From: Christophe Daligault
Sent: Friday, April 25, 1997 6:51 PM
To: Hitoshi Shibata; Michael Aldridge; Alex Chin-Leng Fong; Andreas Kunar; Andrew Coulson (Canada); Andrew Hoover; Andrew Lees; Bill Anderson; Bruce Lynn; Carlo Malaguzzi; David Marcus; Elsie Kong; Federico Raggi; Gareth Chan; George Ligerakis; Gil Mor; Goran Olander; Herbert Vongpusanachai; Harvey Sanchez; Hidetoshi Kawai; Jae Sung Yoo; Javier Salido; Jeffrey Goh; Jens Gome; Jeremy Gittins; John Leftwich; Georges Nahon; John Wood (Asia-Pacific); Joon Park; Joyce Kuo; Alain Le Hegarat; Wolfgang Kobek; Kai Lorenz; Walter Vacchini; Onno Hektor; Thomas Wemborg; Jeremy Gittins; Isaac Hernandez; Juan Carlos Llorente; Kai Min Chong; Karl-Heinz Breitenbach; Kota Sakino; Kurt Isler; Loh Marcus Po Hong; Luis Azeredo; Maria Horelli-Rosenlew; Guillermo Guzman-Barron; Dilip Mistry; Ricardo Sanchez Beltran; Mary Peterson; Meena Ganesh; Mike Olsson; Mustafa Kilicaslan; Ole Tom Seierstad; Osvaldo Barbosa de Oliveira; Patrick Duboys; Patrick Ohura; Paula Santos; Pavel Sodomka; Ralph Machholz; Ramny Fite; Rebecca Cherng-Shiow Chang; Renaat Himpe; Rene philippe Mantrand; Sanjay Parthasarathy; Stanley Ng Cheong Meng; Stephen Oliver; Terry Allen; Tzuu-Shin Justin Tsay; Vassili Le Moigne; Yong Shik Cho; Yu-Ting Kuo; Goetz Kauschka
Cc: Brad Chase's Direct Reports; Cameron Myhrvold; Stephen Wu; IPTD International Marketing; Internet Explorer Marketing; Viktor Grabner (Systems); Gerard Zytnicki; Stephen Neenan; Bill Anderson
Subject: Bradc FY 98 planning memo

This is Brad's planning memo, hope you can catch and read on your way to the WWSMM.
You should have already received the Tools/Platforms planning memo from TomB earlier this week.

lanning Memo FY 98
Bradc.do...

If you are not the right person anymore (reorgs, reorgs), please pass on to your appropriate collegue.
This is of course confidential and we don't want this document to be circulated broadly. Pls be very considerate when you forward.
Thanks

CONFIDENTIAL CONFIDENTIAL CONFIDENTIAL

To:	FY98 WWSMM Attendees
From:	Brad Chase
Date:	April 24, 1997
Re:	FY98 Planning Memo "Preserving the desktop paradise"

1. EXECUTIVE SUMMARY

The Internet did change the world radically, and certainly ours, beyond our expectations. This year, we are on the map with an approximate 30% browser share with IE, 11% share with IIS and a 20% adoption rate[1] of ActiveX technology. It is nice to see everyone's hard work rewarded by results, but 30% should not get to our heads, we are NOT number 1. Let's be clear : we have gained ground, but we are still losing. We are a distant second.

Despite of all of our hard work, our momentum and all the press reviews we won, we are weak. We are even weaker in organizations, with 22% browser share vs 67% to Navigator. In the US alone, Netscape sold 5.6M copies to organizations. This is 3 times more than deployments of IE.

Our competitors are still hard at work trying to obsolete Windows. More people than ever now believe they will. Netscape and Sun endeavor to commoditize the OS and drive developers to adopt their technologies and APIs. This is more true today than ever and these technologies are precisely those that may make the NC viable.

But Windows is not the only Microsoft franchise at risk. Our Office business is now in danger too. Netscape and Lotus clearly want to attack it and obsolete Office as well. Netscape is replacing Navigator with Communicator, a rich applications suite with email, scheduling and collaboration. They are using their position with the browser as a foothold onto the desktop to sell the new killer applications : email and collaboration.

Why are they doing that ? Because email is the fastest growing application category in both the business and consumer segments. In the LAN email segment the number of active email clients will double by the end of FY2000, from 76MM to 155M. Internet mail already makes up 32% of the total email client market and will more than triple, from 50MM to 150MM in the same timeframe. Our installed base mail client share is 15% today in the LAN market and is only 9% in the Internet mail segment. With HTML, email is gaining in functionality and richness of presentation. As email use becomes totally pervasive in organizations, it will replace Word (and by extension Office) as the most critical end user application in organizations. That is already true at many places (like Microsoft).

We clearly do not just have a browser challenge anymore. The separation between browser and email is disappearing and soon will the separation between email and desktop applications suites. The threat of continued low mail client share in organizations and with consumers is that our competitors gain control of the desktop, where they can switch existing Office users to their solutions, stall upgrades, and drive server share with a cohesive client-server solution. Netscape will try to position Communicator as a compelling application development platform, which if successful, will also greatly diminish corporation's interests in our Office products. They will then continue to build up in functionality either by partnering with Corel or developing their own technology.

Our product strategy on the desktop is fairly simple and addresses browser share and email share as the 2 sides of the same coin. In the business market, we believe we offer the best choice in terms of functionality/pricing options to meet the needs of organizations with :

- on the low end, IE which includes Outlook Express (OE), our free email client offering. We will market it as a better (and cheaper) product browser/email client than Communicator, and as a part of Windows,
- in the mid-range, Outlook which includes IE and supercedes Communicator in functionality. We have a whole new strategy and very ambitious plans with Outlook, as our widespread entry application product (the Works of the late 90's).
- and Office, which includes Outlook and IE, and remains out of reach of Netscape, in terms of functionality, for now.

[1] Compare with 42% adoption for Java applets - Web professional tracking, wave 2 - January 1997.

In the consumer segment, IE is our vehicle to acquire new users (or not lose them to Netscape or Lotus) with the fastest growing and most compelling end-user products: Internet browsing and email. This is what drives new users to PCs today. *We want to gain or retain millions of users with IE/OE and upgrade them over time to Outlook and Office. And we must make sure that IE 4.0 is recognized as a great product in order to attach more value to Memphis.*

On the business side, we want Windows and Office to be the leading desktop software products, not Communicator. Therefore, we've integrated IE (and OE) into Memphis and Outlook into Office. Windows and Office will provide the email and collaboration functionality that the market is demanding.

You may think "So what now ? Isn't this just about selling Memphis and Office ?". Well, no, not just that. Selling Memphis and Office are absolutely super key, but distribution is not sufficient. To increase the value of Windows, we included MS Mail in Windows for Workgroups, the Exchange client in Windows 95. What did customers do ? They did buy Windows, *but they also continued to buy and deploy cc:Mail and Lotus Notes.* Then we included IIS in Windows NT Server. And what did our customers do ? They did buy Windows NTS, *but they also bought and deployed Navigator and Netscape servers.*

We clearly need to articulate our desktop story and make sure that we actively sell our IE 4.0, Outlook and Office as Intranet and email client solutions. So that organizations buy Memphis and Office and deploy IE 4.0 and Outlook, not Netscape Communicator. We must measure and drive browser and email client share in terms of usage and not just distribution.

In summary, we must keep our focus on browser share. This is central to the success of Windows and central to the success of Office. By focusing on IE today, we not only enhance the appeal of Windows and Office today, but also gain and retain a user base that we can upgrade to Outlook and Office. As we do that, we need to be focused on the Mail client. These 2 efforts are very much tied together.

We need your help to drive IE and OE usage with focused budgets and efforts in all Customer Units. As Netscape and we approach our respective 4.0 launches we both have a great opportunity to create a significant shift in the installed base. We will not have this opportunity again.

We recommend that you set your FY 98 marketing budgets for related activities about equal to this year. The proposed marketing plan and budget in this document may help you do your own planning. These are suggestions, of course, we know you decide what you do in your own markets.

2. GOALS AND STRATEGY

We have won platforms battles before, we know what we have to do. We know that we need a very large installed base for our platform (browser and email client share) and we need to drive the adoption of the platform by developers (content developers, corporate developers, solution developers...) so they build content and applications on it.

New in FY 98 are IE 4.0 with its Channels and its integration with Windows and our cleaned-up email and collaboration strategy. Between Exchange and Office with Outlook, we will already have an appropriate focus on enterprise email share. However, we will need focus on consumer email share with OE as part of IE. We must take advantage of a fragmented email market before our competitors do.

We will be making changes to the way we articulate our Platform strategy and these changes reflect market feedback (the Active platform will be renamed and we will continue to strengthen our Java offering while dispelling the Java myths that Sun wants to promote). Tools remain key to support our platforms strategy. Tom Button and Tod Nielsen further develop these points in a separate memo.

Other than that, we just need to continue to execute the winning strategies that we adopted last year, driving toward our goal of recovering the lead position.

2.1. FY 98 Goals

FY98 should be the year we get ahead of Netscape.

1. Browser share : 51% market share in the US. Other countries should have higher goals. Countries where Netscape is not present should aim for 80% share. Focus on upgrading ISP's installed base.
2. Intranet : get 60% IE deployment share in ECU accounts
3. Mail client share : 30% of consumer segment by June 98. 30% of corporate segment by June 98.
4. IE 4.0 Channels
   - Top 5-10 local ICPs have default Channel at launch
   - Top 5 OEMs shipping IE 4.0 with Channels within 2 weeks after launch
   - All level 1-3 Site Builder members briefed on IE4 Channels by launch
   - Next 10-50 content sites with channels in IE4 Channel Guide by December

2.2. Strategies

2.2.1. Aim for largest possible browser share

Basic strategy

Quite obviously, to continue gain browser share, we need to :

- bring new users to the Internet with Internet Explorer and keep them on it,
- switch existing users of competitive browsers to Internet Explorer,
- and upgrade existing IE users to IE 4.0 (not lose them to Netscape).

As Netscape ships Communicator (their 4.0 version), we will both be in a race to upgrade the installed base. They will attempt to upgrade a significant chunk of their installed base to Communicator. We can expect them to be very aggressive and try to switch our volume partners (OEMs, ISPs) and largest accounts away from IE.

We have done a good job in FY 97 getting the key volume partners (ISPs, OEMs) to ship and promote IE to new users. We must continue to make this happen and get them excited about IE 4.0. We must reach out to them and keep them busy before Netscape comes after them.

We know it is somewhat harder to make existing users switch their browser, but we clearly need this shift to happen. We believe we have a superior product and we will incent ISPs to upgrade their user base. <u>This is the single most important thing we should do in all countries</u>.

We must also generate millions of downloads from users of competitive browsers.

Finally, we must communicate to our existing IE users and make sure they understand why they IE is better than Communicator.

Get users to use Outlook Express at the same time as you get them on IE 4.0

Because Outlook Express (or OE, the new name for Internet Mail and News) is included in IE 4.0, a lot of our efforts to gain email client share on the consumer market will be tightly tied to our browser share efforts. Our market data shows that most users do not use the mail client included in their browser (for instance only 20% of Navigator users are using Netscape mail as their primary mail client and only 5% of IE users as using primarily our Internet mail client). This is a threat and an opportunity. We want to make sure that the majority of the future IE 4.0 users also use OE.

This means that we need to synch our upgrade activities and messages. This is also an opportunity as we want to lure Netscape users away from their current email client with OE, and upgrade them to IE at the same time.

ISPs[2] are the most leveraged channel.

29% of all Internet users in the US got their browser from their ISP (either in a welcome pack or downloading it from an ISP web site). We have done a great job all over the world licensing IE to most significant ISPs. We need to make sure that they do not go back to Netscape. Netscape will have a 3 months lead-time. Between now and September, we recommend that you stay very focused on your top ISPs (depth) and make sure that they are very busy upgrading their user base to IE 3.0, preparing for IE 4.0 and creating their own Channels.

We need ISPs to start shipping IE 4.0 very soon after launch (as soon as the IEAK ships), so that we build up and upgrade the installed base asap. Some ISPs strongly prefer supporting only one browser cross-platform to keep their support costs low. This will be a challenge for us, as the Win 16 and Mac versions of IE will ship approximately 90 days after the Win 32 version. We need to overcome this obstacle by building end-user demand and positioning IE 4.0 as a better service to their customers. We must also find creative ways to help ISPs with their support issues (for instance, setup a local 3rd party support center to assist users when they upgrade at no/low cost to the ISP).

One additional strategy you may consider is make your ISPs actively upgrade their 16 bits users to Win 32 and let them promote Memphis upgrades or partner with a mail order OEM. We know their support costs for Win 16 bits users are much higher, so they have a vested interest in doing this. Win 16 Internet users should receptive to the benefits of Win 32 for communications.

ISPs also provide email to all consumers. Because of this unique position, we also need their help to actively drive the adoption of Outlook Express. We will of course make this easy and synchronize our activities and messages on IE 4.0 and OE, so that ISPs can promote them and upgrade their users to both at the same time.

To some extent we should consider the local Post Office as a major ISP, as these guys realize that a lot of the mail traffic is going digital, they are all figuring out their plans to contribute to their country's email infrastructure. For instance, the Swedish Post Office alone signed at deal with Netscape for $10M.

Corporate licensing.

We have not done a very good job in this segment. 25% of all Internet users in the US got their browser at work. Most of our customers (anyone who has a license for Win 95 or NTW) are automatically licensed for IE, and we also have a better customization kit (IEAK) than Netscape's – yet Netscape still has this lead on us.

You should not take IE share for granted, as reality proves today. Sure servers are a harder sell, but this does not mean that we should give Netscape a free run on the desktop. OCU and ECU should continue to have specific goals on IE (and now OE) penetration. We recommend you plan specific actions and direct marketing campaigns to promote IE and the IEAK to your corporate accounts. Not a single customer should leave any of our Internet/Intranet related seminars, TSBs… thinking that Communicator makes any sense to them. IE 4.0 is a better browser, OE is a better HTML mail client, together they offer a better client platform, they are free and standard in Windows. Outlook and Office are better integrated with IE (therefore Memphis) and offer far more functionality than Communicator.

Netscape positioning Communicator as an email and groupware solution is another reason why we want to gain our share back, we certainly don't want to end up having a harder time selling our messaging infrastructure.

Activate the OEMs.

14% of all Internet users in the US got their browser with a new OEM machine. Virtually all OEMs now pre-install Internet Explorer, yet we know many have also licensed Navigator. We need to make sure that they are excited about IE 4.0 and the possibilities it opens up for them (Channels) and convinced about its superiority and appeal to end-users. We want to make sure that they actively contribute to the overall promotion for IE 4.0 and/or Memphis at launch.

Downloads

13% of all Internet browsers in use in the US were downloaded. We need to continue to have a focused effort to drive downloads and get our logistics right in all countries. We spend a lot of money in the US doing that

[2] ISPs here mean all providers of Internet access, including on-line services and Telcos.

Outside of the US, there is a lot that can be done through bartering and smart deals. One thing to remember, we must have an overwhelming presence on the web for the launch of our beta (June 30) and get a lot of partners and third parties (in particular our ISP partners, content partners and Site Builder partners) help us achieve this.

Promote the Internet section in the retail channel

Only 6% of the Internet users in the US say they purchased their browser at retail (4% bought a browser only package and 2% got it with a software bundle). This clearly means that we do not want to spend a ton of money at retail, but we still need to achieve a better presence than Netscape's. We will have Memphis and an IE-only retail box to do that. We need this SKU to be in front of Netscape's retail browser boxes and as a distribution vehicle for the non-Win 32 versions of IE (Win 16, Mac). We are also thinking of creating an Internet suite with IE, Outlook and FrontPage.

Maximize other physical distribution channels for Internet Explorer

We should continue to pursue all possibilities, such as bundles with magazines, modems, licensing to ISVs... These are cheap ways to achieve more mass distribution. 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.

Channels

This year, we are making a major bet with "Channels". IE 4.0 Channels will be the first mainstream implementation of the "webcasting" concept pioneered by PointCast. For end-users, this is a very different experience that browsing the web, this is more like personalized broadcast delivered to your PC ("the Web, the way you want it"). We believe this is going to dramatically change the industry. Because people don't want to spend hours searching through hundreds of thousands of crappy web pages, we think they will decide to select a sub-set of channels that satisfy their needs and stay within them. This will contribute to the consolidation of "traffic" onto a smaller group of content providers who will make the best use of this mode. If done right, Channels will be a major added value to consumers and could help dramatically the adoption of IE 4.0.

For content providers, this is a new way to author content for a new generation of web sites. There are a few Internet standards that we need to see very widely adopted (Dynamic HTML, Desktop components, CDF e.g. Channel Definition Format...) and Channels provide us with the golden opportunity to motivate web authors to do that.

Given the input we received from all subsidiaries, we will have country-specific Channels for most countries. We agree it is critical to the success of IE 4.0 inasmuch as it determines the appeal to local end-users, as well as motivating local ICPs, ISPs and OEMs to adopt Channels (and the underlying technologies) and promote them actively.

You will need to drive 2 efforts in parallel : the default Channels (1:few) and the Channel Guide (1:many). There will be a maximum of 10 default Channels by locale (defined as a combination of country + language, e.g. French Canada). We must use these with the best content partners we have in each country and only consider the best, from an end-user appeal perspective (the local equivalent to Disney or The Wall Street Journal if you wish). All other content partners will be able to create their Channels and register them in the Channel Guide (a worldwide database) which will also be accessible from IE 4.0.

We strongly feel that Channels is the single most compelling hook for users and this is the killer feature that we will promote the most. It is critical for you to have great Channels at launch, but also make sure that Channels are seen as the things all PC users want.

Dynamic HTML

Dynamic HTML gives site builders the opportunity to create better web sites than they have ever done before. These web sites will look best on IE4, and degrade gracefully when viewed on other browsers. Creating Dynamic HTML sites requires a type of skill similar to what goes into scripting web pages. These skills are available among web professionals (55% of them have written code, and 34% are professional developers). All countries should make sure to incorporate this message into their IE4 launch, and they must make sure to target the developer audience with the IE4 launch. This is important so that there are many great Channels in all countries.

HTML Mail

OE and Outlook offer very interesting possibilities through a combination of HTML Mail, Dynamic HTML, data binding etc... Email will soon become the creation and viewing of web pages – ad hoc web page distribution. I author email and will create forms in HTML, I can send web pages, etc. Consequently, with email, we not only influence the standards for mail protocols (SMTP, POP3, and IMAP) but also standards for content formats, content distribution and application development.

Netscape took the initiative with their In-Box Direct program, which has been rather successful outside of the US with major media groups such as Axel Springer Verlag, Gruner & Jahr (Stern Online), FOCUS-Online and Rheinische Post in Germany, Liberation in France, De Telegraaf and TROS in Holland, Aamulehti Group in Finland, La Vanguardia, El Correo Gallego, Banesto, Recoletos Cia. Editorial in Spain, The Mirror Group and The Daily Telegraph in the UK, and Milano Finanza Editori Spa and Mondadori in Italy).
We will need to do a lot better than them in promoting the unique possibilities we will offer with OE in IE 4.0.

IE logo everywhere

We are still catching up with the huge presence of Netscape's logos all over the Web. In August 96, there were 127,000 Navigator logos on the web and only 15,000 IE logos. We have come a very long way in closing the gap. In January 97, there were 172,000 Navigator logos on the web and 153,000 for IE.

This is important not only in terms of presence (therefore mindshare and perception of leadership), but also because each of these logos is a link to a download area (where Netscape will try to sell or upgrade users to Communicator).

We will re-launch our logo program everywhere in the world with the IE 4.0 launch and get most of our existing logo licensees to update their logos to IE 4.0. This will give us a great presence on the web as well as many hooks to get users to download. This is not difficult, but we must not forget to do it.

Site Builders

We have created a great asset with the Site Builder Network and have more than 500,000 members to date, from all over the world. We must continue to actively leverage this network as an evangelism pipe and motivate them to build Channels, use Dynamic HTML and support the new Internet standards we want to promote. This means we expect every country to continue to nurture their local community and feed them with all of the above. This means that most subs need to earmark a marketing budget in FY 98 to continue do this.

2.2.2. The best PR

Netscape has proved they have one of the best PR machines in the world, but we have proved that we can do an even better job. This means focus again (and some funds).

Win all reviews

This is the starting point to capture momentum. We're building the best products – we need the review wins to drive it home to people. We did great with IE 3.0 and must do it again with IE 4.0. This means all countries should have specific press activities targeted at the Internet influentials so we gain the best browser position. This clearly means a separate PR effort from Memphis and a different timing, i.e. before the final beta (June). This is the second most important thing all countries should do.

This also means doing a good job with Mac pubs in countries where Mac is important.

Broad reach PR

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

We missed this opportunity with IE 3.0 (except in a few countries). Netscape did much more than we did and managed to get airtime in many countries. We should not miss this opportunity this time with IE 4.0, all the more so that we should benefit very broadly from the media power of our IE 4.0 channel partners (i.e. if one of them is a TV or radio station or newspaper, they must commit to promote IE 4.0 and their channel heavily at their own expense).

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 continue to help them (ISVs and corporate developers) write to our platform.
Development tools are always needed to turn our technologies into solutions; and once a site developer is using our tools, he/she is less likely to use competitive APIs. For example, in the Intranet space, integration with existing client/server application is a very hot issue; a tool like Visual InterDev makes it possible to integrate existing DBs with web applications, and making IIS and COM more valuable technologies. You should always complement the pitch about our Internet architecture with a reminder of our tools.

MSDN Online is the broad reach membership program that we want all developers to subscribe to; it complements the Site Builder Network with technical content that web developers will appreciate. For more details, see separate memo, http://aicgweb/intiptd/documents/tools/fy98toolplan.html.

2.2.4. Activate our Solution Providers

Netscape does seem to have benefited from their impressive web of partnerships (Sun, SGI, Novell, IBM, AT&T, Sony, HP...), leveraging their partners corporate sales force and Channels against us.

In most countries, it seems it has taken us almost one year to put our Solution Providers asset to work. We must not taken IE for granted with these guys either. Sure we know the server is a harder sale, but the browser and the mail client does not sell by themselves alone. We need to continue to feed and support these key partners and make sure none of them think it makes any sense for them to promote Communicator.

3. NETSCAPE

3.1. Current situation

We have been amazed how fast Netscape has extended their reach all over the world and done a decent job recruiting solid partners and VARs in many countries. They also have improved a lot their localization quality and deltas and offer now Navigator in 13 languages (up from 4 a year ago). They have a direct presence in more than 20 countries with 120+ people and an indirect presence in 22 more countries (including very small markets such as Slovenia or Colombia) with strong local partners in most. They are continuing to expand their reach and will open offices and a regional headquarter in Eastern Europe.

Netscape has made inroads in corporate accounts all over the world. They also have good success at retail in many places (in particular countries where they had a big lead-time over us, like US and Japan) where they outsell any other retail product.

They have experimented joined marketing with Sun, Silicon Graphics, IBM and Novell, but did not seem to have done a lot beyond corporate seminars. They did a better job at PR, in particular broad reach PR and getting airtime on TV.

3.2. Next moves

This is what we expect them to do :

- First, they will obviously go back to volume partners (ISPs and OEMs in particular) and aggressively try to sign big deals at any cost.
- We know that they will be very focused on the corporate market. They are (and so is Lotus) successfully driving a value shift in the minds of customers towards the notion of collaboration, and attacking the email space. *Netscape will try to use email and the browser as a Trojan horse into the productivity apps and workgroup space.*
- Netscape also has a big opportunity to turn their consumer browser share into a substantial revenue stream with Communicator. Convincing consumer users to pay $49 or so for a great internet mail application with the name Netscape on it will be a lot easier than convincing large enterprises to deploy the Netscape infrastructure widely. We expect Netscape to adapt their strategy to take advantage of this opportunity.

Products

- They will have a 3 months lead over us. Their new product, Communicator, is better than IE 3. They will clearly push their cross-platform-ness forward as a key competitive advantage and try to reposition us as the Windows-only company. Another reason why we need to promote IE as the best browser on all key platforms (Win 32, Win 16, Mac and soon UNIX).
- Constellation, their next release, will provide integration with the OS. If done right, it will be a further threat to our leadership of the desktop and extend Netscape's influence over UI and key APIs.
- NetCaster is their response to IE 4.0 Channels. Hard to say exactly what this will do, this is only a press release at this point.
- Acquisitions to complete their tools portfolio and maybe add productivity apps (Corel ?).

4. CONCLUSION

- This is another major "make or break" rendezvous. We need your support to continue your focused effort on IE and now our email client share jihad. We believe that this effort will greatly pay-off mid term (within next 6-12 months) in terms of securing our strategic position on the desktop and future Windows, Office and server sales. A strong IE will also protect against inroads from the NC and the Java OS threat.
- We have the opportunity to regain leadership within a year. Let's set a stretch goal for ourselves and aim for passing the 51% share mark with IE[3].
- We know what we have to do. Focus and speed of execution through the next 6 months is the key success factor. This is why we are including a recommended subsidiary marketing plan and suggest you maintain marketing investment at a similar level as last year.
- The opportunity is now, as Netscape is getting ready for their "make or break" push, and as you are doing your plans through FY98 and the remaining of FY97.

[3] A few countries have managed to reach 50% share this year. We would recommend that they do what it takes to prevent Netscape from making a comeback with Communicator.

5. APPENDICES

5.1. Recommended Tactical Marketing Plan

This is what we recommend you consider doing in your country. Of course, you decide what makes sense to do in your market. We are signed up to support you and your people through the implementation of these activities.

If you need a ballpark figure for your marketing budget, we recommend that you budget your marketing funds at 5% of your total marketing budget (not including tools and platforms marketing), this is same as last year. We recommend you allocate a significant part to ICU for co-marketing with ISPs (2 in larger subs, 3 % in smaller ones). Again, you decide what makes sense in your country.

Please forgive us if a lot of the things below are obvious, last year we had good feedback on this format so we are doing it again here. We are not trying to tell you how to do your job. There is just so much to do in so little time that the best way for us to support you well is if everybody moves in synch. I have listed your contacts in our international marketing team for each of these campaigns, of course you will also have contacts with the Customer Units and the other product marketing folks in Redmond.

The most critical activities are identified with a ♂. If you are a very small sub and cannot do everything, we suggest you focus on these.

5.1.1. Now - June 97

This is the pre-IE 4.0 beta launch period. This is also when Netscape will try to prepare the market and align partners and distribution channels for their Communicator launch. Naturally, we want to pro-actively counter Netscape's moves and solidify our relationships with volume partners. This is also the time when we recruit ICPs for IE 4.0 Channels.

We are getting organized around these targeted campaigns (all the "former IDCU" people are fully aware of these and many are doing these things already).

- Solidify our ISP partnerships, continue upgrading the installed base with IE 3.0
- Recruit IE 4.0 Channel partners (1:few and 1:many)
- Long lead briefings to OEMs and key channel partners
- Activate the developers
- Continued momentum PR
- Continued Intranet push

♂ Solidify our ISP partnerships, upgrade their installed base with IE 3.0 (contact :Chrisd)

- We want to keep ISPs busy upgrading their installed base to IE 3.0 (I believe every country is doing this right now) and preparing their IE 4.0 Channels.
- It is critical that you increase the frequency your contacts with your top ISPs so you can become aware of Netscape's moves and counter them very rapidly. Your national Post Office should be in this list.

♂ Recruit IE 4.0 Channel partners (1:few and 1:many) (contact : Larsba)

- First, you need to select and support the top ICPs that will make the default Channels for IE 4.0 (therefore Memphis) in your country. Regional workshops have been organized to help you do this. This means briefing ISPs and OEMs at the same time.
- As you sign your IE Channels partners, you should make sure that they commit to help promote very broadly IE 4.0 and their Channel (i.e. if one of them is a TV or radio station or newspaper, you want them to leverage their media power at no cost to you). Don't miss this opportunity, this is one of the best things you can do before you sign these contracts.
- Then you will need to evangelize broadly the concept of Channels (leveraging Site Builder Network), so users will find many great Channels in the Channel Guide, and so that our favorite Internet standards gain wide adoption. For this, we will provide content (in seminar in a box format).

Long lead briefings to OEMs and key channel partners (contact : Briansha)

- To pre-empt Netscape's moves, we want to make sure that all our key volume partners are excited about IE 4.0 (including OE) and Memphis. We are supporting some regional OEM briefings (Berlin, Japan) and will also provide you with a complete package with demos, slides and a Q/A.

Activate the developers (contact : Alfredop)

- The developer release of IE 4.0 is now on the web (in 7 languages), you need to make sure that all developers (whether corporate developers, content developers or solutions developers) in your market are up to speed on the key new technologies it introduces. This means basic things like promoting it on your web site and more in-depth evangelism. Getting as many of your web sites as possible into the Site Builder Network ensures that they will be bombarded with these messages from that side too.
- There are several events that will help you do the latter in particular the "Creating Powerful Web Applications" seminar (May 20) and TechEd (see Tom Button/Tod Nielsen memo for more details). If you cannot leverage these events, you will still be able to use the content for seminars and let 3rd parties use it.

Continued momentum PR (contact : Briansha)

- All of you are having great successes, ISPs wins, corporate accounts wins, IE traffic share on key web sites... You need to continue to feed the local press and maintain perception of our momentum, and continue through Netscape's announces.
- There are also angles in IE 3.0 that have an interesting PR potential and have not be exploited everywhere yet (ratings, NetMeeting). Finally we need to make sure we get good coverage of the final IE 3.0 Mac version.

Continued Intranet push (contact : Briansha and Alfredop)

- This is an on-going, slow burn effort. We need to increase our push to corporations, especially as they evaluate the upgrade to Communicator. We should continue to do this in an indirect way (make sure all our seminars and those that partners give feature IE in good place), but we should also be a lot more active directly. Some countries have done significant direct marketing to corporate decision-makers to promote IE, inform customers that they have a license and offer the IEAK.
- There are a few other things that will help. Obviously, you want to have most of the corporate developers attend the "Creating Powerful Web Applications" seminar. There is also a new Intranet Resource Center: a web site with sample applications and code, functionally superior to Netscape AppFoundry, going live on May 5th. All countries should announce locally and market to drive traffic to it.

5.1.2. Mid May – June 97

This is when we actually do our first IE 4.0 launch and reach out to influentials and press. This is a very critical phase were we must win all the reviews. We will also try to drive massive downloads of the final beta. By then, all the IE 4.0 default Channels should be ready and operational.

We will get organized around these targeted campaigns

- PR push
- Online launch
- Corporate Early Adopters Program

PR push (contact : Briansha)

- We want to win the reviews with IE 4.0 as best browser. The IE 4.0 reviewers' workshop is a must. You should send your most influential press people there – June 17-18.
- We also need to start articulating our email strategy and use OE and Outlook to position our offering against Communicator.

Online launch (contact : Briansha)

- We want millions of downloads. In fact because IE 4.0 is going to be more than 15 MB, we will need to find practical ways to ship many CDs to users and let them order it online. Some countries, like France, have found great ways to leverage other partners (the Post Office in this case) to do this for them.

- We also want to "saturate the web" and have a bigger presence than Netscape. To do that, we need help from all our partners who have a web site (Site Builders, content partners, ISPs, OEMs). They should all have a vested interest in IE 4.0 and help us promote it. The new IE logo program will also help here.

Corporate Early Adopters Program (contact : Briansha)

- This is about getting great public reference accounts at launch, this is a similar program to what we did with Win 95 (i.e. "Goliath"). We are obviously synching up our efforts with Memphis.

5.1.3. July-September 97

This is when we prepare and the second wave of our IE 4.0 launch with the final release.
Hopefully, we will have won all the reviews and will be running downhill (or we won't and have a real tough time). This is when we line up all the distribution channels and partners to promote and distribute IE 4.0 massively.

We will get organized around these targeted campaigns

- ISP launch and upgrade campaigns
- Preparing the distribution channels
- Broad reach PR
- Email upgrade campaign

ISP launch and upgrade campaigns (contact : MikeAld)

- This is where we should spend a very significant part of our budget (I would say as much as 40% of the total marketing budget over the 6 months following IE 4.0 launch).
- We can't say it enough, ISPs are our most important channel. We want to make sure that they love IE 4.0 and OE and start shipping IE 4.0 as soon as possible (as soon as the IEAK is available). We know that some of them will want to wait for the Win 16 version, or even the Mac version. We will provide you with a sales pitch and suggestions to handle objections.
- You must have a very strong direct incentive program to all your top ISPs for them to upgrade their installed base. This approach has proved very effective in several countries (the UK in particular managed to upgrade 50% of CompuServe's installed base to IE in 4 months).
- To be clear, you should not spend any money or do anything with any ISP unless they are driving the upgrade of their installed base. This time, we will also need a specific focus on OE and drive users to upgrade their mail client at the same time as the browser.
- Everyone by now should be familiar with the things we want ISPs to do and the incentives we can offer (we went through this in October last year). The key thing is really to understand what each of the key ISPs really want most and do the best job providing them with a real incentive to do that.
- One area where we should do more is figure out how to minimize ISPs' support costs (for instance offering them an outsourced support center dedicated to user upgrades).

Preparing the distribution channels (contact : Briansha)

- We will need to prepare our channels : retail, outbound, SPs etc... we want to make sure they love (and use) IE 4.0 and get the appropriate people reasonably trained.
- There will be retail offering(s) to replace both IESK and Microsoft Plus! There will be some IE 4.0 box in the channel at RTM +7 weeks to compete with Netscape. There will also be a new retail offering with Outlook 8.5 in CY98, not before.
- It makes a lot of sense to synch these activities with Memphis and have the same person do that. We do not expect any country to invest a lot of time and money at retail, except Japan.
- Above all, we want to have better distribution than Netscape. If the solution for you is to not have a Microsoft retail IE box, but let ISPs do it and market it (like Portugal, Spain and Sweden did), that's great too.

Broad reach PR (contact : Briansha)

- We want people to think "Internet = Microsoft". To do this, you need to occupy the broad media, not just the PC trade press. We are thinking about producing a canned show (B-roll) you can use with your local TV Channels. This can be much more effective than any ad.

- Assuming you have signed up you IE Channels partners to help promote very broadly IE 4.0. as soon as IE 4.0 final ships. you would want all of them to make big noise for you (and for free).

Email upgrade campaign (contact : MikeAld)

- In countries where there is a significant base of Internet users. we should run email upgrade campaigns. with a combination of online ads. mass email mailing. free email offers from ISPs. exclusive HTML mail content (note this will be an option for delivery of Channels)....

5.1.4. October – December 97

By then. IE 4.0 is launched, you want to keep the pressure on all distribution channels (with a focus on ISPs) and all content partners to do their part. Most activities are continuation and monitoring of those listed above.

Memphis launch

- Memphis will have longer localization deltas than IE 4.0 (see Appendix), this can impact the timing of your plans (in particular, retail and corporate migration). Eastern Europe, Greece and Turkey in particular may have to de-couple some of these activities and start with IE 4.0 sooner (depending on what we think Netscape will do there).

Outlook 8.5 launch

- We expect to launch Outlook 8.5 in December. this means another full-fledge typical product launch, with PR, channel and corporate accounts activities.

5.1.5. 1998

- It is impossible for us to predict at this point what we will do after IE 4.0 and Outlook 8.5, because the success of these launches are so critical to our future steps and because we cannot fully anticipate our competitor's moves. We will provide continuous updates to these plans to all subs and a refreshed set of plans in December for your MYR planning.

5.2. Products

Note : This does not include the developer products which are covered in separate memo.

5.2.1. Overview

DRAFT	US RTM	Street Price	US FY 97 plan (units)
IE 4.0 for Win 32 - final beta	30-Jun	free	
IE 4.0 for Win 32 RTW	25-Aug	free	5M in 3 months
IEAK 4.0	24-Sep	free	
IE 4.0 for Win 3.1	23-Nov	free	
IE 4.0 for the Mac	23-Nov	free	
IE 4.0 for UNIX	??	free	
IE retail box "IE Extra"	22-Sep	$29	100k units
Memphis	Oct	$49	1.5M units first 3 months
Internet Suite (IE + Outlook +	H2	TDB >$100	
Outlook 8.5	Jan	$99	TBD

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E retail box "E Extra"	22-Sep	$29	100k units
Memphis	Oct	$49	1.5M units first 3 months
Internet Suite (E + Outlook +	H2	TDB >$100	
Outlook 8.5	Jan	$99	TBD

5.2.2. Localization plans

	IE 4 0							Outlook 8 5				
Language	Win 95	Win NT	NT/Alpha	Win 16	Mac	Unix	IEAK	Office	SA	SBE	Exch	OEM
Arabic	X							X				X
Chin-Simp	X	X	X	X			X	X	X		X	X
Chin-Trad	X	X	X	X			X	X	X		X	X
Czech	X	X		X			X	X	X	X	X	X
Danish	X	X		X			X	X	X	X	X	X
Dutch	X	X	X	X	X		X	X	X	X	X	X
English	X	X	X	X	X	X	X	X	X	X	X	X
Finnish	X	X		X			X	X	X	X	X	X
French	X	X	X	X	X	X	X	X	X	X	X	X
German	X	X	X	X	X	X	X	X	X	X	X	X
Greek	X	X						X	X		X	X
Hebrew	X							X	X		X	X
Hungarian	X	X		X			X	X	X		X	X
Italian	X	X	X	X	X		X	X	X	X	X	X
Japanese	X	X	X	X	X	X	X	X	X	X	X	X
Korean	X	X		X			X	X	X		X	X
Norwegian	X.	X		X			X	X	X		X	X
Polish	X	X		X			X	X	X	X	X	X
Portuguese Brazilian	X	X	X	X	X		X	X	X	X	X	X
Portuguese Iberian	X	X		X			X	X	X	X	X	X
Russian	X	X		X			X	X	X	X	X	X
Slovak	X						X					
Slovene	X							X	X		X	X
Spanish	X	X	X	X	X	X	X	X	X	X	X	X
Swedish	X	X	X	X	X		X	X	X	X	X	X
Thai	enabled							X	X		X	X
Turkish	X	X					X	X	X		X	X
Vietnamese	enabled											

We will also continue to have twice as many languages as Netscape (win 32).

5.2.3. Deltas (same for IE 4.0 and Outlook)

Fra, Spa, Ita	7 days	
Swe, Bra, Dut	14 days	
Nor, Dan, Fin	21 days	
Por, Rus, Cze	28 days	
Pol, Hun		35 days
Tur, Grk		42 days
Slv, Slk	56 days	

Please note that that current plans are to have IE 4.0 Arabic and Hebrew only as part of Memphis, not as standalone versions (complain to David McBride, if you're not happy about this).

5.3. Market data

5.3.1. 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 100+ million. We think there are currently 30 M active users in the US and 15-20M outside of the US (a large factor depends on whether we count academic users or not).

The table below shows dial-up users by country reported at MYR. When we compare these numbers across countries and to host by domains, it seems obvious that several of these numbers don't make sense. However this is what we have today and are using to prioritize localization efforts.

Internet dial up users estimates (MYR)

		Jan-97	
1	Unites States	15,944,131	56.6%
2	Japan	2,480,000	8.8%
3	Germany	2,283,000	8.1%
4	Canada	805,000	2.9%
5	United Kingdom	794,000	2.8%
6	Korea	650,000	2.3%
7	France	535,000	1.9%
8	Australia	430,000	1.5%
9	Brazil	400,000	1.4%
10	Taiwan	309,400	1.1%
11	Sweden	300,000	1.1%
12	Spain	300,000	1.1%
13	Netherlands	250,000	0.9%
14	Singapore	198,000	0.7%
15	Finland	186,000	0.7%
16	Denmark	180,000	0.6%
17	Norway	175,000	0.6%
18	Italy	168,500	0.6%
19	Hong Kong	168,000	0.6%
20	Mexico	120,660	0.4%
21	Thailand	111,900	0.4%
22	Austria	108,000	0.4%
23	New Zealand	100,000	0.4%
24	Switzerland	96,700	0.3%
25	Israel	93,000	0.3%
26	China	79,700	0.3%
27	Malaysia	69,000	0.2%
28	S. Africa	67,500	0.2%
29	Carribean	60,000	0.2%
30	Belgium	56,000	0.2%
31	Argentina	53,600	0.2%
32	Portugal	46,000	0.2%
33	Peru	44,970	0.2%
34	Gulf	34,414	0.1%
35	Turkey	31,550	0.1%
36	Indonesia	30,300	0.1%
37	Greece	29,800	0.1%
38	Egypt	28,800	0.1%
39	Colombia	26,100	0.1%
40	Venezuela	23,100	0.1%
41	Philippines	22,000	0.1%
42	Uruguay	17,900	0.1%
43	India	15,000	0.1%
44	Hungary	13,300	0.0%
45	Slovakia	13,300	0.0%
46	Chile	12,000	0.0%
47	Ecuador	11,200	0.0%
48	Morocco	1,600	0.0%
49	Russia	58,000	0.2%
50	Poland	54,000	0.2%
51	Czech Republic	47,800	0.2%
52	Ireland		0.0%
53	Slovenia	12,000	0.0%
54	Costa Rica		
	Total	28,145,225	

5.3.2. Hosts by domain

Another indicator of the Internet growth by country is count of domains and hosts. As of January 1997 there were 16M "advertised" connected computers worldwide. Because of the unknown and potentially unlimited numbers of multi-user computers, proxy servers 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. However the can be considered a good proxy for measuring trends and relative important of markets.

Key data points :

- Total growth in past 12 months : 71%. But total growth in past 6 months : 26% (only 19% for .com).
- Higher growth is in intl domains : 31 %. Fastest growing countries : Hong Kong (104%), Spain (76%), Brazil (65%), Russia (52%), Belgium (49%), Japan (48%) and Mexico (47%).
- Japan is now #2, followed by Germany, Canada, UK, Australia, an historically strong Finland, the Netherlands and France. These 8 countries together are as big as the total .com domain.

domain	domain	hosts - Dec 95	hosts - July 96	hosts - Jan 97	Growth	% of total
com	Commercial	2,430,954	3,323,647	3,965,417	19%	24.6%
edu	Educational	1,793,491	2,114,851	2,654,129	25%	16.4%
mil	U.S. Military	258,791	431,939	655,128	52%	4.1%
gov	Government	312,330	361,065	387,280	7%	2.4%
net	Networks	758,597	1,232,902	1,548,575	26%	9.6%
org	Organizations	265,327	327,148	313,204	-4%	1.9%
us	United States	233,912	432,727	587,175	36%	3.6%
	all intl domains	3,386,036	4,602,408	6,028,025	31%	37.4%
	Total	9,439,438	12,826,687	16,138,933	26%	100.0%

domain	Country	hosts - Dec 95	hosts - July 96	hosts - Jan 97	Growth	% of total intl
jp	Japan	269,327	496,427	734,406	48%	12.2%
de	Germany	452,997	548,168	721,847	32%	12.0%
ca	Canada	372,891	424,356	603,325	42%	10.0%
uk	United Kingdom	451,750	579,492	591,624	2%	9.8%
au	Australia	309,562	397,460	514,760	30%	8.5%
fi	Finland	208,502	277,207	283,526	2%	4.7%
nl	Netherlands	174,888	214,704	270,521	26%	4.5%
fr	France	137,217	189,786	245,501	29%	4.1%
se	Sweden	149,877	186,312	232,955	25%	3.9%
no	Norway	88,356	120,780	171,686	42%	2.8%
it	Italy	73,364	113,776	149,595	31%	2.5%
ch	Switzerland	85,844	102,691	129,114	26%	2.1%
es	Spain	53,707	62,447	110,041	76%	1.8%
dk	Denmark	51,827	76,955	106,476	38%	1.8%
za	S. Africa	48,277	83,349	99,284	19%	1.6%
at	Austria	52,728	71,090	91,938	29%	1.5%
nz	New Zealand	53,610	77,886	84,532	9%	1.4%
br	Brazil	20,113	46,854	77,148	65%	1.3%
ru/su	Russia	25,801	45,623	69,191	52%	1.1%
kr	Korea	29,306	47,973	66,262	38%	1.1%
be	Belgium	30,535	43,311	64,607	49%	1.1%
pl	Poland	24,945	38,432	54,455	42%	0.9%
hk	Hong Kong	17,693	24,133	49,162	104%	0.8%
cz	Czech Republic	16,786	32,219	41,164	28%	0.7%
il	Israel	29,503	39,611	38,494	-3%	0.6%
tw	Taiwan	25,273	30,645	34,650	13%	0.6%
hu	Hungary	11,486	25,109	29,919	19%	0.5%
mx	Mexico	13,787	20,253	29,840	47%	0.5%
sg	Singapore	22,769	38,376	28,892	-25%	0.5%
ie	Ireland	15,036	21,464	27,059	26%	0.4%
pt	Portugal	9,359	17,573	26,077	48%	0.4%
my	Malaysia	4,194	8,541	25,200	195%	0.4%
cn	China	2,146	11,282	19,739	75%	0.3%
gr	Greece	8,787	12,689	15,925	26%	0.3%
cl	Chile	9,027	13,239	15,885	20%	0.3%
si	Slovenia	5,870	9,949	14,051	41%	0.2%
tr	Turkey	5,345	7,743	13,194	70%	0.2%
ar	Argentina	5,312	9,415	12,688	35%	0.2%
id	Indonesia	2,351	5,262	9,591	82%	0.2%
th	Thailand	4,055	6,362	9,245	45%	0.2%
co	Colombia	2,262	5,265	9,054	72%	0.2%
sk	Slovakia	2,913	5,498	8,392	53%	0.1%
pe	Peru	813	2,269	5,192	129%	0.1%
ph	Philippines	1,771	3,117	3,628	16%	0.1%
cr	Costa Rica	1,495	2,582	3,491	35%	0.1%
in	India	788	2,176	3,138	44%	0.1%
ve	Venezuela	1,165	1,679	2,417	44%	0.0%
uy	Uruguay	626	878	1,823	108%	0.0%
	Other			77,321		1.3%
	Total	3,386,036	4,602,408	6,028,025	31%	100.0%