

servers - get a site license for say 80 copies of wordperfect and let people use these on a first come basis. They are doing this today and are finding that it works great - in this case they find that people only ever use 10 copies at a time. This reminds me of a comment they made when I was there - they'd like to see a similar sort of arrangement for the OS. All of these servers will run in a closet, but will be locally administered - upgrades will be done manually, not from a centralized support group. They will not actually do this though until we provide a PM based, non-technical UI for network administration. They feel this is absolutely essential, and that they cannot afford to hire this many technical people to administer their LANs. They want it icon based, with privileges assigned simply by dragging (a user to a printer, files to a user, etc.) They feel that LanMan today is slightly better than LanServer, but that they both suck and MUST be improved before they move. I told him I thought we were moving in this direction but that I didn't know the details and would have to get back to him.

They are currently recommending that people who want to run OS/2 should buy 8Meg and a 120Meg hard disk. If there's an interest in OfficeVision, RAM gets boosted to 12Meg. Below that it's DOS3.3 (although he did indicate that they consider a 4Meg/60Meg configuration an absolute minimum OS/2 configuration).

They are REALLY interested in standardizing on Win3 as their low end solution. The one thing they need to figure out before they do this is how to implement user level security on a Win3 machine. This is partly to control how people can hurt themselves, and partly to implement the site licensing I mentioned above. At login time, they'd like to be able to limit the apps/files/servers the user can access from the Win3 shell. One idea they had was to download a file at login time that the Win3 shell would use to display from. We need to get back to them on this.

The recommended machine today is a Model 55SX. They expect to raise this to a Model 170 soon.

They install the OS in a central receiving department, and then ship the machines out to the users from their. The 18-20 diskettes that are required for OS/2, EE, and probably something else are too many - they have implemented some simple batch file on a floppy that sucks everything off a disk. Install off a LAN is a big deal for them.

No one will do anything with OS/2 until 1.2 (they of course don't have this yet) or probably 2.0. They feel that time is on their side and the thought of going through 2 or 3 versions of the OS in about a year discouraged them. Clearly, frequent releases is a great reason for our customers not to use us.

Actions:
- MarkCl, LanMan (Eric?), and Win3 to respond about access rights for Win3
- MarkCl, LanMan (Eric?) to tell them our plans for lan administration

From cameronm Sat Jan 20 21:50:09 1990
To: petern
Cc: jonl nathanm
Subject: RE: OS/2 vs. Win - long mail
Date: Sat Jan 20 21:47:52 1990
Mail-Flags: 0000

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I am sending you a response to Paul's mail. Overall, it strikes me as naive and poorly thought out. I hope I do not rant and rave too much. I can provide more detail and more back-up data.

Here are my major points:

- * The Unix market is strategic but not financially rewarding for the next few years at least.
- * We don't have what it takes to go after Unix today and it will take a major effort to get us in a position to really compete against Unix.
- * We are not yet positioned with Win 3 to really take over the desktop.
- * Therefore, we have to be very careful about repositioning OS/2 (we will desperately need a retreat path for OS/2, and don't have one now)
- * Why do we think we need to reposition, what monetary or strategic advantage do we get by emphasizing Win 3 over our current Win and OS/2 family positioning.

I am trying to get this out before I leave for Boston. It is not as polished as I would like it to be. I am also not sure I am up to speed on the current state of Win vs. OS/2 thinking. Here goes:

1.) It's not a question of whether we should position OS/2 against Unix, but rather whether we can possibly afford to.

Sun has sold a total of about 120-160K workstations. They hope to sell just under 150K in 1990. They didn't make their 1989 projections for either the 386i or for the SPARCstation, so it is unclear they will make their 1990 numbers. If they do they will have a 300K installed base 1/1/91. And, of course these are combined figures for all their cumulative workstations sold, the point being that these 300K machines run many different versions of systems software.

So if we bring the number one Unix vendor (with a bullet) to it's knees and steal a whopping 50% of their market in 1990 we will get 75,000 units worldwide.

Whoop-de-fucking-do. For comparison Aldus projects selling 18K units of PM PageMaker just in England in 1990 (and their current sales in the UK validate this).

The Unix market is tiny and bullshit. If it wasn't we'd be writing apps for it. Lotus has announced G for it just to steal thunder from MS systems and because they think it is something Excel won't dare match, it's purely Manzi driven PR.

SCO is a DOMINANT Unix supplier and they make NO MONEY AT ALL. ZERO PROFIT, a very tiny cash reserve, and I will add, probably a lot lower development costs than we have. AND they have an apps business to boot! How can we think we want to restrict OS/2 to this market? Are you prepared to tell Steve that when we have brilliantly executed our new plan and conquered Unix we will still be losing money???

Yes, we have to beat Unix, but we have to beat it ONLY BECAUSE it's a long term strategic threat. It isn't a market that is profitable or

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threatening in the next few years.

2.) Can we successfully go after Unix? Can we beat Unix today?

The problem is that we have been swinging for the fences, we have been trying to make OS/2 the desktop OS of choice. This means the apps we've gone after are the top "Softsel Hit Parade" and not the top Unix apps. We are not at all well positioned to go after Unix. We don't have the apps, we don't have the connectivity (PC NFS, Tops, TCP/IP, etc.), we don't have the device support, etc. It's true we are going after these ISVs now with 2.0 and that our early adopter program is slanted towards the top Unix guys, but this isn't enough to position OS/2 successfully against Unix. I think it would take a major refocus in my group and a minimum of 6-9 months to have a credible story in the Unix market place. It can be done, but we aren't ready now.

Also, if we spent any time at all looking at our corporate wins (say about five minutes) we would see that they are NOT UNIX CUSTOMERS GOING TO OS/2. What they are is DOS, Windows and minicomputer customers going to OS/2. Mostly they are DOS, Win and brand new projects where the corporation chooses OS/2 over other platforms. This is VERY, VERY, VERY DIFFERENT from a Sun customer choosing to add OS/2 stations INSTEAD of SPARC stations. (This is also because we CAN'T add an OS/2 station to a Unix network because we don't have NFS, we don't have TCP/IP, and LM/X is a joke - it's so fucked up we don't even know who we're developing it with, much less what it is.)

We can't penetrate the Unix customer base because we don't have the apps a Unix customer wants. So, we can keep OUR customers from going to Unix, but we can't get a Unix customer to choose OS/2. Our strategic and tactical positioning of OS/2 wrt Unix has been and REMAINS PURELY DEFENSIVE. We can slow their growth but without major major effort we can't kill them. We might be able to have a credible STORY to begin repositioning by the time 2.0 ships.

SO, THE ONLY THING THAT MATTERS IS WHAT WE DO WITH OUR OWN CUSTOMERS. THE DOS, WINDOWS AND OS/2 FAITHFUL. OUR RANGE OF EFFECT IS CURRENTLY LIMITED TO OUR OWN MARKETS -- WE CAN SHOOT OURSELVES, BUT WE CAN'T SHOOT BILL JOY.

3.) Well, maybe we can win on the server. We can fight Unix successfully now on the server, right?

OS/2 ON THE SERVER IS PERHAPS THE ONLY AREA IN MICROSOFT WHERE WE'RE DOING WORSE THAN OS/2 ON THE DESKTOP! I know we're going to spend a gazillion dollars and I know our Sr. VP is totally in love with the LAN, but guys it's true - we are at the mercy of the 3 comedians. Novell's market share is better now than it has ever been. The server is not the answer and it is certainly not our area of strength.

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4.) Can we succeed on the desktop with Windows 3 alone? Or "will people be happy with SuperBase 4.0?"

As you well know there are FOUR, COUNT'EM FOUR, Windows apps that have sold more than 4000 copies. Not so great for a successor to DOS. I can name an equal number of OS/2 apps that have sold more than 4000 units! On OS/2: Excel, PageMaker, WordPerfect 5.0 and PC Focus have all shipped

over 4000 units and this isn't counting SideKick. There are probably others too! What makes us think we are at all well positioned to take over the desktop with Windows? WE JUST DON'T HAVE THE APPS. We really must think only MS apps are interesting. Implicit in blind faith in Windows is that no other applications count.

By mid-1990 we will have Paradox, Dataease, 123G, an unannounced SPC database, Ventura, Word, WordPerfect, AutoCAD, a character dBASE from A-T, and maybe Harvard Graphics and Wingz. We will only have Word and Ventura on Windows from this list. Windows will be hurting until we get the great apps. Unfortunately I think more great apps are on OS/2 and we can get any great apps from Windows to OS/2 a lot faster than we can from OS/2 to Win. And, the big guys are the ones who will hate us most for OS/2's failure.

AND IT IS NOT a question of whether we will get Lotus to write for Win 3, this is a stupid question. They will write for any platform that they have to -- they want to live, they want to survive. It is not interesting or relevant to ponder what a man will do with a gun at his head. The real question is, "when will they have 123G for Win 3?" When will they have Freelance, when will they have DBMS Tools. The answer to this is (for G) probably mid-1991 AT BEST. That's if they begin a Win 3 version the very second they complete PM. If they sit on the fence at all it will be later. And it's probably not 1991 at all if they choose to go to Unix first. SO WE WILL ONLY GET LOTUS AFTER WE ARE SUCCESSFUL AND THEIR CONTRIBUTION IS IRRELEVANT/MARGINAL. We simply aren't well positioned to get the app leaders on Win 3. This is not Cam the OS/2 bigot talking this is fact. We don't even think we will have a majority of Win apps marked for Win 3 when it ships.

Will we have the apps? And when? Will we have all the device drivers we need to really inherit DOS? Will we have the development tools? Are we making Windows easier to write for? AND, I DON'T MEAN AS COMPARED TO OS/2, CLEARLY OS/2 ISN'T GOOD ENOUGH! I MEAN DO WE HAVE THESE THINGS IN AN ABSOLUTE SENSE ENOUGH TO TAKE OVER DOS - THIS MEANS A LOT BETTER THAN OS/2.

We can position ourselves to get the important apps on Win 3 sooner, but aren't doing this now - and we have to figure out how if we're going to try and make Win 3 the desktop leader.

5.) Can we back-off OS/2 as the successor to DOS? How do we beat a successful retreat path?

How much of the industry do we alienate? I will just assume that OEMs and IBM are irrelevant, that they are so jaded it doesn't matter what we do. What about large corporations who have bought our story, what about ISVs who have invested in OS/2? What will the press say? I don't buy that we can hide behind this insipid claim that we've always pushed Windows and that it's their own fault. It just isn't true, we've told ISVs to develop for OS/2 and clearly put a lot more behind getting OS/2 apps than Windows apps. ISVs will be burned and they are not an infinite or a renewable resource. They will remember misdirection and bad advice and they will blame Microsoft for all their ills. They will also be jealous because we will make out like bandits. Believe me, companies like Describe will DIE.

The press will have a field day and manzi and Gibbons and Kahn will fan the flames for all they're worth.

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Developer loyalty is going to be very important in the 90's it is a strategic asset for Apple and the battleground where we will fight Jobs and Joy most directly. People we fuck now will not support us in the future, or they will think twice before they do. We also force people into having a vested interest in fragmented platforms. We force Manzi and Gibbons and Kahn and everyone else to take a position against us. We make it in their best interests to actively help other platforms succeed. They can't be neutral.

Why can't we do everything we want to do strategically against Unix without killing the Windows and OS/2 family positioning? Why this new public stance? It doesn't help us with OS/2, it doesn't help us on the server, I don't see how it gives us a higher total marketshare. Can't we do everything we want to do behind the scenes?

6.) Ultimately we have to think about whether we make more money (or more marketshare) by keeping on our present course (some of the desktop goes to OS/2 and most of it to Win 3 - in 1990-91), or whether we will make more money in repositioning Win 3 strongly as the desktop and OS/2 as the server/Unix-alternative platform. I hope we realize, or that I have shown, there isn't a lot of money we can wring from the Unix market in the next couple years. If you accept this than in what way do we make more money with just Win 3 on the desktop as compared to both Win 3 and OS/2 on the desktop? What do we lose by keeping our present course of action?

a.) Even if we assume we get the same amount of money from Compaq for Windows as we do OS/2, we won't be making more money from our systems business, with a new Win 3 emphasis, will we? Will more people license just Windows than the total of Windows + OS/2 under our family strategy? I don't see how this could possibly be true.

b.) Do we somehow believe that de-emphasizing OS/2 will HELP our server business? This seems even less likely.

c.) Do we think that the Windows or OS/2 question is holding back ISVs and IHVs? If so, why are we doing what we're doing in my group and why does Russ care so little about ISV and IHV support?

The only logical explanation is that we will make a lot more money from our apps business under the Win 3 "only" scenario. And in as much as we will have OS/2 apps at the same time or before (or even within 6 months) of our Windows apps after mid-1990, it seems it is not even a question of app availability - it must be one of competition. So is this repositioning only based on giving a competitive advantage to our own apps? It seems risky to me to bet our entire systems business on the success, and not even the success, but on the delta advantage we can give our Windows apps line. Please advise if I am off track.

7.) What do we do?

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* We can't outwardly reposition OS/2 immediately (until we are ready). The salesforce can continue to push Windows, but we have to stay the course with OS/2 vs. Win positioning from headquarters until:

- Windows 3 is in better shape for apps and better positioned to succeed; and,

- We figure out what the hell we are going to do with OS/2 (in the very least give us time to be better positioned to compete against Unix).
- This means staying the present course until mid-year.
- * We need an OS/2 to Windows transition story. We need a "HolePort" that helps move OS/2 resources to Windows (the resource mapping at least is possible and helpful). We should also do workshops. This will:
 - Help us with major ISVs (and any ISV further along with OS/2 than Windows) - Lotus, Borland, WP, SPC, etc.
 - Help us with major accounts; and perhaps most importantly;
 - Help us publically in the press and industry;
 - Help IBM swallow licensing Windows 3 and repoistioning OS/2; and,
 - It will help get more ISV support for Win 3 sooner.
- * We form a general, centralized ISV program for Windows and OS/2, a Microsoft GUI program (no server stuff). This:
 - Makes a clean break with the past and "frees" us to spend more resources on Win 3 (and lets us do this less obviously);
 - Allows us to partially put the blame for customer confusion on the old order, competition internally between product groups led to confusion externally with customers, etc.
 - It even lets us appear pro-active in forming a new group just to better serve our customers;
 - Gives us more contact with more ISVs - we can reach more of the market with "our version" of the story, it also lets us better manage the transition;
- * Be successful with NT! We will also need to be very active in this area, it is the only glimmer of hope we can hold out for the OS/2 committed. If we don't have to worry about "stalling" the OS/2 market, we should announce this early and aggressively. At any rate we will have to disclose to our present OS/2 people in detail - it's the spoonful of sugar....

Okay, I will want to fill in with detailed data on the apps list (as we have discussed), and also with what we do for OS/2 and NT in particular.

Cam

>From petern Thu Jan 11 13:15:07 1990
To: keithl markcl nancyla os2mkt
Subject: Goals and food for thought
Date: Thu Jan 11 13:13:26 1990

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i'm interested in your comments on what we should be doing.