To: FY97 WWSMM Attendees
From: Brad Chase
Date: April 4, 1996
Re: FY97 Planning Memo "Winning the Internet platform battle"

- First 7 pages of this document are a summary of our key goals and strategies. Appendices include detailed information to help you prepare marketing plans (product localization schedules, recommended marketing plan...).

1. EXECUTIVE SUMMARY

The Internet is changing our industry as radically as the move from MS-DOS to Windows did, but faster. Software companies who cannot adapt fast enough will fail. We must ride this wave to maintain the leadership Windows gave us. The problem is that Netscape is deeply entrenched in the market. They are also ahead of us in many countries outside of the US as well and we have almost lost the leadership.

We now have a real platform (Internet Explorer with ActiveX), supported by clients, servers, development and authoring tools. We will make this platform part of our operating systems with Sweeper on the Windows clients[1] and IIS on the server. However, this is not sufficient to achieve success. We did similar things with Mail, the Novell redirector, MSN and we still had a lot of hard work to make a dent in the market. Netscape is also smarter, faster and less predictable that Lotus or Novell.

This is "make or break" time: the next 6 months are critical. If the industry does not see signs of success of our Internet Explorer and ActiveX platform and technologies, we will loose our best chance to regain leadership.

2. GOALS AND STRATEGY

We have won platforms battles before. To make history happen again, we must make the industry embrace Internet Explorer and ActiveX :

- establish a significant installed base of users (browser share is starting point),
- sell the benefits of our platforms to the content developers[2],
- convince the influential webmasters[3] to switch to our standards and promote them, reach the producers,
- help the traditional developers (ISVs and corporate developers) write to the ActiveX platform, so they develop the rich base of Web applications and controls that establishes the value of the platform,
- "activate" our partners to create a supportive environment of partners - able to sell, integrate and support our solutions and 3rd party ActiveX technology.

The approach is the same for the Internet and the Intranet.

2.1. FY 96 - FY 97 Goals

1. Browser share : 35% market share in the US. Other countries should have higher goals. Countries where Netscape is not active yet should aim for 80% share.
2. Exclusive licensing of Internet Explorer to top 5 Access providers in country (those who make up at least 50% of the Internet access in your market).
3. Logo'd web sites : 15 of the top 30 public web sites in each country should recommend Internet Explorer for best viewing and be branded IE web sites.
4. Developers trained on ActiveX equals to 50% of your MSDN subscribers
5. 30 % of your existing Solution Providers have at least one Internet MCP
6. IIS deployement vs NTS

[1] we will also make it available on the Mac with help from Macromedia.
[2] content developer means anyone who owns a Web site, whether Internet or Intranet
[3] we use here the wide definition for webmaster, i.e. anyone who actually creates and maintain a web site

MS6 6002321
CONFIDENTIAL

2.2. Strategies

2.2.1. Go for maximum browser share

Why should you care?

This is a no revenue product, but you should worry about your browser share, as much as BillG because :

- we will loose the Internet platform battle if we do not have a significant user installed base. The industry would simply ignore our standards. Few would write Windows apps without the Windows user base.
- at your level, if you let your customers deploy Netscape Navigator, you loose the leadership on the desktop. This is similar to letting your customer adopt Lotus Notes.

How to establish browser share

- switch users of competitive browsers to Internet Explorer, and
- bring new users to the Internet with Internet Explorer and keep them on it.

We know that it is very hard and expensive to make people switch. We will focus tge greater part of our efforts on new users since we expect the total ww user base of the Internet/Intranet to double in one year - but we cannot ignore the existing users who are the influentials today.

License Internet Explorer to all Internet Access Providers[4].

This is the best and fastest way to build share with new users. This gives us thousands of new users at once. Netscape has been very successful at licensing Navigator all over the world. Despite of our superiority in terms of languages (23 vs 4 for them today), we have not been able to compete because we lacked a browser for Win 3.x and the Mac. We will have them in May-June[5]. Netscape will soon catch up with us on languages, so we must make our move to get the most of our advantage very very soon.

You should go out to all the significant ISPs and on-line services in your country in May and close licensing agreements. You should also be able to break most of Netscape licensing deals and return them to our advantage because our browsers are free. In most countries, this is the responsibility of your local PNS people.

With IE 3.0, this summer, we will offer a customization kit that enables ISPs to use their own brand and logo, this is something Netscape does in the US today.

In June, the OPK2 will include Internet Explorer and direct sign-up with ISPs other than MSN in all countries. This means that all new users of OEM Windows 95 will have Internet Explorer 3.0, ... therefore even more compelling reasons for ISPs to adopt Internet Explorer as their exclusive or preferred browser. Policies for "going in the box" are still being defined and will probably include a fee for the ISP.

Own Corporate browser licensing.

This is one of the biggest potential revenue opportunities for Netscape. As soon as we have Win 3.1 and Mac clients, we should have absolute dominant browser share in the corporate space. Many of our customers already have a license for Internet Explorer but don't know it. Large accounts who have a MOLP or Select license for Win 95 have it. This will be true for all NT SUR customers as well. Internet Explorer for Win 3.x and the Mac will be free too. ECU and OCU sales must make it very clear that it does not make any sense for them to buy Netscape Navigator.

On top of that, corporations will also be able to use the customization kit.

Own the Internet section in the retail channel

With the launch of Internet Starter Kit 1.0 and 2.0 , Plus 2.0 (ex-Nashville), FrontPage.

Broad reach PR

We want people to think "Internet = Microsoft", everywhere. This is very different from the PR we traditionally do with trade press and analysts. We must do very broad PR, be everywhere on TV in shows that demonstrate the benefits of the Net to various audiences : kids, parents, professionals...

We need awareness for Internet Explorer. Today, we are low. We want customers to ask for it. We will put some effort into creating demand.

---

[4] sometimes called ISPs, Access Providers can be major Telcos, On-line services or local access providers

[5] both will include TCP stack, dialer and mail. See appendices for localization plans.

MS6 6002322
CONFIDENTIAL

Maximize physical distribution of Internet Explorer
We will continue to pursue all possibilities, such as bundles with magazines, modems, licensing to ISVs...

Activate the OEMs.
All OEMs who bundle Win 95 have Internet Explorer, yet some of them seem to have forgotten it and even license Navigator. There is an opportunity to do better co-marketing, as some countries like Sweden did with joint ads, seminars, road-shows and training.

Switchers
In the US, we will continue experiments to go after the switchers, mainly with on-line advertising. Our investments in switcher campaigns so far have not produced significant results, but we have higher expectations with IE 3.0. The gains we made were realized against "second-class" browsers (various flavors of Mosaic).

If there are local players in your markets who are promoting their own browsers (such as VOL in Italy), you may want to get them to license our browser before Netscape does. They will not be able to sustain the level of investments required to offer satisfactory performance and functionality as users become more demanding.

Finally, the best way to make people switch browser is make sure that they have to, in order to get the best content.

2.2.2. Great content, best viewed with Internet Explorer

Content drives systems. Windows won the desktop OS battle because it had more applications earlier than any other platforms. We must make sure that the best Web applications and content become available for IE users first.

We must reach out to a new type of partner, the webmasters. They are the ones who actually create web sites. (see Customer needs section in appendix for more detailed description of this segment). We need to understand how to reach the producer (the real decision maker), the designer (the influential today) and convince them to make two steps. The first and easier step is to embrace the HTML standards that we support (scrolling text, background sound, video...). The second step is to embrace the ActiveX platform and use ActiveX controls in their web pages, with the help of developers. We will rely on the Internet evangelists and DRG worldwide to identify them and establish a relationship with them and drive this process.

IE logo everywhere
Netscape has very successfully disseminated their logo all over the Web. Obviously, if a new user sees "Best viewed with Netscape" on 8 out of his 10 favorites sites, he will feel compelled to switch. We don't want to invest in bringing new users to the Web and let them become Netscape customers.
Luckily enough, Netscape's logo program has not been as effective outside of the US as in the US. We must re-launch our logo program everywhere in the world. This is not difficult, but we must act very fast (May) before Netscape's local subsidiaries and partners do. Our existing Web sites with local language content are a big advantage for us.

Make the coolest sites Active sites
The webmasters will need the help of the developers to embrace the ActiveX platform. We must make it easy for these communities to understand how to work together.
Our platform is superior to what Netscape, Sun or Apple can offer. However we will fail if we do not help the market realize its potential. We have a short window of opportunity before the competition will strike back and try to confuse the market, making our great news old stories.
ActiveX must be the hottest thing through the next year and generate as much coverage and interest as Java did. To do that we need to build evidence with showcase Active Web sites all over the world, asap. These sites must be the coolest, most innovative and widely publicized. We need both Internet and Intranet show cases.
Once we have created the impetus, we must continue to facilitate a rapid and broad deployment of ActiveX controls on the Web and we will do that through 1:many programs including training, support and incentives.

2.2.3. Engage the developers

There are 6 million developers worldwide who use Microsoft development tools and technology. This is one of our key assets against Netscape. We must help them (ISVs and corporate developers) write to the ActiveX platform, so they develop the rich base of Web applications and controls that establishes the value of the platform.

MS6 6002323

We will invest in building a top-level training machine. We will make sure that our training materials are available worldwide, simultaneously with each major release of any of our Internet products. The best delivery vehicles are obviously our websites.

It is critical that subsidiaries leverage these materials locally through an efficient train the trainer mechanism. Our Developer marketing people worldwide will initiate 1:many "evangelization" programs. They will also launch key tools supporting ActiveX : Jakarta and VB 5.0 (June and September).

2.2.4. Activate our Solution Providers

Netscape has established an impressive web of partnerships (Sun, SGI, Novell, IBM, AT&T, Sony, HP...). probably the most worrisome part of this is they are going to leverage their partners corporate sales force and channels against us. They also launched their 1:many Affiliate and Affiliate Plus programs targeted at VARs, resellers and small integrators.

We need to put our Solution Providers asset to work, very soon, worldwide, before Netscape builds a bigger and better one than ours. We must quickly bring them up to speed to be able to sell, integrate and support our solutions and 3rd party ActiveX technology. Our support is a key asset for us.
We will rely on the OCU worldwide to roll out communication and training to the Solution Providers channel outside of the US as well.

3. CUSTOMER SCENARIOS

The essence of a platform is to serve the needs of a whole industry. The unique selling proposition of the ActiveX platform is "one world". There will not be a PC world and an Internet world. ActiveX brings them together.

What does this mean for the customer ? It means you can keep your existing hardware and software - you can use your existing skills and knowledge.... And reap all the benefits of the Net with only minor incremental efforts while protecting your existing investments. This is true whether you are an end-user, MIS manager, business decision maker or developer, whether you want to create a commercial or non-commercial Web site, or an Intranet...

Netscape/Sun require a blank sheet, start it all over again approach.

In the section below, we discuss briefly the benefits of the ActiveX platform and its components in regard of each of SteveB's customer scenarios. For more detailed drill down on customer profiles, needs and benefits, see Customer needs in Appendix.

3.1. Personal work productivity.

Use your PC, use the Net, it is the same thing. One world. The integration of the browser into the Windows shell (Sweeper) makes it very easy for users to use the Net. Users don't need to learn 2 different ways for navigating though and searching information. They don't need to think about whether the information they look for in is a file or HMTL page. All this is transparent. By bringing together hyperlink navigation, file tree structures, and universal search, the "Internet-enabled-Windows" offers the most efficient way to retrieve information from virtually unlimited resources worldwide. Starting this summer, the only thing any user has to do to get there, is buy Nashville (Plus 2.0).
On top of that, ActiveX allows applications to be containers (i.e., act like browsers) and access directly sources of information, so you don't need to switch back and forth between your browser and your application and copy and paste from one to the other. ActiveX also enables applications to create hot documents which behave like Web pages. They can contain ActiveX controls, be searched and surfed through. This opens up the market for a whole new breed of exciting applications. This is not easy to describe in writing, you've got to see the demos. We should see the first applications by ISVs reach the market this fall.

MS6 6002324
CONFIDENTIAL

3.2. Information sharing and communication at work (Intranet).

Nashville (Plus 2.0, shipping this fall) offers many features enabling interesting scenarios, such as :

- Data conferencing and application sharing : 2 users work on the same Word document one after another and talk to each other simultaneously through the same connection, all they need for that are DSVD modems.
- White board : several users can work on the same application at the same time, any change appears instantaneously on all users' screen. Note that applications needs to be upgraded and written to these APIs to offer this functionality.
- Personal Web server : any Win 95 user can turn his own PC into a peer HTTP server and publish his own web pages without needing access to a server.

3.3. Small Business automation.

As the browser becomes the standard form viewer, many forms based applications can benefit from this simpler, unified container. In fact many forms will be HTML pages (in the US, for instance, the IRS made their forms available on the web).

ActiveX controls can be easily recycled from one application to another. There will be a wide market for sophisticated controls (this is pretty much the same thing as OLE Controls). As a consequence, Small developers and VARs will be able to can create customized solutions (such as a Web-based product catalog, order entry forms and mail) faster and for a cheaper cost.

3.4. Line of Business applications.

The benefits for the universal form viewer apply equally here.

Database publishing and interaction through the web will be big. The specific strength of ActiveX is DCOM, which makes easy to develop distributed client-server applications. Everything is here today to make it easy to distribute widely customized clients and query tools to existing databases, without marginal incremental investments.

3.5. Management and customizability.

This is where the "recycling" abilities of ActiveX really stand out. With the integration of VBS as scripting tool, the choice of languages (VB, VC, Java) and cheaper server programmability thanks to the ActiveX controls market, we should be able to convince customers that the development and maintenance of Intranet-based applications will be much cheaper than starting from scratch with Netscape and Sun's Java.

Same reasoning applies to cost of training of their helpdesk.

3.6. Internet Authoring.

As corporations open up a window on the Internet, they will want to show an attractive figure, while conducting business efficiently, maximizing their potential reach and keeping costs low. To them, we offer ActiveX (more bang for the buck), authoring tools, and (hopefully) soon the largest user base they can dream of.

To make the user experience richer and differentiate their sites vs the competition, webmasters (whether internal or external) will need to introduce sophisticated code into their pages, as opposed to just sophisticated graphics and visuals. This is the next wave, from today's almost static Web world to tomorrow's active web world, and of course, this is the promise of ActiveX.

ActiveX is not limited by the "sandbox" architecture in which Sun has locked Java. ActiveX controls offer much richer functionality than Netscape Java applets and Java script can offer. Netscape's plug-ins may offer similar levels in functionality, but they will not run in other applications than a browser. As a consequence, and because ActiveX controls are nothing else than OLE controls that have been enabled, many more ActiveX components will be available on the market at a cheap price. This takes care of the concern about costs.

We also have authoring tools. FrontPage will be the higher volume product, while Internet Studio (Q4 CY96) targets the professionals and will be positioned as a developer tool for handling the overall integration of ActiveX controls and professional graphics created in other tools.

MS6 6002325
CONFIDENTIAL

Last but not the least, once the browser is in Windows and virtually any application acts like browser thanks to ActiveX, it is likely that the wider user[6] base will not use a separate browser. While the browser base has been a problem untill now (if you want reach, without the cost of maintaining several tree structures, you choose to optimize for Netscape). From now on corporations who start developing web sites now should target the larger base (ActiveX), all the more so that ActiveX controls will be also run on Netscape 2.0, with the Ncompass plug-in.

3.7. Leisure Usage.

Nashville will ship with :

- An Internet game,
- Desktop themes (such as Kids, Personal Finance, Sports), with animations on the desktop and links to the Web.

4. COMPETITION - NETSCAPE

4.1. Current situation

Netscape is already entrenched in our markets all over the world.

- The situation today is scary. We have not taken the lead over Netscape in any market yet. Netscape has subsidiaries in Germany, Japan, France, UK, Canada and maybe more places. They have distributors in many other markets (Korea, India, Thailand, Mexico, Poland...), who localize their browser in the local languages.
- Netscape and its subsidiaries have changed their focus area. After having successfully signed licensing agreements with the major telcos and access providers almost everywhere, they are clearly trying to build their other channels.
- Outbound : they launched their Affiliate, Affiliate Plus and Commercial Applications programs (targeted at resellers, VARs and integrators) worldwide.
- OEM : Compaq, Digital have signed distribution agreements for Netscape server products.
- ISVs : Novell, Artisoft are also bundling Netscape products.
- Retail : Netscape has been in the retail channel in Japan since several months and recently launched in Hong Kong and Sweden. We expect them to launch a retail product in all other main countries any time now. For sure all of Western Europe.
- Now that their distribution channels are in place, they are rolling out their Intranet "business solutions" push.
- They won several bigs accounts in the US and are beginning to win some significant accounts outside of the US as well, such as Olivetti. They launched series of seminars outside of the US and in Europe in partnership with SGI and Sun.
- Finally, they are expanding their PR activity outside of the US. They had significant press activity at Cebit, and even claimed that 50% of their ww revenues come from Europe.

4.2. Next moves

This is what we expect them to do :

4.2.1. Products

- Launch Atlas (Netscape Navigator 3.0) in May, and a newer version every 3 months, ship many more new languages (all Western European languages, Hangueul, Chinese, Polish...).
- Port their server apps on all flavors of Unix,
- Focus resources on making Java the platform, be the Java company,
- Improve their Internet server, make a better turn key solution for small business,
- Build a range of horizontal and vertical server apps, including accounting solutions,
- Acquisitions to complete their tools portfolio,

4.2.2. Partnerships

- Solidify alliance with Sun,
- Look for partnerships to use as virtual corporate sales force : IBM, DEC

[6] This is true for the Win 32 user base. Win 3.x and Mac users will still use a separate browser.

MS6 6002326
CONFIDENTIAL

- Expand partnerships with all NT adversaries, HP, IBM, use them as OEM channel
- Expand partnerships with top consulting firms to sell commercial server apps and systems integration,
- Partner with Adobe, Apple and Macromedia to extend multimedia appeal of their platform, through exclusive deals for media runtimes in Netscape's Java classes,
- Partner with Apple to evangelize and own the designers,
- Partner with SQL Server competitors to develop Database connectivity.

4.2.3. Marketing

- Roll out Netscape web sites worldwide,
- Do more PR outside of the US, use showcases similar to Apple/BMW,
- Launch a new version of their logo program with Atlas,
- Downplay ActiveX and IE 3
- Continue to widen distribution channels : Novell VAR channel, retail, launch add-on products
- Push Intranet and corporate subscription programs for clients and servers
- Grow client HW/OEM deals

5. CONCLUSION

- This is "make or break". We know what we have to do. Speed of execution through the next 6 months is the key success factor.
- When planning for your Internet activities and organization, you need to keep in mind that the product planning cycle in the Internet world is 3/4 months, not 18/36 months. Much of what we know today may be obsolete this summer.
- We all need to learn how to work within these much shorter cycles and create the maximum impact in the shortest possible time frame.
- This is why we are including a recommended subsidiary marketing plan and suggest that your Internet team focuses very hard on making an impact through the rest of this FY first, even before thinking of FY 97.

MS6 6002327
CONFIDENTIAL

6. APPENDICES

6.1. Recommended Short term Tactical Marketing Plan

This is what we recommend all subs do, of course, you can decide to do more.

6.1.1. April - June 96

It is critical that you build the market infrastructure to support you before you try to invest in bringing new users to the Internet. You should start by implementing your distribution and training infrastructure, your evangelism programs to developers and webmasters, and your presence in the media before anything else. You need to budget significant dollars to jumpstart the development of ActiveX sites in your country.

To move faster, we will get organized around 5 targeted campaigns.

- activate the ISPs
- activate the channel
- activate the webmasters and content developers
- activate the developers
- broad reach PR

Activate the ISPs (contact : BjornH)

- This is primarily driven by your PNS people.
- We have many great news for your ISPs : Win 3.x and Mac clients, IE 3.0, the customization tool, the OPK2 and Internet Starter Kit 3.0. We will prepare an integrated presentation that covers all these topics. We will also document standard deals to use with your local on-lines services.
- Please remember that we license IE for free in exchange of co-marketing activities (MDAs).

Activate the channels (contacts : KamyS for ISK, DilipWa for Intranet push)

- Retail : this starts in May with the ISK launch in the retail channel. You should do co-merchandising with FrontPage if possible. What you really want to do is keep Netscape out of your channel. Some countries have done and will be doing "buy Win 95 or Office 95 and get IE for free" promotions, you can do that with the ISK, as a soft bundle, if you want.
- Outbound and SPs : you will get an Intranet pitch from a cross-divisional team. You will need to manage them the same way as you did with the Win95 migration specialists : setup seminar programs, give them the training, the leads and monitor their progress at deploying IIS/IE within the accounts.
- Training : it is critical that you build your training infrastructure asap. You must invest time and money in this right now, and leverage your own Web site. This is very important to do right now.
- Finally, you need to make sure that all channel partners who develop their own website use our technologies and use your SEs to make this happen.

Activate the webmasters and content developers (contact : Larsba)

- To establish a strong presence within these communities, we recommend that you implement this program which has 4 major components :

1. a one day technical conference (currently planned for Mid-May in most Euro and Far East countries),
2. showcasing early ActiveX web sites (which means you need to have such sites running in your country by then) at the event and in local PR
3. train the trainers (simply invite selected ATECs at the conference and give them the materials)
4. launch your IE logo program locally (which means getting localized support material on your web site and implementing a local GetIE mechanism).

- You can decide to charge for the conference if you want to break-even, but we recommend that you make sure you get all the influentials and established webmasters (so you should wave the fee for these).
- Obviously, you will need to work on a 1:1 basis with a few sites to get the3 showcases you need by mid-May. This on the critical path and not easy to do. You should have someone focused on this right now in your team. Incentives can include : creating traffic to their sites through link swapping (from your local Web site), access

MS6 6002328
CONFIDENTIAL

to free dedicated site development support (contracted by Microsoft), free software... Make sure you have a budget for that and go for the sites that will most impress your market.

- The GetIE program is a simple thing that proved very effective in the US. This is one telesales person or a temp or onWeb masters and ICPs on the phone and email to describe the logo program and sign them up, then track their progress. This is a very cheap way to get the IE logo on hundreds of web sites. The "currency" you can use for that is a link from your local web site. You should kick this off asap, while Netscape does not have non-US web sites yet.

Activate the developers (contact : AlfredoP)

All subsidiaries need to plan developer events to present our Internet technologies by the end of June 1996. The tactics are:

- Build local competence. The first objective needs to be to train the trainers: ATECs, SPs, SEs, other Microsoft advocates. An "ActiveX Seminar-in-a-box" will be available by end of April and should be distributed as widely as possible to these partners.
- TechEd will have massive Internet content (from the Internet PDC). Where TechEd is planned, it is an excellent vehicle to reach the corporate developers.
- There is also a need for broader-reach, lower priced events. We advise you to run this back-to-back with the webmaster conferences (May), using the ActiveX seminar-in-a-box and Redmond support where necessary.
- Successfully launch Jakarta (the Java product, RTM in July) and VB5 (RTM in October). This means three things: (1) great PR along the lines of "Microsoft understands and embraces the Internet" (Jakarta) and "Microsoft makes it easy to develop Internet applications" (VB5); (2) very wide VB5 beta program, stressing ActiveX control creation; (3) upgrade 50% of VC++ and VB users to the new versions.
- Increase MSDN penetration: MSDN is the vehicle to distribute new Internet technology and know-how. It delivers ISAPI, the ActiveX SDK, IIS, etc.. Without the information in the MSDN Knowledgebase, it is much harder to build Active applications. Tip: bundle the channel edition of MSDN with developer tools (available now).

Broad reach PR

- We want people to think "Internet = Microsoft". To do this, you need to occupy the broad media, not just the PC trade press. Think about producing canned shows to your local TV channels. This can be much more effective than any ad.
- We will develop partnership with major media groups to offer them a customized IE with their logo, pre-populated favorites and a default URL to their web site. We want to do this with broad media (such as Money Magazine, Sports Illustrated...) and we have started discussions with the major media groups.
- We sill soon publish guidelines for implementing this program in your markets. You would need to start the negotiations soon, but the implementation will not start before IE 3.0 is available in your market.

On top of focusing on these 5 campaigns, we recommend that you think of leveraging your own site to do the following :

Leverage your own web site

- Use as marketing campaign response module, and publish URL in all communications (direct mail, advertising...),
- Have Favorite links section to reward ICPs and links to your local Internet Solution Providers and partners,
- Link to the Develop section on Microsoft.com and Internet Explorer and Logo program on the Windows site.
- Post training materials and all resources useful to your local Internet community.

6.1.2. FY 97

It is very hard to predict what we will do in FY97. So far, we can expect this to be pretty much the continuation of the current efforts, with the launch of Plus 2.0 and ISK 3.0 in September. Netscape and Microsoft will obviously launch new versions of the browser every 3 months, incorporating new technology and trying to obsolete each other. This alone will generate a lot of efforts and activities in training, seminars, events, etc... to keep our local community up to date.

To regain the leadership, we must be focused on executing very quickly but effectively on the strategies developed in the memo and continue until we have turned our current weaknesses into strengths. We understand this may not be very helpful for your budget planning. If you need a ballpark figure, we recommend that you budget your marketing funds at 0.5% of your total revenues.

6.2. Products

- Note : This does not include the developer products which will be covered in a separate memo.

6.2.1. Overview

	US RTM	Street Price	US FY 97 plan (units)
IE 2.0 for Win 3.1	1-May	free	
IE 2.0 for the Mac	15-May	free	
IE 3.0 for Win 95 and NT 4.0	15-Jun	free	
Internet Starter Kit 1.0	April	$20	10k units/month (FY96)
Internet Starter Kit 3.0	15-Aug	$20	30-40 % of Win 32 users
Plus 2.0	15-Aug	$50	

Plus 2.0 (ex-Nashville).

- Note : Plus 2.0 has not been announced yet and its name has not been decided either. Until it is final, we should not talk about it outside of Microsoft,.
- Current plan : Plus 2.0 includes our Internet components: IE 3.0, the integrated Internet shell (Sweeper), conferencing and desktop themes. This add-on pack runs on Windows 95. This should work on NTW SUR as well, but we are not sure at this stage whether it will.
- Internet Desktop themes are the next generation of themes. For instance, we may have a Kids theme, with links to the Disney home page. For non-US products, this means that we will rely on subs to develop some themes that are relevant to the local market and link to local partners.

What happened to Nashville ?

- We'd like to stop using the term "Nashville" externally, except when we have to, i.e. when people ask about it. The official position is : "Nashville represents our ongoing efforts to push Windows forward, especially in 4 key areas: Internet, multimedia, communications, and hardware platform support. We'll package the technology of 'Nashville' in a number of different ways,..."

Internet Starter Kit

- This product is designed for new users and is made of a CD and an offer for free Internet access time.
- One the CD, you get Microsoft Internet Explorer 2.0 (all 22 languages on one CD + IE 2.0i[7]), sample Internet cached pages, the VRML add-in, the Word, Excel and PowerPoint Internet Assistants and Viewers (in all available language versions), all this into a Multimedia shell similar to Trial 95 CD.
- This product retails for $20 and ships in most countries in May.
- For more details.

Shortcut to Microsoft Internet Starter Kit 1.lnk

Internet Starter Kit 3.0

- This is the same thing as the previous version, with IE 3.0, the Win 3.x and Mac clients.
- We may have different access partners in the box and more sample pages.

[7] IE 2.0i is in english only, but enables you to see Web content in almost any language on an English Win 95, with the exception of Arabic, Hebrew and Thai. It supports US-ASCII, Japanese EUC, EIS, JIS and SJIS, Cyrillic ANSI 1251 and KOI-8R, central Europe ANSI 1250 and 8859-2.

MS6 6002330
CONFIDENTIAL

6.2.2. Localization plans

RTM	IE 2.0 for Win95	IE 2.0 for Win3.1	IE 2.0 for Mac	IE 3.0
US/English	Available	1-May	15-May	15-Jun
Czech	Available	US + 49 days		US + 100 days
Danish	Available			US + 35 days
Dutch	Available	US + 21 days	US + 42 days	US + 21 days
Finnish	Available	US + 49 days		US + 45 days
French	Available	US + 7 days	US + 14 days	US + 7 days
German	Available	US + 7 days	US + 14 days	US + 7 days
Greek	Available			US + 7 days
Hangeul (Korean)	Available	US + 14 days		US + 30 days
Hungarian	Available	US + 63 days		US + 100 days
Italian	Available	US + 14 days	US + 28 days	US + 21 days
Japanese	Available	US + 7 days	US + 30 days	US + 14 days
Norwegian	Available	US + 35 days		US + 35 days
Polish	Available	US + 35 days		US + 90 days
Port. Brazilian	Available	US + 7 days	US + 28 days	US + 21 days
Portuguese Ib	Available	US + 56 days		US + 55 days
Russian	Available			US + 90 days
Simpl. Chinese		US + 30 days		US + 30 days
Slovenian	Available	US + 63 days		
Spanish	Available	US + 14 days	US + 14 days	US + 21 days
Swedish	Available	US + 21 days	US + 42 days	US + 21 days
Trad. Chinese	Available	US + 14 days		US + 30 days
Turkish	Available			US + 110 days

6.2.3. What is the ActiveX platform ?

- ActiveX is a component framework. We offer tools for building components within the framework (VB, VB Script, VC++, Jakarta), and free implementations of components that use the framework (with Internet Explorer and IIS). Much of the ActiveX architecture is what has been developed under the code name Sweeper. This unified framework encompasses OLE, VB, and Java to appeal to a wide variety of developers. It is based on open standards : W3C HTML, HTT, NNTP, FTP, ISAPI, CGI, Pearl, SMTP, POP3...
- ActiveX enables the development of "active" Web pages through the use of ActiveX Controls (formerly known as OCXes), based on OLE and COM (Common Object Model) specifications. Examples of ActiveX Controls can include graphics viewers, video players, order entry components and applets such as a loan calculator. These components can be embedded into Web pages so that they can execute within a browser in a similar way as plug-ins Java applets in Netscape today. The main difference is that ActiveX controls are Internet-enabled OLE controls and can be used outside of a browser as well.
- ActiveX Controls can be created with a variety of programming languages, including C, C++, Borland's Delphi, and VB. In addition, scripting languages such as VB Script and JavaScript can be used to integrate multiple ActiveX Controls within an HTML page to create Web-based applications, or to create server scripts.
- ActiveX Technologies include ActiveX Documents or "hot docs", (formerly known as Doc Objects). ActiveX Documents provide an application programming interface (API) architecture that allows access to application-specific data from within the Internet Explorer browser. For example, with Office applications, viewers can run within the browser, allowing users to access Word and Excel documents within the browser.
- The ActiveX Technologies family also includes IIS and ISAPI as ActiveX Server Framework. IIS supports ActiveX components today, allowing developers to leverage ISAPI and server-side applications with COM objects and ActiveX server scripting. For example, the ActiveX Server Framework enables developers to create OLE Dynamic Link Libraries (DLLs) or automation servers that provide server-side functionality, such as custom queries of a database.
- We announced strategic relationships with Macromedia for developing ActiveX Technologies for the Mac and Bristol Technologies and Mainsoft to enable OLE/COM on Unix. We also licensed the nCompass technology to allow ActiveX controls to work within Netscape Navigator, in an ActiveX plug-in.
- This platform is endorsed and supported by many industry players, including Next, Oracle, Macromedia, Symantec, Borland, Attachmate, PowerSoft, DEC, ...

MS6 6002331
CONFIDENTIAL

6.2.4. Overview - developer products

FY 97 Developer Product Releases (4/5/96 update)

	X		Visual FoxPro Professional	Mac	3.0	May-96
X			Mastering Exchange Development	Win 95, NT	1.0	May-96
X			Mastering Internet Development	Win 95, NT	1.0	Jun-96
X			Name TBD: Jakarta	Win 95, NT	1.0	Jul-96
X			Visual C++ Enterprise	Win 95, NT	4.2	Jul-96
	X		Visual FoxPro Professional	Win 95, NT	4.0	Aug-96
	X		Mastering Office Development	Win 95, NT	2.0	Oct-96
X		X	Name TBD: Tools Bundle (Corp/MIS)	Win 95, NT	1.0	Oct-96
X		X	Name TBD: Tools Bundle (ISV)	Win 95, NT	1.0	Oct-96
X		X	Name TBD: Tools Bundle (VARs)	Win 95, NT	1.0	Oct-96
X			Office 97 Developer Edition	Win 95, NT	97	Oct-96
	X		Visual SourceSafe	Win 95, NT	5.0	Oct-96
	X		Visual Basic Enterprise	Win 95, NT	5.0	Oct-96
	X		Visual Basic Professional	Win 95, NT	5.0	Oct-96
	X		Visual Basic Standard	Win 95, NT	5.0	Oct-96
	X		Visual C++ Enterprise	Win 95, NT	5.0	Oct-96
	X		Visual C++ Professional	Win 95, NT	5.0	Oct-96
	X		Visual C++ Standard	Win 95, NT	5.0	Oct-96
X			Internet Studio	Win 95, NT	1.0	Nov-96
	X		Mastering Visual Basic 5.0	Win 95, NT	2.0	Nov-96
	X		Mastering Visual C++ 5.0	Win 95, NT	2.0	Nov-96
X			Name TBD: Jakarta	Win 95, NT	2.0	Nov-96
	X		Mastering ActiveX Development	Win 95, NT	2.0	Dec-96
X			MSDN Developer Library	Win 95, NT	n/a	n/a
		X	MSDN Developer Library Subscription	Win 95, NT	n/a	n/a
		X	MSDN Enterprise Subscription	Win 95, NT	n/a	n/a
		X	MSDN Professional Subscription	Win 95, NT	n/a	n/a
		X	MSDN Universal Subscription	Win 95, NT	n/a	n/a

MS6 6002332
CONFIDENTIAL

6.3. Market data

6.3.1. Internet users

Many surveys have been done on the Internet phenomenon. Surprisingly, it seems very difficult to get reliable figures. Estimates for Internet users worldwide range from 8 to 60 million. Mot surveys estimate this number to be somewhere between 30 and 40 million. Of course, not all of them are Web users. IDC think there are 8 million Web users ww as of Jan 96 and thinks that number will grow to 166 million by the year 2000. They base their research on the number of URLs worldwide which has already exploded from 5 million to 18 million in just the past year.

6.3.2. Hosts by domain

It is even more difficult to get data by country. Only data available (and reliable) is count of domains and hosts. As of January 1996 there were 240,000 domains, with 9,472,000 "advertised" connected computers worldwide. Because of the unknown and potentially unlimited numbers of multiuser computers and network or application gateways, it is not possible to correlate this any of this information with the number of end users. Considering the increasing tendency of hiding large numbers of hosts behind firewalls, the actual number of connected hosts is likely far higher.

An interesting (and reliable) figure is the growth trend, as figure of 9.4 million hosts represents a current annual host growth rate of 85 percent. This exponential growth has been steady since 1989. Projection at same rate to year 2000 indicate a possible 1000% growth with a total number of hosts over 100 million in just 4 years.

In absolute numbers, the most rapidly growing domains are .com, .net, .edu, UK, US, Canada, Japan, Germany, and Australia - all with six month increases in excess of 100,000 hosts. The increases in the US domain are substantially from primary and secondary schools.

Because it is not possible to attribute the three letter global domains (such as .com) to a country, it is not possible to determine final country figures. However, most surveys estimate that 50 to 60% of hosts and users are in the US. Count of host by "2-letter" domain show that the Internet penetration varies widely by country. Some have surprisingly high penetration, such as Finland, the Netherlanda, Sweden, Norway Poland and Russia.

MS6 6002333
CONFIDENTIAL

Host count by domain Jan 96

Commercial	2,430,954	com
Educational	1,793,491	edu
Networks	758,597	net
Government	312,330	gov
Organizations	265,327	org
US Military	258,791	mil
International Organizations	1,557	int

Germany	452,997	de
United Kingdom	451,750	uk
Canada	372,891	ca
Australia	309,562	au
Japan	269,327	jp
United States	233,912	us
Finland	208,502	fi
Netherlands	174,888	nl
Sweden	149,877	se
France	137,217	fr
Norway	88,356	no
Switzerland	85,844	ch
Italy	73,364	it
Spain	53,707	es
New Zealand	53,610	nz
Austria	52,728	at
Denmark	51,827	dk
South Africa	48,277	za
Belgium	30,535	be
Israel	29,503	il
Korea	29,306	kr
Taiwan	25,273	tw
Poland	24,945	pl
Singapore	22,769	sg
Brazil	20,113	br
Hong Kong	17,693	hk
Czech Republic	16,786	cz
Ireland	15,036	ie
Russian Federation	14,320	ru
Mexico	13,787	mx

Hungary	11,486	hu
?	11,481	su
Portugal	9,359	pt
Chile	9,027	cl
Greece	8,787	gr
Iceland	8,719	is
Slovenia	5,870	si
Turkey	5,345	tr
Argentina	5,312	ar
Malaysia	4,194	my
Estonia	4,129	ee
Thailand	4,055	th
Slovakia (Slovak Republic)	2,913	sk
Indonesia	2,351	id
Ukraine	2,318	ua
Colombia	2,262	co
Croatia (local name: Hrvatska)	2,230	hr
China	2,146	cn
Philippines	1,771	ph
Luxembourg	1,756	lu
Latvia	1,631	lv
Costa Rica	1,495	cr
Kuwait	1,233	kw
Venezuela	1,165	ve
Bulgaria	1,013	bg
Romania	954	ro
Peru	813	pe
India	788	in
Lithuania	630	lt
Uruguay	626	uy

6.3.3. Servers : Internet vs Intranet

IDC projects that the market for Web servers, which stood at 120,000 shipments worldwide at the end of 1995, will grow to 5 million unit shipments by the year 2000. Most will go for Intranet sites. They estimate the split to grow from 57K Internet / 70K Intranet to 441,000 Internet and 4.6 million Intranet servers.

6.4. Customer needs and benefits - drill down

6.4.1. Content providers

All organizations who have a Web presence have at least one need in common : lower their operations expenses. A Jan 96 IDC survey revealed that the cost of establishing an interactive commerce business channel on the web is typically four times greater than expected. It also proved that 80% of total cost is spent on custom software development and integration - only 20% on hardware and off-the-shelf software.

Whether these organizations handle their web presence themselves or through 3rd parties (webmasters and solution providers), the ActiveX platform offers these unique benefits :

- cheaper and faster development (because custom code is recyclable and cheap sophisticated ActiveX controls are available),
- better service (6 millions of experienced developers who have amortized their setup costs).

MS6 6002334
CONFIDENTIAL

Broadcast-publishing businesses

Their business model is subscription or advertising, this is the natural evolution of the media companies into this new media : the web. They seek to attract and retain an audience. First critical success factor is differentiation with competition through content, and now experience. The interactive nature of the Wed allows them to offer endless customization.

What our platforms enables for them :

- support of leading edge HTML (sounds, video, scrolling text) makes much better pages with simple HTML tag. Immediate enhancement without having to develop, incorporate a plug-in,
- unlimited possibilities to enrich the user experience (browser / document interaction not limited by Java sandbox, can do much more incredible new things),
- totally custom experience for the user at lower costs (fully programmable servers that generate custom HTML on the fly).

Corporations (Intranet)

Their needs for Intranet solutions include :

- automation, simplification of internal processes /administrative functions
- facilitating access to key internal business information (such as financial or operations data)
- facilitating group work, project-tracking across the organization

It just does not make any sense for them to choose Netscape and or Java based solutions, for many reasons (free IE client and IIS server, need to restart from scratch, scalability, robustness, breadth of our server products, proven interoperability, gateways to host systems available...).

From a platform standpoint, we can add that they benefit from :

- recyclable code (if they use Win 32 apps), means that they can achieve their business objectives at cheaper cost
- independence of language (not locked in Java limitations or evolution), means easier maintenance, wider choice of vendors and better perenniallity,
- use of standard APIs makes database publishing easy, means they can publish information in existing databases at low marginal cost, and same security,
- larger choice of vertical apps from ISVs (if we do our job well),
- seamless integration between shell and browser makes it is easier for users to navigate through various data and easier for corporation to develop elegant and simple integrated work environment.

Corporations (Internet)

Their needs for Internet solutions include :

- Information publishing (corporate information, events, products catalog),
- Structured interaction with customers or partners (order processing, EDI, Internet commerce),

The ActiveX platform benefits include :

- support of leading edge HTML (sounds, video, scrolling text) makes your products/company look better instantly with simple HTML tag, no development required;
- architecture plugs into existing file servers and back-ends. Proven operability,
- shared services in OS (encryption, signature) enable critical mass required for industry standards, you can bet on Microsoft for what we've always done best.

6.4.2. Developers

The ActiveX platform offers a very clear path for them to embrace the Web, with the languages they already know and the skills they already have. They can make their existing Win 32 applications Internet aware - either as a Web container (can browse HTML pages) or a hot document (can be seen and manipulated inside a web container, host ActiveX objects, be seen in tree view...) - with very little additional code. With minimal incremental efforts, they can get on top of the wave.

The more sophisticated ones can create ActiveX controls. Their creativity is not limited by the Java sandbox, so they will offer much richer functionality. Those who have specific projects and are constrained by time and costs can pick re-usable components from the wide libraries available.

MS6 6002335
CONFIDENTIAL

Developers also know they can expect reasonably good support from Microsoft, through programs such as MSDN, TechEd.... It has taken us years to create and fine-tune them, the competition will not be able to match this soon.

Corporate developer

Technical developers have heavy input into technical decisions and toolsets chosen, especially programming languages, servers and databases.
This customer type is primarily interested in a publishing tool's programmatic extensibility. They also focus on the need to automate the production process, and to integrate/reuse programming across projects. Database connectivity, integration with legacy systems, and security are all very important to this customer type.

The ActiveX platform offers the same benefits as listed above :

- recyclable code (if they use Win 32 apps),
- independence of language,
- use of standard APIs makes database publishing easy,
- support of leading edge HTML (sounds, video, scrolling text),
- architecture plugs into existing file servers and back-ends. Proven operability,
- shared services in OS (encryption, signature) enable critical mass required for industry standards.

All this means they can deliver on the Business decision maker's expectations.

VAR/Solution provider

This is pretty much the same thing as the corporate developer. On top of the above listed benefits, re-usable code means that they can also recycle work they did for previous customers.

ISVs

All the benefits that apply to developers apply to ISVs of course. On top of that, they can web-enable their existing products and offer valuable upgraded functionality is short period of time, for instance :

- data conferencing, group collaboration,
- on-line updates or customer support,

6.4.3. Webmasters

We use the word Webmaster for organizations and individuals. It is useful to define a more precise taxonomy.
As organizations, Webmasters are a new breed of solution providers. This wide definition includes all service providers who create and manage web sites. They can be an internal service group in an organization, or an external contractor. Many are currently small generalist shops who need to gather several key competencies.
As an individual, the Webmaster is a role which can greatly vary from organization to organization. In many organizations, especially smaller ones or ones just starting to publish on the Web, the Web Administrator may be the "WebMaster" and "do it all"--from site design and setup to HTML editing to site maintenance.
We expect increasing demand for professionalism and intensified competition to force them towards specialization into these 4 distinct roles.

On-line Producer

Has overall creative and operational responsibility for the site or subsite. Interfaces with the business decision maker, his customer. Producers have ultimate responsibility for creating and managing a site to accomplish the discrete business objectives. They must define and understand their target audience, and drive functional, creative and technical decisions for a site.

Producers are primarily concerned with the quality and features of their Web sites, as they relate to reaching their target audience and differentiating their site from competitors. Producers will generally carefully balance new technology adoption with customer reach considerations. They are also very concerned with the production process, and will influence tools decisions as they relate to reducing production costs and enabling better workgroup production. For intranet sites, the producer may be called a program manager, project manager or sometimes, editor in chief.

The Integration of the browser in Windows is our main asset for both Internet and Intranet scenarios, as we provide a significant installed base of users or potential users.

MS6 6002336
CONFIDENTIAL

HTML authors/ Designers

Designers are responsible for the creative/artistic aspects of a site, including the overall graphical design for a site. They create individual graphics such as icons and logos, as well as typefaces used, etc.

The ActiveX platform offers them :

- support of leading edge HTML (sounds, video, scrolling text) so that they bring quick and easy, yet spectacular enhancement to their pages,
- support of key ISVs, such as Macromedia who will offer sophisticated authoring tools such as Shockwave (if we do a good job, ISVs will more likely write for the ActiveX platform because they will enable their existing apps and because the market will be bigger than for Java plug-ins)

Web administrators

Responsible for day to day site operations. Depending on the site, the Web Administrator may have strict operations responsibility only (availability, backup, publish operations, site integrity, security, traffic monitoring and reporting), or may have a wider range of responsibilities, including overall site and document design, HTML document publishing, hardware and server software setup, server-side programming, client-side programming, and even online customer service. However, as Web site teams become more mature, the administrative function will likely become a more specialized, operations role. They will benefit from FrontPage and Internet Studio site management capabilities for smaller sites, or prototyping new ones.

Developers

Today the developer is pretty much absent of the picture, they will soon become an important role and acquire similar or higher level of influence than the designer. The developer's needs and benefits have been largely discussed in other places in this memo.

MS6 6002337
CONFIDENTIAL