

Linux Desktop Update and Brainstorm

Pat Fox
Alain Meeus
Manish Sharma
9/11/02

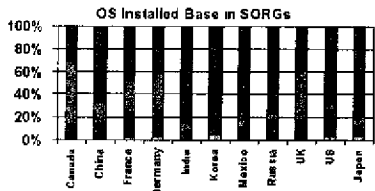
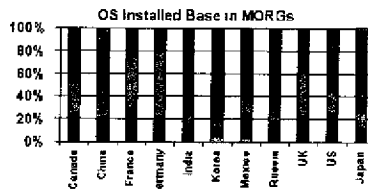
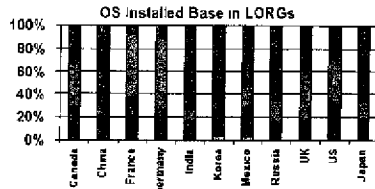
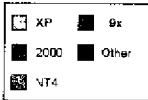
Plaintiff's Exhibit

8592

Comes V. Microsoft

1

OS share of installed base



- Windows XP has low penetration in all countries – greatest in SOrgs
- Windows 2000 still not dominant in any segment in any country
 - France is making headway
- Very high 9x use in India, Korea, Russia (where NT4 was not localized), Mexico and Japan
- NT4 dominates amongst Lorgs and Morgs in France and Germany

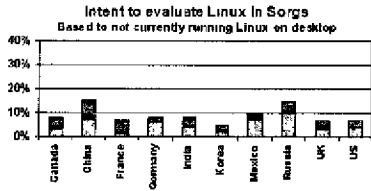
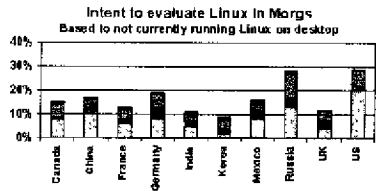
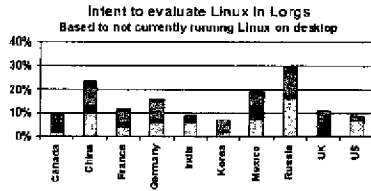
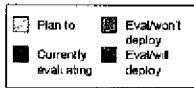
Q1/Q5 What operating system are running on your organization's desktop/portable computers?
9/10/02

Microsoft Confidential

2

•Note – NT4 was not localized in every market (China, Korea, Russia)

Intent to evaluate Linux



- Sorg evaluation of WinXP generally trails M/Lorg
- Poor ratio (for Linux) of won't deploy to will deploy
- Lorgs
 - Low evaluation in Korea, India, US and Canada
 - High evaluation in Russia, China and Mexico
 - Poor ratios in UK, Mexico and Canada
- Morgs
 - Low evaluation in Korea, India, UK
 - High evaluation in Russia and US
 - Poor ratios in Germany and China
- Sorgs
 - Low evaluation in Korea
 - High evaluation in China and Russia

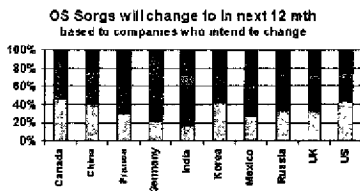
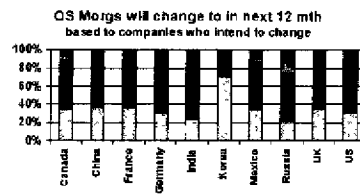
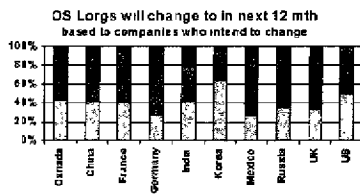
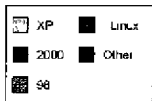
Q56 Which of the following best describes your company's plans for Linux as a desktop operating system

9/10/02

Microsoft Confidential

3

Expect OS to change



- Move to 2000 is equally or more popular than XP – Korea is an exception
- Move to Linux of concern in Indian Morgs – 20% of Morgs expecting to change plan to change to Linux
- "Other" category is large in some places – these will be called out in country reports but mostly consist of earlier versions of Windows

Q15 Are you expecting some other OS to become your primary computer OS in the next 6-12 months?
Q16 Which operating system

9/10/02

Microsoft Confidential

4

MGB: Winning Messages!

- **Windows is a better platform**
- **Windows is a better value**
- **Windows enables greatest choice**

9/10/02

Microsoft Confidential

5

Desktop: Better Platform

- **Better user experience**
 - Familiar and consistent interface
 - Office: Shorter task completion times
 - Office: Proven compatibility
 - Office: Full support for XML and web services
- **More powerful**
 - Integrated and comprehensive mobility, digital media, collaboration technologies
- **Safer bet for the future**
 - Well defined roadmap & constant investment
 - Single point of accountability

9/10/02

Microsoft Confidential

6

Desktop: Better Value

Measurement (Linux + StarOffice)	Result
Deployment Success	2/3 IT Pros Could Not Complete Installation
Deployment Time	Avg. 57% More Time to Deploy than Windows
Document Compatibility	35.3% of Office Docs Opened in StarOffice Had Errors
Top 11 Office Tasks	StarOffice Tasks Took 2.7 Times Longer

eTesting Labs, AIR

- **Myth: Linux costs 2X-3X less than Windows**
- **Reality: Windows costs ~30% less per year**

9/10/02

Microsoft Confidential

7

Desktop: Greatest Choice

- **Largest number of applications**
 - >4000 apps tested by Microsoft with Windows XP
 - Many, many more available
- **Largest number of devices**
 - 12,000+ device drivers on the XP CD
 - 41,000 devices submitted to WHQL
- **Broader availability of services**
 - >450,000 MCSE professionals world-wide
- **More training options**
 - Wide range of Microsoft certified training courses
 - Many Microsoft certified training providers

9/10/02

Microsoft Confidential

8

Desktop: What The Analysts Say

"Sun has not yet provided a compelling vision for how StarOffice will integrate into the Enterprise" - Giga

**"Some of the concerns with Linux – such as staffing costs, a lack of in-house Linux expertise, and the difficulty of managing this operating system – will continue to be significant barriers to desktop adoption."
- IDC**

"For widespread desktop use, Linux faces hurdles. A new, albeit intuitive, user interface may be among the least of these. ... Distribution, support, availability of peripherals and application readiness is a greater challenge. As with all uses of Linux, business customers need to look at vendor direction and support issues when considering Linux." - Gartner

"[Linux] backers have failed to produce the vital elements of a viable desktop operating environment: a good user interface and a suite of applications that users want and that create files compatible with the applications of most other users to whom they are connected" - IDC

9/10/02

Microsoft Confidential

9

The Linux Desktop Playbook

- | | |
|--|---|
| <ol style="list-style-type: none"> 1. Know the status of Linux in your accounts 2. Sell Windows strengths to BDMs <ul style="list-style-type: none"> - 3 desktop pillars <ul style="list-style-type: none"> > Better Platform > Better Value > Greater Choice 3. Sell solutions – better together with Office & Server | <ol style="list-style-type: none"> 4. Debunk Linux myths <ul style="list-style-type: none"> > Linux costs less <ul style="list-style-type: none"> • TCO/Biz value data • Biz Value challenge • EDGI > Linux is "Good enough" <ul style="list-style-type: none"> • 3rd party opinions > Linux has lower HW reqs <ul style="list-style-type: none"> • Compare w/GUI • TS Client solution > Need Open source <ul style="list-style-type: none"> • MS shared source 5. Escalate! |
|--|---|

9/10/02

Microsoft Confidential

10

This playbook outlines the progressive steps the field should take when selling against Linux on the desktop

- 1 Know the status of Linux in your accounts
 - Point out that each subsidiary should have a method to track Linux threats and that these should be reported back to Redmond.
- 2 Sell Windows strengths to BDMs
 - Its important to engage with the proper BDMs on a business level discussion and not get caught up with technical folks in a religious discussion.
 - See the hidden slide for more details on the 3 pillars or the Windows XP vs Linux positioning doc
- 3 Sell solutions – better together with Office and Server
 - We have a much more robust platform – elevate the discussion beyond the OS if appropriate.
- 4 Debunk Linux myths
 - A Linux costs less. Just because the software license cost is free, doesn't mean the cost of using Linux is less than Windows. When you consider both direct costs (additional deployment, management, support costs) and indirect costs (end user down time, lose of productivity, etc) Linux costs more than Windows!
 - Show customers existing TCO and business value data for Windows XP. There is a lot of data showing good ROI when moving from Win 9x to Win XP. A Gartner audited TCO study completed in the City of Vaasa, Finland (home country of Linux Torvalds) showed that moving to Windows XP/Office XP would save 31% per PC, per year compared to Red Hat and Open Office. If the customer still pushes back on costs, move to next step.
 - TCO challenge. The Windows Client PMG is offering to the field to fund 20 Gartner audited Linux desktop TCO studies in FY03 (5 per region). We will send in someone from MSC to perform a detailed cost analysis of Linux vs Windows XP using a Gartner approved TCO methodology. Since we will use the customer's own data – there can be no arguing the results. Gartner will audit each study to approve the specific results from each company. If the customer is in still pushes back . . .
 - EDGI. This program is for Education and Government customers who face significant budget constraints. It is designed to allow price relief to the customers when purchasing Windows. More details coming.
 - B Customer needs Open Source
 - Linux touts open source as a key advantage. The reality is that most customers would never work directly with the source code and compile the system themselves – that would be like taking on the role of system integrator or OS vendor themselves. Microsoft has a variety of shared source programs for enterprise, academic and government customers and system integrators. These programs allow customers to access Windows source code. These programs provide many benefits by allowing customers to facilitate security and privacy audits, performance tune applications, and improve internal support and troubleshooting capabilities of Windows systems.
 - C Linux has lower hardware requirements
 - There is a myth that Linux has much lower hardware requirements than Windows. However, if you run Linux with a GUI, which all desktops would, they are quite comparable. Red Hat Linux 7.2 system reqs are: Pentium 200MHz + recommended, 64MB RAM min for GUI. 96MB RAM recommended for GUI. Windows XP Professional system reqs are: Pentium 233MHz min.

10

Processes in Place

- Linux desktop virtual team
- CompHot escalations weekly review
 - EDGI request escalations
- Linux compete squad – billv
- International desktop OS tracker

9/10/02

Microsoft Confidential

11

Linux Desktop Field Escalations

36 Escalations, 18 Active, 14 De-escalated, 1 Loss, 3 Wins

- Linux and StarOffice – 5 Active, 1 De-escalated
 - Active: Telstra, Bank of Ireland, First Community Bank, Indiana Web Academy, Standard Bank (South Africa)
- Linux OS – 3 Active, 2 De-escalated
 - Active: ABM Amro (Workstation), ETB (Columbian Telco) and SBC Communications
- Linux POS – 5 Active, 2 De-escalated
 - Active: ChevronTexaco, Carrefour, Hollywood Video, CSK Auto, Waitrose Supermarkets
- Linux Embedded – 3 Active, 8 De-escalated, 1 Loss, 1 Win
 - Active: Accent/FireKing – security for Taco Bell and others – close to winning, Safeway – smart clients in shopping carts
 - Loss: VOPAK – Linux embedded on PC option – up to biz units to select
 - Win: Royal Caribbean Cruise Lines – IBM Linux on client and server
- EDGI – 1 Active, 2 Wins
 - Active: Jordan Wins: Egypt, Tunisia
 - Mexico and Malaysia EDGI deals were not escalated via CompHot
- StarOffice on Windows – 1 Active
 - Dept of Homeland Security – 170,000 seats, McNealy involved.
- OS/2 Migration to Linux – 1 De-escalated

9/10/02

Microsoft Confidential

12

Reactive EDGI Results To Date

- Mexico – \$2.5MM committed, addl \$25MM to MS
 - Govt-financed PC purchase for home teacher use with Windows XP Home
 - 250K PCs from Acer, IBM, and HP
 - Govt was considering Linux and Win98 due to cost
 - EDGI contributed \$10/PC to be used for teacher training
 - Additional purchase of \$60/PC for Office, Encarta, and Encarta Interactive
- Malaysia - \$500K committed, waiting for govt decision
 - EDGI used as delivery mechanism for previous exec commitments
 - Funds used for rural schools, teacher training, non-bootable software
- Egypt - \$355K committed, addl \$500K to MS, \$1.2M to MS over 2yrs
 - EDGI used as delivery mechanism for previous exec commitments
 - Govt purchased 8250 PCs at full price, 4166 PCs w/ 100% Windows rebate
- Tunisia – \$600K committed, addl \$600K to MS
 - Wave 2 of govt-financed purchases of 15K home PCs. Wave 1 was Windows-only, but wave 2 offer includes Linux PCs for \$60 per PC less to the end user
 - EDGI contributed \$40/PC - \$15 end user rebate, \$20 sys builder joint mktg, and \$5 end user mktg
- Jordan – Pending
 - Ministry of Education purchase of 6K PCs, considering Linux
 - We are still working through operational logistics

9/10/02

Microsoft Confidential

13

Brainstorm/Work in Progress

- Biz Value Challenge - evidence
 - Usability evidence
 - Open MUI
 - Proactive govt program
 - Tools – more power tools and evidence
 - Accessibility evidence
 - OEM supportability
 - Refurbished hw initiative
 - Education
 - HEWS/64-bit
 - Customer visits
 - Enthusiasts
- Other
 - BRIC/Emerging markets
 - GSLP
 - Project Jack

9/10/02

Microsoft Confidential

14

Open MUI

- Requested by international Windows product managers, esp in emerging markets
- Allows localization where MS can't justify expense
- Overcomes govt concerns about cultural preservation and mitigates arguments for Linux
- Potentially gives govt control over local dialects
- Enables govt to support local sw industry.
- Builds Windows ecosystem
- Is open-source-like w/o loss of Windows branding or look/feel
- Gives enthusiasts more flexibility to tweak Windows UI

9/10/02

Microsoft Confidential

15