

From joachink Mon Apr 22 10:48:52 1991
To: tonya
Cc: billg bradsl jeffl jonl mikelal paulma richardf ronh steveh timb
Subject: FW: IBM briefing
Date: Mon Apr 22 10:30:14 1991

OOO MAIL TONY, PLS SEE MY COMMENTS:
I SUPPORT THAT WE PUT A TASK FORCE TOGETHER TO COUNTER THEIR EFFORTS.
INCLUDE ME FROM THE OEM SIDE. BEFORE WE HAVE A CONCRETE PLAN WE SHOULD KEEP
THESE THOUGHTS TO OURSELVES:
>From tonya Sat Apr 20 14:41:34 1991
To: billg bradsl joachink jonl mikelal paulma steveh
Cc: bobba tonya
Subject: IBM briefing

Date: Sat Apr 20 13:47:08 PDT 1991

by now most, if not all of you, have received summaries about the briefings so i won't cover this. if you want more info let me know. i will add a few other comments. IBM, basically jim c and joe g, were as rude as i've ever seen them toward MS. joe trashed WIO at lunch, i was sitting at his table. he said they had to make a deal with micrographx because the MS product wasn't any good. they both talked about IBM distributing and supporting OS/2 in spite of "another OS company's" unwillingness to do so. they gave absolutely no credit for MS' work on cruiser taking all the credit for themselves for this great new product. they took control of the product and are now solely responsible for its development. the slides talked about primary responsibility but jim and joe made it clear IBM was going it alone. i could go on. the point is, it is now undeniably clear that we have a major competitor in the OS business. this will have at least 2 major impacts on our business: (1) we need to rapidly build our support organization, even more quickly than we plan to. this is how IBM will beat us in the large accounts, they are already using this against us. this will be expensive, but i feel we need to do it.

WE ARE ACTUALLY IN MUCH BETTER SHAPE THAN WE WERE 12 MONTH AGO BUT YOU ARE RIGHT IT MIGHT NOT BE ENOUGH.

(2) our revs/margins in the OEM biz will decrease.

DECREASE IN MARGIN ONLY IF PEOPLE VOTE TO BUY RETAIL OS/2 FROM IBM WHICH I DOUBT. ALL KEY OEMs ARE COMMITTED TO DOS 5.0 AND WIN 3.x FOR THE NEXT 2-3 YEARS. MOST OF THEM PER PROCESSOR or at least PER SYSTEM. THIS WILL GIVE US TIME TO RESPOND TECHNICALLY.

these are some thoughts from the flight home.

1) Clearly communicate our OS strategy and specifically tell OEMs, ISVs and customers what they should do. IBM's positioning of OS/2 2.0 as "better windows than windows" should make it clear...write for windows. we need to tell them our position about 2.0. ISVs were confused after yesterday. one told me, i developed for PM now i'm switching to windows but i'm afraid MS may switch back to PM because IBM is taking such a strong position. we have to be very clear with these people or we lose. IBM didn't aggressively push PM at the briefing. they have a tough line to walk and they know it. they WILL try to get people to write PM 16 apps today and 32 bit tomorrow. joe g talked about conversion centers where the ISVs can come to work with IBM technical people to convert their dos/win apps. we need to send out our message soon.

IF WE CAN HELP ISVs BETTER THAN IBM IT WILL MAKE ALL THE DIFFERENCE!

2) We need to decide how to position OS/2 2.0 vs windows. IBM made a very compelling case for 2.0. we can argue nothing has changed but it has. the price has dropped significantly and they are offering it as a no lose proposition since it has everything you are currently using and more. we know that this product is not what ibm is touting it as but the rest of the world doesn't and they are buying IBM's line. this may change once they actually get the product and start playing with it but we may lose a lot of people in the meantime. i don't think we need to worry about IBM doing a deal with DR DOS. they are positioning OS/2 as the OS of choice for the 90s pushing it across the midrange to the low end. this will be the last year they have any systems ship with the 286 chip including the PS/1. they really pushed this with the ISVs. the ISVs were impressed and wanted to know if IBM would work with them to

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help get OS/2 and their PM apps out by allowing them to bundle OS/2 with their apps at an attractive price.

IF IBM PAYS \$39 TO US THIS CAN'T BE DONE ATTRACTIVELY. ON THEIR OWN SYSTEMS THEY WILL SHOOT THEMSELVES IN THE FOOT

IBM said they were interested in pursuing this and any other ideas they had. this wasn't the whos who of ISVs but there was fairly good representation. i saw WP, AT, versant, ventura, spinnaker and cadre (i will get a more complete list from viktor). there were alot of cos i hadn't heard of especially AD/Cycle guys. we shouldn't underestimate IBM's ability to win the hearts and minds of these guys with their FUD. IBM will lie to these guys. they did yesterday. someone asked if they had pagemaker running in a VDM in real, standard or enhanced mode. lee said they didn't have to run it in enhance mode since OS/2 handled that for them but it was running in std mode. both bobmu and i had asked tommy about this and he definitely said they didn't have the win 3.1 DPMI code working yet. he was sitting with lee when the question was asked.

3) we should shut royc down immediately in a discrete way so we can use him to the extent he can be effective. but we should give him only info we absolutely have to and he shouldn't be involved in any of our key projects.

4) we should really push to have small swat teams to help ISVs do 32 bit win apps to counter IBM's PM offensive. we need to get as much info out on the win 32 spec as possible to ISVs and customers. IBM is really painting this as paperware and 2.0 as here and now.

5) we should discredit ibm's ability to do PC OSs. they are using their experience in mainframe/mini world as a real plus. we have to be careful how we do this but we should get the "facts" to our people in the field and at HQ who meet with customers, OEMs and ISVs.

LET A JOURNALIST WRITE AN ARTICLE HOW THEY HAVE FAILED OVER THE YEARS TO DELIVER ON TIME AT RIGHT PERFORMANCE. LET THEIR CUSTOMERS QUOTE ON THEIR PAST PERFORMANCE. THIS IS EASILY DONE!

6) we really need to build our support organization more rapidly. in the past the model has been that MS develops the product and IBM distributes and supports it with their customers. this model is broken. customers want to know how MS will support them. one fairly radical thought i had was to acquire someone like andersen consulting. i know there are cultural differences and other problems but thought i would throw it out. alternatively we could expand the relationship we already have with them to broaden the services we can offer customers and heighten their perception of us as a service provider. this is one of IBM's trump cards and we have to respond to it. bobmu probably has other interesting ideas along this line.

7) we need a spokesperson for our os strategy that can go head to head with joe g. he is single mindedly focused on making OS/2 succeed. in the process i really think he wants to take MS down a few notches. we need someone with this same level of attention. billy and steveb need to stay focused on the development of our products. bobmu and i think mikhail makes the most sense. he would work closely with russw and jonl but he would be the spokesman. his experience and credibility with large corporates will help immensely. this will be crucial up to and even after the time we get NT out at least for awhile.

8) we need to aggressively pursue oems with dos/windows bundle deals as a preemptive strike against ibm.

THIS REMAINS OUR MAIN GOAL!

we obviously need to carefully think thru the pricing. if they have per system deals with us on windows now they will be hard pressed to do deals with ibm on 2.0. ibm WILL bundle on their systems and they WILL try to get oems to bundle. this will be painful to us but we at least have the opportunity to recoup some of the lost revs thru win apps sales, ibm doesn't, at least today. ibm will have to pay us \$39/system if they bundle OS/2 with windows on OEMs systems (6% + 20% of SRP) and \$9 on their systems. this is whether or not we have delivered WABCC. i don't think they have figured this out yet based on the pricing they have supposedly offered compaq. we may want to consider a royalty free/cheap upgrade to 2.0 from win 3.0/3.1 if its as great as ibm says it is at running windows and the oems want it for their customers. this would help keep oems and customers from going to 1.3 today to get

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the free 2.0 upgrade.

9) we really have to hype the benefits of 3.1 to counter IBM's "better windows than windows" since they will be running 3.0 married up to the 3.1 DPMI code. i'm not saying add more features because we really need to have this product ship as close to when they ship 2.0 as possible. i assume we will have some apps available to show off OLE fairly soon after we ship 3.1.

LET US PUT ON A ROADSHOW AND EXPLAIN TO OEMS WHAT IS COMING AND WHY THEY MADE THE RIGHT DECISION. WE CAN KEEP THEM EXCITED!

i will schedule a viewing of lee's demo and bobmu will narrate. i also plan to invite russv and systems product marketing people. pls feel free to invite anybody else from your groups you think appropriate. i will also have distributed to all of you the handouts from the meeting on monday am.

we should have a meeting to decide exactly how we want to proceed on some/all of these/other issues. i will start to get one scheduled on your calendars unless i hear differently from you.