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Subject: OEM BRIEFING, PART 1
Date: Tue Sep 24 10:03:53 1991

DESCRIPTION

The following is an overview of the 1991 OEM Briefing (Sept 16 & 17 in Seattle). It contains the following sections:

- OEM Briefing Overview
- Location of Briefing materials
- Detailed outline of Steve Balmer's systems Strategy presentation (a great overview of the entire briefing -- all of the other presentations build off of Steve's)
- Edited transcript of Steve's Q & A session following his presentation

I will be sending another email with highlights from other sessions.

BRIEFING OVERVIEW:

Dates: Sept 16 & 17
Location: Convention Center, Seattle
Customers: >200

- A considerable amount of "new" (as in previously undisclosed) information was discussed at the briefing including:
- Sound / Media control from MM extensions will be in Win 3.1
 - "Windows Networking" [1992 time frame]
 - peer to peer networking (file/print sharing) in Windows
 - email services built into Windows
 - network DDE
 - data access services (to allow users to browse

- databases from within Windows app), etc.
- DOS 6 was discussed in considerable depth
- Features: pre-emptive multitasking, threads, better memory management, networking services, protect mode device driver model, etc.)
- It was disclosed that "Windows 4" (not official name) will require DOS 6 as it will depend on DOS for key services listed above.

Also, we were direct about the fact that IBM and MS are now competitors. We did share a few ideas on the faults in IBM's strategy and products (OS/2).

BRIEFING MATERIALS

Slides: \\showsrus\91_shro, \OEM_91 subdirectory

SYSTEM STRATEGY, Steve Balmer

Names in [] indicate the speakers who covered these topics in greater detail.

- Last year's accomplishments
 - DOS 5
 - Windows 3.0 momentum, OLE
 - Windows-focused strategy
 - We will evolve Windows to exploit Networking, Voice, multimedia, objects -> NO TECHNICAL DISCONTINUITY
 - Networking ramp up
 - >500 people selling and supporting network products
 - Different environment than 12 mo. ago -- MS and IBM are not working together
 - PC sales data
 - Continued industry growth, 6-8% unit growth per yr.
 - Shipments overwhelmingly 386 and above
 - Good for MS: richer platform to sell our software
 - Good for OEMs: higher end systems, more opportunity for value added
 - OS market perspective
 - Windows installed base is <10% of DOS base and yet apps sales are about 30% Growth is in the Windows Mkt!
 - # 1 focus of SW vendors is Windows!
- | | Installed Base (1) | Annual run Rate (1) | Jan-Jun 1991 Apps volume (2) |
|---------|--------------------|---------------------|------------------------------|
| Windows | 5.0M | 7.8M | \$426M |
| MS-DOS | 73.0M | 18.0M | \$1,410M |
| Mac | 5.0M | 1.9M | \$296M |
| PC UNIX | .7M | .9M | n/a |
| OS/2 | .7M | .9M | \$35M |
- (1) Source: IDC, (2) Source: SPA
- Windows customer characteristics (from telephone survey)
 - 65% have 386/486, 75% have VGA or better
 - 40% have 3+MB
 - 30% networked, 50% own modems
 - Opportunities for OEM Innovation
 - Entry Systems

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- Build in sound peripherals)
- Support Pen
- Mainstream desktop & portables (in addit. to Entry list)
- Better graphics
- Multimedia support, CD-ROM
- Build in networking
- Faster disk systems
- Workstations / servers
- Very high end graphics
- Multi-processor, huge capacity (disk, memory)
- Tape & networking subsystems
- Windows 3.1 [RICH ABEL]
 - "Fine tuning Win 3.0" based on cust. feedback
 - Improved usability, performance, robustness
 - 32-bit protect-mode device drivers ("VxD")
 - TrueType
 - Sound / media control (from MM extensions) included
 - ISVs can rely on sound APIs being there
 - Win 3.0 compatible
- Windows extensions
- Windows for Pen [PRADEEP SINGH]
 - Important because (1) pen is more intuitive pointing device than mouse, (2) "gesturing" (example: crossing out some text to indicate a delete), (3) handwriting recognition for note taking, filling out forms.
 - Supports all existing Windows applications
 - Enables "pen Centric" applications
- Multimedia [BOB GLASER]
 - MM extensions 1.0 just shipped, works w/ Win 3.0
 - Win 3.1 doesn't have all the MM support -- there will still continue to be "multimedia extensions"
 - Will consist of: CD-ROM file system, animation, additional media control drivers (video disk, VCR), additional applets
- Windows Networking [JOHN LUDWIG]. Most portions of it avail in 1992.
 - Peer to peer networking (file/print sharing) will be supported in Windows
 - Mail services built into Windows
 - Network DBE, Netware connectivity
 - Data access services: browse databases from with in Windows apps
 - Open architecture: additional "back end" services (ex: Profs gateway) can be written by 3rd parties.
- LAN Manager [MIKE MURRAY]
 - What we've learned in the past year:
 - Networking is absolutely fundamental (as per customer conversations), that is why we are building it into Windows
 - There are three distinct customers
 - End users: want things to be simple
 - System Admins: want the tools to manage net
 - Developers: want standard APIs
 - Especially focusing in on System Admins -- they are often the "buyers" of the system
 - LAN Manager & Windows networking
 - LM style file & printer sharing type services will be build into Windows

- Windows users will still be able to interface with LAN Manager servers.
- LM is a superset of Windows Networking -- it will focus on the additional features / services that are vital to admins (routing / additional transports, advanced admin, enterprise integration, additional device support)
- Improved File System
- Totally FAT compatible
- 386 code for performance
- Written as protect mode VxD (virtual device driver) so (1) increased performance, and (2) moves file system out of 1st 1MB.
- Additional utilities like defragmentation and compression
- Timetable: out beyond Win 3.1, probably part of DOS 6
- Windows NT [PAUL MARITZ]
 - Self contained OS -- doesn't require any version of MS-DOS
 - Totally compatible w/Windows (UI, APIs)
 - Started from scratch w/ no limitations imposed on team
 - Under development for past 3 yrs, lead by Dave Cutler of VMS fame. Very modern OS design.
 - Portable (can be moved to other microprocessors), 32-bit
 - Secure (C2 initially), fault-tolerant, multiprocessor enabled
 - All extensions (Pen, Multimedia) supported
 - Huge capacity file system, no system limits (# threads, etc.)
- Windows: a scalable platform
 - We are doing in software in the 1990's what Digital did with hardware in the 1980's
 - Single user interface, single programming model
 - Multiple implementations (DOS/Win, Win NT)
 - Timeline
 - DOS 6 in 1993
 - Windows 3.1 in 1991, Win 3.1 w/extensions in 1992
 - Windows 4.0 in 1993
 - Windows NT 3.1 in 1992, Win NT 4.0 in 1993
 - LAN Manager & server-based apps on NT in 1992
 - Windows in 1992
 - Entry Systems & Workstations & Servers
 - mainstream desk / portables

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- * Will require 386 or better processor
- MS-DOS 6 [BRADSII]
- Will be 100% compatible w/ DOS 5
- Windows synchronized OS features -- Windows will depend on DOS 6 for key services.
- Pre-emptive multitasking, threads
- Better memory management
- Networking services
- Will have additional utilities (like enhancements to batch language such as looping constructs)
- Better multitasking of MS-DOS applications
- Protect mode device driver model
- Basis for Win-32
- Advanced Windows Services [BILL GATES]
- Object-oriented user interface. Move from "application centric" to "information centric" model.
- Info services: file system will allow you to query, browse, find info easily
- Integrated object management system (builds off of OLE)
- Native distributed computing model (directory services, security build in)
- Advanced system management support (more manageable on large networks)
- Windows Enterprise Integration
- Windows is better integrated (3270 support, network support, etc.) than any other OS as software vendors
- ISVs know that Windows is the market
- IBM's FUD (fear, uncertainty, and doubt) that Windows will not work in enterprise systems is not true
- MS People investment
- 1200 people involved in development and ISV marketing for Windows related systems products. # doesn't include product support and field sales
- Windows marketing and support
- Spending \$31M for advertising and marketing as well as \$34M for product support over next 12 mo.
- Many seminars, resource kits, trade shows, etc.
- MS will embark on aggressive OS/2 -> Windows "UPGRADE"
- OS/2 users -> Windows
- OS/2 applications development -> Windows
- Sell Windows developer's kits to OS/2 developers
- Run workshop to help people w/ OS/2 investments switch to Windows
- OS/2 subsystem for Windows NT
- Windows OEM options [JOHN LAZARUS]
- Testing for Windows compatibility
- Use Windows logo
- Participate with MS's Windows marketing programs
- License / pre-install Windows. Preinstallation is #1 source of product support questions. Only OEM can deliver hassle free system.
- Build machines optimized for Windows
- Competition
- Everyone wants to be in the OS business. We are the only one with an INTEGRATED strategy, Windows.
- Competitors
- IBM (MS FUD). Lots of changes in the past 12 mo.
- IBM decided that OS/2 had to go into broad competition with Windows". Customers are "unclear about IBM's strategy", they "used to think the

- strategy was OS/2w but many are unsure w/ the new IBM/Apple announcement.
 - IBM / Apple. "By joining, they are saying that it isn't possible to extend their existing OSs -- they need a new one. Probably won't be out until 1994."
 - SUN, SCO, OSF, AIX (UNIX). ">100 companies are building high end solutions around UNIX, incompatibilities...."
 - GO
 - Novell
 - OS/2 -- What to do
 - OS/2 is "check box" -- customers will want to know an OEM supports it but most all will buy Windows.
 - Suggested OEM strategy: Make sure you're system runs the IBM OS/2 2.0 package; don't bother w/ your own adaptation. Resources better spent elsewhere.
 - MS continues to license OS/2.
 - We'll take OS/2 2.0 code we receive from IBM and ship to OEMs
 - The level of support for OS/2 2.0 will be more limited than w/ earlier releases.
 - We'll pass bug reports to IBM -- MS not in a position to "fix" the code we receive from IBM.
 - Limited MS adaptation support (LADDR drivers): IBM is not licensed for LADDR; MS will continue to supply to OEMs.
 - OS/2 comments
 - OS/2 tied to IBM hardware strategy: OS/2 is there to help IBM sell their hardware
 - OS/2 quality: we don't believe IBM will be able to ship a "better Windows that Windows" in 1991. The current level of Windows support in OS/2 2.0 betas isn't great (Win apps run in separate screen group, no DDE or OLE, 2 separate sets of drivers, etc.)
 - Windows Strategy
 - Evolutionary -- no technical discontinuity
 - Scalable
 - Open in the PC tradition
 - MS long term commitment
 - Driven by IATF vision
- Steve Ballmer Q & A

- Q: Many OEMs have OS/2 agreements and have been unsuccessful meeting minimum commitments -- MS give rebate or apply lost \$\$ to Windows?
 - A: MS acutely aware of situation. We are anxious to migrate commitments you made on OS/2 over to Windows and Windows extensions. Since each OEM situation different, we are working out this issue on an account by account basis. Account managers have been instructed to work with you on this.
 - Q: Will DOS 6 require a 386 or better?
 - A: No. Our current thinking is that DOS 6 will have two modes: one for 8086/286 systems, another ("enhanced mode") for 386.

Q: Will DOS 6 and Windows 3.1 have two separate sets of device drivers? What about Windows NT device drivers?
 A: Yes, DOS 6 and Windows 3.1 32-bit VxDs are a hundred percent compatible. There will be a another set of drivers for Windows NT. We are even looking at getting some sharing there but I can't promise it today.

Q: You led the OEMs in the last few years down the OS/2 path. We bought into that strategy & made some very significant commitments. You commented that Microsoft will simply pass any reported bugs in OS/2 to IBM and won't fix them. Is that part of your new customer support strategy?
 A: No let me be clear. We will fix bugs in OS/2 1.3. Absolutely. With OS/2 2.0, we'll pass bugs back to IBM -

- we will not have a team to fix those. The installed base that you have out there is all of course, OS/2 1.3. We will not encourage customers to move from OS/2 1.3 to OS/2 2.0. We will encourage them to stay with OS/2 1.3 and if sometime when they want to move, they should move to Windows.

Q: You will license OS/2 2.0 but you will not support it?
 A: We will use the system we have in place to work with IBM to get them fixed, we will not have a staff here fixing bugs in 2.0.

Q: Beyond OS/2 2.0, will Microsoft continue to cross license the OS/2 technology from IBM?
 A: MS and IBM have a cross licensing agreement which extends for several more years into the future. We will in no way encourage any customer to buy OS/2, but we continue to have a license with IBM and we want to continue to work with you to make sure that you can check the checkbox that says OS/2 is available on your hardware.

Q: OEMs that have written applications to Presentation Manager (PM) -- do you have any plans for tools or adaptation kits to make the migrate to Windows NT easier?
 A: We have the migration sub system which will work for OS/2 character mode applications in '92 and which we will move to also support PM '93. For somebody who is serious about a Windows strategy but presently has PM applications, we do have a team of people who we can dispatch, come on site, help review your code with you, and give you advice. Also, we'll run a seminar for your team on migrating your applications from PM to Windows. If you are in that situation, please let your account manager know.

Q: What operating system do you think we should be running on our LAN Manager servers today?
 A: OS/2. We will include an enhanced version of OS/2 1.3 in the LAN Manager 2.1 box. OS/2 does a good job in that environment. Next year we will also support Windows NT. I think there will still be a range off customers who want OS/2 on the server into the future so LAN Manager will continue to support that direction.

Q: Windows NT sounds an awful lot like what you used to call

OS/2 NT -- explain the differences?
 A: It's exactly the same kernel, it's exactly the same code to run DOS, Windows, and POSIX applications. As far as its ability to run existing OS/2 applications, there have been some modifications to our strategy. First, we are now calling the software that runs existing OS/2 apps under NT a "migration system" instead of "sub system" because we're not sure what IBM may do in 2.0 to make it hard for us to be compatible. For the same reason, it is a dangerous strategy for us to call the thing "OS/2" and include the migration system as a built in piece of the OS. Second, we are only committed to have that things be compatible through OS/2 2.0 -- we don't want to get caught in an endless "better OS/2 than OS/2" trap as we try to match IBM's every move (without their cooperation).