DIGITAL RESEARCH European Development Centre

Confidential Memorandum

23rd November 1989

Date:

To: Dick Williams

From:

cc:

Steve Tucker

Subject: DR DOS and Windows

List

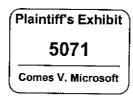
Dick, as you are aware there has been much discussion on the above topic recently for a variety of reasons. I have held a senior staff meeting here to discuss the importance of Windows with respect to our future DR DOS strategy and would like to take this opportunity to share the views expressed with you. For your information the attendees at the meeting are on the copy list.

Windows/3, OS/2 PM, Microsoft and IBM

It would seem that Microsoft are making a number of significant moves at present with their Windows product. Of most importance to us is their announcement of the withdrawal of the ISV run-time license for Windows and the introduction of the Windows/3 product in calendar year 1990.

It is relevant to make note of a couple of the major features of Windows/3. It will have a PM style user interface, it will support applications larger than 640k using Microsoft's DOS Extender technology and applications written for it are claimed to be binary compatible with OS/2 PM. The latter point means that if you purchase a Windows/3 application you will be able to run it unchanged on PM. Also, of course, if you develop a Windows/3 application you can sell it for use on DOS or OS/2. Applications that are written for OS/2 PM that use OS/2 PM features

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are NOT backwards compatible with Windows/3 however.

Windows/3 would appear therefore to provide an excellent bridging strategy to OS/2 PM which is now widely recognised as being an opportunity for the long term and not for today. It is true that IBM and Microsoft are publicly flying the OS/2 PM flag and positioning that product as the one for which they will develop applications for first. Of course Microsoft need have no concern about the risk of making such a statement since they have already launched there two top selling applications, Excel and Word, on Windows.

I think that we have to believe that for Microsoft and other application software vendors the Windows/DOS solution represents the best revenue generating opportunity for the immediate future. Windows/3 applications will also, if the claims are to be believed, provide ISV's with OS/2 PM applications. IBM may not be entirely happy with this state of affairs but since their interests are to protect OS/2 from failure a solution which makes applications available for OS/2 users because it represents an attractive business opportunity to ISV's is not all bad news. It means that when users can ultimately afford the OS/2 solution a range of modern graphics applications could be immediately available. It's a neat strategy.From Microsoft's point of view they can continue to support DOS applications without losing face.

Windows/3 and the ISV's

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By removing the need for ISV's to ship run time Windows support with there applications Microsoft can potentially weaken DR DOS as a competitor for MS DOS. This may not have been a major factor in there initial design goals or marketing strategy for Windows/3 but you can be sure that it has not escaped their notice. The question then is how does this actually affect us and what can we do about it?

We should first take a look at the impact on the ISV community. ISV's who ship Windows applications are all shipping Windows/2 run-time support. They need to do this because they have to be sure that when a user purchases the application it can be run on any DOS machine even where the user has not already purchased the Microsoft Windows package which also includes the windows desktop and a bunch of other goodies. The run-time support includes all the system software components that make up the Windows product including device drivers.

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We do not believe that these existing applications or even new Windows/2 applications that might appear in the near future will be affected by the new Microsoft licensing policy. Our belief is based on the fact that ISV's will not want to put purchasers in the position of having to spend additional cash on purchasing Windows/2 run-time support from Microsoft when it was previously "free" from the ISV's. In other words our assessment is that DR DOS will not be affected until Windows/3 applications start to appear. Microsoft may use scare tactics on our OEMs of course but technically and practically we will still be able to run Windows/2 applications out of the box.

This does not mean that we can relax and wait until the Windows/3 applications appear before considering our response. The potential lead times on building our response are to say the least long.

Distribution Strategy for Windows/3

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There would appear to be two channels that Microsoft could use for distributing the necessary run-time support for Windows/3 applications. We must always remember that their strategy must be one that satisfies the ISV community. ISV's will be relying on Microsoft to provide the support environment that Windows/3 applications will need before they can run.

Microsoft could "bundle" Windows/3 with MS-DOS so that OEMs ship the support on every new machine. This would certainly meet the needs on all new machines. There will however be in excess of 32 million Windows/3-capable machines installed worldwide by the end of 1990. By the end of 1991 even if Windows/3 ships on every new machine that year there will still be around 70% of the installed base of 286/386 machines that do not have Windows/3 bundled. The ISV community will not tolerate being unable to offer their new Windows/3 applications on 70% of the available machines.

Microsoft will therefore have to offer Windows/3 as a retail product and at a price which continues to make Windows/3 applications attractive. They cannot make the price too low though because if they do their OEMs will question the advantage of shipping Windows/3 bundled with DOS. Even if Microsoft give it away to OEMs the OEMs still have to bear the cost of manufacturing additional discs and documentation.

I am sure that Microsoft can resolve these issues but they would appear to have a dilemma and the situation is not quite as black and white

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as it might at first seem.

Windows/3 and DR DOS

As far as DRI is concerned the removal of run-time licensing from the ISV's is bad news in the long term. Although it will probably not mean that there will be no solution for DR DOS users who wish to run Windows/3 applications they will be disadvantaged when compared with MS-DOS users who get support bundled. If Microsoft can successfully pull of a strategy of bundling Windows/3 with MS-DOS then our only counter strategy would be to make a similar offering to our OEMs. That means developing a compatible product. In two years there will not be a single sector of the PC market that would be untouched by a Windows/3 bundle. We should expect that with advances in display technologies in that period even laptops will be able to run graphics applications.

We do not however stand alone under threat from a Windows/3-DOS bundle. There are other software developers such as Quarterdeck and Rational Systems who will also be out in the cold. The OEM community may also be unhappy about a return to a monopoly situation for Microsoft. Even OEM's who are not DRI customers should have benefited from the competitive pressure we have put on Microsoft.

The task we would have before us should we choose to embark on a Windows development program would compare with the biggest that DRI has ever done. We could be talking of many tens of man years work and significant investment to fund it. We may however be able to find others who have a common interest to see a competitive situation sustained and/or who recognise the business opportunity.

This memo represents the distilled thoughts of the senior staff here. I would welcome the opportunity to discuss this further with you and please give me a call if there are any points you need clarification on.

Copy List: John Bromhead John Constant Mike Shelton Andy Wightman

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Dieter Giesbrecht- FYI Greg Ewald- FYI

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