Lesley Halverson (LCA)

From: Joachim Kempin
Sent: Tuesday, September 17, 1996 5:37 PM
To: Joachim Kempin
Subject: FW: Windows Experience doc

From: Joachim Kempin
Sent: Tuesday, September 17, 1996 5:36 PM
To: Bill Gates
Cc: Paul Maritz; Steve Ballmer
Subject: FW: Windows Experience doc

The Windows Experience Phase I...

I have been doing some thinking about the win experience we inplemented. The first paper talks about how to adapt it in the future and takes some of Compaq's concerns into account. The one below gives amore detailed account of what feedback we have gotten and how we need to use it to make this a more win win proposition in the next round. If we all agree with this we should publish to the right people in the product and marketing groups. please let me know.

Windows Experience_.doc

PENGAD-Bayonne, N.J.
GOVERNMENT EXHIBIT 304

The Windows Experience Phase II

The current Windows experience guidelines are being implemented and by January of 1997, at least 65 % of all systems will follow them and I am confident we will get very close to 100% by June of '97 with Compaq being a major challenge. The major issues with the implementation have been:

1. In order to implement the change, OEMs required modified software for their manufacturing process. We have accommodated this in a reasonable way by giving them the time to change, and I expect the promised changes to happen as outlined above.

   It is worth noting that the idea of preserving the Windows experience as originally planned by it's creator has been only reluctantly accepted. While OEMs admit there is some value, there has been push back on the following issues:

   OEMs had started to add value to our software by addressing key needs for their customers

   — first time user
   — commercial user
   — notebook user

   This is being done for several reasons

   ♦ reduce return
   ♦ reduce support burden
   ♦ make the out-of-box experience more pleasant
   ♦ promote OEM brand recognition
   ■ receive additional revenues through bounties, advertising kick backs, software annuity etc.

The first (♦) points are well taken and are explained in more detail in the addendum where Davewr summarized the typical things OEMs are doing today. The conclusions to draw from this is the following, in order to continue with this initiative, we need to extend the OPK and add some tools to guide OEMs in how to let them do these things which are good for them, the endusers and the channel. OEMs will respond positively to this and probably appreciate it. At the same time we need to ensure that no other advertising other then promoting the OEMs name brand can be done during this "extended" boot process.

The last point is more tricky and requires more thought. Most of the OEMs have not thought through this but one day they will. Today we are telling everybody that they cannot remove our original features including the MSN folder, the Online Services folder, the ISP Service Provider folder or IE x.x. With the appearance of IE 4.0 and beyond, we will add more features to the standard Windows DT by adding Pointcast—like third party services and/or advertising. In all cases, we are planning to give third party service providers an advantage to be part of the original feature set if they work closely with us to promote our platforms and thus help us strategically.

OEMs will have not a lot of sympathy for this knowing they consider a PC delivered with their brandname, a domain of freedom for creating additional revenue streams. Meaning, they might be getting more and more in conflict with our strategic goals. While I value both positions, I recommend we adopt the following policy:

Anytime we try to integrate a third party offering and make it a standard feature of our software, lets do two things:

(i) share any potential revenue stream with the OEM, (say 25%)

Most of them, 8o%+ will be happy with this and appreciate our thoughtfulness. Key to note is that this will need some thinking in regards to implementation. This has to be a computerized, no-human-interaction transaction. In addition, I believe the smaller OEMs will like this a lot given the fact that they will have a harder time to do this on their own. And somehow, this might motivate OEMs to put a unique ID into their PCs, which I like a lot!

(ii) always allow for a buy out clause

The broadcast PC group came up with this idea and it sounds great to me. If an OEM does not like the service provider we have picked, he can kick him out by paying him off. But, he can only replace the MS selected original vendor with another MS approved vendor who supports our platform strategy in an equivalent fashion. I can think of different pay off schemes like 50% revenue sharing or say $3-5 buy out per unit and 25% revenue sharing. Important for us would be never to enter into exclusive arrangements or agree to vendors being on every box. The net of all this could be more third party service provider working to support us then just the few which we happened to choose.
Naturally the OEM continues to have the freedom to add another ICON and create his own identity through an act of will by the enduser if he decides not to change/challenge the original feature set. It will be interesting to see how this develops knowing that OEMs are telling us being part of the original sequence is most important for them.

3. Last but not least, OEMs are reporting ~~we discovered~~ that a lot of applications, when ~~you~~ installed, ~~them~~ alter parts of the original WIN system files. This might mean DLLs get extended, OLE components get added or updated and/or the inbox behavior gets changed when mail clients get added . For the time being until we can adhere to the WIN experience rules with our own application software, we will tolerate this for other application products as well, while working towards a clean solution in the 2nd quarter CY '97.

Nevertheless, we should adopt the following policy:
If an application program changes original system components when being preinstalled by an OEM, these components can only be an extension to the original components, without altering the systems original behavior, or the components where supplied (originated) by MS and licensed to the ISV. This should keep the systems as "fresh" as needed and avoid dilution of our original intent.

Summary:
If we act/implement as proposed, I [illegible] most consistent enduser experience and accomplish a lot of our strategic objectives with OEMs, service providers and ISVs.