From: Paul Maritz
Sent: Monday, March 24, 1997 9:09 AM
To: Jim Allchin (Exchange)
Subject: FW: Marketing against Network computers

PENGAD-Bayonne, N.J.
GOVERNMENT EXHIBIT
356

FYI: Object embedding below failed?

-----Original Message-----
From: Jim Allchin (Exchange)
Sent: Monday, March 24, 1997 9:03 AM
To: Paul Maritz; Bill Gates
Cc: Rich Tong; Brad Silverberg; Mich Mathews; Steve Ballmer; Jeff Raikes; Jonathan Roberts
Subject: RE: Marketing against Network computers

I think this is a great idea. I think broad visibility is required at the *company* level. I don't think an individual product group can compete with the noise they are generating.

As a separate point... Bill, there is a lot more happening than we are educating you about. If you can handle the additional mail flow, you might want to add yourself to NCSQUAD (or maybe have aaronco join it). There is a lot of good information on that alias. We have several people now in program management just tearing apart NCs. Having the machines in house now is teaching us quite a lot about their weaknesses. When they were just vapor it was much harder to compete against them. Jonro has some mail that rich/he/I worked on that should be sent today to update you on some marketing things.

I am positive that we must do a direct attack on SUN (and probably Oracle). I think we have to do this because we are just letting them grow their war chest. Between ourselves and our partners, we can significantly hurt their (certainly SUN's) revenue base. Yet, we are very silent. We are not getting the visibility that is required. I have talked to Compaq and HP about SUN and I know we can leverage them much more than we are today. We need to get Intel to help us. Today, they are not.

ATTORNEYS ONLY

Below are a couple of pieces of mail that may be of interest to you.

W: Sun Microsystem (Reuters... Meetings with Fortune yesterda...

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Regarding the name for the CODA technology -- you are correct, we don't have a name for this technology yet. Rich and others are thinking about this. However, I think we need to decide how broad a term we want to use. Does it cover just persistent caching? A more powerful software management technology? A new ingredient in Windows that makes Windows simpler? How do we get the concept of good mobile included? etc. Regarding our overall technology (ZAW) and what we are doing, there is another review with you on Friday where we will update you on where we are. Constant progress is being made.

Here's how I summarize things. The entire PC model is being attacked. It is being attacked because we have real sins (complexity and cost) and given that the alternative is not real, they claim the alternative (NC/Java) has no sins and by omission has all the benefits. We must do 3 things. The first two things deal with acknowledging each sin individually and showing how we are fixing them (while still keeping our benefits). The last thing we must do is to show the lies made by our competition and the incompleteness of their model.

For simplicity... One (random?) idea/hook that might be able to be used deals with the current popularity of the "Simplicity" movement. I'm sure you've seen all the books, talk shows, etc. on "Getting to the basics", "Simplify your life", etc. I wonder if we couldn't ride on this concept for what we are trying to do with PCs. We could just ride this wave. Certainly, I think the average person thinks PCs are too hard. We should say "that's right, and we're going to simplify your life. The New Simple PC -- made for everyone." We should leverage hardware improvements in this message as well. We can then talk about some of the technology we are using to simplify things (e.g., easy networking, new transparent application installer, hiding system files, simpler UI, etc.). We would need better terms for these, but great demos would work the best. I can imagine Bill on TV, etc. describing this "Simplify your life" campaign.

For cost....we should just explain the technology we are using (e.g., OS remote boot, auto-update OS, lock down,

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code download manager, peristent caching, etc.). We would drive this as a corporate message. "All the benefits of a personal computer with the benefits of central control/management."

For highlighting the lies of the competition... I believe we need to do some shootouts with NCs. Given we have very small java apps that will crash them (hard reboot required), the complexity of administration, differences between each vendor's client and server, etc. we should be able to hammer them. I think the Java movement is much harder to stop. We can bury NCs though. We can sandwich NCs price-wise between a Windows terminal (Hydra) and the NetPC and show they have huge weaknesses of poor compatibility, additional management costs, etc. Finally, as I mentioned above, I think we HAVE to attack SUN (and Oracle). We need to do this at a company level. I just saw a billboard! from SUN in downtown Seattle over the weekend. SUN has a huge presence that we must stop.

jim

From: Bill Gates
Sent: Sunday, March 23, 1997 9:35 PM
To: Paul Maritz
Cc: Rich Tong; Jim Allchin (Exchange); Brad Silverberg; Mich Mathews; Steve Ballmer; Jeff Raikes
Subject: Marketing against Network computers

I think we need to do a major high profile invent where I talk about PCs versus Network computers. I think we need to meet to discuss this and see if someone in the product groups is interested in helping me on this. I see this as far more important than adding a lot more heads or running a lo more ads.

I have been thinking a lot about this and have a lot of good ideas. I am thinking of something where I get up and give a talk using some slides and some videos and it gets turned into a videotape that we distribute very broadly.

I don't think we are going to succeed in competing with Network computers just by adding more people in our marketing groups.

We need a clear message and I think my doing an event is our best chance of making that happen.

The key points I have NOT seen articulated at all well in Microsoft material.

I am a little unclear on how much of a direct "attack" on SUN or Oracle to make this. The goal is to change the dialog.

I am unclear about what audience and how big. I am unclear about how to involve partners.

I think we need to pick a date and a framework for this very soon in order to be able to do it by June.

Some elements I want to include:

1. Openness is a great thing. Low prices are a great thing. Explain how the PC industry created the openness in a much strong way that UNIX did. Talk about PC pricing/competition versus UNIX and user benefits. Have some customers comment about how they can switch PC vendors but not UNIX vendors as easily. Have a Mcnealy piece saying how great openness is. Explain the magnitude of the Wndows royalty and what users get for that. Perhaps contrast JAVA openness.

2. Thin clients. Explain about a Hydra type client - show the board. Explain that it doesn't have to change over time and that it is the only true thin client. Explain about clients that include Browsers and the JAVA OS. Talk about browser browth into the future. Talk about JAVA runtime growth.

3. Costs. Talk about network overload and server overload. Have several customers who tried out Network computers and found these were a big problem (apparently boeing tried to use some in its training center and had this problem). Do a Mea Culpa for us and explain what we are doing. I need to be able to talk about our "Coda work" - of course no mail talking about what we call this and how we talk about has been sent to me. Ideally have some consultants endorse our approach - ideally Garter.

4. Development. Remind people they don't want to rewrite all their applications. Dimensionalize the amount of VB, and C development there is. Talk about embracing JAVA in a common model.

5. Benefit. Talk about the empowerment of the PC. Contrast with Mcnealy view that PCs are bad. Talk about the flexibility. Portability. Have some users talk about what they do with their PC.