Deutsche Bank Technology Conference

Company Participants

- Eron Kelly, GM, SQL Server Marketing
- Karl Kierstead, Analyst

Other Participants

- Unidentified Participant, Analyst, Unknown

Presentation

Karl Kierstead

Okay everybody. So let's get started. We've got a small company from the Seattle area up today. Microsoft was kind enough to attend Deutsche Bank's tech event for the first time. So thank you Vikas and Eron for making that gesture. I hope it'll become an annual event, especially as Deutsche Bank shifts its database mix to SQL Server, that'll be icing on the cake.

Eron Kelly {BIO 22348446 <GO>}

Excellent. So you're a case study?

Karl Kierstead

Yes. So Eron, for some of you who haven't met him before, runs a piece of Microsoft's business that I'm personally very interested and I think a lot of you are. And that's the SQL Server side as well as portions of, or all of, the BI Suite. So why don't you actually take a minute if you don't mind. And describe all the different product sets that are under your domain?

Eron Kelly {BIO 22348446 <GO>}

Sure, sure. So well first off, thank you for being here. It's great to get the invite and participate in this. I'm certainly very passionate about the technology space that we're in around the data platform. It's been very exciting for Microsoft. And I think there are times when, because of Microsoft's historical brand around the desktop, people just don't really know what's going on in SQL Server. And it's been an incredible business over the last few years.

So my responsibilities are for product management and marketing of our SQL Server, all of our database, our data-centric assets that are in Windows Azure, our cloud platform, as well as our BI assets that span Office and Excel, as well as some of

our new cloud properties like Power BI. So it's sort of the data platform, end-to-end, is what I tend to focus on.

Karl Kierstead

Got it. And I know Microsoft never likes to get into too much detail around sizing the particular segments. But what information metrics could you offer us to help us gauge how big the businesses that you manage are? Maybe, if you don't want to put dollars on it, SQL Server -- is that sort of the largest, second largest, chunk of a broader segment? Anything that you can give us that might help size the business?

Eron Kelly {BIO 22348446 <GO>}

Sure, sure. So a couple things, we're actually starting to become a little bit more public with the actual numbers so I can help there. So SQL Server is now a $6 billion business. And from a growth perspective it's been growing in double digits for the last several years. And our Q4 numbers were 19% year-over-year growth. So very healthy growth.

Karl Kierstead

Extraordinary.

Eron Kelly {BIO 22348446 <GO>}

On a pretty big number. The premium part of that, our Enterprise editions, was growing even faster north of 25% year-over-year. So we're seeing a lot of growth there. Now from a market perspective, we tend to look at IDC Gartner as well as our own internal analysis. And most will put our market share from a units perspective at about 46%, 48%. And then from a revenue perspective at about 20%. And so, what you see in those numbers is we've got a lot more database units. But we're at a lower price point. And it's also a reflection of historically we've been more of a mid-market Tier 3, Tier 2 database in the enterprise. But that really started to change at around 2012 with that release where we became more and more of a Tier 1. And so we've got a lot of indicators that are showing that growth into Tier 1 which for us is new ground, if you will.

Karl Kierstead

Okay. Then on the -- that was SQL Server. And maybe you lump it all together. But what about on the BI side? Several in this audience follow Tableau, Click, TIBCO Spotfire, Microstrategy. We hear about Microsoft. But I think most investors don't really have a good sense for how big you might be on the BI side. Any metrics you can offer there?

Eron Kelly {BIO 22348446 <GO>}

Yes. So it's been tricky. Historically, the way we've approached the BI market is obviously with Excel on the client, SQL Server is the back-end database and then SharePoint as a presentation layer for web presentation in the browser. And so, across those three products, we have a BI business that's not easy to see in a single number.

I think some of the analysts might will put that at $2 billion, $2.5 billion, across the three if you're to take an allocation from each one. And that's probably right. The way we think about it is, there's about a billion Excel clients in a world, not all of them do BI of course. And right now, most people would estimate that within an organization you have 7% to 8% of employees will do BI functions. And so, a lot of that's in Excel. Some of it's with some of these other products.

Our vision is to go beyond that. Our vision is to get 20%, 30%, 40% of an organization using data to make decisions. And the way we think about it is doing that in a familiar tool is going to be big part of it. But then also, bringing together the right information on the back end. And delivering it to that user in a familiar way, will further that growth.

And so, we have sort of a vision statement we like to say is -- How do we bring big data to a billion users? That's what we're trying to do. And it's a combination of a new service we released in February called Power BI, that is a per-user per-month service that brings together the best of Excel, SharePoint and SQL as a BI solution. Combine that with a pretty robust back end of SQL Server, Windows Azure, that sort of one-two combination we think is really going to be interesting in the market. So that's our strategic view on BI and some sizing sense.

Karl Kierstead

Super helpful, thanks for that. And one thing Eron, I've learned from covering Microsoft over the years, is that as helpful as these statistics, sizing metrics are, you have to think about each individual product that Microsoft is part of a broader whole. Because it's so integrated with the rest of the suite. So how -- to what extent does SQL Server touch other key parts of the Microsoft product suite? Where are the links that are most pronounced, that are worth flagging?

Eron Kelly {BIO 22348446 <GO>}

Sure, there's a couple places. So one of them is obviously Windows Server. So when you run SQL Server you run it on Windows Server so there's a very tight correlation there. SQL Server is also the back end for SharePoint server and other dynamics, other applications, both within Microsoft and then our partner applications run on SQL. Visual Studio is a development environment that targets SQL as a database. So that's another leverage point. Then of course, Office and Excel from a BI perspective. Then we've been making -- and that's sort of traditionally.

We've been making a lot of investments in the last two releases to also make SQL a socket for Azure. So we've made investments to within the SQL Server management

studio that the DBA lives in, you can literally configure backups directly to Windows Azure right from SQL Server. And so, we've tried to make a lot of connections there because customers are looking for that hybrid environment, where some of their data may live on-premises, some of their data may live on the cloud, they want to bring these things together. So that's been a big investment.

And one sort of -- it's not necessarily a data point. But a statistic that I thought might be helpful is, we did some analysis this fiscal year on our business and we were looking at attainment of our sales force. So our sales account teams, they have accounts. And they of course care a lot about attainment. Do they hit their number all up, or not? And the product that most strongly correlated with them hitting their number was SQL Server. So there was a very high correlation between you hit your SQL number, you hit your all-up number.

And it's a combination of this sort of connecting effect that you're highlighting. But it's also because the deal sizes are just getting much bigger now around SQL and there's a lot of upside there that we're seeing now in the last couple years.

Karl Kierstead

Okay. So let's talk a little bit about that SQL Server business, because I think most investors are astonished, to be honest with you, that you're growing that $6 billion business at a high-teens clip, when Oracle and IBM's DB2-Informix businesses are probably flat. So obviously the million dollar question is, how are you pulling that off? It looks almost too good to be true.

Eron Kelly {BIO 22348446 <GO>}

Yes. So I would take you back to 2010. And so it's a little bit of a history lesson but it helps you get a sense of where we're going. So in 2010, we released -- we called it an R2 release of our 2008 product that included In-Memory technology as part of our analytics and BI stack. And so, that was the first step in really bringing In-Memory into the enterprise. And starting to work on Tier 1.

In 2012 was when we really hit Tier 1 from a product perspective. So we brought In-Memory technology into the core data warehouse and we brought a technology called Always-On, which is about creating a high availability environment. And it was very robust. The stuff we had in the past around Failover was pretty good. But this was really good.

And so now, we became a credible Tier 1 database. And if you remember my earlier comments, we sort of grew up in mid-market in Tier 2 where these features weren't a requirement. And we couldn't command the same price point. Well now, in 2012, we could deliver a mission-critical solution and we started to have In-Memory across two of the three main workloads in a database product.

At that same time, we made two other changes. We made a pretty sizeable investment in a sales force, more senior sellers. So these were individual sellers that

were focused on SQL Server that were more senior than we typically have at Microsoft, who could really go drive the bigger deals. Then, we made a licensing change from a CPU-based licensing model to a core-based licensing model, where we got in alignment with Oracle and IBM who had already moved there. And so those three things -- a product that was credible in Tier 1, investment in more senior sellers who could go after the larger Tier 1 deals. And then a business model that allows us to better monetize. That was what happened in 2012. And we've really been riding that the last couple years. That's where we've seen very high premium growth. And we're still a relatively small player in Tier 1. So we're just continuing to see that upside.

And we do see migrations, we've been tracking about 900 migrations from Oracle since 2012 of Tier 1 applications. And so, those are things we keep a very close eye on.

Karl Kierstead

Is the reason that outside observers like us aren't seeing this progress hit Oracle's license number -- is it because your efforts in moving to those Tier 1 workloads is still relatively early stage. And hence it hasn't hit them yet? Or, is it possible that you are having an effect on their license growth. And it would be call it 4% but for Microsoft. And instead it's zero?

Eron Kelly {BIO 22348446 <GO>}

So there's a couple factors there. One, a lot of Oracle's licensing is now maintenance, right? So it's not net new licenses, it's maintenance. So there's a little bit of their numbers. I think we're in a market that's growing at a pretty good clip. Most analysts will put it at 9%, 10%. But as you said they were more flat. So the market's growing. And we're growing faster than market so we're taking share there.

Then this -- we're just starting to see this shift over. Our price point is lower than Oracle. We're about a third of their price in many configurations. It's simple math around that. So when -- if you move 20 cores of Oracle to 20 cores of SQL, you're going to see less revenue over there, you're going to see some growth. But it's not a 1-for-1.

So we're using that price advantage, or that value advantage, as well. So that's one of the key reasons why customers take a closer look and say -- gosh, I've had this app running on Oracle for a long time, or DB2. Microsoft's brought new In-Memory technology to the market in the product that they already know. It's not an expensive add-on. They're generally less expensive and they've got a really strong value prop. Okay, I'm going to start to move.

But these things do take time. Most organizations don't want to move a Tier 1 app that works unless there's a compelling reason. So it's about winning net new projects and then doing migrations. But they'll take longer.

Karl Kierstead

And Eron, what portion of this extraordinary growth in SQL Server might be driven by another factor -- and that's a few years back, Microsoft I think, changed your licensing model on the SQL Server business and I think it resulted in a net price increase. Is a portion of the revenue growth you're experiencing in SQL Server price increase?

Eron Kelly {BIO 22348446 <GO>}

Yes. So that was one of the three factors. Product, sales force investment. And the change of the licensing model from CPUs to cores. Because what was happening is, we were monetizing at the CPU level. But hardware was coming out with more cores per CPU so customers were getting more performance for the same price. And so, we had to transition over basically like everyone else. And now we're better able to monetize the true growth.

Now, what's driving core growth is data explosion, right? So data explosion is driving core growth across the board. And a lot of people think of it as oh, well that's just a Hadoop phenomenon. It's really not. It's -- yes, sure, Hadoop's growing and there's a lot of data going to Hadoop. But that actually increases the demand for more data warehouses where the results of a Hadoop deployment get combined with existing customer records in a data warehouse that becomes -- creates a more interesting view of the customer for a company. And we see a lot of that.

Just to use an example. So Progressive Insurance has you know, those little devices in the car to measure your driving behavior to change your rates? Have you guys -- you guys are familiar with those, I think? So those devices create a signal and data that goes into Hadoop. They combine that then with data, customer record data that lives in a traditional data warehouse. And that combination is what's most interesting to them.

So the growth of actually Hadoop and big data is really helping and fueling the traditional data warehouse part of our business. There's more and more data projects. And there's more and more data that they want to actually combine in the traditional system.

Karl Kierstead

Great. Then in terms of the product road map, one of the early announcements that your new CEO made when he came aboard was SQL Server 2014. Could you bring us up to speed on what the timeline of that product going GA is. And what new features are most pronounced in that new version?

Eron Kelly {BIO 22348446 <GO>}

Sure. So we released SQL Server 2014 in April. So it's in-market now. The biggest new feature area there was In-Memory in OLTP or transaction processing. So now in

SQL 2014 you have In-Memory technology for BI and analytics, you have it in data warehousing. And you have it in OLTP. And that's unique in the market. No one else has In-Memory across all three of those core data platform workloads. And it's really been an exciting release for us. And it's part of the reason why Satya came on board to announce it. The last time we had a CEO talk about SQL was Bill Gates in 2000.

So it was nice -- he of course ran the division so he's familiar with the technology. So that didn't hurt. But that's part of the reason why he's behind it, is the growth potential he sees there.

Because one of the things that's been an interesting phenomenon in the last couple of years is traditionally, two or three years ago this wasn't the case, it is now -- in a typical enterprise account, the largest line item would be Office. And that's been the case forever. But now, we're starting to see SQL Server become the largest line item in some deals. And the reason why is SQL can grow by the amount of data that you have because it's the amount of cores that process that data, whereas Office is sort of capped by the number of employees in an organization.

And so, this has created an interesting phenomenon. And I hit on it with the attainment point. But we're also seeing this very large deal size growth -- where if I look at large deals, which I'll classify as $5 million or up in SQL revenue, we're seeing triple-digit growth over the last two years of those kinds of deals. So what's happening is this Tier 1, customers are looking at SQL, they're buying it. And the combination of those factors I described is leading to much larger deal sizes. And now, the enterprise sales force is starting to take notice, like ooh, wait, I used to be -- it used to be that Office was the big dog in every account and that's where I would spend all my energy. But now, there's this SQL thing showing up that suddenly is bringing in similar size deals. Okay, I need to learn more about this, I need to drive this more.

And when you combine that with just the market space that data is in, in general, it's a very interesting time.

Karl Kierstead

Was the GA launch of SQL 2014 too recent for it to have had any impact on the SQL Server revenue growth in 2Q?

Eron Kelly {BIO 22348446 <GO>}

It helped in our Q4, calendar Q2, because you can certainly buy it and it helped move customers. Q4 is of course our biggest quarter. We see a lot of the enterprise deals closing then. And having out and GA certainly helped deal size growth in June for sure. And Satya talking about it also helped because our sales force could go to accounts and say -- look, SQL's a CEO-level topic. We're behind it. And so then that got customers on board.

Karl Kierstead

Let's talk no NoSQL.

Eron Kelly {BIO 22348446 <GO>}

Sure.

Karl Kierstead

Huge topic of interest for everybody in this room. You've seen the private funding raises, as I'm sure you have, for data stacks, Mongo, everybody. It's unbelievable. We're all trying to figure out how big this is. And if it's threatening to the traditional relational database vendors. Oracle, you might know, is arguing that it's an interesting market but it's not threatening to their core relational database business. What's your stance on the NoSQL opportunity or threat?

Eron Kelly {BIO 22348446 <GO>}

So we see it as an opportunity. And in fact, three weeks ago, we announced a new service in Microsoft Azure called Document DB, which is a NoSQL database as a service. And the reason why we see it as a complement or an opportunity is because NoSQL databases do things a little bit differently. They have a different value prop than our traditional database. And it's not one or the other. They make more sense -- they make better sense in some situations versus others. And we came about this, it was about two-and-a-half, three years ago, within Microsoft our large Cloud services were having challenges with supporting them and the traditional NoSQL databases weren't working. They weren't scaling. And they didn't have the level of consistency that was important. And when I say consistency, it's a pretty important distinction in this world where typically a NoSQL database can read and write very, very quickly and it's high performance. But it doesn't always keep track of the absolute result. It doesn't have a consistent view of the transaction. And it eventually reaches consistency.

So if you think of your Facebook feed as an example, if you look at your news feed, it's not always exactly accurate every time. There might be someone's post that doesn't show up, or maybe it does. And then five minutes later it shows up, right? That lack of consistency is inherent in a NoSQL database because it's focused on performance, not on accuracy or consistency.

Karl Kierstead

This is the difference between eventual consistency and transactional consistency.

Eron Kelly {BIO 22348446 <GO>}

Correct. And so as we looked at the problem, we said, we see the value in a schemaless design that these databases have where the developer late in the game can add new data to the solution without having to change the original schema. So we thought, that is valuable. We saw value in transaction speed. And so we built a

NoSQL database that would better meet those needs but it allows the customer to tune the consistency up or down. And we felt like that was something that was pretty important as the data stored in the NoSQL database needs to be more and more transactional. And so that's why we brought it to market. And we see there's a great complement.

So what we'll envision is let's say you have an e-commerce site. You're going to have your commerce transactions in a traditional transactional database because those must always be exactly right. But things like comments, or ratings and reviews from customers of the e-commerce site, those can live in a NoSQL database because I just want that to be really performing and fast. But it doesn't have to be 100% accurate all the time. And so, those two things together we think are interesting. And then having the ability to really dial up that consistency or dial it down is what we brought to the table, we think is unique.

So we think NoSQL is very interesting. We think it's a great complement and we're leveraging a lot of our knowledge and experience in the database world. And trying to bring it into that. We also see similar excitement around Hadoop, which again I would think of that as not necessarily a NoSQL database. But it's a NoSQL data world, realm. And we have committers who committed to Hadoop and we think it's a big part of our growth strategy as well.

Karl Kierstead

Got it. Before we go there, just to make sure I'm good on the NoSQL side, is there any reason why Microsoft would be less vulnerable to NoSQL workload migrations than Oracle?

Eron Kelly {BIO 22348446 <GO>}

I guess when I would say less vulnerable, I mean, our price point helps. Right? So Oracle's price point's a lot more expensive. So that's going to create more financial pressure on this scenario.

Karl Kierstead

That's a good point.

Eron Kelly {BIO 22348446 <GO>}

I think that's one. I think two, with Azure, we have our own NoSQL database now. We also, you can get Mongo in Azure. So we're sort of embracing choices and options. So if someone said -- hey, do you want to put this table in SQL, or do you want to put this table in Mongo, hey if you run it on Azure, either way. We're seeing some upside there. So I think our approach, which I don't know if people fully have internalized really embracing the open source community in Azure allows us to win the Windows workloads and win the Linux workloads all within the Microsoft portfolio. And that's an area where I think Oracle's really not in that same position.

Karl Kierstead

That's a good response. So let's look to Hadoop, another big trend going on in the data space. A while back, Microsoft started dancing with Hortonworks in a partnership. I think, if I'm not mistaken, you've gone beyond the Hortonworks partnership in terms of your -- you embracing Hadoop. What are the different ways that Microsoft is embracing Hadoop in the organization these days. And maybe some broad comments giving your perspective as to the Hadoop enterprise adoption to begin with? How does it feel to you out there in the market?

Eron Kelly {BIO 22348446 <GO>}

Sure. So yes, Hortonworks is a great partner of ours. We started partnering with them about two-and-a-half, three years ago. And the goal there was to really embrace the Hadoop growth. We at the time, we had our own proprietary technology called Dryad that did effectively the same thing. But when we looked at the market we realized there was a lot of momentum around Hadoop. People were learning it. And to try to introduce some complementary, some competitive thing, didn't make a lot of sense. So we said, let's bet on Hadoop, Hortonworks will be a great partner for us in that regard. And so now, we've brought Hadoop into Microsoft.

It's part of Microsoft Azure. So it's through a partnership with Hortonworks, you can get what we call HD Insight. But it's effectively Hadoop as a platform service in Microsoft Azure. We have from Hortonworks, the Hortonworks Data Platform or HDP, on Windows Server so they provide that. They of course also have HDP on Linux. And we now have committers at Microsoft so these are developers that actually check in code into the Hadoop projects. And we've contributed a lot of IP to both Hadoop and then some of the additional projects that live on top of Hadoop, like Hive and Stinger. And others.

The rationale there is, it's all about the patterns we're seeing in the enterprise. So what we're seeing is Hadoop is a great complement to an existing data warehouse, because it brings a new perspective on the customer. So I talked about Progressive Insurance, we also see this with Yahoo!, the originators of Hadoop. They have a huge multi-petabyte Hadoop cluster where all their clickstream analysis goes, clickstream data goes. They then move that into a 24-terabyte data warehouse running on SQL Server which then points to BI tools for analysis. So this architecture of Hadoop next to a data warehouse and access by BI tools is a pretty common architecture. And so, that's the kind of patterns we're seeing.

And what Hadoop has been really exciting, of course, sentiment analysis, IoTs, Internet of Things, it's been a big area of focus. We've got a couple of customers that are using one of our preview services of Azure around IoT. And it's fascinating things. London Underground is looking at the vibrations of wheels in an escalator to determine when they need to replace those wheels before it fails. So predictive analytics and maintenance, machine learning, against some of those scenarios. So very, very interesting things in here [ph]. So we're very much embracing it and we see it as a great complement to our traditional business.

Karl Kierstead

Okay. I've actually got a Windows Server question.

Eron Kelly {BIO 22348446 <GO>}

Okay.

Karl Kierstead

I think fair game to throw to you?

Eron Kelly {BIO 22348446 <GO>}

Sure.

Karl Kierstead

A lot of these trends we've just been talking about, this move to Hadoop, this move to NoSQL, to some extent the broader move to public clouds -- not Azure. But I'm talking AWS and others -- they, those architectures, include commodity X86 hardware that generally runs on free or paid Linux, not Windows Server. So I'm wondering as the data architecture shifts. And it's more of a Linux world, not a Windows world, how do you manage that transition? What can you do to make sure you're relevant as architecture shifts to a very Linux-centric hardware world?

Eron Kelly {BIO 22348446 <GO>}

Again, I think what you've seen us do in Azure is an example of that, where you can run it in Linux VM just like you can run a Windows VM. And you can run Hadoop on there. And so we're trying to expand the opportunity from a data management perspective to not just be Windows-based workloads. But also Linux-based. And Azure is the place where we're doing that.

Then, where we see the monetization value is again in that data warehouse, in those BI tools, in the rest of the stack. And so, we want to make it as easy as possible to get to that data and help customers analyze it.

And things like In-Memory technology, that just creates huge performance gains over disk-based solutions are where customers are going to want to move their most valuable data anyway. And so we see that as a nice complement.

Karl Kierstead

So let's talk about that BI space, which is part of your product management responsibilities as well. I'd like to ask you what you're seeing out there in the BI space. I think what we're all seeing is the traditional BI reporting tools. You know,

flattish, maybe single-digit growth. And it feels like a lot of the spending dollars are still shifting to the Next Gen tools like Tableau or in your case, PowerView, or PowerPivot, etc. Are you seeing that BI spending shift as well. And perhaps what other more nuanced shifts are you seeing on the traditional BI side that are worth calling out?

Eron Kelly {BIO 22348446 <GO>}

Yes. So we're seeing a very big move toward self-service BI. And so I would highlight the visualization tools, ease of use has become a big move in the market. I think it's a combination of things. It's CEOs and C level want data to make decisions. But then they want all their employees to have data to make decisions. And static reports are fine but they're just not good enough. You want to be able to drill into the data and see insight.

So for us, investments in PowerPivot and PowerView as part of Excel in 2010. And now native in 2013, are an example of that. That's technology that the SQL Server team built and then provides to the Excel team to bring to market. That's been a big part of our bet, the Power BI service that I mentioned earlier, a big part of that bet. Because our vision is, how do we bring -- how do we give more employees in an organization access to data to make better decisions? We think there's a real value creation there. And as a company that's historically focused on employee productivity through the Office Suite in Windows, we think we're well-positioned to do that.

Karl Kierstead

This is bulls-eye for Microsoft?

Eron Kelly {BIO 22348446 <GO>}

Yes. So that's very much the path we're going down and for us it's not just about visualizations. It's also about doing new, innovative things that make the data more interactive. So one of the great kind of compelling features of our Power BI service is a feature we call Q&A where it literally allows you to ask a question and get an answer back in the form of data. So I might ask and say they compare the revenue growth of SQL Server versus Windows Server in Europe last year and I'll get a graph back. Or, help me better understand the segmentation of my customers. And I can just ask my data questions. And I get answers back in the form of graphs or data points. And it really, really think it's going to take self-service BI to the next level. So it's not about a dashboard where I will see graphs and charts that someone maybe may have created for me. It's literally about asking a question.

And so, those are the kinds of investments where we're able to bring together engineers and scientists from Microsoft Research combined with the BI experts in our team. And even some of the natural language folks in Bing, to create some interesting technologies that we think will just make this market really grow.

Karl Kierstead

Do you think there's a feature gap with Tableau today that you need to close?

Eron Kelly {BIO 22348446 <GO>}

In some areas. They have more visualizations than we do for sure. And so we're working hard to close that. But I think -- and there's other areas where we're ahead. Like this Q&A is an example of where we have some capability they don't have. I think we have a familiarity to the user in Excel that's an asset. And so those are things we're going to certainly take advantage of moving forward.

Karl Kierstead

Okay. Let's see if we've got some questions from the audience? We've got about five minutes left. Yes, right here in the front? Actually, do you want to just wait for the mic?

Questions And Answers

Q - Unidentified Participant

Yes. Thanks for coming out today. My question was more around I guess we've highlighted, you've hit on it a little bit here. But just in your ability to take share. I mean, with the breadth of the offering you guys have in the enterprise, how much do you guys work together and can you bundle different stuff with Office 365, SQL Server to win more business? And how does that also help you just having that broad offering in more of a hybrid cloud-like environment?

A - Eron Kelly {BIO 22348446 <GO>}

Sure. So I think the Power BI service is an example of that, where we bundled SharePoint, Office and SQL into a per-user per-month subscription. So that's a very tangible example of bringing together technologies from three different groups, three different product teams, to create one offer. I think when it comes to overall Office 365 with say SQL Server, there's not really a per-unit bundling that makes sense. One's cores, one's users. But from an enterprise sales motion perspective. And our enterprise agreement, it's more and more becoming something that people want to do together.

So as I mentioned before, historically Office was the huge line item on the EA and the feedback was, don't mess with my Office renewal, I don't really care about this little SQL thing. And now, it's a little bit more of -- okay, I care a lot about my Office renewal. But I also am interested in the growth I can get here from SQL. And so, the account teams that own the all-up number are becoming more focused. And we've got programs and discounting and things like that, that can kind of help. But there's not really a hard bundle if you will, if that's what you're looking for.

A - Karl Kierstead

We've got a question right here?

Q - Unidentified Participant

Yes, how are things going outside of the US for SQL Server? I mean, is it further penetrated in the US market, or does it look like Microsoft's spread of the business generally?

A - Eron Kelly {BIO 22348446 <GO>}

It basically looks like Microsoft's spread. I'm not -- I'm trying to think if there's any difference. I don't think there really is. We see great growth internationally as well. And it's fun. It was fun this year at the end of the year because the year was such a good year. I would get a lot of e-mails from South Africa and places like that, saying -- we just reached a very significant financial milestone on the SQL business.

So what ends up happening on the SQL business internationally, is some subsidiaries can have much higher growth rates than the US because they're less penetrated. And one or two large deals of an -- so there's a global company in a smaller country that you know, their data needs are not different than a global company in the US. So you can see sort of non-linear growth in pockets because of that. But those tend to be a little bit deal-driven, because of this migration from Tier 2 to Tier 1.

We see a little bit of that. So there might be some anomalies there. But I think in general it maps to Microsoft all-up.

A - Karl Kierstead

Yes, right here?

Q - Unidentified Participant

Just on the pricing question, given the value that you bring and the robustness of the offering, is there an ability to or a desire to close that gap with Oracle by you moving further up?

A - Eron Kelly {BIO 22348446 <GO>}

Yes it's a good thing -- we debated quite a bit internally before the SQL 2014 release, do we want to raise price because of the In-Memory technology we're going to put in the box? And in the end, we said no, we want to maintain that significant value advantage and really focus on share in Tier 1, because it's a non-trivial pass to move a Tier 1 mission critical app off of one platform and onto another. And we didn't want to be price parity, we wanted to have a real price advantage for that share, for those share reasons. So I think we made the right decision because we've created a lot of pressure in that Tier 1 application space, which I think is good.

A - Karl Kierstead

I think we're going to get timed out shortly. So Eron, this is one presentation that was part of a number on the broader data software innovation space. It's been a recurring theme here at the DB event. You're smack in the middle of it. And I wish you the best of luck in keeping up that innovation and growth on the SQL Server side. And thank you for attending today.

A - Eron Kelly {BIO 22348446 <GO>}

Great, well thank you very much Karl. And I appreciate the attendance here, thank you.

A - Karl Kierstead

Great.