Internet Explorer
Marketing Plan Review

November 26th, 1996

Agenda

- Share and Product Status
- Our Current Strategy
- Netscape Strategy
- Research/Planning on New Efforts
- Budget

PENGAD - Bayonne, N.J.
GOVERNMENT EXHIBIT
411

Overall Status Summary

- Key areas of progress
  - Doubled share since launch of IE 3.0 for Win95
  - Won virtually all (9 of 10) head-to-head reviews
  - Licensed 70%+ of all ISP/OLS. Top 10 ISP/OLS licensed and shipping IE3 for Win95 as default browser
  - Got thousands of ActiveX controls; some sites use them
- Key areas for improvement
  - Share on non-Win95 platforms is weak (3% mac/win16)
  - Business/Intranet share is lower than consumer share
  - More IE3/ActiveX sites and IE Logos
  - Despite great progress, still well behind Netscape

Share Status

How are we doing versus our 30% goal?

- IE Share:
  - 11% or 2.4M users in US (22M active users total)
  - 20-25% of web hits (eg., CNET, ESPN, Interse)
    - By OS: Win95=16%, Mac=3%, Win31=2%
- NS share:
  - 48% or 10.5M users;
  - 65-75% of web hits
    - By OS: Win95=40%, Mac=65%, Win31=50%
- Need roughly 5.5M users to get 30% <u>user</u> share

Product Status

Where are we with IE 3.0 for X-platform?

- Windows 95/NT 4.0 (Now)
  - no 32-bit Windows NT 3.51
- Windows 3.1 (Dec)
  - Java support (Feb)
- Macintosh (Jan)
- Unix (Q1/97)
- IE 4.0 Beta (Jan/Feb)
  - for Win95/NT 4.0 only

Key Market Trends

Where is the leverage?

- Top 3 ways people connect
  - AOL 32%, ISP 26%, Corp Net 12%
- Top 3 ways people got their browser
  - ISP/OLS 33%, Download 30%, Work 18%
- Home vs Work WWW access
  - 8.5M access from work only (7% IE, 66% NS)
  - 11.0M from home only (12% IE, 44% NS, 28% AOL)
  - 4.5M access from both home and work
- Intranet only usage is low
  - Intranet only use of a browser is 1.8M users

Current Strategies

Acquire 12.7 million users by Q1 97

- Convert ISP/OLS users
- Get new users via ISP, OEM, Retail
- Switch Netscape users online
- Attack the business market
- Optimize web sites for the Active Platform

Convert ISP/OLS Users

5.8 Million users by Q1 97

- AOL - convert 4.0 M users by Q1/97
  - Online advertising & promotion of IE; mailing users
- CompuServe & Spry - convert 1.0 M users
  - IE shipped to all users; Driving usage via marketing
- Netcom - convert 250K users
  - Online upgrade program; cpa program; mailings
- AT&T - convert 250K users
  - Sweepstakes, premium offers, Netguide magazine
- Earthlink & Mindspring - convert 200K users
- Prodigy - convert 100K users (new service)

AOL Deal Details

- AOL gets $0.25 for each IE convert by 3/15. (4M user cap. $1M)
  - AOL will drive via advertising to members
  - if 5.25M conversions by 3/15 they get $600K bonus
- Next 6-8 weeks, AOL Win 95 members get CD with IE3-based client.
  - We pay $500K for this distribution; sign ups count towards goal
- AOL.COM optimized for IE by 12/1. IE promo begins in earnest 12/1
  - We get bimonthly reports on page visits to top 25 sites for PR purposes
- Other points
  - AOL claims 70% of Mac users on Mac IE by X-mas (750K users)
  - We must deliver Win 31 version with Java by 2/1
  - IE3 for Win31 goes with AOL4.0 preview ask in Jan (IE code d/l upon user sign on)

Get New Users via OEM, ISP, Retail

3.0 million users by Q1 97

- Default browser via ISP channel (2.5M/Qtr)
  - 70% of ISPs licensed; top 10 ISPs ship IE as default browser today
- Ships with every new PC via OSR2
  - Dell, Gateway and DSP now; OSR2 Feb
  - Explore This! Sweepstakes
- Retail Windows, IESK and PC boxes (400K)
  - IESK in Windows, Mouse & with every new PC sale will distribute 1.25M units by end of year
  - Visa Gold 7M promo, Office Depot Web host

Get and Switch Users via Online

1.9 million users by Q1 97

- IE 3.0 for Win 3.1 & Mac launches - Switch 1M users
  - Major product launches; own online mind-share via ads; revamp IE and MS websites; email reg base; launch promos
- Free offers to try IE - 150K users
  - WSJ/ESPN deals (200K users to date); plan to extend these two
- Download advertising - 435K users at $2/dl
  - CNET, IDG, GeoCities, Freeshop, MacWorld, Pathfinder, Site Specific
- Make distribution easy - 250K users
  - *ZIF Davis MacWorld* bundles - 1.5M CD distribution
  - *Guide to the Internet* (7.1M copies, 230K schools) - 100K users
- Gain new content partners - 100 new sites, 50K users
  - Yahoo Internet Life Contest (25K d/ls and 40 partners); YoYoDyne

Attack the Business Market

2.0 million users by Q1 97

- Enterprise Customers - 1M users by Q1 4.6 End of Jan
  - 150 WW IE champs fully trained on IE; Develop key selling tools
    - MS & intranet ppt & demo; ROI study & App Foundry response in progress
  - Technical swat team to help close top accounts
    - Switch LARs, System Integrators, ECU Alliance partners - in progress
  - Promote 50 corporate wins for press and web site by Q1
- Organization Customers - 1M users by Q1
  - Proactive Customer and Technical Solutions briefings
    - Reach 6600 IS managers affecting 1.2M desktops by Q1
  - Train 40% of ATECs/SPs; Mail IE/IEAK CD and letter to each partner
  - Partners to deliver Microsoft and the Intranet CD to OCU customers
- IE Share Drive - sales reps earn up to $5K each
- IS & BDM advertising

Site Builders

Optimize for Active Platform

- Provide development tools and resources to help authors build sites
  - list server mailing, authoring tools
- Reward site builders with free products, tools and offers for optimizing for Active Platform
  - tiered level benefits: logo only, ActiveX, multiple sites
- Over 400K site builders have given us their names
  - 25K are logo'd and at level 1 - twice NS DevEdge
  - Over 3500 now using ActiveX controls on their site

Netscape Strategy

Focus on Intranet and Groupware

- Shift the battle to Intranet/Groupware with Communicator as quickly as possible.
- Own desktop mind-share and leadership via Constellation and Inbox Direct
- Develop distribution & solution providers
- Bundle with competitive products
  - IBM, Mac, HP
  - Make Navigator essentially free

MS6 6007080
CONFIDENTIAL

New Research on Nav users

Only 1/2 of Nav users upgraded to ver 3.0

- Nav2 are more likely novice users; need simple, compelling reason to upgrade; want easy way to get bits
- Nav3 more technically astute and care about product features
- Personalization and customization are top features/benefits

Additional Marketing Ideas

- New online switcher programs
  - feature based: Start Page (nav2); Pepsi Challenge (nav3)
  - offer based: airline miles, free movies, mag subscriptions, blockbuster, merchant svr
  - ease of access: testing 1-800# to fulfill CD at COGS
- New user acquisition program via OEM
  - co-marketing fund paid to OEMs per referral server signup (today over 10K/day referrals)
- Content Partner Plan
  - Active Desktop/Inbox Direct Offers/Start pages
- IE 4 Vision & Beta

IE Budget

	Current Budget	Projected thru fy97	Spent	Committed
ISP				
AOL	$ -	$ 2,100,000		$ 2,100,000
Prodigy	$ -	$ 200,000		
Compuserve	$ -	$ 1,000,000		$ 200,000
ATT Co-marketing	$ -	$ 500,000		$ 50,000
MCI - Co-marketing	$ -	$ 500,000		
Netcom	$ -	$ 350,000		
Earthlink	$ -	$ 100,000		$ 2,500
Mindspring	$ -	$ 100,000		$ 40,000
	$ -	$ 4,850,000	$ -	$ 2,392,500
Product Launches				
IE3 for Win 95 On-line Ads thru Dec.	$ 3,300,000	$ 3,300,000	$ 2,500,000	
IE3 for Win95 Launch Event		$ 560,000	$ 560,000	
IE 3 for Win 95 Print Advertising	$ 3,000,000	$ 3,000,000	$ 2,500,000	
Win 3.1 Client On-Line Ads		$ 900,000		$ 300,000
Mac Client On-Line Ads		$ 700,000		
Mac Client Print Ads		$ 540,000		
IE 4 Beta On Line Ads		$ 600,000		
IE 4 Launch - On Line Ads		$ 600,000		
IE4 Launch Event		$ 400,000		
IE4 Print Advertising		$ 3,000,000		
	$ 6,300,000	$ 13,600,000	$ 5,560,000	$ 300,000
[illegible]ions & IE3 Sustaining				
Partner Promotions(to gain new partners)	$ 750,000	$ 750,000	$ 200,000	
IE 3 Sustaining On-Line Ads-Jan-May		$ 1,200,000		
Project: Ziff Davis Cover Mount		$ 650,000		$ 650,000
Sponsorships (Do Something, Library of Congress)		$ 550,000	$ 15,000	$ 30,000
Download Ads		$ 750,000		
IE Home Page Promo		$ 300,000		
Field Promotions IE 3	$ 970,000	$ 970,000	$ 400,000	$ 600,000
Promotional IE CDs		$ 100,000		$ 50,000
Registration Database Incentives		$ 25,000		
	$ 1,720,000	$ 5,295,000	$ 615,000	$ 1,330,000
Agency Fees & Production				
A&L	$ 400,000	$ 400,000	$ 250,000	
Weiden & Kennedy	$ 300,000	$ 300,000	$ 150,000	
On Line Agency Fees	$ 500,000	$ 500,000	$ 175,000	$ 200,000
On-Line Ad Production		$ 250,000	$ 100,000	$ 50,000
Production of Print ads	$ 300,000	$ 300,000	$ 100,000	
	$ 1,500,000	$ 1,750,000	$ 775,000	$ 250,000
Reseller				
HW Reseller Promo -		$ 1,200,000		$ 800,000
Partner Co-Promotions		$ 200,000		
IESK Reseller Training		$ 20,000		$ 20,000
Packaging	$ 115,000	$ 115,000		$ 100,000
Plus v2 and ISK Development	$ 300,000	$ 300,000	$ 83,000	
	$ 415,000	$ 1,835,000	$ 83,000	$ 920,000
PR	$ 2,400,000	$ 2,400,000	$ 803,000	

MS6 6007082
CONFIDENTIAL

IE Budget

	Current Budget	Projected thru fy97	Spent	Committed
Corp-Intranet				
Research		$ 400,000		
Tools		$ 500,000		
X-Platform Advertising-Corp IS		$ 800,000		
Share Drive		$ 2,500,000	$ -	$ -
	$ -	$ 4,200,000	$ -	$ -
NetMeeting				
PR (fy97)		$ 300,000		
Events - Telecon XVI show		$ 150,000		
Promotional		$ 25,000		
NM Demo		$ 15,000		
NM Resource Kit		$ 15,000		
Collateral		$ 15,000		
	$ -	$ 520,000	$ 300,000	
Web site Development	$ 300,000	$ 300,000		
IE Demos	$ 185,000	$ 185,000		
Club IE	$ 100,000	$ 100,000	$ 3,000	
Research	$ 1,775,000	$ 1,775,000	$ 150,000	
IE Launch Content Partnerships	$ 2,900,000	$ 2,900,000	$ 1,300,000	
OEM Co-marketing Fun		$ -		
BDM Advertising	$ -	$ -	$ -	$ -
Trial Incentives	$ -	$ -	$ -	$ -
Total	$ 17,595,000	$ 39,710,000	$ 9,589,000	$ 5,192,500

MS6 6007083
CONFIDENTIAL