Vicky Lewis

From: Jonathan Roberts
Sent: Friday, March 21, 1997 10:03 AM
To: Carl Stork; Jim Allchin (Exchange); Moshe Dunie
Subject: RE: Memphis and IE thoughts

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I'm depressed. I wasn't aware things were so bad with IE. This makes the following trade-off very painful. Hardware support for Spring machines and some TCO benefits vs IE penetration. Sure seems like our best shot at surviving is to do whatever it takes to get IE on track. Your statement about the tons of bugs you are finding all the work it is taking in some ways validates the need to keep the projects combined. What would be the quality if you stopped your efforts? Furthermore, if we cut our losses I am terribly worried about the message it sends to the market and all of the cons listed in my original mail. It will cause users to step back and evaluate the Netscape alternative.

-----Original Message-----
From: **Carl Stork**
Sent: Friday, March 21, 1997 12:30 AM
To: Jonathan Roberts; Jim Allchin (Exchange); Moshe Dunie
Subject: RE: Memphis and IE thoughts

Here are some thoughts from the product development side

Currently IE4 is so immature (and big & slow & compat-bug prone) that it is impeding our self hosting process. We find tons of bugs but so many are in IE components that our test & repro efforts are becoming meaningless on the OS. We are also finding more and more resistance on the team to install the builds because things don't work.

I am at the stage where I do not recommend that we release anything with IE4 integrated under the name of a Memphis beta. Customers would experience too many problems and the performance would be unacceptable as well - it would be so bad as to blemish the reputation of Microsoft and of Windows. Even IE4 backed away from the name "Beta".

More importantly, at this point it is getting in the way of valid development testing & repro work for Memphis.

I no longer have any confidence that an integrated Memphis/IE4 product will be completed in time for the OEM spring '98 system preload (December release)

We made our best effort to aggressively integrate IE4 into Memphis and help drive the integrated product to quality. It is not ready. I think the NT5 experience is similar.

Another set of factors to consider is if some of the new hardware support in Memphis reduces customer TCO and therefore supports our strategic imperatives, or supports Win32 migration, or enables hardware advances that support Windows PCs sales growth over other non-Windows hardware.

-----Original Message-----
From: **Jonathan Roberts**
Sent: Thursday, March 20, 1997 6:00 PM
To: Jim Allchin (Exchange); Moshe Dunie; Carl Stork
Subject: Memphis and IE thoughts

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This is a trade-off between ensuring we have new device support in the OEM channel for the Spring line of machines and generating twenty or so million more dollars in RUP upgrades versus driving IE 4.0 penetration and a simpler customer proposition. Based on my understanding of the company priorities, we should opt for the plan of record and keep them synced. Outlined below are the pros and cons of the three options Jim, Moshe, and I

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discussed this afternoon followed by a Bobfou summary of the Focus Groups done a month ago on IE 4.0 and Memphis.

Jim, Moshe and I talked about the following three options:

1) Hold Memphis for IE 4.0 and ship in August-December

Pros: This is absolutely the best way to drive IE 4.0 penetration. Customer feedback, including that from over 200 folks in over 15 focus groups, indicates that people want the two to be tied together. If they are de coupled, than Navigator has a good chance of winning. In a browser battle, victory will go to the incumbent.

This ensures the best retail and OEM customer experience. If we do an OEM channel OSR rev with IE 4.0 once it ships it won't be as integrated or have the same degree of testing than if we combine the two.

Cons: if we slip beyond December than we miss the Spring rev of the OEM machines. This is very bad. The fact is, as far as the OEM channel is concerned, I see little difference between a mid August ship versus a December ship. Gateway, Dell, and a few DSP can make post August changes, but nobody else can.

2) De couple Memphis and IE and ship Memphis in July/August and connect with IE in the OEM channel when it ships.

Pros: If we get 25% or greater performance, more reliability, a couple ease and management features, we have a Windows 3.1 on our hands. I doubt we will see the upgrade rate, since 95 is not as broken as 3.0 was, but it would be a very compelling upgrade. To get more OEM $s we would need to promote it heavily at retail.

Cons: We dramatically impact IE Installed base upgrades, create confusion in corporate accounts and with IEUs. The two step upgrade will be very unpopular and unsuccessful.

3) Given the slip, hold Memphis and Sync with NT 5.0

Pros: Simple Message to Accounts

Cons: we miss the Spring rev of OEM machines and accounts probably want their .1 release of Windows 95 that synchronizes all their various versions and is more reliable more than they want a synchronized 95 and NTW release.

Here is the report from our joint IE/Memphis positioning groups.

JOINT OBSERVATIONS FROM THE IE4/WINDOWS 98 RESEARCH EFFORTS

- **Webview takes IE4 out of the category of a "browser" and turns it into something more akin to an OS product, or a hybrid browser/OS.**
- **Even with this shift in functionality, many Netscape users and IS professionals expect Microsoft's edge to be temporary. User expectations are that Netscape may well match Internet Explorer within a couple months, encouraging them to wait rather than switch.**
    - **While Webview may drive enhanced trial over what would occur with just "the next IE4," it alone will not drive massive switching.**
- **Internet Explorer 4 still faces cross-platform/openness issues that preclude its use in many corporations and offers a reason not to go with Internet Explorer 4 in the short term.**
    - **IE4's Achilles heel remains being open and cross platform. Too strong a Windows-only tie in with reinforce the notion it is proprietary and closed platform.**
    - **Delivering on other platforms, rather than any marketing spin, is what will be necessary to break through on this issue.**
- **Having the browser built into the OS fundamentally shifts the equation for users and IS alike.** "Its all there. I don't have to click something else - I boot up and I'm there." "It's one less thing to think about and do."
- **IS is very open to an integrated browser - though current IE4/Win 98 integration still falls a step short of what IS would like - a truly integrated, single view desktop that would be**

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common to all users and applications. The advantages in training, support, compatibility and installation are strong enough to overcome any IS hesitancies about having a single vendor (Microsoft) dominate both the desktop and the Internet.

- **Internet Explorer has much stronger chances of "winning" once it is integrated into the OS.** An integrated browser makes Netscape a non-issue - a superfluous product for all but the most committed Netscape user. The proliferation of Internet usage means these products are reaching the masses - users who would be happy not to have to think about browsers or downloading new versions. The same users who currently say why should I bother downloading a new browser/switching/learning something new will have the same reasons to be use an integrated IE4, and abandon Netscape.
    - **Reactions to an integrated IE4 in the first wave Win 98 groups were some of the strongest switching potential we have seen across all our Internet Explorer work (from 3.0 onward).** Positioned as a fundamental part of the OS - and included with a bundle of valuable utilities/enhancements, willingness to use Internet Explorer among Netscape users was the strongest we have seen.
- **Win 98 must offer users significantly more than Webview in order to make this switching happen. Win 98 must be a much more feature rich product - with a variety of utilities and add-ons, in order to make it a compelling upgrade.** With this additional functionality, its sales wil reach a broader spectrum than the true enthusiasts - and carry IE4 over to users who otherwise wouldn't switch.
    - **The added functionality will help guard against perceived lesser Win 98 value among the most Internet engaged who learn they can get Webview with Internet Explorer 4 alone.**
    - **The degree to which Win 98 loses value with a prior IE4 release must be validated quantitatively.**
- **The notion of IE4 as a "sneak peak" at the Win 98 interface may drive incremental trial, though the timing of this message should be carefully considered.** Many Win 95 first wavers we spoke to are Netscape users. They would likely be more inclined to download IE4 under this approach, than if it was positioned as IE4 alone (given expectations of Netscape matching). Getting an advanced look at the 98 interface would undoubtedly entice some users, and Microsoft is clearly the only company that can offer Win 98.
    - **The impact of having Internet Explorer 4 go "out" with the "sneak peak" approach must be considered strategically.** This approach undoubtedly lessens IE4 as a standalone entity, and may work against the cross-platform notion.
    - **The lead-time between the IE4 launch and the Win 98 launch may be too long for the "sneak peak" to be optimally effective.**
    - **The "sneak peak" approach might be an effective "2nd wave" positioning/marketing effort.** Potentially, this could be a marketing push timed to be a couple months prior to the Win 98 launch, which would get people talking about the release. It would also allow IE4 to have gone out positioned as the strongest possible browser, and to play its cross platform aspects as strong as possible.

Relationship of IE4/WebView and Windows98

Most Win 98 first wavers were inclined to wait for Windows 98, rather than acquire Internet Explorer 4 stand-alone (by downloading or acquiring for $10 on a CD). *Two of the three groups said they would rather wait for Win 98 to be released, rather than acquiring IE4 first. "It's already together and all integrated to work together." "It's simpler to get it all at once." "I had problems getting one of Explorer's advanced copies to load." "I already have Web Crawler - Internet Explorer won't make my life easier. But with windows 98 and having it all integrated it would make it easier to use." "I'd rather have them perfect it and have it built in." "I hate downloading programs at 28.8."*

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Win 98 was a more compelling switching proposition than Internet Explorer 4 alone for most Win 95 first wavers. 9 of the12 users in these final two first wave groups were Navigator users. While these individuals were not inclined to simply download Internet Explorer, they were inclined to use it if it were integrated into the OS. This was a far higher percentage of users than we saw in the IE4 switcher/positioning groups.

Internet Explorer 4.0's earlier launch may diminish Win 98's appeal/perceived value among those who are heavily Internet engaged. The initial group of first wavers dropped their estimates of what they'd pay for Win 98 by $30-$40 after learning that all the IE4 functionality would be available beforehand. Most of this group was inclined to download Internet Explorer/obtain it on CD-ROM, making them feel they'd already "gotten" much of Win 98.

IE4/Webview is more appealing to IS as integrated into the OS than as a standalone browser. The IE4 groups demonstrated that I.S. is looking for a truly integrated product that will make the browser invisible to the end user, and make using the Internet or local files one seamless experience. It will simplify IS managers' lives by eliminating a separate piece of software, and minimize conflicts by having the browser integrated into the OS.

I.S. is looking for true integration to simplify installation, and create one unified interface for end users and their applications. I.S. sees an integrated web interface as simplifying their training and support needs, since users will be able to access anything through one standard interface, regardless of where the data is located, or what application they are running. In fact there was some disappointment during the IE4 demo that the interface wasn't even more integrated, and users restricted to one single way of looking at their computer.

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