

Amy Johnstone (LCA)

From: Jim Allchin (Exchange)  
 Sent: Friday, December 20, 1996 8:50 AM  
 To: Paul Maritz  
 Subject: concerns for our future

 PLAINTIFF'S  
 EXHIBIT

2005

Gordon v. Microsoft

 GOVERNMENT  
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I said I would drop a note with some of my concerns...

1. Ensuring that we leverage Windows. I don't understand how IE is going to win. The current path is simply to copy everything that Netscape does packaging and product wise. Let's support IE as good as Navigator/Communicator. Who wins? The one with 80% market share. Maybe being free helps us, but once people are used to a product it is hard to change them. Consider Office. We are more expensive today and we're still winning. My conclusion is that we must leverage Windows more. Treating IE as just an add-on to Windows which is cross-platform losing our biggest advantage - Windows marketshare. We should dedicate a cross group team to come up with ways to leverage Windows technically more. We need to advantage Windows - more specifically Memphis/NT 5. I'm not saying we shouldn't move IE to other platforms. It's just that we should be selling Windows as the primary platform and IE is a cross platform subset to help out customers. We should think first about an integrated solution - that is our strength.

2. Making money on Windows. Where are we going to make our money? We are on a path to have IE plus packs at about the same time as Memphis and Windows RUP packages. Why are we doing this? I'm being simplistic, but I think our money should come from Office and Windows. It is very hard to get sufficient momentum in the retail channel. We simply won't be successful pushing two things in the channel at around the same price. What is a customer going to choose? The field thinks we are crazy. The PR groups thinks we are crazy. I think we are crazy. Customers will be so confused about what packages they should buy. We need to put all our effort behind one direction. Our strength is Windows, let's not get confused.

3. Suite packages. This is totally within my control and I think we are making progress on it, but we must close this issue. It isn't good enough to just do what marketing wants to do though. We need a plan that can be efficiently implemented by dev/test/ua/etc. This is a top priority for Bobmu. This is extremely complicated as we try to do an OR problem on minimizing SKUs, maximizing brand recognition, maximizing revenue, and minimizing development work.

4. Server pricing model. Again totally within my control. I have IQ applied to this. There are many dimensions to the problem. However, the key is pricing to value. Facets include CAL vs. non CAL, splitting vs. non-splitting, enterprise vs. standard editions, etc. People are thinking creatively here. For example, yesterday Meganb proposed that we charge a % based on the hardware price of the server. The key is ensuring we have volume pricing at the low end while still getting serious bucks at the enterprise level. I am hard core to make more money at the enterprise level this next fiscal year. NT\$ will come about for example.

5. Piracy. I am a huge believer we can solve this problem. I know how to stop it technically and process wise. I am going to get more focus on it. The benefit to the company would be great. We can spend more time on this if you want. We should all think harder about this area since for businesses like Windows and Office, it is a huge opportunity.

6. Simplicity. I am continuing to allocate more and more bodies to this effort and I continue to lecture about the importance of this. We have to get hardcore everywhere. This is a lot more than TOC. It is about making the system foolproof and resilient to errors, removing options, etc. We are making progress in this area, but we must make a lot more. This should be across the whole company.

7. TCO. I'm on this one. Nothing more to say.

8. Storage. Lots more work to do here. Bob and I have discussed this. More later.

I have to go to the dentist... I may get time to send more later....

jim

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