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NT pricing: low-cost OS, Back Office 'gotchas.' (Microsoft Corp's Microsoft Windows NT Server 3.5, NT Workstation 3.5, Back Office operating systems) (Product Announcement)

(Sep 19, 1994)

Abstract (summary)

Microsoft Corp introduces its \$700 Windows NT Server 3.5 and its \$395 Windows NT Workstation 3.5 operating systems. The company also unveils its Back Office operating system/E-mail bundle that packages NT Server, SQL Server, SNA Server, Systems Management Server and Microsoft Mail 3.2 together. The firm will replace Mail with Exchange when it is ready to ship during the middle of 1995. The company wants to displace Novell Inc's NetWare network operating system, which has the largest market share among users with PC networks. Industry insiders expect volume prices for NT Server and NT Workstation to be approximately 50 percent less than list price. Microsoft is pricing Back Office in a way that is unique to the company. The price will be \$2,200 for the bundle, plus a \$300 per-user connection charge. The company is negotiating with several PC vendors to bundle Back Office with their systems.

Full Text

Microsoft Corp. will officially launch the NT Back Office product suite this week, setting extremely aggressive pricing for the operating system -- but making up for lower revenues with user-access fees.

The combination of Windows NT 3.5 with the Back Office suite represents Microsoft's most determined effort yet to persuade customers that it has a product line that can effectively replace Novell Inc.'s NetWare, the dominant PC network operating environment, and other competitors' products.

Microsoft CEO Bill Gates will formally introduce the suite this week at Windows World in Dallas.

NT Workstation 3.5 will be available for a single-quantity list price of \$395, while NT Server 3.5 will be \$700, sources close to the company said. With volume discounts, users could pay 50 percent less than those prices, sources said.

Microsoft also will release its new NT Back Office pricing model, under which customers will pay a per-user license fee for each Back Office application they access, sources said. The entire Back Office bundle -- which includes NT Server, SQL Server, SNA Server, Systems Management Server (code-named Hermes), and, eventually, the Exchange mail server -- will sell for \$2,200, plus a \$300 per-user connection fee, sources said. Until Exchange is ready to ship in mid-1995, Back Office customers will receive Microsoft Mail 3.2 as a placeholder, they said.

While direct comparisons cannot be made in all cases, retail prices for NetWare 4.02 range from \$1,395 for a five-user license to \$47,995 for a 1,000-user license. A comparable bundle of IBM networking products would comprise OS/2 2.x, which sells for anywhere from \$25 to \$150 per copy, and LAN Requester or LAN

Server. LAN Requester costs \$50 per client; LAN Server Entry edition is priced at \$795; and LAN Server Advanced edition costs \$2,295.

Some IS personnel said that while the Microsoft pricing seems attractive, the per-user fees may be the company's "gotcha."

"At first blush, the pricing model didn't sound that bad," said Bruce Barnes, manager of PC systems for Unocal Corp., in Los Angeles. "But then if you take \$50 per client for Hermes and multiply it by 10,000, it's really not that cheap."

Several OEMs said they would be ready this week to start shipping machines with NT 3.5 installed. Microsoft officials said users can expect to see the new version in retail computer stores within three weeks.

Last week, Microsoft was working to cement deals with a handful of OEMs to bundle the entire Back Office suite with their hardware, but it was uncertain whether those deals would be completed in time for this week's announcement.

Among the companies considering bundling Back Office are AT&T Global Information Solutions, Compaq Computer Corp., Digital Equipment Corp., NEC Technologies Inc., and Sequent Computer Systems Inc., sources said.

NT 3.5 will come in two varieties -- NT Workstation and NT Server -- but the Server version will include a choice of several user-selectable modes, including the Advanced Server mode, Microsoft officials said.

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