1

Key Near/Medium Challenges

- New platform challenge - Navigator, Java, & NC
- Differentiating our products through customer value
- Growing revenues

2.

Sub Challenges

- What is our cross platform position:
  - Office apps
  - IE & tools runtime
- Delivering on home/consumer OS improvements
- Non-PC challenges:
  - Web TV strategy
  - WinCE
    - avoiding HPC excess expectations
    - keeping consumer electronics mindshare

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Key Platform Challenge

- Navigator/NetOne provides new API set
  - in near/medium term, Navigator provides the volume platform for ISVs & Corps to target
- Sun AWT provides additional API's
- NC
  - provides additional instance of platform
- A standard Java runtime emerges as key platform for ISVs & Corps

Responses: increase IE share

- Situation:
  - approx 15-20% market share, most of it on W95 platform
- Key strategies in place:
  - Competitive product:
    - IE3 good, but missing Mac, W3.1 (being filled in next 2 months), UNIX splipping
  - Differentiate thru Windows integration: IE4 late
  - Get Websites to target:
    - Sitebuilders/logo program starting to work
    - little compelling unique content, MSN exception
  - Content offers (WSJ, ESPN):
    - good (250K sign ups, logo on sites), but not decisive

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Responses: increase IE share

- Key strategies, contd.:
  - Channels:
    - ISP's: have signed most up, but conversion only starting to happen:
      - AOL 650K downloads to date
      - predict 5m users by 3/97
    - OEM: missed June deadline, OSR2 not shipping on majority of machines yet
    - Corporate: mixed results
      - still large Nscp momentum
      - threat from Communicator

6.

IE share issues

- Converting existing Nscp users
  - ISP bounty program
  - what is the compelling reason for W32 users?
- Shipping IE4
  - Does it go into next W95 release?
- Corporate share:
  - IE4 benefit
  - Communicator response
    - how to position combination of IE & Outlook as response
    - how to actually manage future evolution of IE & Outlook
    - how to use / position "Web connector" feature of Exch 5.0
  - Renewed major corporate campaign?

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IE share issues

- Support from ISP's & Web sites
  - Active Desktop support from content providers:
    - does it generate unique content?
    - Exclusivity arrangements
- Getting hosting partners using NT/BackOffice/Normandy/Merchant
  - does MS need to fund in some way?

8.

Java runtime as a Platform

- Key strategy:
  - Keep (extended) HTML as the lingua franca of the broad Web
    - keep Web content people viewing HTML (plus scripts) as safest LCD
  - Java:
    - Offer "standard" Java runtime to be competitive,
      - basically redistribute whatever Sun gives us in near term
    - Expose as much of Windows as we can to Java developers via extensions to AWT
    - Ship the best Java RAD tool(s)
      - with extensions to language where we can

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9.

Java Issues

- IE share
- Getting extended runtime & RAD tools shipped
- Mac/Unix support for IE & extended HTML (Trident)
- Getting our VM/runtime to work with Navigator
- Relationship with Sun
- "HTML as LCD" impacts strategy to position Outlook as client for collaboration:
  - ie. safest way to develop forms/groupware is to do it as Exchange server side script ?

10.

TCO/Simplicity & NC

- ZAW / NetPC is our platform response
- Issues:
  - Delivering on ZAW
  - ZAW is delivered on NT5.0
    - requires upgrade first
    - lack of Win95 story
  - NetPC:
    - possible divergence of objectives with Intel/OEMs
  - Applications participation
  - Field still not in position to effectively articulate/sell

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→ Bidden - Windows ↓ TOC

Delivering on customer value - challenges

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- How does MS help me better lower costs and improve deliver business solutions?
  - Why use:
    - Windows vs. Java RT/NC
    - NTS vs. UNIX
    - BackOffice vs. IBM/Oracle/Nscp
    - Office vs. Browser/Email/Java, Corel, Communicator, Notes
  - Why give up "cross-platform"
    - on server mainly
  - Why is whole greater than sum of parts
  - What to do - which MS products/tools to use, when.

Make Windows better

12.

- Make Windows better than combination of Windows + Browser for end-user & developer
  - need storage strategy - client & server
  - need multimedia / (inter)personal communications strategy
  - need unified paradigm for UI
- Issue:
  - lack of client / server storage strategy
  - multimedia strategy needs work
  - UI unficaition late / danger of ceding to Nscp

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13.

Enabling business value

- Make it easier to automate business processes:
  - common infrastructure for email, groupware, workflow, Internet, custom & ISV client-server apps
    - BackOffice is platform, not just a collection of apps
      - Integrated storage, scripting, transactions, security, query, linking, navigation, indexing, etc.
  - Intranet++ features:
    - better link handling, collection handling, etc.
  - Office as customizable, end-user front-end & authoring environment
  - Seamless integration with Internet as network
    - networking
    - security

14.

Issues

- current products confusing:
  - overlap
  - products not suitable
- only partial strategy in place to remedy above
- how to balance with other priorities:
    - overall bandwidth
    - competing in category
- no "thought" leadership / articulation

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15.

Office Value Issues

- Problems:
  - "Forest and Trees", customer excitement problem
  - Client resource requirements (for upgrades)
- Is Office best client for:
  - Email/Web-based communication/collaboration
  - Data-analysis, report generation
  - Workflow
  - Document Management
- Relationship of Office to IE:
  - technical
  - business
- Relationship of Office to BackOffice

16.

Growing Revenues

- Increasing net yield per PC for Windows
- Increasing yield per server sale
- Office/Apps:
  - Sustaining yield per business PC
  - Increasing yield per home PC

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17.

Increasing yield per PC

- Shifting mix to NT-based products:
  - what is NT-C and what is price (ie Win99)?
- Going to great annuity yield:
  - use elements of ZAW as feature only available as with purchase of maintenance?

18.

Increasing yield per server - issues

- BackOffice as "platform" vs. lots of products
  - how to package/price Normandy, Transactions, etc.
- Oppty for specific customer configurations:
  - small business
  - intranet
- Strategy for server scalability
  - how to price for high-end servers
  - need CAL strategy for case of non-persistent connections

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19.

Office/Apps revenue issues

- Avoid losing the "anchor tenant"
  - relationship of Word/Outlook to "free" Email/Web client
    - business
    - technical
- Getting upgrades:
  - TCO
  - resources
  - compelling value
- Increasing per PC yield in Home PC's
  - what is our strategy
  - how to avoid cannibalizing business sales

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