Internet Explorer Marketing Plan Review

November 26th, 1996

Agenda

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

Overall Status Summary

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

Share Status
How are we doing versus our 30% goal?

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

Product Status
Where are we with IE 3.0 for X-platform?

- Windows 95/NT 4.0   (Now)
  - no 32-bit Windows NT 3.51
- Windows 3.1   (Dec)
  - Java support (Feb)
- Macintosh   (Jan)
- Unix   (Q1/97)
- IE 4.0 Beta   (Jan/Feb)
  - for Win95/NT 4 0 only

Key Market Trends
Where is the leverage?

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

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Current Strategies

Acquire 12.7 million users by Q1 97

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

Convert ISP/OLS Users

5.8 Million users by Q1 97

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

AOL Deal Details

- AOL gets $0.25 for each IE convert by 3/15. (4M user cap. $1M)
  - AOL will drive via advertising to members
  - if 3.25M conversions by 3/15 they get $600K bonus
- Next 6-8 weeks, AOL Win 95 members get CD with IE3-based client.
  - We pay $500K for this distribution; sign ups count towards goal
- AOL.COM optimized for IE by 12/1. IE promo begins in earnest 12/1
  - We get bimonthly reports on page visits to top 25 sites for PR purposes
- Other points
  - AOL claims 70% of Mac users on Mac IE by X-mas (750K users)
  - We must deliver Win 31 version with Java by 2.1
  - IE3 for Win31 goes with AOL4.0 preview disk in Jan (IE code d/l upon user sign on)

Get New Users via OEM, ISP, Retail
3.0 million users by Q1 97

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

Get and Switch Users via Online
1.9 million users by Q1 97

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

Attack the Business Market
2.0 million users by Q1 97

- Enterprise Customers - 1M users by Q1   4.5 EcI of Jan
  - 150 WW IE champs fully trained on IE; Develop key selling tools
    - MS & intranet ppt & demo; ROI study & App Foundry response in progress
  - Technical swat team to help close top accounts
    - Switch LARs, System Integrators, ECU Alliance partners - in progress
  - Promote 50 corporate wins for press and web site by Q1
- Organization Customers - 1M users by Q1
  - Proactive Customer and Technical Solutions briefings
    - Reach 6600 IS managers affecting 1.2M desktops by Q1
  - Train 40% of ATECs/SPs; Mail IE/IEAK CD and letter to each partner
  - Partners to deliver Microsoft and the Intranet CD to OCU customers
- IE Share Drive - sales reps earn up to $5K each
- IS & BDM advertising

Site Builders
Optimize for Active Platform

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

Netscape Strategy
Focus on Intranet and Groupware

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

New Research on Nav users

Only 1 2 of Nav users upgraded to ver 3.0

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

Additional Marketing Ideas

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

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

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	Current Budget		Projected thru fy97		Spent		Committed
Corp-Intranet							
Research			$	400,000			
Tools			$	500,000			
X-Platform Advertising-Corp IS			$	800,000			
Share Drive			$	2,500,000	$ -		$ -
	$	-	$	4,200,000	$ -		$ -
NetMeeting							
PR (fy97)			$	300,000			
Events - Telecon XVI show			$	150,000			
Promotional			$	25,000			
NM Demo			$	15,000			
NM Resource Kit			$	15,000			
Collateral			$	15,000			
	$	-	$	520,000	$ 300,000		

	Current Budget		Projected thru fy97		Spent		Committed
Web site Development	$	300,000	$	300,000			
IE Demos	$	185,000	$	185,000			
Club IE	$	100,000	$	100,000	$ 3,000		
Research	$	1,775,000	$	1,775,000	$ 150,000		

	Current Budget		Projected thru fy97		Spent		Committed
IE Launch Content Partnerships	$	2,900,000	$	2,900,000	$ 1,300,000		
OEM Co-marketing Fun.			$	-			
BDM Advertising	$	-	$	-	$ -		$ -
Trial Incentives	$	-	$	-	$ -		$ -

	Current Budget		Projected thru fy97		Spent	Committed
Total	$	17,595,000	$	39,710,000	$ 9,589,000	$ 5,192,500

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