

PX 154

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**From:** Bill Gates  
**To:** Executive Staff and Direct Reports  
**Cc:** Wm. Gary Reed; Jon Shirley; Paul Allen; Steven Sinofsky; David Marquardt; Melissa Waggener; Pam Edstrom  
**Subject:** Novell  
**Date:** Wednesday, March 23, 1994 6:54PM

Assuming the faxes I got in Beijing weren't a prank I have laid out my thoughts on Novell's new strategy and its impact on us. Please feel free to forward as appropriate.

<<File Attachment: NOVELL.DOC>>

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From: Bill Gates  
To: Executive Staff

## **Novell-Wordperfect-Quattro**

The merger of Novell-Wordperfect and acquisition of Quattro Pro by Novell changes our competitive framework substantially. The already intensely competitive software business has become even more competitive. Novell has adopted our strategy of having a broad product line and offering integration between products as a key benefit just as Lotus has through their acquisitions and Notes strategy. Its great to have people following our strategy as long as we execute a lot better than they do.

I don't see much chance of the acquisition falling apart. Unless Novell's stock price goes down quite a bit I can't see WordPerfect's owners changing their mind.

## **Key impacts**

### **Office**

If Novell executes well they will be able to turn their Office suite into a serious contender which could force price and volume cuts in our Office business. The fading strength of WordPerfect and Quattro could be reversed. . Quattro pro and WordPerfect will be integrated far better. Novell could do some strange pricing by bundling their Office suite with Netware like they have bundled DR-DOS.

### **Mail/Workgroup**

The WordPerfect Office product will be integrated with Netware making it a far more serious contender in the workgroup business. We have always felt this is a strong product but WordPerfect did not do a good job selling it.

### **Marketing/sales/financial scale**

Novell will have a stronger global presence and a stronger customer presence. Quattro Pro investments can be increased. The Novell brand can become an umbrella for a wide range of activities.

### **Technology scale**

Initiatives to promote anti-Microsoft platforms/API's/object models become easier to coordinate because fewer companies are involved. Novell itself will be able to set more standards for workgroup, document management, image systems and all of the 'services' they have been moving towards.

### **Business unknowns**

All of the people involved in this acquisition will be diverted for the next 6 months. Remember that WordPerfect is still adjusting to not having support as good as ours and their layoffs. Quattro pro developers are being excised from the barbarians world to a completely new company. Novell totally mismanaged the absorption of Digital Research in every way. Novell's leadership will be stretched incredibly thin by absorbing all of these pieces particularly with the succession plan unclear. Perhaps there is already a plan for who will run this company since its hard to believe they did this without one. Novell might raise the price of Quattro Pro. If Novell applies their financial models to Novell there will be a lot of layoffs coming. Novell and Lotus should become major rivals fighting over the non-Microsoft parts of the application business.

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## Technology unknowns

Novell has never had a technical agenda that its products are designed around. Novell will have to come up with some kind of database strategy - the license to Paradox only covers the short term. What automation language will they pursue? Will they divert themselves doing applications for Unixware? What will their approach be to other platforms like Mac, Os/2 and Taligent? Will they try and do Quattro on Mac to have an Office product there? Novell will have even more development sites although their Utah operations are near to WordPerfect's

## Borland

Borland becomes a pure competitor to the products in our Developer division. The \$145M eliminates their cash problem. However their scale is reduced and they will have to adjust their worldwide infrastructure. The database front end business is becoming increasingly competitive with Lotus, Powersoft, Oracle and many others coming up with great products. Xbase is becoming less important. The innovation in Paradox has been surprisingly modest. The boundaries between 4GL, Case, Database and Language products are disappearing. I think we will be able to do some great things integrating Excel and Access that Borland cannot. I doubt that Borland will be a major force in interpretive languages which will become more important if we innovate appropriately. Borland has the overhand of the 1million free Paradox licenses they granted to Novell-Wordperfect. Its interesting that the lawsuit liability was not transferred. I wonder if Lotus will make any claims against the Quattro Pro that is now shipping.

## Actions

The imperative of winning in the short term with Microsoft Mail and Windows NT is raised substantially by this new development. NT has to be viewed as a major success or Novell will thwart our Workgroup efforts. We should consider increasing our sales investment in these 2 products including buying the installed base of remaining mail companies. How does Davinci view this development? We need to take a harder look at product, acquisition and sales efforts to gain scale in Mail/Workgroup. We need a plan for recruitment at WordPerfect and Quattro Pro. Every group in the company should consider what they can do in the next 6 months including proposals that involve more investment.

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PX 156

**Debra Vogt**

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**From:** Bill Henningsgaard  
**To:** Pete Higgins  
**Cc:** Michel Lacombe; Rolf Skoglund  
**Subject:** FW: Novell  
**Date:** Thursday, March 24, 1994 9:25AM

some thoughts

For Novell, the key goal will be to maximize penetration of their suite to help them control o/s and workgroup standards. They want to quit letting us dictate the pc technical agenda.

If I were them, I'd put the suite in every server box and introduce server-based licensing. this would mean companies would pay on a usage basis (either concurrent use, with required licenses being assessed and paid for after the fact or time-based usage). Fees would be level annual payments that include maintenance, rather than high up-front cost like we do.

Doing this would put the product on site at all customers and provide a very low marginal cost vehicle to make the sale. I'd then build a LAR channel to follow these servers into accounts to sign the licensing agreements. their own sales force would focus on technical evaluations.

The primary target for these would be Tier 1-3 wordperfect shops, but any large account considering a standardization would be a target. Their key advantages would be 1) price 2) easy no-admin licensing 3) technical integration of the network admin with the server and 4) longer-term promise of building better network functionality.

if they're successful at getting penetration, they'll be in a position to introduce alternative standards (ie opendoc) that will give us a much harder time to drive the O/S and apps agenda.

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**From:** Bill Gates  
**To:** Executive Staff and Direct Reports  
**Cc:** Wm. Gary Reed; Jon Shirley; Paul Allen; Steven Sinofsky; David Marquardt; Melissa Waggener; Pam Edstrom  
**Subject:** Novell  
**Date:** Wednesday, March 23, 1994 18:54

Assuming the faxes I got in Beijing weren't a prank I have laid out my thoughts on Novell's new strategy and its impact on us. Please feel free to forward as appropriate.

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**PX 162A**

**Debra Vogt**

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**From:** Bill Gates  
**To:** Pete Higgins; Mike Maples  
**Subject:** RE: WordPerfect 6.0a  
**Date:** Wednesday, March 30, 1994 12:45PM

I am amazed at their responsiveness. This is very scary and somewhat depressing.

This is as much as we plan to do for 1995!! A lot of work in this release.

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**From:** Pete Higgins  
**To:** Bill Gates; Mike Maples  
**Subject:** FW: WordPerfect 6.0a  
**Date:** Wednesday, March 30, 1994 8:24AM

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**From:** Peter Pathe  
**To:** Michael Hebert; Ralf Harteneck; Reed Koch  
**Cc:** Chris Peters; Pete Higgins  
**Subject:** FW: WordPerfect 6.0a  
**Date:** Thursday, March 24, 1994 1:26PM

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**From:** edf  
**To:** ppathe  
**Subject:** FW: WordPerfect 6.0a  
**Date:** Thu, Mar 24, 1994 12:43PM  
**Priority:** High

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**From:** Eric LeVine <ericlev@microsoft.com>  
**To:** edf; jeannes; wordmktg  
**Subject:** WordPerfect 6.0a  
**Date:** Thursday, March 24, 1994 10:21AM  
**Priority:** High

Well, it looks like AutoCorrect and AutoSelect have been cloned to some extent in the 6.0a release of WordPerfect.

Check out the list below.

They did a hell of a lot of work for an 'a' release...

-Eric  
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