Microsoft Platform Group Opportunities & Challenges for FY'97
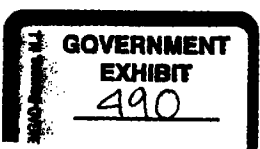
Paul Maritz
Group VP, Platforms Group

Platforms in FY'97 - goals

◆ Overcome the greatest challenge ever to our market position
  ➢ The Internet/Intranet
  ➢ Turn it to our advantage

◆ Add $1+B in revenue in FY'97
  ➢ $0.5+B in Windows
  ➢ $0.5+B in BackOffice

◆ Lay the foundation to grow Platforms to "$10B" by year 2000
  ➢ Windows growth & price
  ➢ BackOffice share gain & growth

Three Key
Challenges/Opportunities

◆ **The Internet/Intranet**

   ➢ strategic

◆ **Windows Desktop**

   ➢ strategic & revenue (mainly OEM)

◆ **Windows NT Server & BackOffice**

   ➢ strategic & revenue

The Competition

◆ New "platforms"

   ➤ Netscape

   ➤ Java

   ➤ The "Network Computer"

◆ "Old" platforms

   ➤ Notes

   ➤ Oracle

   ➤ UNIX

Challenge #1: The Intranet & Internet

The Internet – why does it matter?

◆ Important paradigms introduced by Web:

  ➢ User: pages/hyperlinks

  ➢ Developers: "Interactive pages"

    ➢ a new way of doing client-server apps

◆ They solve real problems

◆ Competitors are leading us in exploiting them:

  ➢ Netscape: majority browser share

  ➢ Java: mindshare

Netscape

- ## The first "middleware" layer to have end-user momentum

  - "Our goal is to reduce Windows to a partially debugged set of device drivers" Marc Andreesen

- ## Focused on client and server:

  - Navigator = Windows
  - Suitespot = BackOffice

- ## See near term revenue in the "Intranet"

Navigator	BackOffice
Windows	

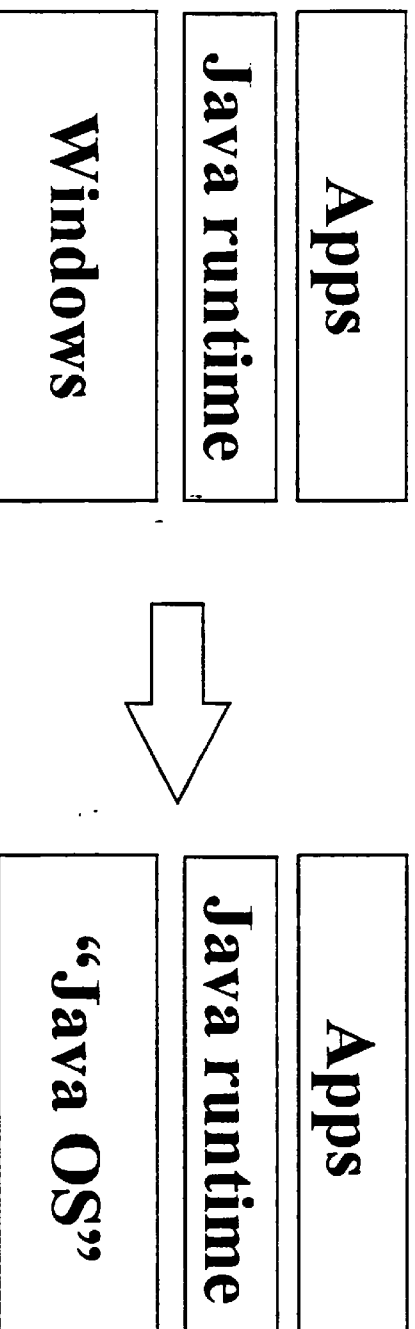| Navigator	Suitespot
Windows	
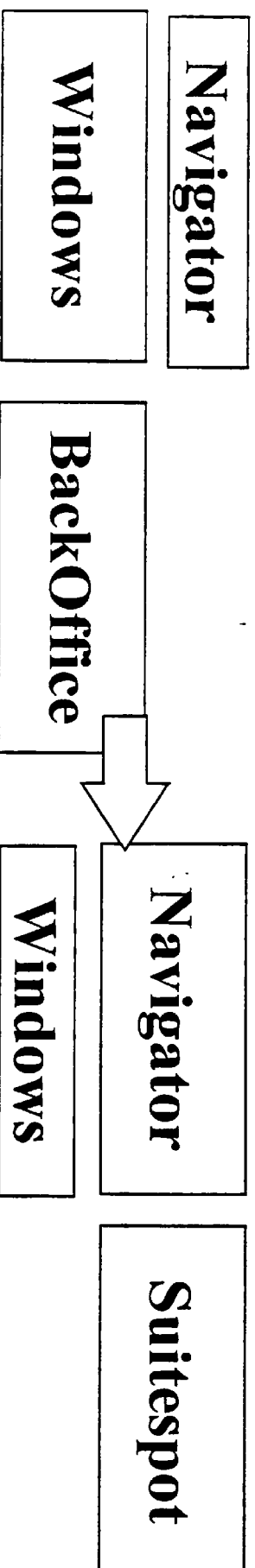
Demonstration

◆ Netscape 2.0

Java

- ◆ **Sun's goal is:**
  - ➢ **Java class library/runtime = new OS API**
  - ➢ **leverage this new API to replace Windows by JavaOS**

Apps

Java runtime

Windows

⟹

Apps

Java runtime

"Java OS"

The "Network Computer"

◆ **World hunger:**

> ➤ corporations are fed up with cost of ownership of PC's

◆ **The cure:**

> ➤ a "$500 network computer"

◆ **The reality:**

> ➤ functionality very limited
> ➤ no application base
> ➤ X-terminals all over again

◆ **But the hunger is real!**

> ➤ giving Sun, Oracle, IBM a new respectability
> ➤ customers are listening

The Internet/Intranet: our strategy

1. **Win & retain Browser Share**

   current shares: IE 5-10%, Netscape ~40%, AOL ~25%

2. **Offer users, developers, business a better synthesis: "best of PC, best of Web"**

3. **Own the Intranet with Office, Windows, BackOffice**

4. **Evangelize Webmasters to utilize our extensions & technology**

5. **Win Network Operator/ISP ("Internet Service Provider") client & server design wins**

Win & Retain Browser Share – embrace & extend

◆ Implement all important Netscape features (IE3.0)

◆ Offer new differentiated features (ActiveX on IE3.0) on Windows & Mac

◆ Integrate with Windows (Nashville)

◆ Bootstrap share via Network Operators – eg. AOL

◆ Evangelize content providers and developers to exploit features

◆ FREE

Synthesis – best of PC, best of Web

The PC revolution:

Standalone apps

The Internet revolution:

Static pages

Interactive distributed applications:
Common paradigm for client/server computing

Interactive multimedia:
Richer communications between *people*

A better synthesis for:

◆ **Developer:**

➢ ActiveX - common way to develop client-server apps for PC LAN & Internet worlds
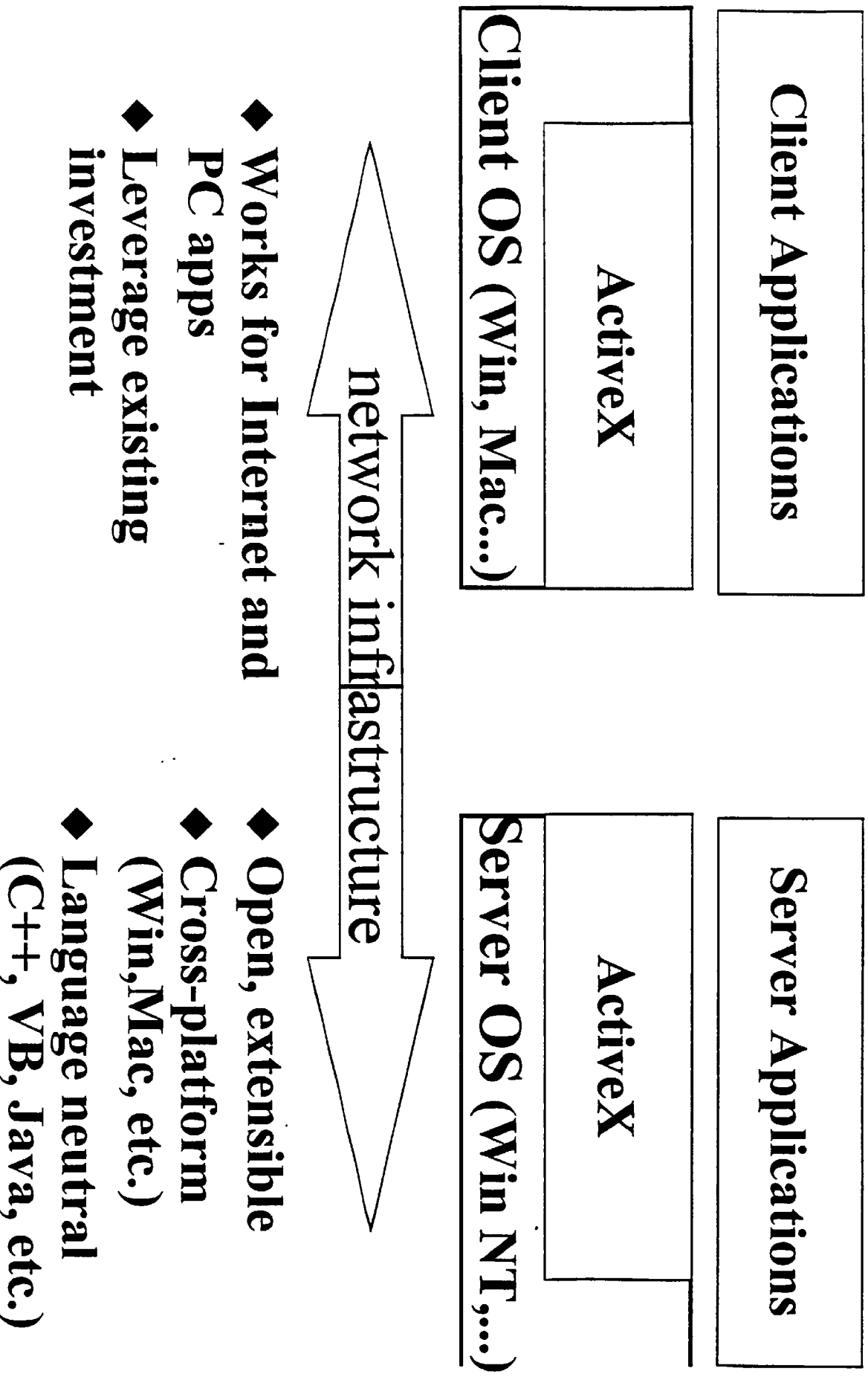
➢ Full set of tools

◆ **User:**

➢ Integrated paradigm & tool for finding & viewing information: local, LAN, online

◆ **Business:**

➢ common, upward compatible infrastructure for LAN, "Intranet", Internet

Developer view: ActiveX

Client Applications	Server Applications
ActiveX	ActiveX
Client OS (Win, Mac...)	Server OS (Win NT,...)

↕ network infrastructure

- ◆ Works for Internet and PC apps
- ◆ Leverage existing investment

- ◆ Open, extensible
- ◆ Cross-platform (Win,Mac, etc.)
- ◆ Language neutral (C++, VB, Java, etc.)

Tools Family

Less coding, more like a "document"

More coding, more like an "application"

ActiveX platform

Microsoft Office

FrontPage

Microsoft Internet Studio — Designed for Windows 95

Microsoft VBScript

Microsoft Jakarta — Professional Edition

Microsoft Visual Basic — Professional Edition

Microsoft Visual C++
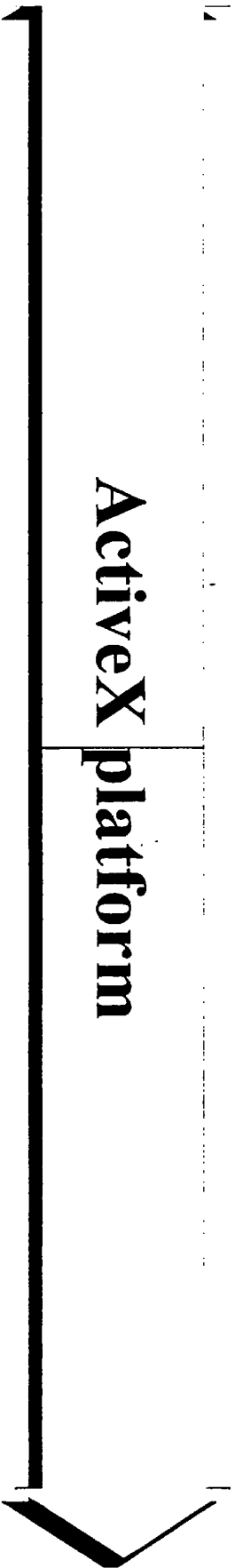
What About Java?

◆ **Remove Java as confrontational issue**

◆ **Make Java part of ActiveX:**

⊳ MS license from Sun

⊳ MS extensions to Java implementation for IE & Windows

⊳ Java applets appear automatically as ActiveX controls and vice versa

⊳ Encourage Java applet writers to make full use of Windows

Embracing & extending for business: the Intranet

Windows:
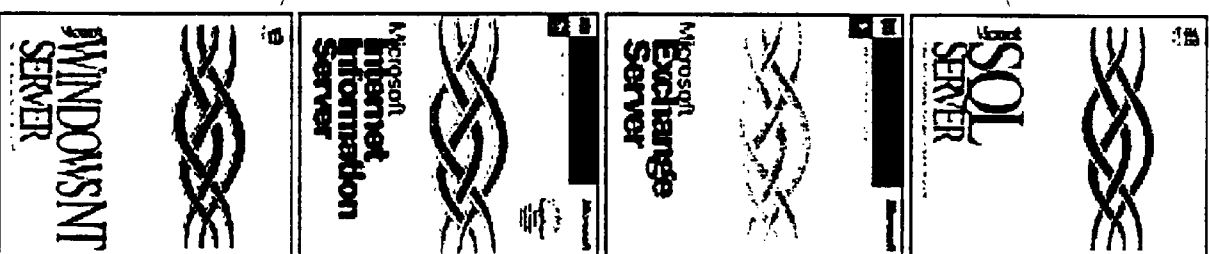Integrated Explorer, one tool for viewing information

Microsoft BackOffice:
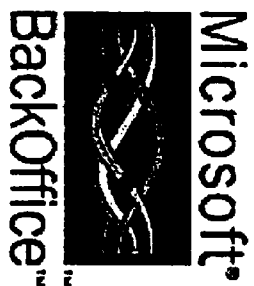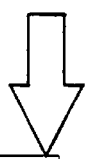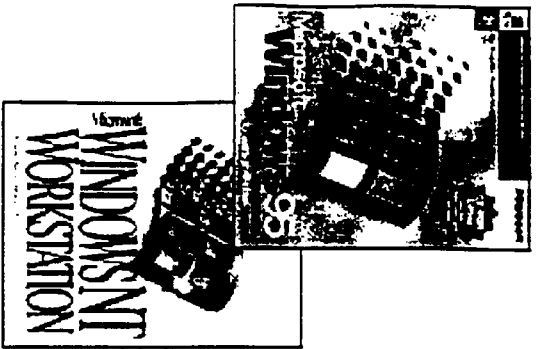
◆ **Integrated platform**
- ➢ Administration
- ➢ Security
- ➢ Scaleable
- ➢ Complete
- ➢ Extensible

Microsoft® BackOffice™

Searching
Content
Mngmt.

SQL SERVER — Structured data

Microsoft Exchange Server — Messages

Microsoft Internet Information Server — WebPages

WINDOWS NT SERVER — Existing files, documents

Extending Out To The World:
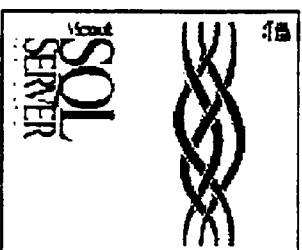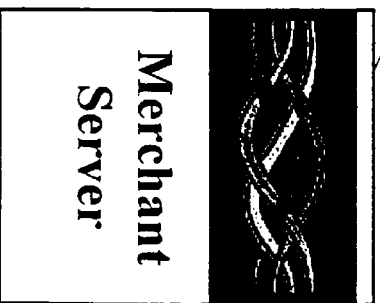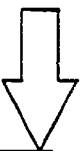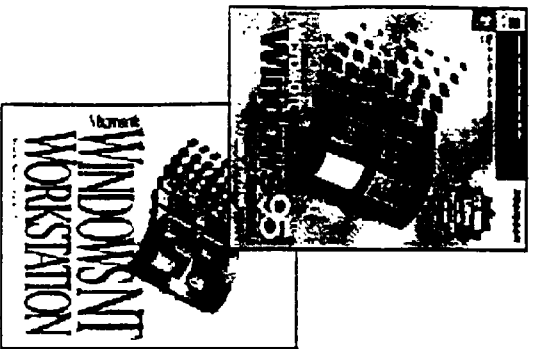
Integrated Client

Integrated Services

Microsoft® BackOffice™

Merchant Server	Proxy Server	Searching Content Mngmt.

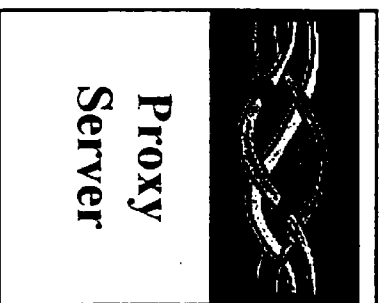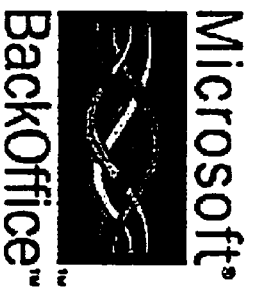WINDOWS NT SERVER — Existing files, documents

Microsoft Internet Information Server — WebPages

Microsoft Exchange Server — Messages

SQL SERVER — Structured data
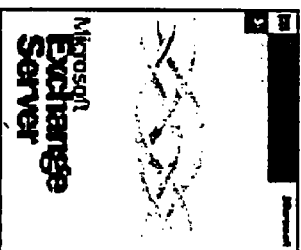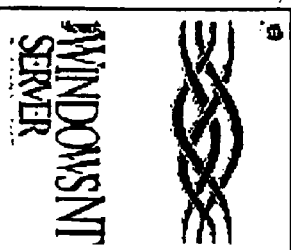
Demonstration

◆ **ActiveX, Nashville, IIS/Web Connectors:**

▷ Integrated User View

▷ Integrated Infrastructure for Business

Standards & Partnership Announcements

- **Internet client s/w: America Online**
- **Working with IETF, W3C on:**
  - security, HTML extensions, parental control, digital code signing, etc.
- **Real-time communications:**
  - Intel, Progressive Networks, major telco's
  - support of 100 others
- **ActiveX architecture: over 60 companies**
- **Java language: Sun**
- **Business Application Integration: SAP**
- **etc.**

Internet Actions needed

◆ Communicate "best of PC, best of Web"
  - ➢ to users, developers, businesses
  - ➢ Windows/BackOffice/Office = Intranet

◆ Get Internet Explorer used everywhere
  - ➢ our is free
  - ➢ integrated into Windows

◆ Get premium regional web sites to use ActiveX

Challenge #2:
Windows Desktop

◆ **Move the desktop to Win32**

   ➤ **Office & Internet/Intranet thrusts depend on it**

   ➤ **Move accounts from evaluation to deployment (less than 15% of Win95 capable machines have moved to Win95/NTW)**

◆ **Grow $3.2B (FY'96) to ~$3.8B (FY'97)**

   ➤ **mainly OEM ($2.8B in FY'97)**

   ➤ **but $1B in retail/maintenance**

◆ **Make Windows a $6B business in FY'99**

   ➤ **persuade more customers to choose higher priced version of Windows**

   ➤ **(Win NTW price = 2x Win95)**

Windows Family Strategy

Windows for general user	Windows for business workstation	Windows for Server

↓ ↓ ↓

- ◆ Common UI
- ◆ Common 32bit API

Win95/NTW evolution

- ◆ **Major investment in both Win95 & NT in FY'97 & FY'98**

- ◆ **Increased sharing of technology**
  - ➢ device drivers ("WDM")
  - ➢ multimedia (DirectX)
  - ➢ Internet (UI, ActiveX)
  - ➢ Networking
  - ➢ etc.

- ◆ **Goal of building Win9x & NT from common NT-derived kernel in future (FY'99+)**

Windows NTW – realities

◆ Windows NT 4.0 gets common UI,

◆ But Windows NTW still has major caveats in FY'97:

  ➢ smaller device coverage

  ➢ no plug & play

  ➢ no easy upgrade from Win95

◆ Windows NT "Cairo" will provide easy upgrade over Win95

Windows 95/NTW positioning

◆ **32bits is strategic:**

➢ **focus of all ISV's is now on Win32 API**

➢ **Internet activity**

◆ **CY1996/1997:**

➢ **Windows 95 is the easiest way to get to 32bits**

➢ **compatibility**

➢ **smaller footprint**

➢ **Windows NTW is the most powerful**

➢ **security, robustness, scalability**

◆ **CY1998+:**

➢ **Windows NTW for all business users**

Upcoming Windows Releases

1996 | 1997

Win NT

Mid '96
Windows NT
4.0
- ◆ Windows 95 GUI

H2 '96
"Internet Add-on" (aka "Nashville")
- ◆ Integrated Shell/Browser*
- ◆ Simple Mail*
- ◆ Conferencing*
- ◆ Themes

Early '97
OEM & retail:
- ◆ Include Shellview

FY'98
"Cairo"

Win 95

Mid '96
OEM refresh
- •inc. IE 3.0*

Early '97:
- ◆ OEM & retail
- ◆ Include Shellview

FY'98
"Memphis"

* free download too

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Cairo Technologies

◆ **Pulled forward to Windows NT 4.0**

> Distributed COM

◆ **Windows NT Cairo**

> Distributed Object File System built into NTFS

> Distributed Security and Directory

Key Challenge #3:
Windows NT Server & BackOffice

◆ **Grow to $1.3+B business in FY'97 from $0.8B in FY'96**

◆ **Increase share in:**

  ⊳ server OS:

    ⊳ new application servers

    ⊳ file/print share from Novell

  ⊳ messaging

  ⊳ database

◆ **Penetrate the small business market**
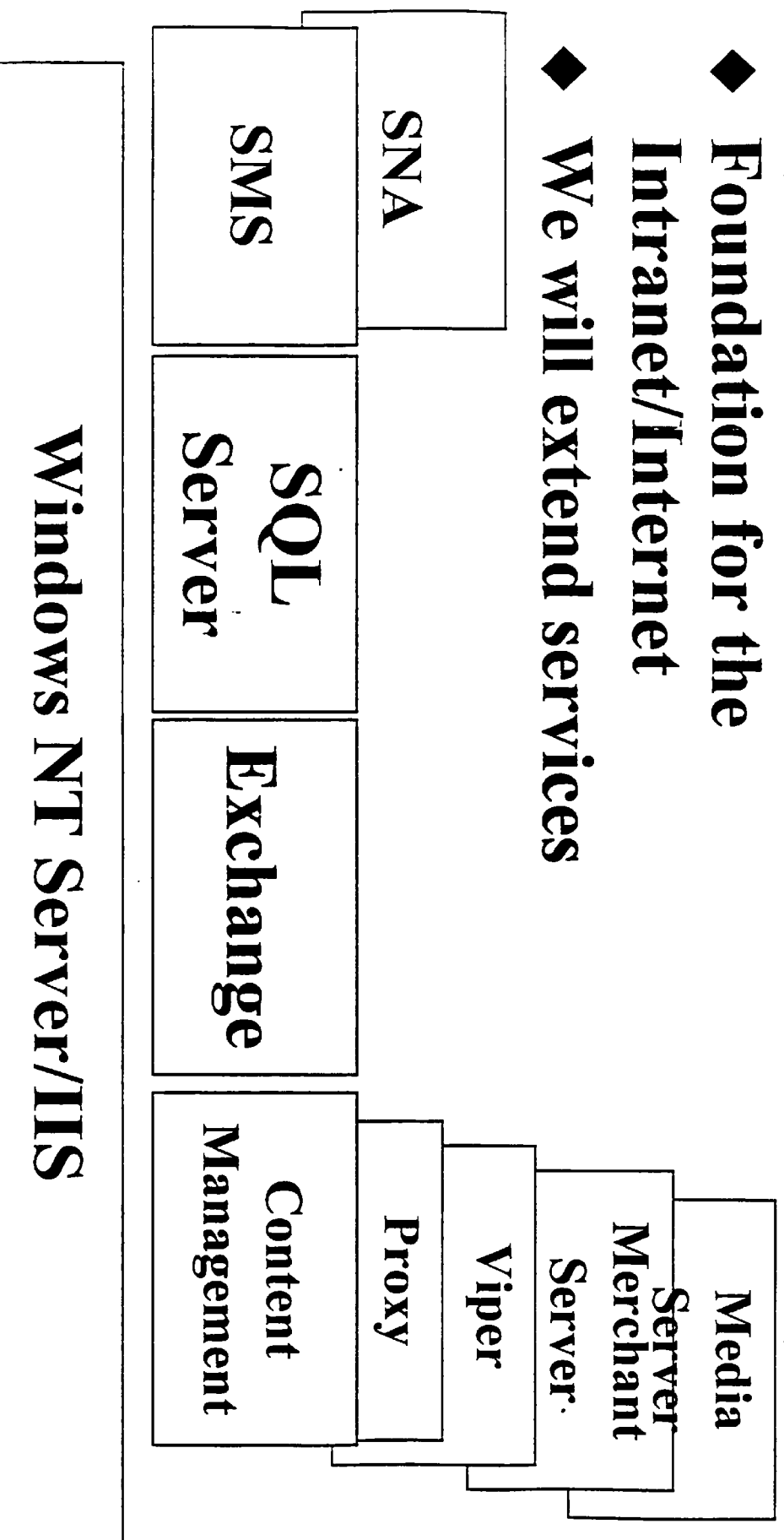
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Competition

◆ **UNIX's: HP-UX, AIX, etc.**
  ➢ Unix becoming a safe choice as a mainframe replacement
  ➢ Offers higher margins on proprietary architectures

◆ **Oracle**
  ➢ Leveraging their sales model against us
  ➢ taking NT more seriously

◆ **Lotus Notes/IBM:**
  ➢ Notes 4.0 good product
  ➢ will talk the Internet talk

Windows NT Server

◆ Ride the new generation of PC-based server platforms:
  - Pentium Pro & Alpha
  - Disk & Storage advances
  - Improving partnerships: Compaq, Digital, HP, SAP, Baan

◆ Advances in FY'97:
  - Increased scaleability & perf. in Win NT4.0
  - SMP:
    - linear scaling with SQL 6.5 to 8 processors,
    - run on up to 32 processors
  - Cluster initiative started:
    - failover in FY97, large scaling in FY98

BackOffice

- ◆ We now have world class server applications in SQL Server & Exchange

- ◆ Foundation for the Intranet/Internet

- ◆ We will extend services

SNA	SQL Server		Content Management
SMS		Exchange	Proxy
			Viper
			Server Merchant Server
			Media Server

Windows NT Server/IIS

Exchange

- **Exchange 4.0**
  - Scaleable, industrial-strength messaging
  - Workgroup support: scheduling, public folders, forms

- **Exchange 4.1**
  - Internet client protocol support (SMTP/POP3/NNTP)
  - Web connector

- **Exchange 5.0**
  - native HTML forms

SQL Server

◆ **SQL 6.5**
  ⊳ Ongoing investment
  ⊳ World class raw performance & price/performance
  ⊳ Scalability evidence
    ⊳ More benchmarks
    ⊳ 8 processor scalability
    ⊳ Customer references (customer council)
  ⊳ Distributed Transaction Coordinator

SQL Server

- Channel development
  - more specialists in the field
- ISV recruitment
- Cost of Ownership study

"SAM" - small business server suite

- ◆ Easy to use small business platform
  - ⊳ "Administratorless"
  - ⊳ Easy setup

- ◆ Everything in one box
  - ⊳ Mail
  - ⊳ FAX
  - ⊳ Modem Pooling
  - ⊳ RAS
  - ⊳ Web

- ◆ Low H/W footprint
  - ⊳ Pentium with 32 MB
  - ⊳ Everything on ONE server

- ◆ Available: H2'FY97

Three Key Challenges/Opportunities

◆ **The Internet/Intranet**

   ▽ strategic

   ▽ overcome platform challenge, & use it to grow

◆ **Windows Desktop**

   ▽ strategic & revenue (mainly OEM)

   ▽ move client to 32bit

◆ **Windows NT Server & BackOffice**

   ▽ grow & gain share with NTS & BackOffice apps

   ▽ strategic & revenue

Backup Slides

Renewed Focus

New organization:

- ◆ **Desktop and Business Systems – Jim Allchin**
  - ▷ Windows – client and server
  - ▷ Microsoft BackOffice
- ◆ **Internet Platform and Tools – Brad Silverberg**
  - ▷ Browser, Shell, Multimedia
  - ▷ Tools
  - ▷ Commerce Services
- ◆ **Consumer Platforms – Craig Mundie**
  - ▷ Non-PC (handheld, settop, etc)
  - ▷ Solutions for network operators

Road Map: Internet Client

Now

- ◆ **Internet Explorer line**
  - ▷ Win32, Mac, and Windows 3.1 support
  - ▷ Rapid releases

Start FY97

- ◆ **Internet 3.0**
  - ▷ "Componentized": extensible, services available to other apps
  - ▷ Full ActiveX support: controls, scripting, multimedia
  - ▷ Netscape superset

H1'FY97

- ◆ **Internet add-on ("Nashville") for Windows 95, Windows NT**
  - ▷ Integrated Windows and Internet Explorer
  - ▷ Communications: phone, conferencing

Road Map: Internet Server

Now

- ◆ **Microsoft BackOffice**
  - ⱽ **Internet Information Server in Windows NT Server**
    - ⱽ **Highest Performance Server**
    - ⱽ **Extensible via ISAPI, ActiveX**
  - ⱽ **Database connector for SQL Server**

H1'FY97

- ◆ **Additional services coming in H2 '96**
  - ⱽ **Proxy**
  - ⱽ **Content management**
  - ⱽ **Microsoft Exchange connector**
  - ⱽ **Merchant services**

Microsoft BackOffice Roadmap

H2 FY96

BackOffice 2.0
- Windows NT Server 3.51
- SNA Server 2.11
- SQL 6.5
- SMS 1.1
- Exchange 4.0
- Internet Information Server 1.0

H1 FY97

BackOffice "Shell Update"
- Windows NT Server 4.0
- SNA Server 2.11
- SQL 6.5
- SMS 1.2
- Exchange 4.1
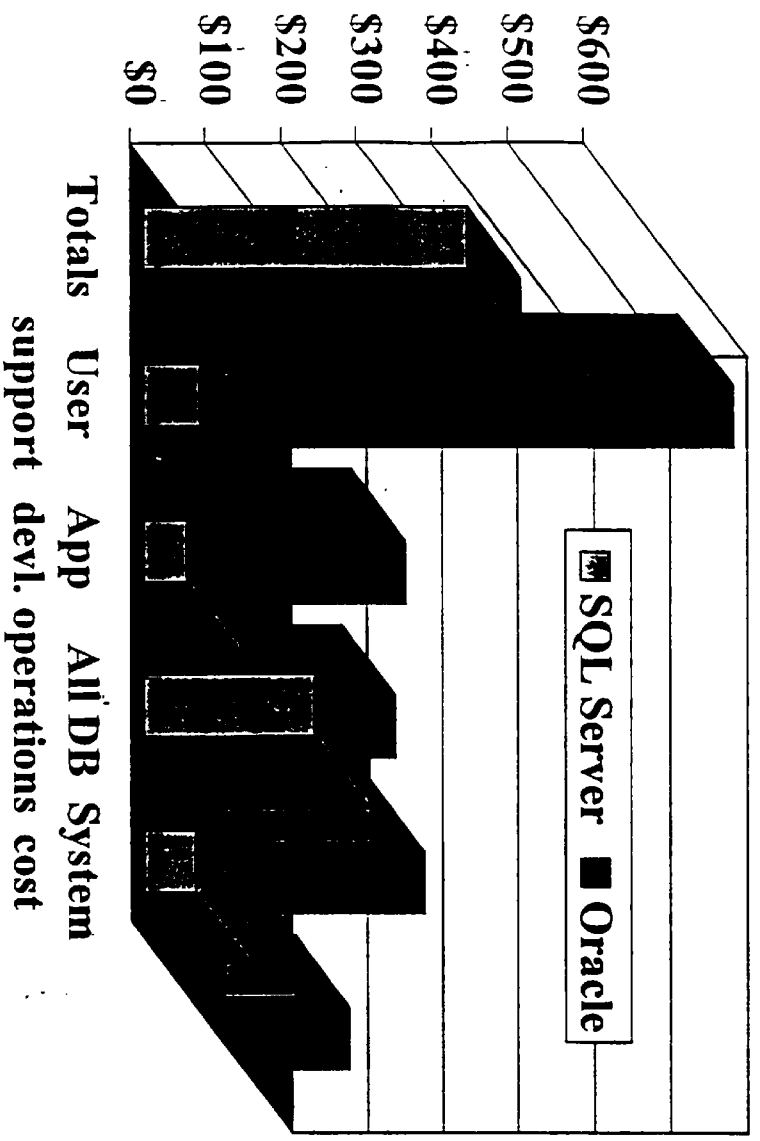- Internet Information Server 2.0
- Content Management

H2 FY97

BackOffice
- Windows NT Server 4.0
- SNA Server 3.0
- SQL 6.5
- SMS "Opal"
- Exchange 5.0
- Internet Information Server 3.0
- Proxy
- Merchant
- Small Business
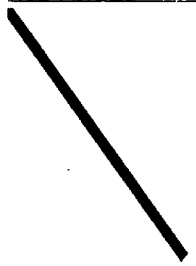
SQL Server vs Oracle – Lower Cost

Oracle total costs 42% higher than SQL Server

Cost-to-Use (per month, per user over five years)

Legend:
- ☒ SQL Server
- ■ Oracle

Y-axis: $0, $100, $200, $300, $400, $500, $600

X-axis categories:
- User support
- App devl.
- All DB operations
- System operations cost
- Totals

◆ User support costs 123% higher for Oracle

◆ Development costs 167% higher for Oracle

◆ DB operations costs 15% higher for SQL

◆ System costs 37% higher for Oracle

Oracle costs $2,172 more per year, per user

Other things to know about

◆ Network Operator Platform:

➢ Winning Network Operator and Internet Service Providers server infrastructure is key

➢ MS will have focused product and sales effort on this segment

Other things to know about

- "Pegasus" client
  - ⊳ MS in conjunction with 3-4 key OEMs will release handhold client in H1'FY97
  - ⊳ Features:
    - ⊳ "Windows Companion"
    - ⊳ similar UI, API's
    - ⊳ easy exchange of information with desktop
    - ⊳ Small form factor (pocket size)
    - ⊳ Web browser
- Will yield technology base (with assets from ITV) to address other non-PC opportunities