From: Bill Koszewski
Sent: Wednesday, May 27, 1998 10:08 AM
To: Yusuf Mehdi
Cc: Christophe Daligault
Subject: FW: URGENT Heads Up: OEMs and Referral Server

We were end-run on this and I escalated as soon as I found out about it. Since Brad set up the original business offer with Joachim, I took it to him once I had discussed with Carl and Kurt. Most of those conversations were offline, but this mail is representative. Kurt and Carl both agree with my points: this is all Joachim.

OEMs & Referral Server

Thought more about the technical scenario: OEMs can not change the behavior of the "Connect to the Internet" icon. If the user successfully signs up during the boot sequence, they can delete it from the desktop and put an "Internet" icon in it's place (this is what the ICW does). If the user cancels out of the Gateway Internet signup, the ICW must still run and the Connect icon must still appear on the desktop.

So, Gateway gets one shot at their thing during the first boot sequence. After that, their signup app is accessible via their own icon on the desktop.

---Original Message---
From: Brad Chase
Sent: Tuesday, May 12, 1998 5:39 PM
To: Bill Koszewski
Cc: Christoone Daligault; Rodney Vieira
Subject: RE: URGENT Heads Up: OEMs and Referral Server

i sent joachim mail

---Original Message---
From: Bill Koszewski
Sent: Tuesday, May 12, 1998 2:09 PM
To: Brad Chase
Cc: Christoone Daligault; Nancy Malm
Subject: URGENT Heads Up: OEMs and Referral Server
Importance: High

[Brad - this mail supercedes the printed one I left with Nancy.]

Heads up -- Joachim has apparently made the decision to let Packard Bell and Gateway (along with Compaq) opt out of the Referral Server infrastructure in Windows 98. We're headed down the slippery slope with the rest of the OEMs, too.

This morning, Dan Bourgoin and I met with Pete Peter from the OEM division where we got a draft letter outlining the deal (I left this with Nancy, see the second page). OEMs will be able to insert their own ISP signup solution in the first boot sequence, before the Windows welcome screen.

The scenario is much like the 3rd party registration solution, except that there is no "authorized registration center" umbrella over the program. OEMs can do their own thing. If the OEM's signup is successful, Internet Connection Wizard never executes. If the OEM's signup fails, the user is taken through the ICW as part of Windows Welcome. All the ICW code remains on the machine.

This morning's meeting was the first I'd heard of this: Joachim just made the decision, but I understand he has already told the customers. I wanted to make all of you aware of this as well.

Naturally I'm very concerned, and have expressed this to CarlG and KurtK. This undermines a key Windows 98 value proposition (easy, consistent Internet signup), handicaps our efforts to offer value to ISPs, changes our strategy of building a consistent Internet signup platform, and also calls our resource investments in ICW and Referral Server into question (why build it and launch it if >50% of new PC end users never see it? Why not put money/people into more relevant things?).

Joachim thinks that this cave-in is a way of avoiding a sideshow.

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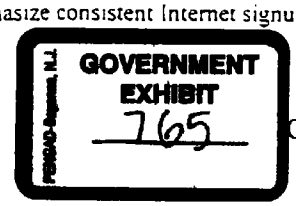
Carl, Kurt, Bill Veghte, and Moshe all agree with me on this. You need to talk to Joachim immediately. Otherwise this is going to be a done deal. Three things to discuss:

- Get Joachim to clarify why he did this. What's in his head?
- Are there any alternatives to this proposal?
- If he did make a firm commitment, we should have a plan to re-emphasize consistent Internet signup in the next MDA -- and



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make OEMs aware of this intent now.

I am around (x67620) to discuss if you need me. I discussed with Christophe and he knows the details too.

Bill

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From: Bill Koszewski
Sent: Tuesday, May 12, 1998 9:47 AM
To: Carl Gulledge; Kurt Kolb
Cc: Pete Peter; Daniel Bourgoin
Subject: OEMs & Referral Server

Importance: High

Carl & Kurt -- I just tried calling each of you, but no answer.

Pete met with Dan and me just now to update us on the new referral terms for Packard Bell and Gateway. I must say I am surprised. Considering all the time and effort put into the Referral Server business by us, our execs, and our salespeople -- to say nothing of the product development team -- I am having a little trouble understanding why we'd cave in like this without at least a discussion.

Four major concerns come immediately to mind. In stack-rank order:

- **This impacts the Windows product.** A key goal of Windows 98 is to provide an easy, consistent way to get on the Internet. We were planning to market this feature extensively, since Internet access is *the* big PC selling point nowadays. But, you propose to let OEMs replace this part of the product with something of their own design. This effectively neuters our "get connected easily" selling proposition since the feature will be different on every machine.
- **Selling Proposition to ISPs.** Cam's job will be essentially impossible under this new model. GW, PB, and CPQ represent at least 1/2 of all end user PC sales, yet all three of them will bypass our referral server. Given this fact and the history of the program, it will be hard for ISPs to see our side of this business deal. We're not in a position to deliver significant value any longer. ISPs don't even have the incentive to support the Microsoft referral *platform* (leaving aside our business terms), since the big OEMs won't be using it.
- **Long-term strategy and BillG.** I think we're all familiar with BillG's feedback on the original Compaq deal. This proposal effectively extends that deal to all OEMs, and effectively compromises our strategy of building an Internet-signup platform that can be used for lots of things (see my previous point). This is a real course-change and I worry that it may be a strategic error for the company and that Bill will have bad feedback.
- **Microsoft resource allocation.** If it really and truly is the case that OEMs will not accept a Microsoft Internet signup platform solution, or that the issue is too politically sensitive to execute against at the present time, we've got people working on the wrong things. Why are we building (in both a business and development sense) a system that no one will use? We should reallocate the salesperson, development, and marketing effort and money to more productive projects, if we feel that the Referral Server is not workable at the present time.

Finally, I greatly respect the OEM's feedback and the OEM Division's efforts to do the right things for our customers. However, this type of change is something that *really must* be discussed with the product group before being pitched to customers. You've essentially changed Windows, and that is going to have ripple effects throughout our business (end user marketing, PR, ISP marketing, etc.). BradC and BillV/MosheD need to weigh in on this.

I will give these guys a brief heads-up (not a copy of this mail) now and point them at you for questions.

Bill

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