Rick Frederking (LCA)

From: Bjorn Hovstadius
Sent: Monday, September 09, 1996 10:03 PM
To: Worldwide Internet Marketing Managers
Cc: Cameron Myhrvold; Mark Sorenson; Yusuf Mehdi; Brad Chase; Bjorn Hovstadius
Subject: ISP marketing update [Long mail - pls print before you read]

Mark Sorenson and I wanted to take the opportunity to update you all on what's going on with Internet Service Providers or ISPs. This might be old news for some of you but we've had many new people joint the ICU all around the world so we felt that it was in order to start from the beginning. Stay tuned - this is just the beginning of our ISP marketing drive. We will be back with more information and marketing programs.

Why are ISPs important to our Internet mission ?
Every user that wants to get on the Internet needs a connection. To get that connection a user today would contact an ISP. For a new user, this is probably their first exposure to the Internet (other than reading the hype in the press) and we have data that back this up. According to U.S. research 31% of Internet users got their browsers from an ISP or OLS, 21% got it from work, 15% downloaded, 8% with PC, 4% from retail store and 3% in the mail (probably from OLS too), 14% don't know. If the user gets IE setup to work with his ISP he will have a great "out-of-the-box" experience which makes him less likely to switch to Netscape or another browser later. That's why we need to work closely with ISPs, to get them to offer IE as the standard browser. In addition we are seeing many ISPs migrating up the value chain and offering web design, web hosting etc. By being a great partner to ISPs we also open up the door to a long array of joint marketing opportunities and other sales opportunities. If you think about it, this is very much like how we established Windows as the standard platform by working closely with OEMs.

Who works with ISPs at Microsoft ?
We have a dedicated sales force at Microsoft that work on licensing IE and our other Internet products to ISPs. This is Public Network Sales or PNS headed by Cameron Myhrvold. The PNS Customer set can be defined as "Public Network Operators", which include Telecommunication companies (PTT), Cable Network Operators, On Line Service Providers, and ISPs. PNS does not sell Select Agreements - they focus on IE and Normandy for commercial use on the Internet (i.e. *no* Intranet applications). PNS have account managers in all Regions. Key contacts:

- Stephen Wu, Director for Far East and APAC
- Georges Nahon, Director for Europe and AIME
- Cameron Myhrvold is acting for LATAM

You should work with your counterparts in PNS when negotiating licensing deals with ISPs. PNS owns licensing to all ISPs (both named accounts and 1:many) but do not handle IE licensing to other companies such as magazines, etc. That is the responsibility of the ICU.

The key PN Sales goals in working with ISPs:

1. Get them to distribute our entire line of clients - browser, mail, news, NetMeeting, etc.
2. Move them to the NT platform to start hosting on IIS and evaluating Normandy..
3. Support the Front Page extensions on their web site

How are we doing ?
Success in working with ISPs during the last 6 months has been very positive. We are definitely making a dent in Netscape! Here are some important statistics:

- **2,000+ ISPs have signed the IE distribution agreement**
- **250 of these ISPs host their Internet access business on Windows NT**
- **70 support the Front Page extensions**
- **Almost all subsidiaries have had ISPs supporting the IE 3.0 launch**

What more can we do ?
ISP recruiting and signing the IE licensing agreements is only the start. When an ISP have signed-up for IE we should use every opportunity to do marketing activities together with them. The ICU (or IDCU in Europe) is responsible for Internet marketing and should work together with the PNS account manager to create a plan for joint activities. The strategy memo for FY97 from Christophe Daligault talks about marketing budget allocation. He recommends spending 25% of your budget on co-marketing activities with ISPs since this is the single most leveraged way to get new users short term.

What are we offering ISPs ?

The basics - A license to distribute IE for free
If an ISP is willing to make IE the preferred browser and agree to a few other requirements in our license agreement we offer to license IE and its add-on components for free. We allow them to distribute another browser if they wish but it is very

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important that IE is the preferred browser. We will not sign deals were that is not the case. We offer the IE Administration Kit (IEAK) to allow ISPs to provide a customized and branded IE to their customers. The IEAK is also free. Netscape charge $1,995 for the same functionality.

The next step - The Internet Referral Server Program
Everyone should become familiar with this program. This is a critical piece of our strategy to make Window THE Internet platform of choice. The idea behind the Internet Referral Server Program is to make Windows the easiest way to get on the Internet. To accomplish this we have developed a Windows program called the Internet Connection Wizard or ICW together with a back-end server we call the Referral Server. The ICW runs on the users PC and configures it for internet access and then connects to the Referral Server through a dial-up connection. During this connection we download a list of ISPs that are available in that country. The user then selects an ISP and is connected with that ISP to complete the sign-up for an Internet account. The ICW is part of IE 3.0 and is installed when you install IE. It will be delivered with Windows 95 on new PCs as part of OSR2 (a service release made for OEMs only). Depending on the PC manufacturer, this could be as early as September or as late as first quarter next year. The IESK will also have the ICW and the IESK will be bundled with retail Windows 95. So by late this year almost all Windows 95 users will have access to the Referral Server. This is a great opportunity to take the lead and you should plan on doing awareness marketing for the Referral Server in your country.

PNS owns the list of ISPs on the Referral Server and is responsible for signing up ISPs. In addition to our normal terms and conditions for IE, we are asking for a fee (called a bounty) for each user an ISP sign-up through a referral from our server. The PNS account managers have all the details and you should direct all Referral Server inquiries to them. The goal is to keep this list short for each market. We want to retain the value of being on the list and only work with the market leaders. We do not have a specific number, but for most countries 5 ISPs or less is what we expect. The PN Sales account manager have the ability to negotiate discounts to the bounty based on certain co-marketing activities such as upgrading their existing users to IE, using IIS as Web Server. Work with the PN Sales account manager to use this possibility.

For a select few - The Online Services Folder in Windows 95
There are a few large Online Services around the world that we target with this program. These companies have proprietary clients for Online access and large subscriber bases. In order to participate in the program they have made substantial commitments to Microsoft and IE. The deals we have announced to date are America Online (AOL), CompuServe and AT&T. In return for this, we have gotten very strong commitments for IE and joint promotional activities. The folder is included in OSR2 for Windows 95 in English (AOL, CompuServe, AT&T), French and German (AOL, CompuServe). All other candidates have the opportunity to be added with the next OEM service release scheduled for February, 1997.

PNS owns this program and the list of companies we target is closed. We are going after 6 companies worldwide. If you have a company that you know is not part of this program but you feel should you need to prepare a business case and submit to the PN Sales Business Desk (alias "pnsales").

Co-marketing opportunities
There are many opportunities that you can pursue. We have included a list of the very minimum you should be doing. In addition to this we are convinced that you have a thousand of other ideas of how to get the maximum benefit of our ISP relationships. E.g. one subsidiary is sponsoring a cybercafe together with an ISP and OEM. Keep those creative juices flowing!

Upgrade their existing customers
ISPs signing-up for IE present a golden opportunity to get people to switch browsers by upgrading their current subscribers. E.g. UUnet Pipex in the UK will automatically download IE to 30k of their subscribers. Only having to support ONE browser is a huge cost savings for them. In France they offer key ISPs one name from their win95 regbase for each customer that they switch to IE. We also offer a reduction in bounty to Referral Server ISPs who send IE to their current subscriber base.

Launch and PR events
If you have not already done your IE 3.0 launch then involving ISPs in the activities is a good idea. Most subsidiaries have done this with great result. Germany for instance took the opportunity to announce a key win (Metronet) at their launch. Hong Kong used it to show momentum behind IE in their market. The UK used ISPs on stage to talk about IE and its features giving more credibility to the product. In addition to the launch activities you should work with your PR people in the subsidiary to send out Press Releases for all ISP wins. The release about EUnet in Europe got quoted by Reuters and distributed all over the world.

Joint advertising
Many subsidiaries are planning IE ads. One way to make your marketing dollars go further is to team up with the top ISPs in your country and do joint ads where you split the cost. MSKK is planning a campaign Sept-Oct in 5 weeklies and 13 monthly magazines together with ISPs. This will *not* interfere with your product message in the ads. By showcasing the ISPs that use IE you only make it stronger.

Get new customers
All PC users are not connected to the internet yet. Work with your ISPs on activities that attract new users to sign-up for

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internet access. Voyager in New Zeeland is distributing a CD with IE and an access time offer to 78K readers of NBR (their WSJ equivalent). In Italy they have a promotion with a magazine and ISP where they distribute 300k magazines with free IE and access time. They have also made a deal with 3,500 press shops all over the country which will have a big IE banner during the promotion. Also, promote the Referral Server in your country once it's up and running with local partners.

Another great way to reach new users is through seminars. It is easy to create a small seminar together with an ISP where you present the Internet and our products and they present how to get access and are ready to sign-up people at the seminar. By involving local resellers (someone's got to sell them the PC and/or modem, right ?) and doing the seminars at their location you could do this for a low cost to Microsoft.

Educate
It is easy to forget in our fast paced industry but our partners do need information and education on our products. Most of the time we do a deal with one person at an ISP, give him a PPT presentation and we assume they will take it from there. In some cases this works great. In others the internal information system at the ISP is less than perfect. A great way to multiply your sales force without having to get new headcount is to arrange short seminars for the internal sales, marketing and support people at the ISP. Make sure they know IE, pump them up, give them T-shirts or some other Microsoft trinkets and they will stand on the barricades together with you in this fight.

Resources
- http://www.microsoft.com/isp/ is the external PN Sales customer Web Site
- PN Sales internal Web Site - http://pnsales. Information available includes Most current agreements, Organization Charts, Named Accounts, and Agreements signed.
- IPTD International's internal Web Site - http://iptdweb/intiptd. Current info on products, schedules, programs etc.
- Front Page ISP information http://microsoft.com/frontpage/ispinfo/list/
- Internal Referral Server information - http://isbu/sysnetgrp/webpages/sysnet10.htm

Contacts
How can you contact Public Network Sales?
- Use the "pnsales" alias to reach the PN Sales Business Desk, a single source for information, raising questions, issues regarding ISPs

All other questions - product issues, licensing of IE to other types of companies
- IPTD International - Bjorn Hovstadius

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