replacement Rate	40%	51%	47%

Source: OS Tracker

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# Windows Research

## *Momentum is behind Windows 9x and IE*

- Windows 9x preferred over NTW in new hardware acquisitions. We must do a superb job communicating why to make the move to NT.

	SORG			MORG		
	Workstations*	Portables	Desktops	Workstations	Portables	Desktops
Win 95	38%	40%	38%	27%	35%	30%
Win 98	53%	52%	54%	52%	60%	56%
NT Workstation 4.0	0%	0%	0%	7%	1%	5%
NT Workstation 5.0	9%	8%	8%	14%	4%	9%
	100%	100%	100%	100%	100%	100%

Question: Finally, in the spring of 1998, you will have a choice of Windows 95, Windows 98, NT Workstation 4.0 or NT Workstation 5.0 on the new PCs you acquire. Which would be your preferred operating system for new \_\_\_\_\_ acquired in mid-1998?

- One quarter of business desktops use Internet Explorer as their primary browser. Of those, 80% are likely to upgrade to IE4.0
  - We must ensure everyone who upgrades to IE4 also upgrades to Win98 or NT5.
- | Upgrade to IE 4.0           |      |
|-----------------------------|------|
| Very Likely                 | 39%  |
| Somewhat Likely             | 39%  |
| Neither Likely nor Unlikely | 4%   |
| Not very likely, or         | 14%  |
| Not Likely at All           | 4%   |
|                             | 100% |

\* Workstation defined as having 32 megabytes or more of RAM

# Top Ten Windows Mktg Challenges

- Positioning Win9x vis-à-vis NTW vis-à-vis IE4.
- Shifting the OEM market to NTW before NT 5.0 is available.
- Launching Windows 98 with appropriate fanfare in the middle of a big NT5 push.
- Examining where Win95 customers will really upgrade to.
- Coping with a delayed Win 3.x upgrade.
- Ensuring the NC doesn't gain any momentum.
- Figuring out how to increase desktop revenues by \$1B.
- Leveraging the IE4 marketing machine.
- Figuring out how the field can demo our products as they get increasingly complicated.
- Executing on a WW mktg plan with limited resources.

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# Windows FY98 Key Objectives

- Begin the 18-24 month effort to shift the market to NTW 5.0.
- Launch Windows 98 as the no-brainer consumer and general purpose upgrade to Win95.
  - Begin phase one of the Windows Vision: Natural Computing, with above two launches.
- Continue worldwide efforts to prevent the NC from gaining any critical mass.
- *Determine where the the FY98 \$4.7B desktop forecast has room to grow.*

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## NTW Push: 4.0

- Communications:
  - “*NT is not just for the Chosen Few anymore*”
  - August - December Ad Campaign at IT books & web.
- Field & NT/95 Positioning:
  - Updated “which to choose”; presented at MGS in Paulma & Jonro general sessions as well as worldwide product manager session.
  - Now presenting in all corp briefings worldwide.
- Web:
  - New positioning docs launched & posted. with Windows Platform Briefing.

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# NTW 4.0 OEM Update

## Current Situation

- Current NTW run rates = 7.5% of total OEM desktop OS mix
  - Multinational accounts represent >90% of NTW volume
  - 6 OEMs account for 60% of the NTW volume
- OEM FY98 forecast is to reach 15-20%.
  - This would account for an additional \$500 million revenue
- 4QFY97 NTW Run Rates
  - Digital >25%, Dell/SNI at 14%, HP at 10%, Compaq 7.5% estimate

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# NTW 4.0 OEM Push

- Implemented royalty incentive for increased NTW4 penetration
- Waiting for dual install tools
  - Dual OS recovery CD developed as interim solution
- Driving NTW in technical workstation market
  - Compaq - Joint Ads
  - HP - Field engagement/ Sun VAR recruitment
  - Digital - TCO White papers, Benchmarks, direct mail campaign
- Completed NTW focused Technology Leadership Advertising Campaign
- Completed NTW “Train the OEM Trainer Event” with new positioning
- Executing NTW Up-sell Program Kicked Off
  - Sales training focused on direct and named accounts
- Planning NTW4 push on portables
  - Website, joint promotions with OEMs
  - IBM Think-pad 770 announcement
- Syncing NTW and PII messages with Intel
- Driving NTW Barriers and Bridges program

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# NTW 5.0 Corp Push: Barriers and Bridges

## Situation

- NTW 4.0 adoption is not meeting expectations
- Customers and analysts state primary reason is the product
  - Limited legacy application compatibility
  - Lack of driver support for all H/W
  - High Deployment Costs
  - High System Requirements

## Plan-B&B exercise to identify and prioritize specific product issues

- Joint exercise with development (see below for resource/time allocation)
- Visit 10 accounts with diverse needs, interview 15 others (MSNA and Intern'l)
- Solicit feedback from field SEs and Consultants
- Interview top analyst (Gartner/Forrester)
- Analyze NTW 4.0 customer and call data from MTS, and interview TAMs
- Publish prioritized list of top 15 issues that need to be addressed (Sept. 15th)

## Resources

- 1 program manager, 1 product manager for 1 month

## Decision

- Frankar approval to commit resources-done
- Jimall approve overall program

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# NTW 5.0 Corp Push: SWAT 3K Effort

## Situation

- In-house testing matrix limited
- Corp beta sites don't test thoroughly, deploy widely
- Feedback loop is too long, not focused/specific

## Plan-Test sponsored SWAT 3K program

- **Objective**-Ensure NTW 5.0 setup is seamless, quality of OS in real world is high
- **Tactic**- Install NTW 5.0 on 3000 corp. desktops with an 100% success rate prior to RTM
- **Breakdown**- 2000 LORG, 1000 MORG desktops-variety of scenarios defined by test
- **Accounts**-RDP, local and concentrated when travel needed
- **Timing**- 500 desktops with Beta 1, 1000 with Beta 2 and 1500 w/ RC1
- **Process**
  - Test/PSS go to chosen accounts for real world testing
  - Setup 5.0, Generate thorough and actionable bug reports for development, uninstall (optional)

## Resources

- 1 coordinator part time, length of the project
- 3 test, 1 dev, 1 Product Mgr. per account visit (Program Mgr. optional)

## Decision

- Somase approve test resources-done
- Moshed approve T&E budget, Jimall approve program

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# NTW 5.0 Corp Push: Rapid Dep Program

## Situation

- Windows NTW 5.0 is positioned as the default corporate desktop
- Important to show corp. momentum, ease of migration and worldwide support at launch
- Need early experience to develop migration docs, tool and generate PR

## Plan- Windows NTW 5.0 Rapid Deployment Program

- **Objective-**To roll out 1000 seats in each of 12-15 WW named accounts by launch
- **Accounts-** Field will nominate, product group will decide based on test profiles
- **Profiles-** NTW 4.0 and Win9x upgrades w/ diff. servers, NTS 5.0 (synch w/ 4 NTS RDP)
- **Account Responsibility-** Migration Team, PR, Ads, On-stage at launch
- **MS Responsibility-** On-site MCS/MTS support, migration assistance, resolve key issues
- 1 high level contact in product group for CIO, VP of IS at each account
- **Deliverables-**Migration and deployment tools and documentation, Case Studies, MCS Blueprints, MTS training/expertise

## Resources

- **Virtual Team-** Per Account-1 MCS, 1 MTS, 1 TAM, 1 Rep, 1 SE 8-12 weeks
- **Product Group-Product Mgr.** to facilitate issues, dev/test to address key issues

## Decision

- Frankar, Somase approve respective team participation/focus-done
- Moshed approve budget similar to NTS, Jimall overall program approval

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# NTW 5.0 Corp Push: Preview Program

## Situation

- Corporate migration is a slow process
- Need to get evaluation copies in customers hands early

## Plan-NT 5.0 Corporate Preview Program

- **Objective:** Generate huge industry momentum and allow wide-scale (100,000 customers) evaluation of Windows NTW 5.0 prior to launch for our MORG customers
- LORGs will receive beta's via standard beta channels
- Pay for beta-cost recovery program (\$TBD)
- Beta 2 or RC1 candidate (based on test feedback)
- Customer receives time-bombed beta, migration tools, resource kit, and PSS support
- Channel will assist/jumpstart their customers in evaluation and deployment

## Resources

- Product Management planning and coordination, Order process center, PSS support
- No development team resources needed

## Decision

- Jonro approval of program-done
- Jimall approval of program
- No budget decision as this is cost recovery model

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# NTW 5.0 Corp Push: Migration Team

## Situation

- Customers need to be pushed through the evaluation/migration process
- They also need daily contact with Microsoft to clear roadblocks, address issues
- Data shows once account hits 20% migration, speed of migration increases rapidly

## Plan-Windows NT 5.0 Corporate Migration Team

- **Objective:** Drive the top 1000 named accounts through the 5 migration steps prior to launch and have 40% in the deployment phase 90 days post launch
- Team of 20 technical reps handling 50 accounts each (MSNA only)
- Evaluation starts with Beta 2 of NTW, continues to 90 days post launch
- Direct contact with the product group for updated info, migration tools, product issues
- Monthly reporting of account status, key product and business issues, tools/info needed

## Resources

- Full time product manager for management, training, issue resolution
- No resources from development team, just buyoff to address product issues

## Decision

- Jonro, Jimall approval of overall program
- Jonro budget approval for 20 temp heads for 9 month period (approx. \$500K)

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# NTW 5.0 OEM Push

- Developing NTW 5.0 "Ready to Run" Program
  - Work with leading vendors to deliver ACPI machines that will support NTW 5.0 power management
  - Trademark and brand OnNow
    - Don't create a logo, but reference it like Nutrasweet
    - Using the OnNow brand equals support for NTW 5.0 power management
  - Drive program within Designed for Windows Logo program
  - OEMs who participate in NTW 5.0 "Ready to Run" program gain preferred status at launch
- Develop early beta preview program for OEMs
  - Enables OEMs to seed machines early in evaluation cycle
- Use FY98 NTW 4.0 OEM push to accelerate NTW 5.0 adoption sooner
  - Best way for customers to migrate to NTW 5.0 is to ship NTW 4.0 machines today

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# Sustaining Win95 and NTW this Fall

- **'Get up to Speed!' Fall Campaign --**
  - What is it? - Drive the "last wave" of consumer Win16 desktops to Win95
  - Objectives - Increase fall Win95 sales by 25+% (80k units in the US). Canadian subsidiary is also participating. Increase Win95 consumer installed base for easy Win98 upgrades.
  - Timing - 8/1 through 9/30
  - Cost - \$4M (\$1M merchandising, \$3M radio/online). 2x ROI
- **Windows 95 / IE 4.0 bundle**
  - What is it? - Put a CD with IE 4.0 in the Windows 95 box.
  - Objective - Keep Win95 PP "fresh" between IE 4 release and Win98
  - Timing - Must RTM by 9/22 to be in channel by Thanksgiving
- **Win NTW / IE 4.0 bundle - repeat the bundle by January**
- **Risks/Issues with Win95/IE 4.0 bundle:**
  - Need two weeks of IE team dev + test resource to update and test Win95 online services clients to support IE 4.
  - If we can't be in channel by Thanksgiving, we won't do the bundle

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# Windows 98 Launch

- **Theme:**
  - Windows 98 is Phase 1 of the '2nd generation of the Internet' and the first step to Natural Computing
- **Objectives:**
  - Sell 2M NA FG units in FY98, \$96+M NA FG revenue (\$152M WW)
  - Reach 75% consumer awareness for Windows 98 at launch
  - Focus on a hardware partner launch (OEM, IHV) for the first time ever
  - Match Windows 95 launch channel depth (7k resellers in the US)
- **Launch Plan:**
  - Tie Win98 launch to a major Strategy Day event
    - Introduce broadcast architecture, broadband, service component with partners
  - Integrated March 4th retail launch with OEM and IHV partners
  - Retail strategy
    - New PC purchasers: Make sure OEMs are in store with great PCs that take advantage of all Windows 98 features
    - Upgraders with new peripherals: Launch Partner Program to promote IHVs with hardware add-ons that add great value to Windows 98 (ex: USB, monitors, digital cameras, tuner cards and RAM)
    - Upgraders without new hardware: Have great instore presence with merchandising that make it clear that Win98 is a great upgrade to Win 95

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# Windows 98 Launch

- **Launch Tactics:**
  - Compelling merchandising and incremental display in-store
  - Radio ads, consumer print and online (details TBD)
  - 100k “Pre-release” program units for consumer IEUs with Beta 3. This program is self-financing.
  - User Group tours in top 15 PC markets starting in January, reaching an estimated 10k consumer end-users
  - Reseller training tour in October for Top 20 resellers and distributors
- **Risks/Issues for Windows 98 Launch:**
  - Customer reaction to lack of a Win16 upgrade at launch
    - Lack of a Win16 upgrade forces the 150k/month Win3.x users who are upgrading to Win95 today to go through a difficult multi-step upgrade path
    - Be prepared for negative PR
  - Dev resources for the upgrade “check” need to be spec'd

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# Win98 Upgrade Pricing

- Current research tested purchase intentions unaided and then at 4 price-points: \$49, \$69, \$99, \$129
- Findings:
  - Research suggests this is not a \$49 product:
    - Lowest resistance price-point is \$62:
      - Among Win95 upgraders it is \$74 (expected from typically more engaged users)
    - At lower prices, significant hesitation regarding product value
      - The percentage of users that say the product would "too cheap, and would have concerns over its value or effectiveness" rises dramatically at \$50 and below.
  - Research suggests that customers "expect" an \$89 price-point
    - Large difference in purchase intentions between \$90 and \$100 suggests a clear breakpoint
    - Minor difference in purchase intentions between \$99 and \$129 suggests past the critical price
- Next pricing exercise objectives
  - specifically measure impact of IE 4 on Win98 pricing.
  - Specifically test \$69 versus \$89 price-point
  - Results due Monday 8/11

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# Win98 Packaging

- Win95 package was one of our most successful packaging designs
  - Want to leverage that success
- Cross-Divisional initiative:
  - investigated having a white box to synch packaging look with Office, IE
  - White box and other “office compatible” boxes did not test nearly as well in side-by side comparison with blue cloud concepts. Awaiting final monadic results.
- Final Research Round
  - Testing 3 blue/cloud concepts monadically and side-by-side
  - Side-by-Side will include white box as final sanity check
  - Results due Friday 8/8

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# Win98 IEU Preview Packaging & Localization

- **Contents:**
  - License (localized)
  - CD
  - 6 page intro brochure (Localized)
- **Localization plans**
  - Tier 1 & 2
  - Ireland can't do Tier 2 and 3 since it collides with the release schedule & testing of final Tier 1 versions
  - Ireland will give you in tier 2&3 languages Release candidates that you can give out to a limited audience right before launch
- **Languages and Deltas:**
  - US is currently Sept 3 +25
  - German +25
  - Japanese +25
  - PanEuro +25
  - Spanish +25
  - French +25
  - Italian +25
  - Swedish +35
  - Dutch +35
  - Brazilian +35
  - Korean +35
  - Simp. Chinese +35
  - Trad. Chinese +35

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# Memphis OEM Update

## Current Situation

- Windows 95 at about 77% of run rate
- Windows NTW 4.0 run rates increasing
  - Current run rate 7.5 % growing to 15-20% in FY98
- Expect relatively smooth OEM transition to Memphis from Windows 95
  - New hardware support motivating OEM transition
- Memphis will become default OS in place of Windows 95 on new PCs
- Majority of Windows OEM marketing efforts focused on NTW 4.0

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# Windows 98 OEM Push

## Key Objectives

- Successfully launch Memphis with support from leading OEMs
  - >100 OEMs support at launch
  - Top OEMs shipping Memphis pre-installed at announcement
  - Rapidly transition OEMs off Windows 95
- Launch Memphis with key international language support at introduction
- Effectively position Memphis relative to NTW 4.0
  - Memphis recommended consumer and general purpose PC platform
  - NTW 4.0 is Microsoft's recommended business OS for new systems with 32MB

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# Windows 98 OEM Push

- Marketing priority with OEMs will continue to be NTW transition
  - Windows 98 is the default OS and only provides incremental revenue gains
  - Windows 98 focus will be on new compelling hardware capabilities
- Partner with key OEMs to drive new PC sales
  - Drive OEMs to build Broadcast PCs
  - Sub \$1000 PCs
  - Multimedia capabilities with DVD, 1394 support
  - Key OEMs focused on consumer channel include: Compaq, IBM, Packard Bell, ACER, HP, SNI, NEC, Fujitsu, Toshiba
- Memphis provides Microsoft opportunity to use OEM pre-install transition to shift % mix to NTW

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# NC Attack: What we've done

- **Products** - Released ZAK for NTW. Announced NetPC, Citrix/WBT
- **Marketing/PR**
  - Launched ZAK at Cebit. 70 articles and 2 product reviews
  - Trademarked and began using IntelliMirror
  - Windows Platform briefing resulted in 22 articles to date
- **Accounts**
  - Talked to 50-60 accounts FedEx, St. of Florida, MCI, British Telecom, Norfolk Southern, AARP, Citibank, Newport News Shipbuilding, Fidelity, PiperMarbury and First Chicago.
  - Found they have need to run Windows apps, are positive on our Window strategy, and view the NC primarily as a terminal replacement.
  - Account visits got us back in the race at FedEx and St. of Florida, where NetPC's have been added to NC evals.
  - Visit to AARP resulted in no further NC deployments.
- **Tools**
  - Which to Choose document, TCO slides, NetPC demo units, and TCO calculator
  - Need to deliver final Gartner Group numbers and more packaged demos for the field
- **Events & Training**
  - NC/Java competitive session #1 rated session at MGS. Delivered tech sessions on NC, Hydra, and Z.A.W.
  - Completed TCO district tour to every US district office
- **Conclusion**
  - *Luster starting to wear of NC and Java in the press. Customers who have been implementing NC's and Java are now having problems and are talking about it.*
  - *Using the "high road" strategy works because it shows customers they made the right choice with Windows.*
  - *Field is now educated, armed, and motivated to win this battle because they can stand behind our strategy.*

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# NC Attack: Next 6 - 12 months

- **Products** - Announcing WBT spec. Waiting on ZAK for 95, NT 5 beta, Memphis beta 3
- **Marketing/PR**
  - Launch NCFacts.com with WagEd in August to deliver low road NC/Java messages. Continue to use ms.com to deliver high road messages
  - Continue to push the high road - MS solutions via IntelliMirror, NT5, Memphis
- **Accounts**
  - Field driven with assistance from corp in high profile accounts
  - Adam/Onlee - Philippines National Computing Center, Telecommunications Commission, Dept. of Science & Technology, press, and partners, Keithw/Brian - Dutch Ministry of Education, StevenguCharlesf - CSX CIO in Redmond
- **Tools**
  - Customer ready scrub on MGS slide decks (End of August)
  - Deliver NC trial/rejector case studies (One by end of Sept)
  - Technical whitepapers on IntelliMirror and Hydra/WBT (Deliver at PDC)
  - Deliver Windows ROI information and updated Gartner numbers (End of August)
  - Provide packaged demos to field via NetPC's provided by NEC (Mid-September)
  - Develop whitepapers on why Windows benefits specific audiences (ie. Education IT Mgr Channel, etc) (October)
- **Events, & Training**
  - Leverage fall events, including Java Internet BusinessExpo, IT Forum, Gartner IT Expo, N+1, and Comdex to continue coverage of messages from Windows Platform Briefing.
  - Train channel via district events and TCO TSB training
- **Conclusion**
  - *Sun and Oracle plan to ship their NC's in volume in the fall, we must continue to utilize the press, events and partners to get the word out that the NC's and JavaOS are the worst of both worlds.*

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# Update on Competitors

- **Infighting between Sun and Oracle**
  - "I'm not sure that Java by itself is a platform for a new industry, but it is certainly the way you program a new platform." Larry Ellison, Internet World, 8/97
  - Oracle not waiting for Java OS anymore, proceeding with new version of NC OS
  - "You know, Larry Ellison keeps picking a fight with a \$500 fantasy computer. I don't know what that is. I don't care." Scott McNealy on CNET
- **Oracle/NCI lots of hype, little progress**
  - NCI laid off 45 employees (30% of workforce) on 7/22 (CNET), plans to sell via partners only
  - "Over the past year, we haven't generated the revenue we had hoped for," NCI CEO Jerry Baker
- **Sun, despite delays, the primary competitor we are facing**
  - Biggest mindshare of any NC vendor in our accounts
  - Sun internal users reported to be "kicking and screaming," (CNET) because the JavaStation lacks full compatibility with internal email systems and Solaris backends
  - Lost Burlington Coat Factory due to delays in shipping stable JavaOS (CMP Techweb)
- **IBM might give away devices to get services business**
  - Claims to have sold 10K NC's, now contemplating giving NC's away to get server and services business
  - Announced new versions of their NC's with varying levels of Java support and performance.
  - *"There is next to no value in a terminal device. The value is in the content. The [NC] market eventually will resemble the razor-blade market. The devices will become handles and the content, the razor blades."* Brian Murphy, The Yankee Group
- **Digital is hedging their bets**
  - NCI plans on Digital to sell their NC's, then Digital announces they are ramping down NC activities over next six months to lead with Strong-ARM processor based WBT's
- **Conclusion**
  - *Delays in delivery of key technologies (such as the JavaOS) is causing pain for customers attempting to deploy NC's and is further fragmenting the NC market.*

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# NCFacts.com Screen Shot

Fact Sheets - Microsoft Internet Explorer

File Edit View Go Favorites Help

Back Forward Stop Refresh Home Search Favorites History Charrrr

Address .ncfacts.com/demo/factsheets/fact0.htm

## NCFACTS

- LINKS
- FACT SHEETS
- Q&A
- FEATURE ARTICLES

REGISTER  
COMMENTS

## FACT SHEETS

- Windows-Based Applications on an NC Network
- Mixing and Matching NC Clients and Servers
- Availability of Mainstream Applications Written in Java
- In Search of a Consistent User Interface for NCs
- Using Peripherals With the NC
- Options for Administration on NC and PC Networks
- A Network Computer Without a Network?

- Microsoft Windows Software Initiatives for Reduction of TCO
- Comparison of Total Cost of Ownership Between NCs and PCs
- Standards Issues Unresolved by NC-1 Specification
- Small Applications vs. Fully Featured Applications
- PC Hardware Initiatives to Reduce TCO

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# NCFacts.com Screen Shot

Links Page - Microsoft Internet Explorer

File Edit View Go Favorites Help

Back Forward Stop Refresh Home Search Favorites History Channel

Address <http://www.ncfacts.com/demo/Links/links.htm>

**NCFACTS** **LINKS**

LINKS  
FACT SHEETS  
Q&A  
FEATURE ARTICLES

REGISTER  
COMMENTS

**NC commentary**

PC Week  
["NC's Will Go Mobile When Pigs Fly"](#)  
Network World  
["NC Camp Failing to Win Over ISP's"](#)

**"... network computing is not as simple as it sounds"**

Electronic Buyers News  
["Intel's Grove Dismisses NC"](#)

Entex Information Services  
["The Network Computer"--The Hype and the Hope](#)

ZD Net: AnchorDesk  
["River's Remorse for Network Computer"](#)

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## PR Activities

- Desktop Talking Points Program.
  - Drive proactive PR with rolling 6-week calendar.
- Continue “PR911” Program.
  - Immediate response for urgent PR issues.
- Reviews push for Win98, NT5 & TCO.
- Resurrect Customer Reference Program.
- Reviewers Workshop at PDC.

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# FY98 Windows advertising

## FY98 Windows Marketing Communication print advertising calendar

	July	August	September	October	November	December	January	February	March	April	May	June
TVO ads on flexibility and empowerment												
Win95 promotional upgrade (radio)												
Windows brand equity												
NTW no longer a niche product												
Terminal replacement												
Win98/NTS migration for influencers												
Win98 end user launch												
Windows CE positioning												
Cross division app. dev. "weblications"												
Windows NT partners program												
Cross division central IT												
Windows desktop partners program												

is fully funded by Windows marketing communications

is not funded by Windows marketing communications

will participate in, but does not require additional funding my Windows marketing communications

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# Summary

- NT shift is a long haul. We start the investment \*now\*, expecting Win9x to remain the dominant seller for 2-3 years.
- We can't screw up with Win98. Win9x represents 70% of FY98 revenues. Mktg must spend the cycles to do this right.
- NC is likely a long term thrust, despite initial success over the last 6 months.

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# Backup

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# OS Business Review

- FY98 NTW Revenue expected to reach \$1 B (55% growth)
- FY98 Win95/98 Revenue expected to reach \$3.2 B (18% growth)

## FY98 BUDGET UNITS (000s)

Channel	Win 95		Win98		NTW		Win16MS-DOS		Total Units	Total Percent
	Units	Percent	Units	Percent	Units	Percent	Units	Percent		
FG	4,174	7%	3,312	100%	2,731	31%	829	10%	11,046	15%
OEM	54,489	93% incl in Wins95		0%	6,100	69%	4,309	95%	64,898	85%
Grand Total	58,663	100%	3,312	100%	8,831	100%	5,138	100%	75,945	100%
		77%		4%		12%		7%		100%

## REVENUE (Millions)

Channel	Win 95		Win98		NTW		Win16MS-DOS		Total Revenue	Total Percent
	Revenue	Percent	Revenue	Percent	Revenue	Percent	Revenue	Percent		
FG	\$330	11%	\$152	100%	\$356	35%	\$34	9%	\$873	20%
OEM	\$2,781	89% incl in Wins95		0%	\$649	65%	\$170	91%	\$3,580	80%
Grand Total	\$3,082	100%	\$152	100%	\$1,005	100%	\$204	100%	\$4,453	100%
		89%		3%		23%		5%		100%

## FY97 ACTUAL UNITS (000s)

Channel	Win 95		NTW		Win16MS-DOS		Total Units	Total Percent
	Units	Percent	Units	Percent	Units	Percent		
FG	6,147	12%	3,341	84%	1,917	15%	11,405	17%
OEM	43,519	88%	1,878	36%	11,210	85%	56,607	83%
Grand Total	49,666	100%	5,219	100%	13,127	100%	68,012	100%
		73%		8%		19%		100%

## REVENUE (Millions)

Channel	Win 95		NTW		Win16MS-DOS		Total Revenue	Total Percent
	Revenue	Percent	Revenue	Percent	Revenue	Percent		
FG	\$496	18%	\$431	66%	\$83	17%	\$1,010	26%
OEM	\$2,247	82%	\$219	34%	\$419	83%	\$2,886	74%
Grand Total	\$2,743	100%	\$651	100%	\$502	100%	\$3,897	100%
		70%		17%		13%		100%

\*Win16MS-DOS Calculations:  
To avoid double counting of machines, OEM Unit calculations are based only on MS-DOS units. This is because virtually all Win16 units are paired with an MS-DOS license, but there are some stand alone DOS licenses. These estimates will deviate from the true number to the extent that IBM ships PC-DOS machines with Win16 (negligible). All other figures (if C units, all revenue) are the sum of Win16 and MS-DOS.

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# APPENDIX: FY97 WORLDWIDE WINDOWS REVIEW

FINISHED GOODS	Win 95		NTW	Win16/MS-DOS*		Total
	Win 95	Win16/MS-DOS*				
Full Pkg Product	3,832	58%	756	23%	490	4,878
Licensing	1,822	28%	2,179	65%	1,143	4,944
Academic	893	15%	405	12%	285	1,583
<b>TOTAL</b>	<b>6,547</b>	<b>100%</b>	<b>3,340</b>	<b>100%</b>	<b>1,917</b>	<b>11,205</b>

OEM	43,519		1,878		11,210	56,607
WW Total Licenses	49,066		5,219		13,127	68,012
Percent of all Windows	73%		8%		19%	100%

FINISHED GOODS	Win 95		NTW	Win16/MS-DOS*		Total
	Win 95	Win16/MS-DOS*				
Full Pkg Product	\$337,463	66%	\$134,837	36%	\$31,832	\$524,252
Licensing	\$126,583	26%	\$249,470	54%	\$44,794	\$420,847
Academic	\$31,912	6%	\$27,179	6%	\$6,278	\$65,389
<b>TOTAL</b>	<b>\$495,958</b>	<b>100%</b>	<b>\$431,486</b>	<b>100%</b>	<b>\$82,904</b>	<b>\$1,010,468</b>

OEM	\$2,247,248		\$219,440		\$419,417	\$2,886,105
WW Total Revenue	\$2,743,226		\$650,926		\$502,421	\$3,896,573
Percent of all Windows	70%		17%		13%	100%

UNITS	Win 95		NTW	Win16/MS-DOS*		Total
	Win 95	Win16/MS-DOS*				
Finished Goods	12%		64%		15%	17%
OEM	88%		36%		85%	83%
<b>TOTAL</b>	<b>100%</b>		<b>100%</b>		<b>100%</b>	<b>100%</b>

REVENUE	Win 95	NTW	Win16/MS-DOS*	Total
Finished Goods	16%	66%	17%	26%
OEM	82%	34%	83%	74%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

FINISHED GOODS	Win 95		NTW	Win16/MS-DOS*		TOTAL
	Win 95	Win16/MS-DOS*				
Full Pkg Product	212,256		33,149		15,220	260,625
Licensing	173,857		275,225		59,084	508,166
Academic	59,387		32,784		21,838	114,120
<b>TOTAL</b>	<b>445,500</b>		<b>341,158</b>		<b>96,942</b>	<b>882,611</b>

OEM	3,843,109		257,566		647,715	4,748,389
WW Total Licenses	4,288,609		598,734		743,937	5,631,300
Percent of all Windows	78%		11%		13%	100%

Win16/MS-DOS Calculations

To avoid double counting of machines, OEM Unit calculations are based only on MS-DOS units. Value of Win16 units are perced with an MS-DOS license, but there are some stand-alone DOS licenses. These estimates will deviate from the true number to the

Full Package Product consists of retail packages, both upgrade and standard

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# Forecasted upgrade paths for Win95 users

## FORECASTED UPGRADE PATHS FOR WIN95 USERS

US Installed Base at Memphis launch Capable Machines:	Percent	RAM	Forecasted Upgrade Path from Win95			Total	
			No Move	to Win98	to NTW 5		Download IE4
3,175,551	29%	32+ MB	46%	30%	13%	11%	100%
28,579,956	64%	16 -32 MB	55%	24%	7%	14%	100%
13,060,699	7%	8 - 16 MB	97%	1%	0%	2%	100%
<b>44,816,205</b>	<b>100%</b>	<b>Overall:</b>	<b>55%</b>	<b>24%</b>	<b>8%</b>	<b>13%</b>	<b>100%</b>

- Of the people who upgrade, just over half are expected to upgrade to Win98
- Highlights risk of Win95 users only downloading IE4 and not upgrading. Could be potentially as high as 30% of those who 'upgrade' their system. Need to convince them Memphis is best/fastest way to run IE4.

# FY98 Marketing budget

- Core mtkg spends increase 7% in FY98. Doesn't include an extra \$10M from Bherbold's broadreach budget. Grand total \$40M.
- Major components:
  - Advertising: 46%
  - PR: 12%

FY98 Windows Desktop Marketing Budget

Marketing Categories	FY97		FY98		Notes	
	Spend	% of Total in 96 - 97	% change in 96 - 97	Spend		% of Total in 96 - 97
PR	\$2,497	9%	-30%	\$3,500	12%	Consumer Mktg, Launch
Events	\$4,295	15%	-37%	\$2,325	8%	No NOISE Roadshow
Advertising	\$11,186	40%	-31%	\$13,750	46%	Launch Campaign
On-line Advertising	\$1,792	6%	0%	\$2,020	7%	Diff cost model
Seminars	\$2,909	10%	178%	\$800	3%	WinHec \$\$
Marketing Materials	\$2,288	8%	0%	\$2,700	9%	NC Attack tools, Case Studi
Packaging	\$330	1%	10%	\$430	1%	Multiple SKUs for Memphis.
Samples	\$110	0%	-75%	\$400	1%	Memphis Launch
Reseller Marketing	\$827	3%	18%	\$1,850	6%	Fall Campaign
Market Research	\$793	3%	-35%	\$710	2%	
Direct Marketing	\$267	1%	-56%	\$250	1%	Memphis Launch upgrade W
Web Site Development	\$957	3%	0%	\$980	3%	
Other	\$212	1%	-78%	\$285	1%	Logo Program
<b>Total</b>	<b>\$28,114</b>	<b>100%</b>	<b>-16%</b>	<b>\$30,000</b>	<b>100%</b>	<b>7%</b>

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# Key Deliverables Timeline

- **Summer:**
  - Windows Platform Briefing, July 23rd
  - MGS, July 25-29
  - TCO/NC WW Press & Customer Briefings, August
  - Broad Windows Brand & TCO/TVO Ad Campaigns, July - December
- **Fall:**
  - PDC, September 23
  - Windows 95 Fall "Get Current" Campaign, Aug - September
  - NT 5.0 "10k" Swat Program
  - Broad NT'W Testimonial Ad Campaign, Sept - December
- **Winter:**
  - Win98 IEU Preview Program, Nov - Dec
  - NT 5.0 "10k" Swat Program (cont)
  - Broad NTW Testimonial Ad Campaign, Sept - December (cont)
- **Spring:**
  - Windows 98 Launch (likely March 1st) & associated mktg
  - NT 5.0 WW Preview Program

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## Pricing issues: if \$49

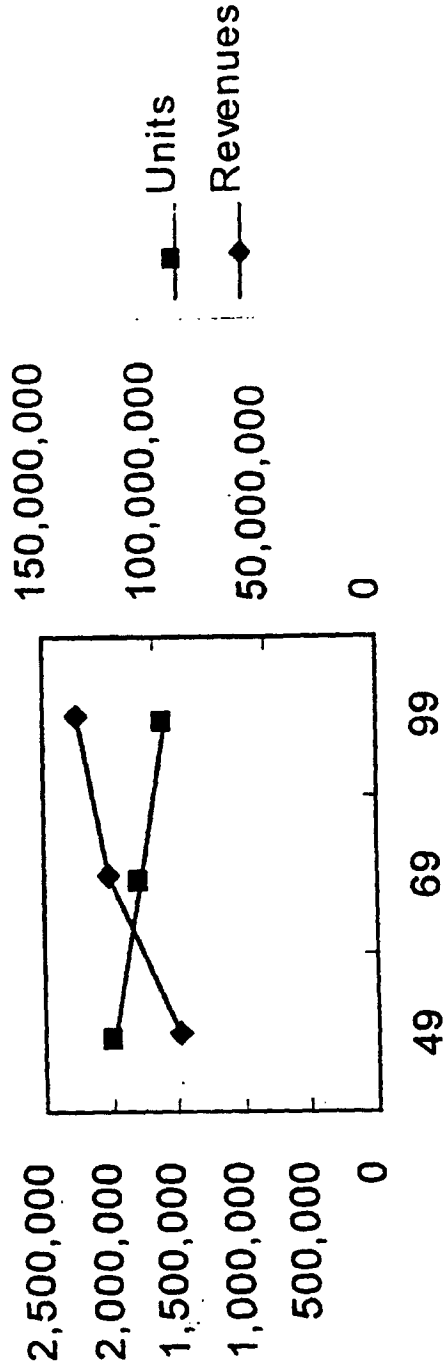
- EUCU wants to sell for \$99 to allow IL Plus to sell for \$49.
  - Having OS and Plus at same price confusing. Will force IE team to drop to \$29.
- Price delta between W9x and NT grows substantially; may force NT down.
  - Current RUP delta \$210 (\$319-\$109)
  - New RUP delta goes to \$270 (\$319-\$59)
- DSP volume may drop substantially.
  - FY98 8.5M units @ \$80 OEM royalty.
  - OEM projects 1/2 will buy 98 RUP and load on top of 95 with \$340M potential exposure. OEM may be forced to drop royalty to match RUP.
- Price erosion & customer value perception drops.
  - The MS 'crown jewels' (ie, Windows) may get repositioned as a lower price commodity. May be challenged to charge high prices for NT "C".
- IEUs tend to say they'd spend \$89-129 after seeing a demo. This price tends to drop to \$69-99 after learning IE4 is free. Many felt the integrated setup was worth the full price.

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# Guesstimate on price elasticity

US #'s modeling		Units	Revenues	Delta units:	Delta rev.
Price	49	1,966,793	88,505,685	-196,679	31,862,047
	69	1,770,114	120,367,732	-393,359	46,809,673
	99	1,573,434	135,315,358		



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# Key Retail Product Dates

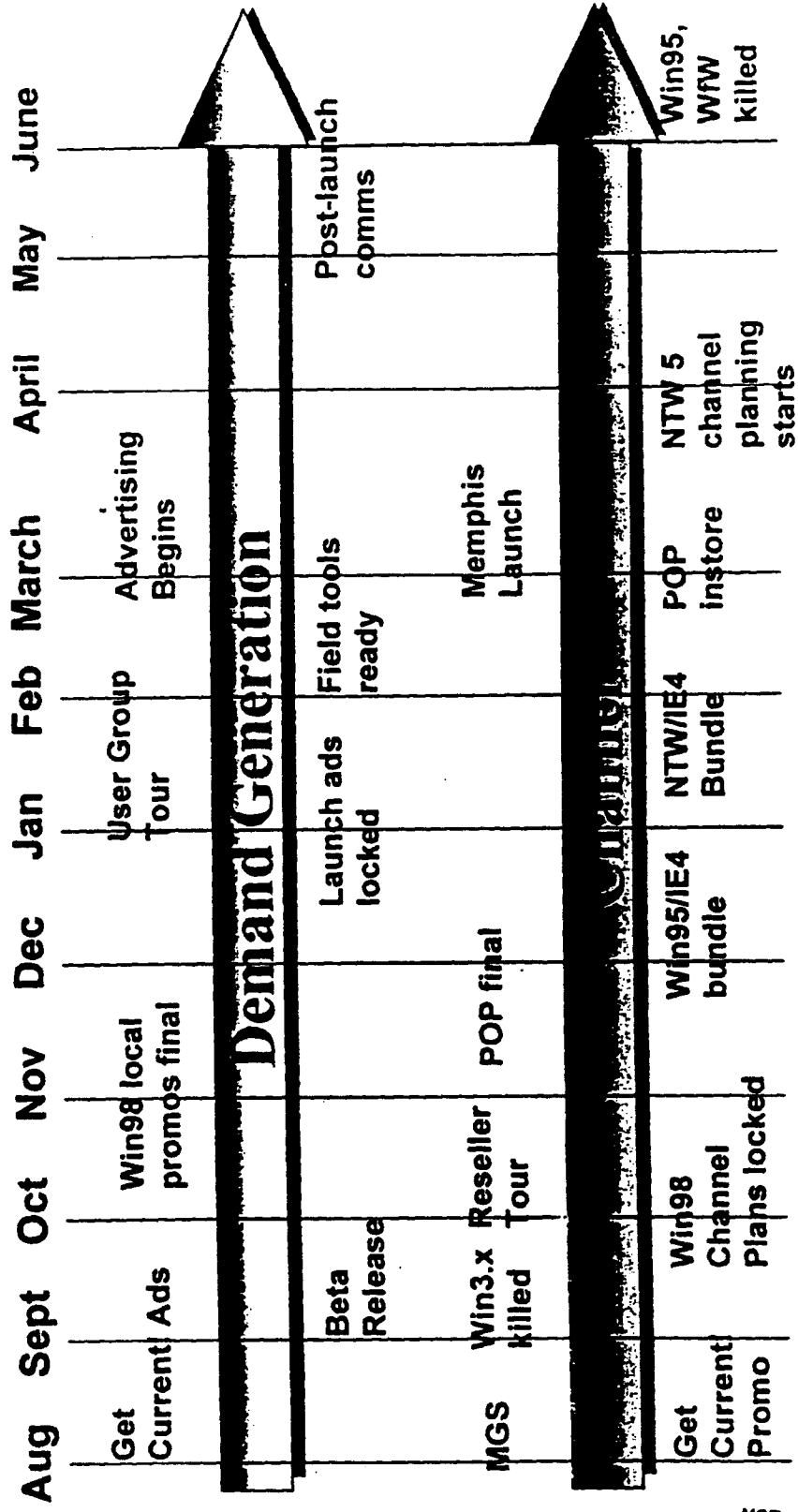
- August - Beta 2
- 9/15 - IE 4.0 retail RTM
- 9/22 - Win95/IE4 bundle RTM
- 9/25 - Win98 channel plans locked (US)
- 9/30 - Marketing beta RTM (beta 3)
- 11/15 - Win 98 RTM
- 11/15 - Win95/IE4 bundle street (US)
- 1/1 - Reseller tour begins (US)
- 3/1 - Win98 Street date (US)

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# FY98 Timeline



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# Generate an incremental \$1B?

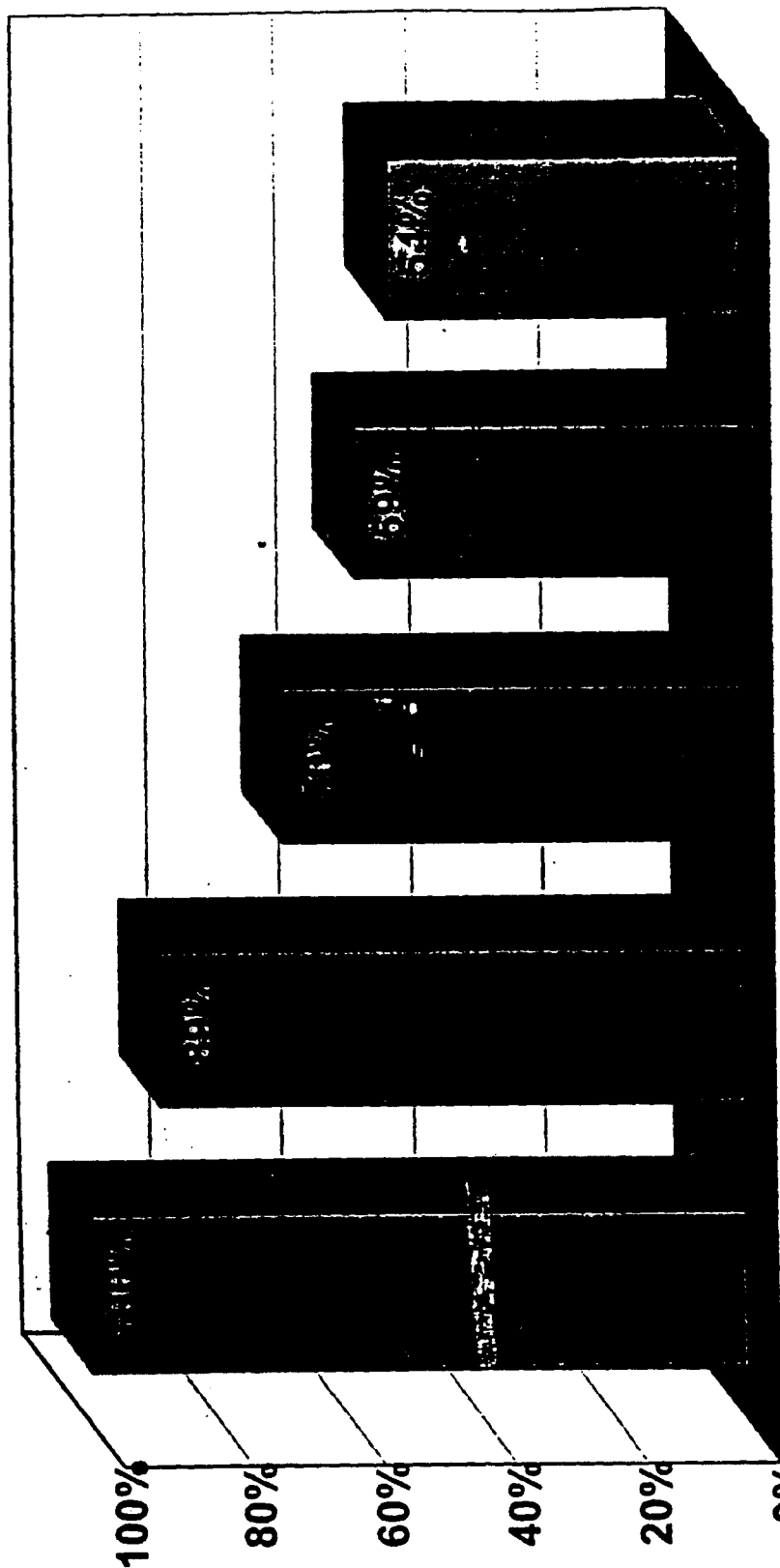
*Below totals \$640B*

- Windows 95 sustain \$36M
  - 30% increase over 90 days (WW)
- Windows 98 upgrade at \$99 \$100M
  - Increases MS rev from \$46 to \$80. Assumes 70% of \$49 upgraders do so at \$99.
- Increase NTW 4.0 OEM \$418M
  - 13% to 25% (\$35M per percentage point)

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# Estimated Cost Reductions



16-bit "loosely managed"    32-bit "loosely managed"    ZAK 32-bit "tightly managed"    Windows-based Terminal - "Hydra" 5.0 with Net PC

## Cost reductions up to 46%

Based on model supplied by Gartner Group, Total Cost of Ownership, March 1997

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# Move to Win32 and get 11% TCO reduction

- Win32 (loosely managed)
  - Capital Costs **increase 12%**
    - Increased HW requirements
  - Tech Support Costs **decrease 5%**
    - Improved Reliability, Lower Network Support Costs, Lower Training Costs
  - End User Operations **decrease 27%**
    - Lower training/education costs - Improved UI

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# Move to tightly managed Win32 and get 30% TCO reduction

- Zero Admin Kit 32-bit
  - Capital Costs decrease 16%
    - Low cost hardware: NetPC
  - Tech Support Costs decrease 5%
    - Fewer help desk calls, centralized control
  - Administrative Costs increase 4%
    - Network admin costs rise slightly
  - End User Operations decrease 55%
    - Standardized UI lowers training costs, locked down desktop reduces “futz”

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# Move to Windows-based Terminal and get 41%

## TCO reduction

- Windows Terminal
  - Capital Costs **decrease 13%**
    - Lower desktop unit cost buffered by higher server costs
  - Tech Support Costs **decrease 24%**
    - Centralized configuration management, side by side replacement, fewer help desk calls
  - Administrative Costs **decrease 47%**
    - Completely centralized asset and network management
  - End User Operations **decrease 58%**
    - Standardized UI/desktop lowers training costs, eliminates “futz”

# Move to Windows NT 5 on a NetPC and get 46% TCO reduction

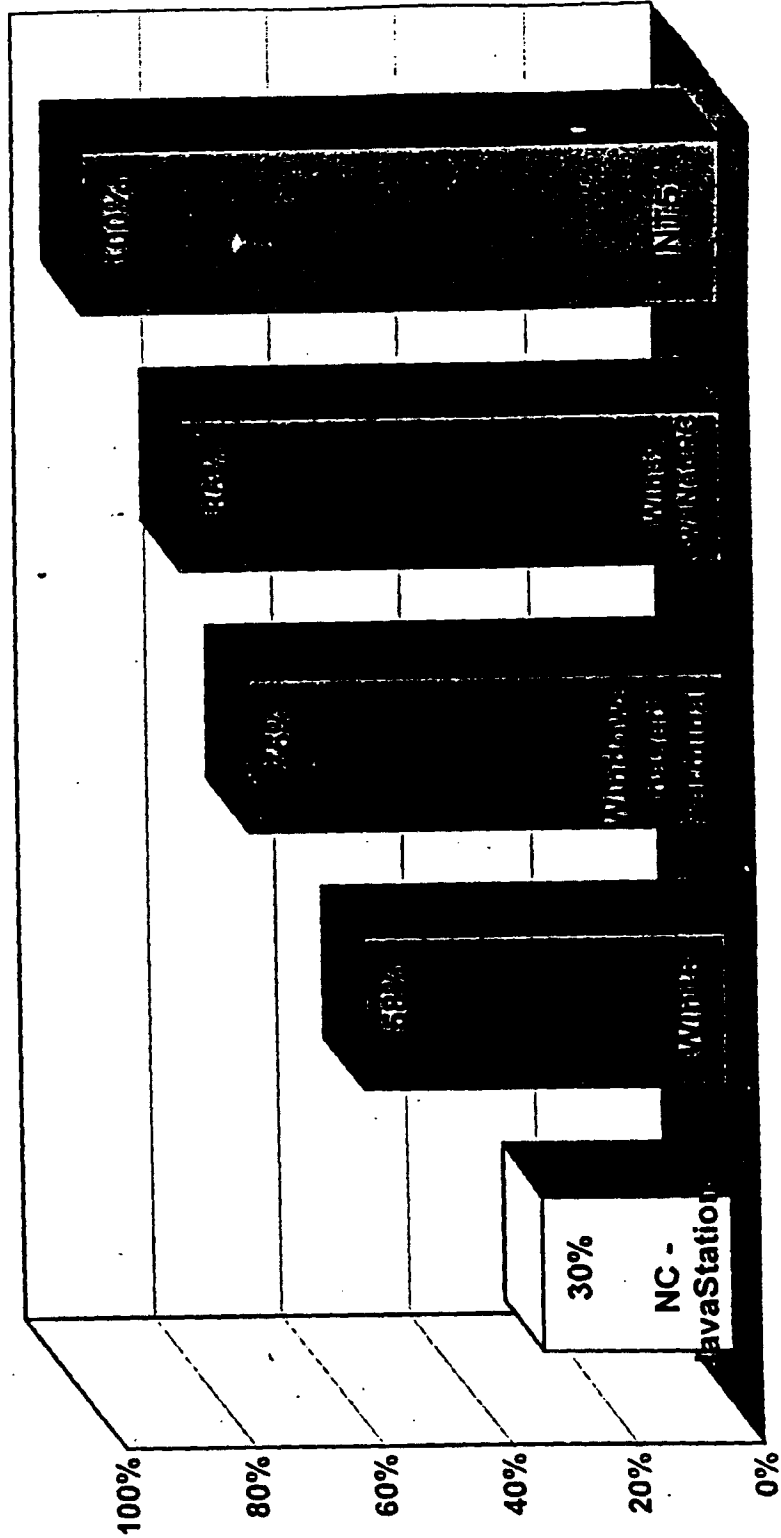
- ZAW Windows NT 5.0 with NetPC
  - Capital Costs decrease 18%
    - Low cost NetPC combined with relatively low cost Network Capital costs
  - Tech Support Costs decrease 37%
    - Server based PC state management, side by side replacement, remote troubleshooting and repair
  - Administrative Costs decrease 57%
    - Centralized asset and network management
  - End User Operations decrease 59%
    - Centralized policy based management and control reduced complexity, reduced “futz”

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# Total Value of Ownership

*Measuring manageability, compatibility, application breadth and flex/performance.*



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# Windows Family

## The Year of Windows

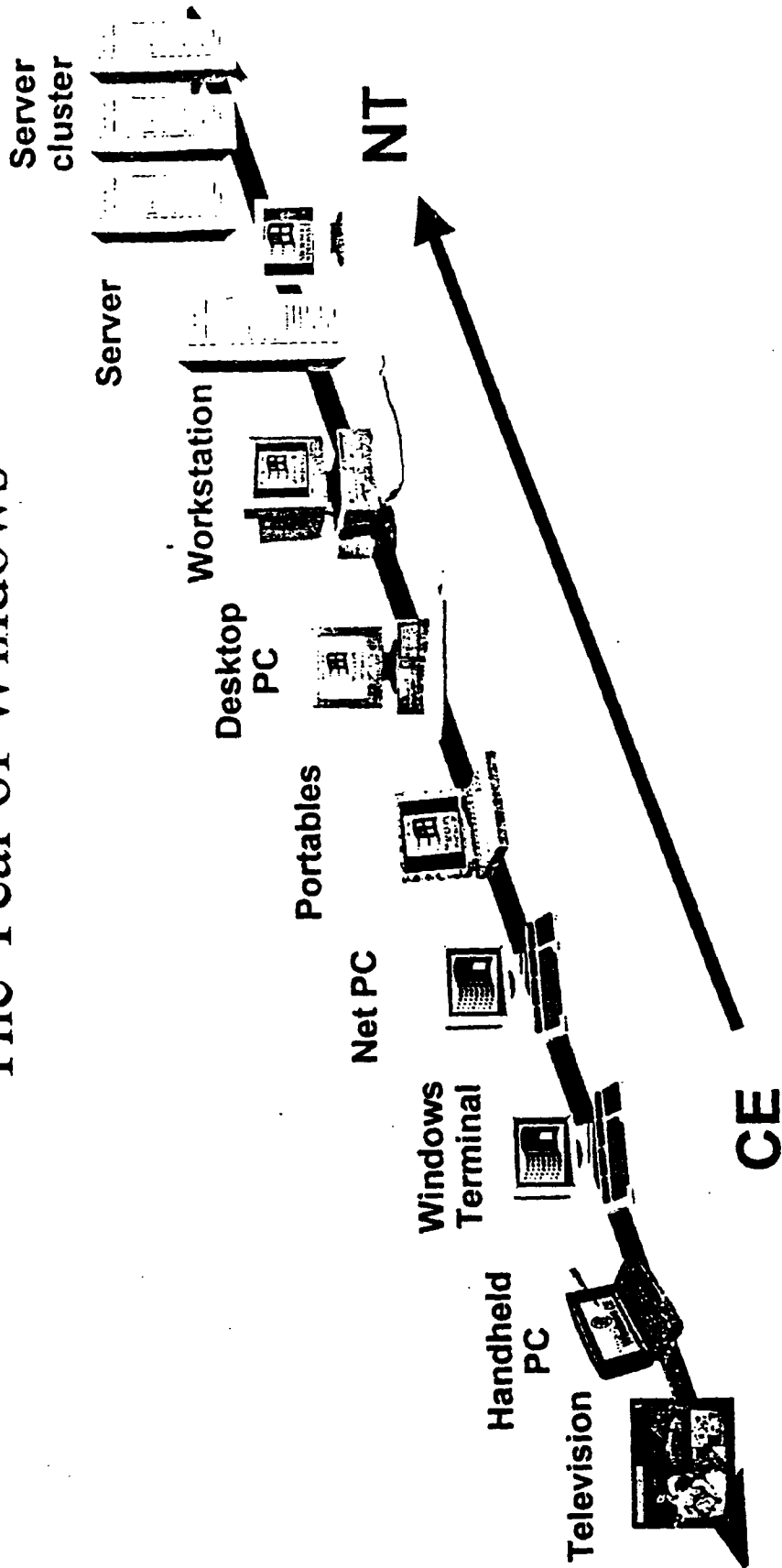
- Messaging Objectives
  - Windows is the common link across all computing devices
  - Move towards customer based positioning versus product
    - Signal the transition to Windows NT as primary OS in corporates
  - Pull all key technologies under the Windows umbrella messaging
    - IE, COM, DirectX, CE, etc

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# The Expanding Family

## The Year of Windows



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# The Windows Family

## The Year of Windows

- *Windows CE - enables and integrates a new class of specialized devices with the Windows operating system platform*
- *Windows 95 - is the easiest path to a 32-bit desktop operating system*
- *Windows 98 - an exciting upgrade to Windows 95*
- *Windows NT 4.0 - is the most powerful 32-bit desktop operating system*
- *Windows NT 5.0 - will be the premier 32-bit desktop operating system for businesses*

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# Windows 98

An exciting evolutionary upgrade to Windows 95

- General
  - Easier, More Reliable, Faster, Internet Integration,
- End Users - New system purchasers
  - Entertainment- *Cutting edge media*
- Corporate Users
  - Manageability

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# Windows 98 Key Features

## Easier

- IE 4 User Interface
- New hardware,
  - USB, 1394
- Integrated Help
  - Local & Web
- Multi-monitor support
- ACPI

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# Windows 98 Key Features

## More Reliable

- 1000's of bug fixes and system polish
- Regularly tests your hard disk, system files, and configuration information
- *Windows Update* - a new Web-based resource site,
  - Registered users get the latest drivers and operating system files on an on-going basis.
- Enhanced *backup and restore* functionality
  - More tape drives and the latest hardware.
- Date-dependent components within Windows 98 are *Year 2000 ready*.

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# Windows 98 Key Features

## Faster

- Windows 98 *Tune-Up Wizard*
  - Application loading - up to 50%
- System startup
  - *OnNow* technology provides “instant on”
- Shut down - < 5 seconds
- *FAT32 File System* stores files more efficiently and frees up hard drive space.

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# Windows 98 Key Features

## Web Integration

- Integrated Internet Explorer
  - True Web Integration
    - Universal Windows Explorer
  - Active Desktop
  - Channels
- Internet Connection Wizard
  - ISDN Connection Wizard

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# Windows 98 Key Features

## Manageable

- *Support Zero Administration Initiative for Windows*
  - Intellimirror client
- *Windows Scripting*
  - (.vbs) files created with vbscript, javascript, etc
- *Dr. Watson and System Information Utility*
  - Easier for product support staff to diagnose and correct problems.
- *Upgrade Wizard*
  - Smooth migration paths from Windows 95 and Windows 3.x-based systems

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# Windows 98 Key Features

## Entertainment

- DVD and digital audio
- IEEE 1394
  - High Speed bus video & audio
- DirectX™ APIs
  - Hardware and software
- Broadcast Services
  - Program guide
  - Enhanced television
  - Web Channel content push

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# Why Do I Need Windows 98 Since IE 4.0 Is Free?

## Faster

- ◆ Application load time
- ◆ Boot time
- ◆ Shutdown time

## Easier & More

- ◆ HelpDesk
- ◆ Internet Update Wizard
- ◆ Windows Update
- ◆ Tune up Wizard
- ◆ System File Checker

## Richer

- ◆ DirectX 5.0
- ◆ DVD
- ◆ Device Support (USB 1394)

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# Windows NTW 5.0

## Premier Business OS

- Major upgrade to all versions of Windows
- Superset of Windows 98 features
  - ACPI, PnP, etc.
- Cutting-edge Zero Administration Features
  - IntelliMirror, Remote Boot, etc.
- Architecture for distributed applications
  - Same architecture as NTS 5.0

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# Deployment Recommendations

## General Guidelines

- Getting to 32-bit Windows applications is most important recommendation
- Every situation is different
  - Don't change "in progress" deployment plans
  - Continued support for mixed environments

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# Deployment Recommendations

## Defining a "Capable" System

- Windows 98
- Windows NT Workstation
  - 486 or higher processor
  - 16 MB RAM, and
  - Compatible hw & sw
- Pentium or higher processor
- 32 MB RAM,
- Compatible hw & sw

*To run productivity, database, browser, and other common applications*

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# Deployment Recommendations

## Existing Windows 3.1 systems

- If Windows 98 capable, than upgrade to Windows 98.
- Otherwise
  - Use “hydra” multi-user client to run 32-bit applications until
  - Upgrade to new hardware

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# Deployment Recommendations

- Existing Windows 95 systems
- If Windows NT capable than upgrade to Windows NT
  - Wait for 5.0 if only doing 1 upgrade in the calendar year
  - Focus on completing migration from 16-bit to 32-bit Windows-based applications.
- Otherwise upgrade to Windows 98.

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# Deployment Recommendations

## Existing Windows NT systems

- Upgrade to NT 5.0

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# Deployment Recommendations

## New systems

- Should be Windows NT- capable.
  - Laptops can have Windows NT Workstation 4.0 with PC manufacturer-supplied power management
- If environment is compatible Windows NT Workstation 4.0 should be deployed
- Otherwise Windows 95 should be deployed
  - Windows 98 should be deployed in place of Windows 95 when it is available

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# Narrowing the Choices

**NO**

**YES**

1. Are all 32-bit and 16-bit Windows and MS-DOS-based applications supported in Windows NT Workstation?

2. Are all hardware components and peripherals supported in Windows NT?

3. Are systems running with 32 MB RAM or more?

4. Are industrial-strength data and network security primary business requirements?

**Windows NT Workstation**

**Windows 95**

*Must answer yes to Questions 1-3 to deploy Windows NT Workstation. Question 4 optional.*

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# Windows - based Hardware

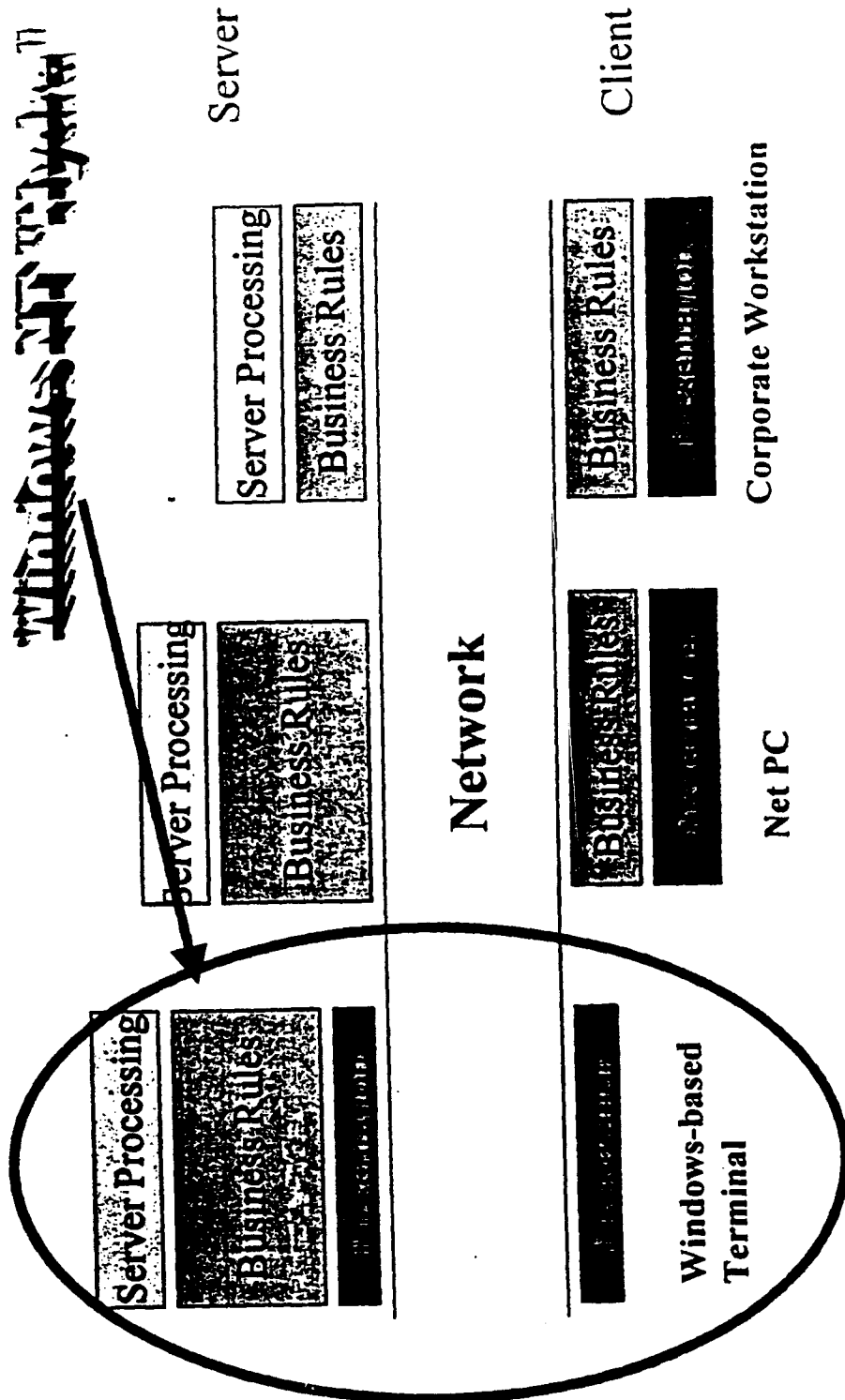
- PC (mobile and workstation)
  - Expandability and flexibility to meet virtually every business need
- Net PC
  - Easier to manage PC's
- Windows-based Terminals
  - Super-thin Windows clients
  - Dumb terminal replacements
  - 32-bit app access to older Windows systems
  - Remote desktops

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# Windows - based Hardware

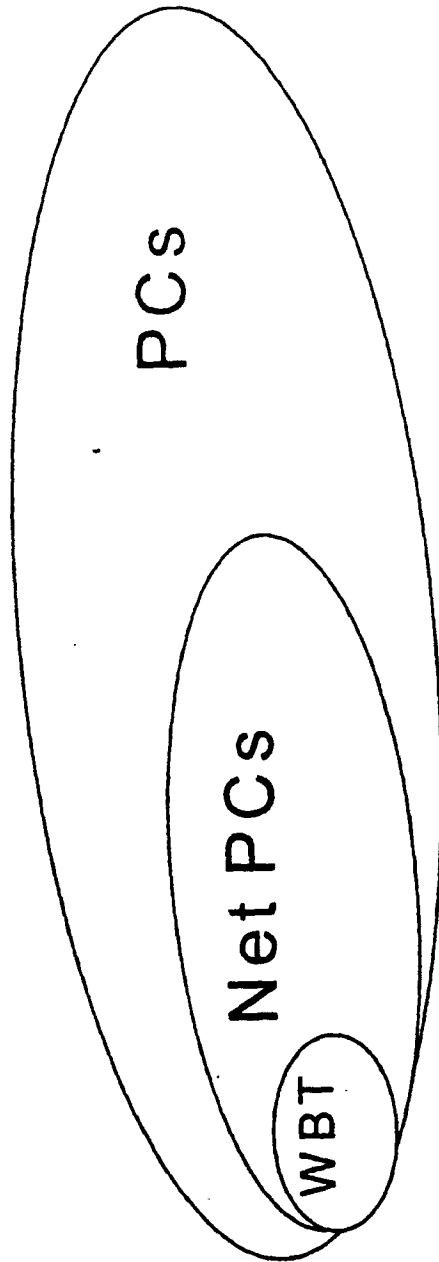
## Windows-Based Devices



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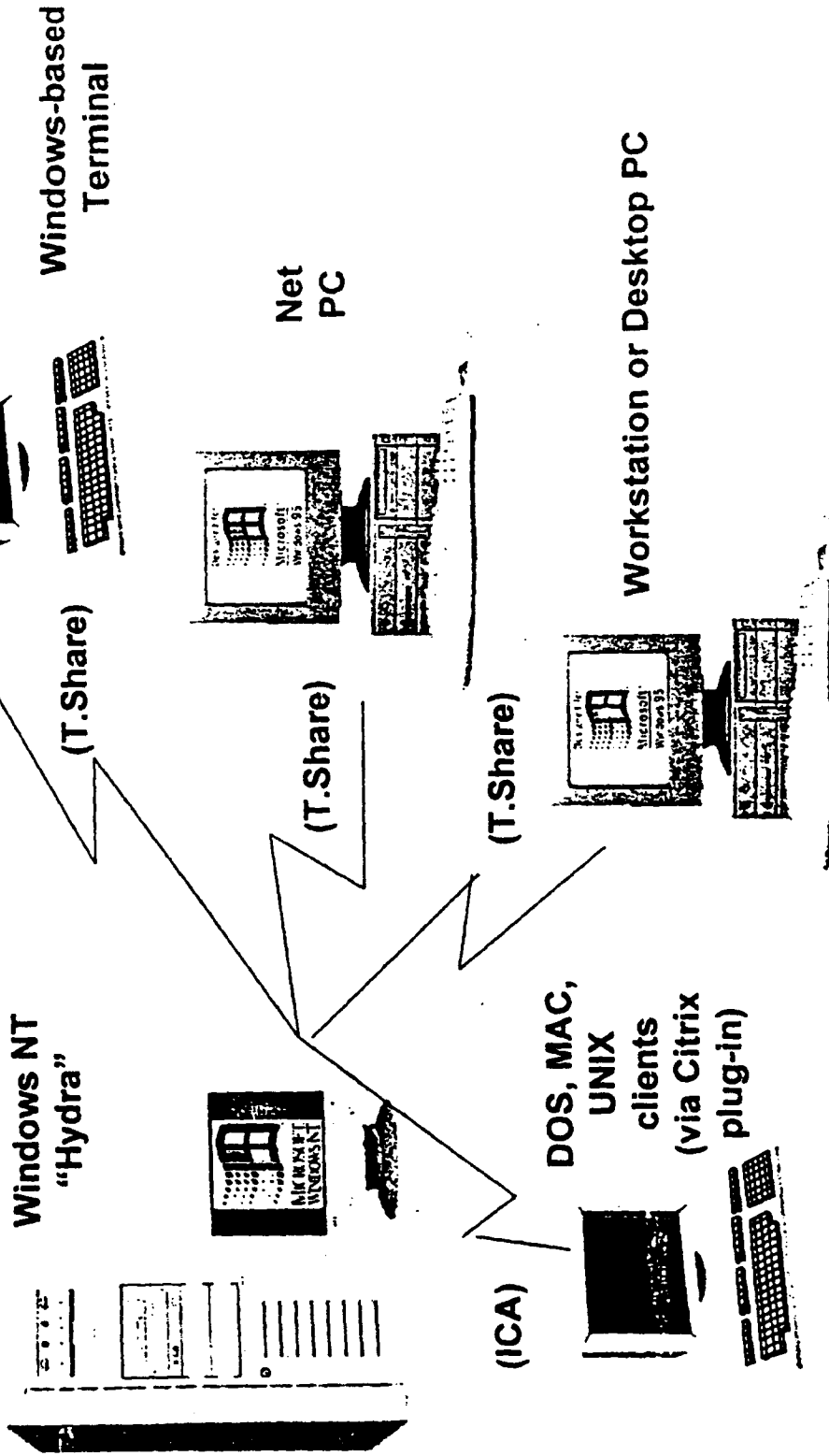
# Deployment Recommendations Windows-Based Devices



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# Windows NT "Hydra"



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