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Microsoft Memo

TO: Russ Werner
FROM: Mark Chestnut *MC*
SUBJECT: Status Report for April, 1989
DATE: 5/22/89

The following summarizes major product marketing activities this past month. A summary of the current status of DOS group projects is also attached.

ROM DOS

This was a great month for ROM DOS, as two very high volume potential OEMs who were on the verge of signing with DRI both committed to MS ROM DOS. Vendex/Headstart, which is launching a very low cost 8088 machine for distribution through the mass merchant channel, committed to 250K units of ROM DOS and \$1 million for the first year. Emerson, which is introducing a full line of low cost PC's (8088, 286 and 386SX), also for distribution through mass merchants, also committed to 250K units and \$1.75 million for the first year.

Both Vendex and Emerson were planning to sign with DRI because it did not appear that we could deliver ROM DOS in the very short term, which is when they needed it. Closure of both of these deals was made possible by our decision to do a ROM copy version of DOS 3.31 with large disk partition support, for shipment by the end of this month. Thanks to Tom Lennon and the entire DOS team for moving very quickly and making it possible for us to get this business.

Good progress was also made in getting Intel to move closer to licensing ROM DOS for their Wildcard product. I told Intel about our short term plans for ROM copy DOS, and they have agreed to reference sell this with the Wildcard for the time being. Once we have our ROM executable version done, indications are that they will license this from us and distribute it with the Wildcard.

Philba, Tomle and I also had a meeting with Bruce McCormick, Intel's marketing guy for Flash EPROM. Intel is really pushing their FEPROM technology (they claim to be 2 years ahead of the Japanese), and are actively trying to get OEM design-ins. A big plus for them towards this end is support in DOS for FEPROM - which we happen to be working on and will have completed in a couple of months. Intel is very interested in doing some type of joint PR announcing the availability of the FEPROM file system for DOS from MS and Intel's next generation of FEPROM products (target: late summer timeframe). I proposed that, at the same time, we announce our ROM executable DOS and that Intel is licensing it and distributing with the Wildcard. Intel is very receptive to this. I will be taking Rich Freedman (our summer intern who will focus on the embedded market) to meet with Intel in early June to discuss this further. Getting Intel to license ROM DOS for the Wildcard would be a big win, and the joint PR could give us a great head start in attacking the embedded market.

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RUP

The RUP plan was revised this month so that some additional utilities could be added. Final release is now targeted for Sept. 30. We have looked closely at several utilities and feel at this point that we can probably include the following in time for a 9/30 release:

- 1) QuickHelp
- 2) command line editor
- 3) undelete command
- 4) EMM386 with "loadhigh" option

We also looked very closely at doing "Extended Where", a Magellan-type disk organizer that would be integrated with the shell. It would also have an extensible architecture that would allow for ISV's to easily develop "viewers" (ability to view the files created in a specific application in native form) for their applications. This would be a major advantage over Magellan, which is a closed system (Lotus has to develop the viewers for each application that Magellan supports, resulting in limited app support). We ultimately concluded that we can't do Extended Where for a 9/30 release, but we'll continue to work on it for RUP version 2.

There are some issues with the RUP which need to be resolved. They include:

- 1) 3rd party peripheral support. There are concerns about our ability to support weird mass storage devices, WORM drives, etc.
- 2) OEM support. We are currently lacking cooperation from NEC and Toshiba, which represent several hundred thousand machines in the U.S.
- 3) Cost to support the product through PSS.

We will be putting together a plan to address the above and will present this along with our recommendations to Steveb on 5/25.

DOS/Win

The DOS group's action items from the last IBM DOS/Win meeting have been completed, and IBM is working towards presenting a plan for DOS/Win to Hanrahan on 6/7. Tomle is coordinating our end of this and is working on a plan designed to gain MS development control over the DOS portion of DOS/Win.

DOS 4.01

DOS 4.01 continues to gain momentum, as several more OEMs began shipping DOS 4.01 in April. The list of OEMs currently shipping now includes:

Compaq
Unisys
Olivetti
Siemens
Amstrad
Intel
Dell
Compuadd
Phoenix

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Another big boost to DOS 4.01 momentum will come in the first part of June, when we expect to issue a "DOS 4 works great with networks" press release. The release will announce 3 COM's shipment of the 3+ redirector that works with DOS 4, and will also include favorable statements from Novell and Banyan that their products work fine with DOS 4, etc. All three companies have agreed to participate, and I will be working with Marianne Allison to get this thing finalized over the next couple of weeks.

DRI Competitive Response

The first MS product with the non-tested DOS warning code, Quick Pascal, was released. Tom Reeve and Cindy Kasin have committed to implementing it in all new MS application and language releases from this point forward, including international.

I am also planning to hire an independent DOS guru to do an in-depth comparative analysis of MS vs. DR DOS, with the idea of somehow making those results available to the press. This could be useful ammunition to have against DRI, and will be of value even if we choose not to make it public. I approached Ray Duncan about doing this, but he finally said "no thanks", so I am now talking to Rick Wilton, another DOS guru who writes for MS Press.

DOS Royalty and Packaged Product Business

DOS OEM Royalty, Domestic and International

Royalty business continues to be very strong, with both domestic and international OEM well above budgeted unit shipments for the year (see attached spreadsheet and charts). Domestic revenue is only 92% of budget, however, primarily due to the effect of several OEMs having prepaid balances (meaning that they previously paid royalties on units shipped this year, which explains why units shipped exceeds revenue recognized for the year).

International royalty revenue is 174% of budget, so overall DOS royalty revenue is \$19 million ahead of budget year to date.

DOS Packaged Product, Domestic and International

Domestic packaged product shipments continue their upward trend - April was the best month this year with over 22K units shipped. International packaged product shipments were down in April.

Both domestic and international packaged product shipments for April show an increase in DOS 3.3 shipments relative to DOS 4.01 shipments. This is because DOS 4.01 shipments were temporarily suspended in April until the Amstrad bug was fixed and all inventory re-worked. I therefore expect DOS 4.01 shipments to continue to increase relative to 3.3, as was the trend in the months prior to April.

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Performance Against April Objectives

1. Get commitment from Vendex to license ROM DOS

Done.

2. Get commitment from Emerson to license ROM DOS

Done.

3. Finalize plans for utilities, online doc, etc. to be included in RUP

Progress.

4. Set up European trip with MS subs, get all info needed for RUP support of European OEMs.

Turned over to Tomle.

5. Reach agreement with IBM on functional spec and plan for 6/90 seamless product

Progress.

6. Finalize ROM DOS business plan

Done.

May/June Objectives

1. Finalize and issue "DOS 4 works great with networks" press release

2. Finalize plans for utilities, online doc, etc. to be included in RUP

3. Ship ROM DOS 1.0

4. Get closure on Intel licensing ROM DOS for distribution with Wildcard

5. Bring Rich Freedman on board, get him going on embedded market analysis

6. Get closure with DOS guru on MS/DR DOS comparative study

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MS-005 Year-to- Budget vs Actual

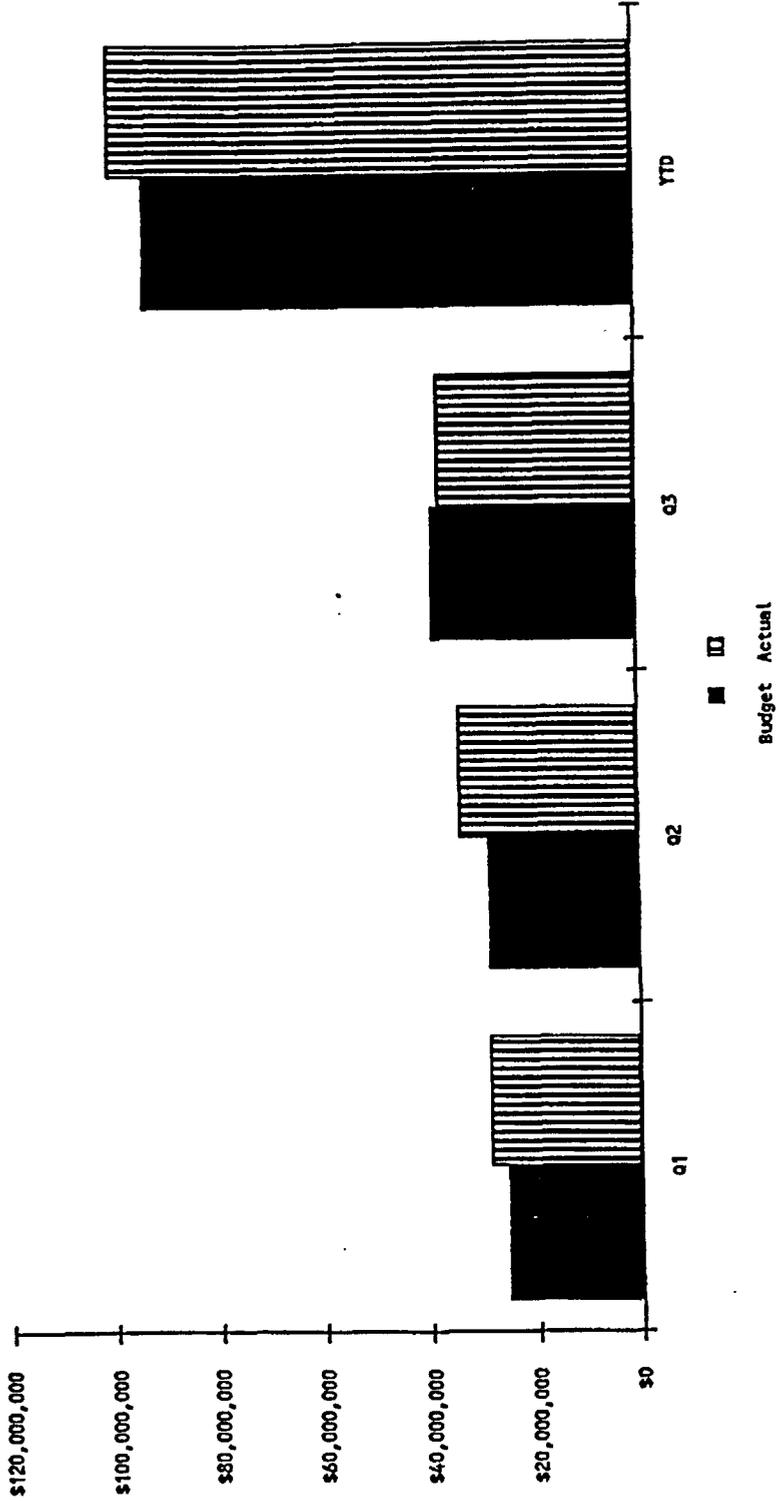
Domestic OEM, Royalty		Q1 Actual		Q2 Budget		Q2 Actual		Q3 Budget		Q3 Actual		YTD Budget		YTD Actual	
	91% Budget		159%		101%		113%		139%		80%		139%		134%
Units	484,200	769,800	726,700	817,900	760,900	1,054,300	1,977,800	2,642,000	1,977,800	2,642,000	1,977,800	1,977,800	1,977,800	2,642,000	134%
Revenue	\$12,858,000	\$12,958,000	\$14,184,000	\$14,337,000	\$20,721,000	\$16,638,000	\$47,763,000	\$43,933,000	\$47,763,000	\$43,933,000	\$47,763,000	\$47,763,000	\$47,763,000	\$43,933,000	92%
Domestic OEM, Packaged Product		Q1 Actual		Q2 Budget		Q2 Actual		Q3 Budget		Q3 Actual		YTD Budget		YTD Actual	
Units	35,200	8,704	46,100	23,200	40,300	52,024	121,600	83,928	121,600	83,928	121,600	121,600	83,928	69%	
Revenue	\$2,146,000	\$543,000	\$2,812,000	\$1,456,000	\$2,457,000	\$2,643,000	\$7,415,000	\$4,642,000	\$7,415,000	\$4,642,000	\$7,415,000	\$7,415,000	\$4,642,000	63%	
International OEM, Royalty		Q1 Actual		Q2 Budget		Q2 Actual		Q3 Budget		Q3 Actual		YTD Budget		YTD Actual	
Units	595,600	1,191,100	636,500	\$1,217,000	778,500	1,422,400	2,010,600	3,830,500	2,010,600	3,830,500	2,010,600	2,010,600	3,830,500	191%	
Revenue	\$12,845,000	\$15,613,000	\$14,506,000	\$19,613,000	\$18,264,000	\$20,933,000	\$32,326,000	\$56,159,000	\$32,326,000	\$56,159,000	\$32,326,000	\$32,326,000	\$56,159,000	174%	
Int'l OEM, Packaged Product		Q1 Actual		Q2 Budget		Q2 Actual		Q3 Budget		Q3 Actual		YTD Budget		YTD Actual	
Units	17,285	14,503	23,645	27,112	24,249	30,369	68,646	71,984	68,646	71,984	68,646	68,646	71,984	105%	
Revenue	\$1,420,436	\$953,224	\$1,949,640	\$1,937,190	\$2,013,299	\$2,126,057	\$5,383,375	\$5,016,471	\$5,383,375	\$5,016,471	\$5,383,375	\$5,383,375	\$5,016,471	93%	

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Worldwide DOS OEM Royalty Revenue, FY 89 Actual vs Budget

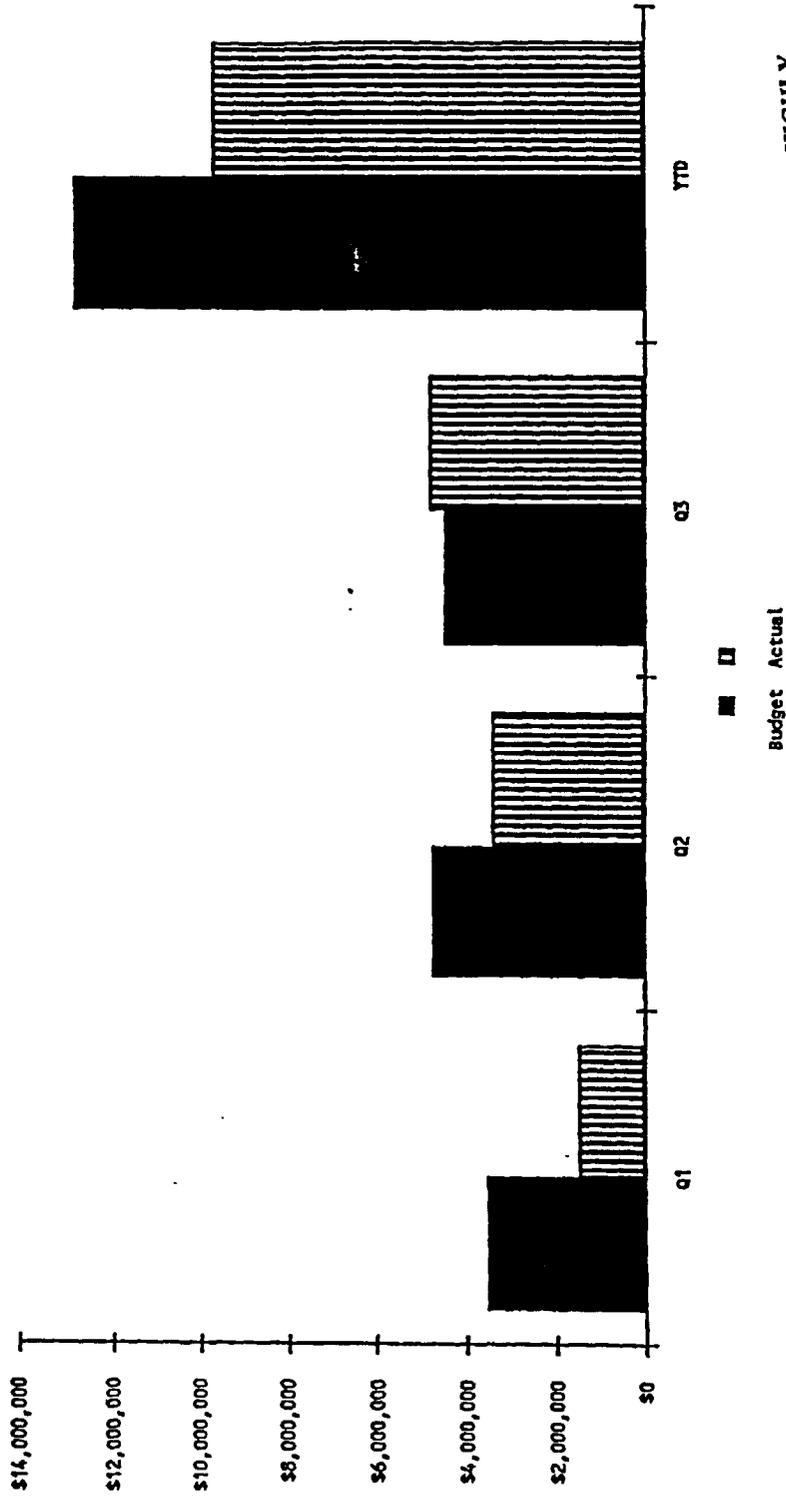


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Worldwide DOS DEN Packaged Product Revenue, FY 89 Actual vs Budget

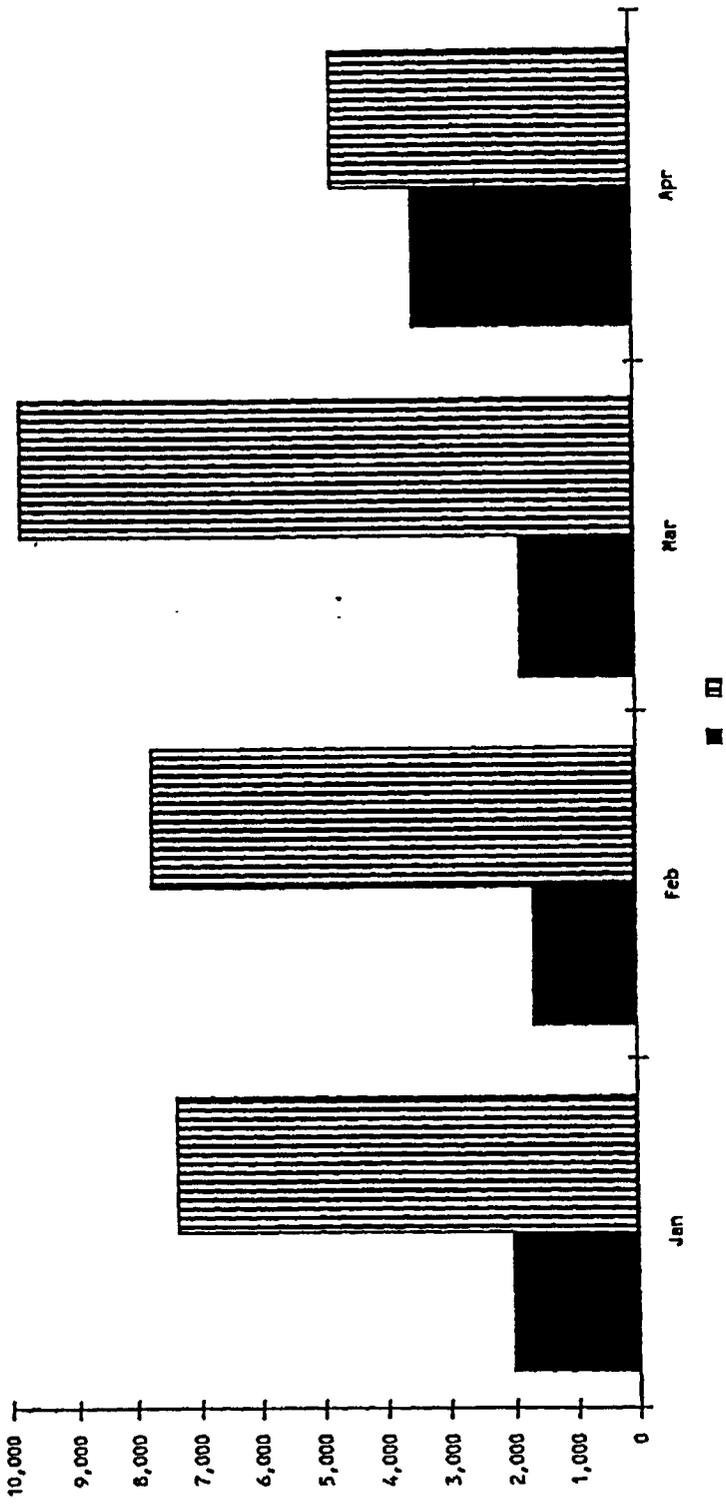


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International DOS Packaged Product Units Shipped

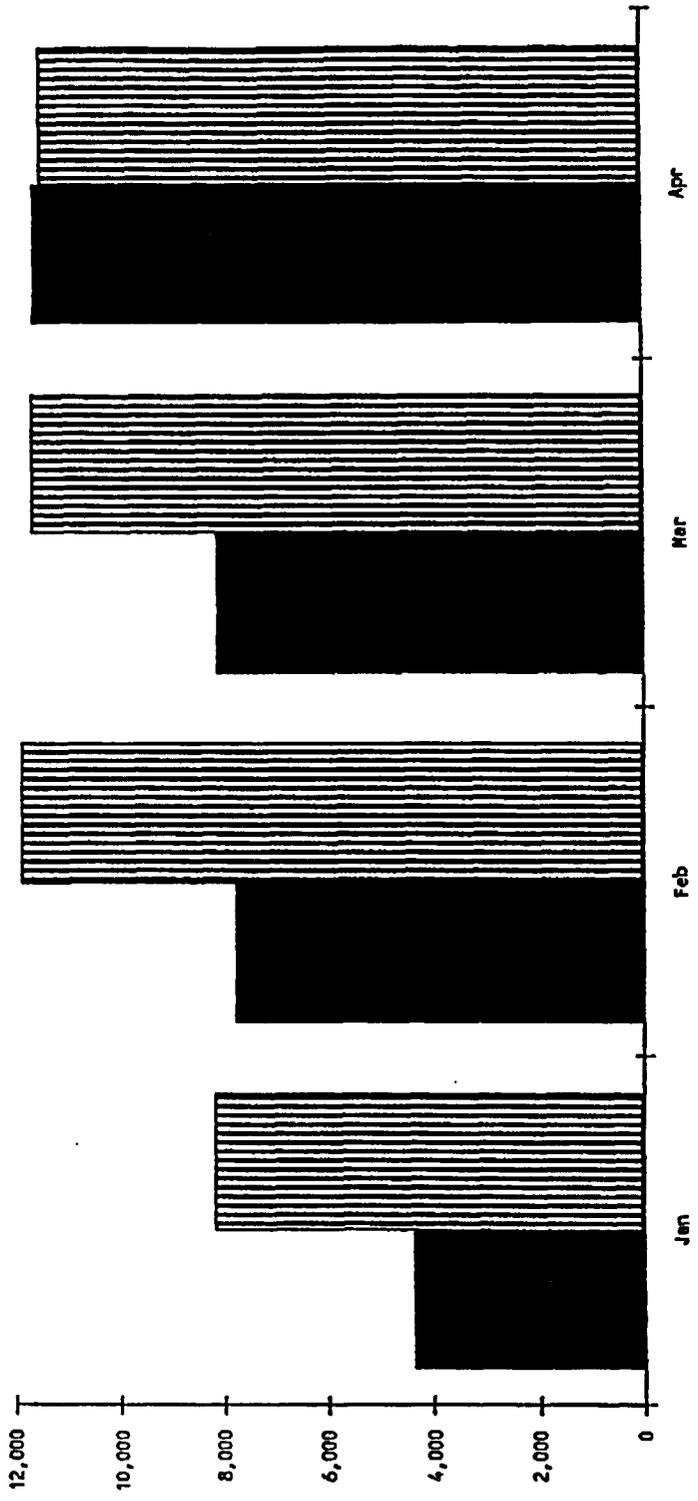


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Domestic DOS Packaged Product Units Shipped



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DOS Group Projects

5/22/89

<u>Project</u>	<u>Status</u>	<u>Major Issues</u>
1. ROM DOS	- Development on schedule for July release - FEPR0M development on schedule - Vendex, Emerson deals closed - Business plan complete	- Need to do 3.31 level ROM executable
2. RUP	- Steveb meeting 5/25 to finalize utilities, etc. - Development finishing sizing of utilities - European status: some OEMs have agreed to cooperate, others needed - Corpcomm communications plan complete - Marketing Plan complete - Initial BOM complete	- Need to plan European OEM trip for June - PSS support issues - Wang, Zenith issues
3. DOS/Win Merge	- DOS group action items complete - IBM presenting to Hanrahan 6/7	- Externals group work items not complete
4. Non MS/PC DOS warning code	- Code complete and fully tested - Code shipping with QuickPascal - Apps, languages, int'l program mgrs. have committed to incorporating into all MS products from this point on	
6. Packaged Product-	packaging to be changed in June to reduce COGS by ~\$3 (GW Basic manual to be removed)	
7. DOS 4 Maint.	- no resources to address other reported bugs currently assigned	- Several potentially severe bugs need attention
8. LIM Issues	- MS involvement in Quarterdeck response complete - Awaiting Intel proposal for LIM 4.1	

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