DRAFT

IE 4 Sustain Plan

Updated 12/5/97

PENGAD-Bayonne, N.J.
GOVERNMENT EXHIBIT

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Situation Analysis

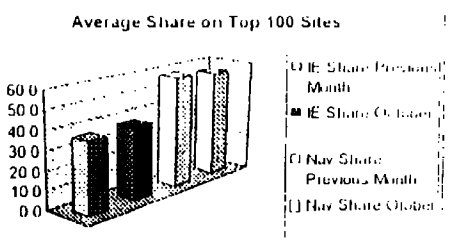
Share (Nov)

Nov Call Down	Nav %	Nav #	IE %	IE #
Share based on last access	54%	19,440,000	24.0%	8,640,000
Add Share of upgraded AOL			17.9%	6,426,000
			41.9%	**15,066,000**

Based on 36Mil active users

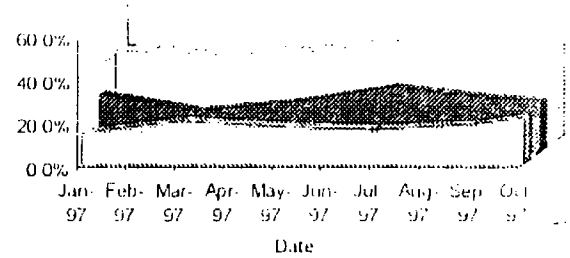
Website (Oct)

Average Share on top 100 sites			
IE Share Previous Month	IE Share October	Nav Share Previous Month	Nav Share Otober
36.8	37.2	57.9	55.6



Calldown Trend (Oct)

	Jan-97	Mar-97	May-97	Jul-97	Sep-97	Oct-97
Internet Explorer	14.6%	19.9%	17.6%	16.2%	19.0%	22.0%
AOL	26.7%	19.0%	23.0%	30.1%	25.0%	24.0%
Combined	41.3%	38.9%	40.6%	46.3%	44.0%	46.0%



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Situation Analysis

- Goal:
  - 3 Mil Upgrades; 2 Mil Switchers
  - Increase IE aided awareness among IEUs from 60-80%; among broad from 33-60%; Establish OE at 30%
  - 40% share at retail
- Results:
  - 2.1 Mil Downloads; 500K CD orders
  - 21% IE Users on Version 4.0 (1.6Mil)
  - Overall share has grown 5% to 42% since launch
  - 200K ISP switchers since launch; 225K new users
  - ISP Run rate: IE 60K/mo; Nav 15K/mo (ICU estimates)
  - OEM uptake: 120K new users by EOY; 75-85% IE shipment among top OEMs
- Switchers
  - 21% of hits to Active DL server were NS (estimate 440K NS users tried IE)
- Awareness Increased
  - IEU awareness = 70%
  - Broad user awareness = 50%
  - OE = 19%
- Retail
  - 6.5K units per week

Nov '97		IE		Nav
total		8,640,000		19,400,000
v2	5%	432,000	21%	4,074,000
v3	74%	6,393,600	57%	11,058,000
v4	21%	1,814,400	22%	4,268,000

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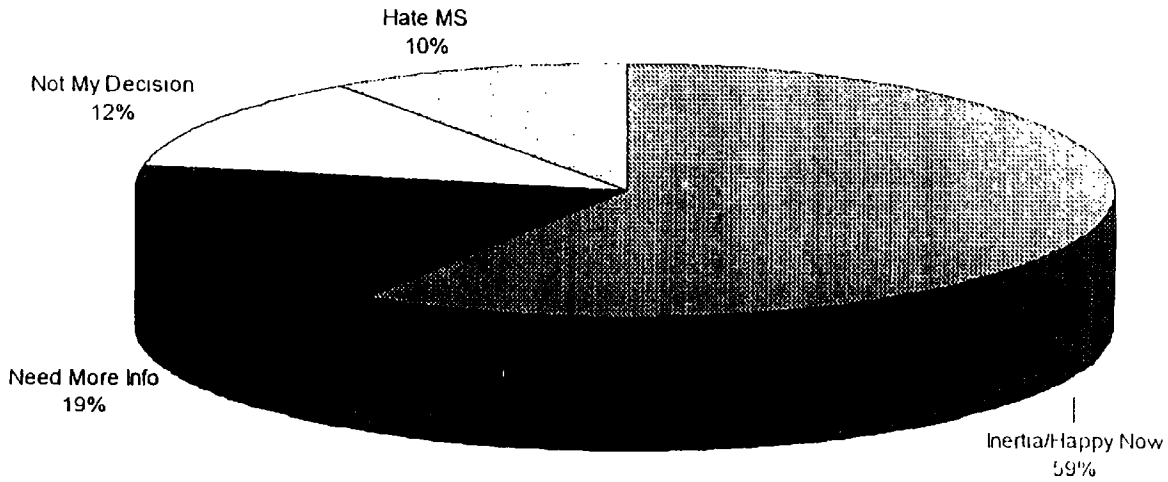
Situation Analysis

Why Not Upgrade?



IE & Nav both have secure index rating of 25

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Situation and Core Objectives

October

	TODAY		SUSTAIN		GOAL	
	Nav	IE	Switch	New	Nav	IE
Corp (S/MORG)	11.0	4.0	2.3	1.9	9.6	8.1
End Users - ISP	6.4	1.0	2.0	0.5	4.6	3.5
MSN		2.0		0.2		2.2
AOL		7.2	0.4	0.5		8.1
Whole Internet	17.4	14.2	4.7	3.0	14.1	21.9
Share	**48%**	**39%**			35%	**55%**

- Switch 4.7 million non-IE users
- Capture 75% of Internet growth

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Objectives Through June

- IE Share - Achieve 55% share
  - Switchers
    - 2 million ISP
    - 2.25 million LAN Corp
  - New Users (75 % capture rate)
    - 0.5 million ISP & OLS
    - 0.5 million AOL, 0.2 million MSN
    - 2 million new Corp deployments
- OE Share - Achieve 13% of dialup market (excluding AOL)
  - 40% attach rate and switchers - 2 million users
- Maintain the mantle of leadership
  - Achieve 70% awareness to Internet users
  - Maintain technical leadership in reviews/news through Aurora launch

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Strategy

- Target switchers in high opportunity areas
  - Breadth ISP, Education, MORG, Target ECU accts, EU direct response
- Target Corp Deployment
- Take the Leadership role in share
- Capture New Internet Users for IE
  - Broad coverage of ISP/OLS/OEM, Largest ISVs/IHVs
- Leverage 3rd Parties
  - Channel momentum, DHTML, CDF, Desktop Items

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Overall Tactics

	Tactic	Budget ($K)	Program Size or Reach	Switchers / Trial	New Users	
End User	CD Orders	0		300,000		
	Sponsorship					
	MJ	800		300,000		
	other	800		300,000		
	Education	750		750,000		
	Retail	900		200,000	40,000	
	Switcher (Including ISP co-marketing)	3500		1,500,000		
	Mail	3,000			2,800	
	End User Subtotal	**9,750**	-	**3,350,000**	**42,800**	3,392,800
Partners	Switcher Toolkit & Co Marketing	500		250,000	70,000	
	Top 5 ISP upgrade programs	600		1,000,000	450,000	
	Compaq OEM base test mailing	50	25,000	2,500		
	Breadth ISP District Tours	10	115,000	30,000	200,000	
	ISV/IHV Bundling Promotions	250	10,750,000	215,000	215,000	
	IEAK Marketing & Support	250	2,960,000	765,000		
	Partners Subtotal	**1,660**	**13,850,000**	**2,262,500**	**935,000**	3,197,500
	End User / Partners Total	**11,410**	**13,850,000**	**5,612,500**	**977,800**	
Corp	Business Value Seminar Series	500		1,700,000		
	SP/Integrator Incentive Program	400				
	PR Programs	1,000		2,000,000		
	Fund ADCU/MCS Reinvestment	100			50,000	
	UNIX District Tour	10				
	Corporate PR Momentum	50				
	Corp Total	**2,060**	-	**3,700,000**	**50,000**	3,750,000
PR	Share Campaign					
	Public Face Campaign					
	Corp - Project Mindshare					
	OE Campaign					
	TRUE Campaign					

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Partners

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Situation & Objectives

	November Status	June '98 Objective
Overall ISP Installed Base Share	14% (non-AOL) 16% ▪ AOL ≅ 80% ▪ AT&T ≅ 58% ▪ NETCOM +3% to 18%	43% (non-AOL) ▪ Upgrade 400K AOL users ▪ Switch 1.4MM Nav users via ISPs (30% of installed base)
ISPs Shipping IE4 as Default	10 of Top 12 ISPs ship IE4 today ▪ 70K downloads ▪ 50K CDs ordered ▪ 60% distribution share 63% Overall ship IE default - US	> 75% of all ISPs ship IE Default > 75% share of aggregate ISP distributions
OEM Preinstallation and Uptake	Top 9 shipping 75%-85% IE4 ▪ 2.2 million units thru EOCY ▪ 6% Uptake on CD bundling = 134K users by EOCY Remaining OEMs shipping ~70% ▪ 840K @ 6% = 50K users OSR 2.5 Released	100% OEM OSR 2.5 preinstallation ▪ 12 million units Jan-June ▪ 10% Uptake on OEM preinstalls = 1.2MM users
ISV/IHV Distribution Deals	US Robotics Modems (10mm/yr) HP Printers (2mm/yr) Creative Labs (4.5mm/year)	Bundle with Top 4 Companies in Top 5 ISV/IHV Industries (21.5mm/year)
IEAK 4 US ISP Licensees	47% penetration (2,354) 3.5% report shipment	> 75% penetration (3,800) > 50% report (1,900 ISPs ship)
Referral Server	731,000 hits/month 2.7% Conversion rate 21K new users/month	1,000,000 hits/month 5% Conversion Rate 50K new users/month

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Partners Key Tactics

- 1. Broad-Based Partner Switching Program
  - Execute Upgrade Promotions with 5 best ISPs + AOL
  - Roll out ISP "Switcher Toolkit" for field ISP accounts
  - Test OEM Upgrade Opportunity with Direct Mail
- 2. "IE Everywhere" Bundling Campaign
  - OEM OSR 2.5 Preinstallation / Uptake drive
  - Bundle IE with high-volume ISVs/IHVs
- 3. Breadth ISP / IEAK Push
  - Use IEAK as a vehicle to reach breadth ISPs
    - Aggressive marketing to the IEAK base
    - IE Shipping as Default with >75% of ISP services & Top 10
  - Execute ICU District Tours to drive IE4 adoption

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Partner Switching Program

Account	Non-IE Users	Target %	Switchers
AOL	4,000	10%	400
Prodigy	674		202
NETCOM	468		140
AT&T	460	30%	138
MCI	225		68
Concentric	190		57
Sprint	180		54
			1,059

- Top ISP Hit List + AOL
  - Goal: 1,059K switchers
  - Negotiate standardized deals with each account, average <<$2/user
  - Insure IE is Default and >75% of total distributions
- "Cookbook" ISP Switcher Program
  - Goal: 690K switchers (2.3 MM opportunity x 30%)
  - Switching Toolkit with promo tools & funding guidelines
    - IE must be default browser, must hit base with promo, etc.
  - Initial $500K pay-for-performance fund available for field use
    - Managed jointly by IE marketing and ICU
- Test & Evaluate OEM Upgrade Opportunity
  - OEMs enjoy >75% reg. Rates – huge base of names
  - Direct Mail to 25K Compaq users, Phone survey followup
- **Total Switcher Programs** = ~1.75 million

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IE Bundling Campaign

- Strategy
  - Bundle IE4 with new PCs and highest-volume retail products
  - Create incentives to drive purchasers to install and use IE4
- Targeted Markets (January-June)
  - **New PCs** – Pre-installed IE4 via OSR 2.5 — 12M
    - Goal: *10%* of new PC buyers get on-line with IE4 — *= 1.2MM*
    - OEM Channels and Active Desktops to drive usage
  - **Hardware** – Modems, Inkjets, scanners, video cards — 8.5M
    - Goal: *4%* of hardware buyers go on-line with IE4 — *= 340K*
    - Channels or custom web content to complement products
  - **Software** – Games, Personal Finance, Print Shop — 2.2M
    - Goal: *4%* of software buyers use IE4 — *= 88K*
    - Games offer content-on-demand and community building, others offer custom web-based content in IE4
- **Total Users** = 428K ISV/IHV + 1.2M OEM = 1.6 MM

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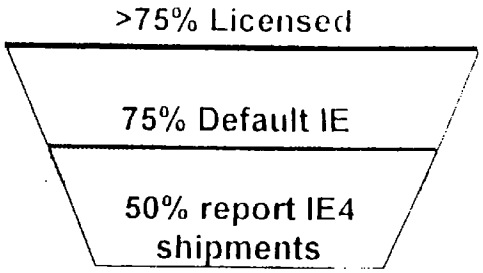
ISP Push



- IEAK Breadth Marketing Push
  - Awareness: Get >75% of ISPs into the funnel (license IEAK)
    - IEAK PR push, Sales tools, ICU sales support
    - Create simple "Evaluation License" for corps and ISPs
  - Shipment: Move 75% of ISPs through the funnel (ship IE)
    - ISP Deployment Guide, Monthly Newsletter
    - Support via Private newsgroup, better MTS service marketing
    - Monitor website usability, avoid customer service issues
  - Follow Up: Have 50% of ISPs engaged and reporting
    - Reporting Reminders & Incentives [?]
- ICU District Tours: January - March
  - Deliver IE4 messages and sell first-hand to key regional and breadth ISPs. Partner with OCU / Corp. team.
  - On-site signup for IEAK and ISN programs
  - Follow-up to drive usage and deployment via IEAK program

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End-User

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End User Overview

- **Umbrella Switcher Program - "IE No Fear Upgrade Kit" 500K**
  - More aggressive switcher message
  - Direct Response: Mail, Print, On-line ads, TV?,
  - Involve OEM, ISP & Content partners; leverage for switchers and new users in this space
- **Turn up volume on mail - 40% attach - 2mil**
  - Heavy focus on ISP programs to drive attach
  - Outlook Express on-line ad campaign to promote OE to IE4 users
  - Holiday Promo: Consumer PR, Web Page, Holiday E-mail templates, involve ISP & OEM channels, reg-base mailing
- **Education: increase share from 12-23%**
  - Mobilize the education field with sales tools, acct visits. Deliver joint plan with EdCU
  - Fix IEAK for education and evaluation version
    - Test breadth program to drive evaluation
  - Target top 10 K-12 school districts; top 36 Universities 55%
    - Ed PR and case study development
    - Pilot Student Newspaper program
- **Drive to 40% share at retail**
  - Holiday featured product with in-store merchandising; circular ads and end caps, reseller demos. Thanksgiving FSI
  - Win95 - Dec. IE bundle, merchandising, display and promotion
  - Win98

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End User - Overview through Jun

- **Promotions - drive to 50% of IE share on Active Channel Partner sites; leverage partners to drive OE attach**
  - Leverage switcher program and generate participation on all shipping partner sites
  - E-mail service focus sites, and top consumer sites with high utilization of e-mail as service of the site
  - Use Home.MS.com, channel guide & search engine deals as effective barter tools for promos
  - Evaluate E-mail program that unseats in-box direct with Active Channel Partner sites
- **Distribution of $4.95 CD -250K**
  - Develop test plan for direct response program - print, TV and mail tie to switcher campaign
  - Possible roll out of promotional CD strategy for other holidays/segments
  - Possible expand ICU partners as distribution vehicle for $4.95 CD
  - Develop recommendation for long term subscription model

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Corps

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Objectives

- 36% share in corps by June
  - 1.9 MM new users
  - .5 MM switchers (2.3 MM would yield 45%)
- Drive 150 Netscape-only ECU accounts to zero
- Switch top 25 Netscape VARs 2K Desktops or less through VARs
- PR: 1 corp release/week, 8 switchers by June

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Situation Analysis

Customer Segment	# of PCs	PCs with a browser	IE Seats (US)	IE Share (US)	Nav Seats	Nav Share	AOL Seats	AOL Share	Other / Unreported	Other Share
LORG	9,965,029	7,174,821	2,984,180.66	41.59%	2,908,521	40.54%	-		1,282,119	18%
LORG Breadth	3,874,255	1,743,415	754,489.86	43.28%	455,111	26.10%	-		533,814	31%
MORG	13,125,745	3,281,436	820,359.06	25.00%	1,607,904	49.00%	885,988	27.00%	-	0%
SORG	25,640,000	4,358,800	1,176,876.00	27.00%	2,440,928	56.00%	915,348	21.00%	-	0%
Total	**52,605,029**	**16,558,472**	**5,735,906**	**34.64%**	**7,412,464**	**44.77%**	**1,801,336**	**10.88%**	**1,815,932**	**10.97%**

Expected IE share at the end of S2 (June 98) in every business segment using IE Run rate

Customer Segment	Continued IE 4 deployments in IE shops	New IE 4 committed seats in S2 (US)	New IE 4 deployed seats in S2 (US)	Switched to IE and committed in S2 (US)	Switched to IE and deployed in S2 (US)	Total IE seats at the end of S2 (US)	IE Share at the end of S2
LORG	740,000	463,714	46,371	296,929	29,693	3,800,245	45.10%
LORG Breadth	280,000	480,858	120,215	48,744	12,186	1,166,890	48.91%
MORG		244,354	244,354	-	-	1,064,713	29.94%
SORG		557,103	557,103	-	-	1,733,979	34.89%
	1,020,000	**1,746,029**	**968,043**	**345,672**	**41,879**	**7,765,828**	**40.16%**

Expected Nav share at the end of S2 (June 98) in every business segment using their estimated run rate

Customer Segment	Continued Nav deployments in Nav shops	New Nav committed seats in S2 (US)	New Nav deployed seats in S2 (US)	Switched to Nav committed seats S2 (US)	Switched to Nav and deployed in S2 (US)	Total Nav seats at the end of S2 (US)	Nav Share at the end of S2
LORG	440,000	249,692	24,969	(296,929)	(29,693)	3,343,798	39.68%
LORG Breadth	162,000	320,572	80,143	(48,744)	(12,186)	685,068	28.71%
MORG		116,241	30,103	-	-	1,638,007	46.06%
SORG		266,831	54,019	-	-	2,494,947	50.20%
	602,000	**953,336**	**791,234**	**(345,672)**	**(41,879)**	**8,161,820**	**42.21%**

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Top Tactics

- ECU Deployment Program - 100k new, 50k switcher
  - Move stalled/slow IE deployments in ECU
  - IE "strike team" to do 1:1 deployment consults
  - Rich set of deployment planning tools
  - Roll feedback into IE 5 EAP
- ECU Standardization Program - 200k switchers deployed S2, 1MM potential
  - Target the 150 NSCP-only LORG accounts, switch 75
  - Field incentives to "clear out NSCP" NO - Want to get MS deployment not clear out NSCP
  - Account incentives to switch (deployment assistance)
  - District tour to influence key opportunities
  - IE/IEAK Eval CD to increase trial
- Business value seminar series - 100k new
  - Target LORG Breadth and MORG
  - Co-sponsor with Channel
- Netscape VAR Switcher program - stall 200k (1/2 switch)
  - Target top 25 VARs and win them over to IE 4 development
  - Stall Netscape deployments in MORG, SORG

CSB 10-15 cities 200

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ECU Deployment Program

- IE Strike Team
  - Target top LORGs who are standardized but not deployed
  - Provide onsite deployment assistance, custom deployment planning, direct PSS support
- Deployment Tools
  - Deployment template & project plan with "typical" process (from EAP, Strike Team)
  - Regular Deployment Guide updates with top deployment blockers & resolutions

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ECU Standardization Program

- Field incentive - NSCP "hitlist"
  - Intranet site with list of NSCP-only LORGS, by district
  - District-level competition to avoid share drive issues
  - District bounty per win; grand prize to 1st district to zero NSCP-only
- Account incentive for switching/PR
  - Up to $10k/account in MCS hrs. towards deployment/intranet development
- District tour - Jan/Feb
  - Target key LORG opportunities
  - Showcase UNIX
  - Bridges/Barriers feedback for IE 5
- IE/IEAK 90-Day Trial CD
  - Solves issue of requiring license to evaluate IEAK
  - MSOT maintains contact with acct throughout eval
  - Field funds CDs
  - Possible direct mail of IEAK demo CD to LORG Breadth IT-base

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Business Value Seminars

- Enhance existing strategy CSB and Intranet TSB to focus on value of Intranets vs products
  - Partner with OCU, IIS, BackOffice on content
  - Deliver CD with case studies, ROI calculator, IEAK demo eval
- Co-sponsor with and funnel leads to Depth Infrastructure SPs
  - KPMG, DEC
- Possibly provide some incentive to SP for browser deployment, reported via IEAK database

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Netscape VAR Switcher

- Background:
  - Currently OCU focuses only on Sun, Oracle and Lotus/IBM VARs
  - Netscape "Team Selling" funnels leads of <2000 desktops to indirects
  - According to NSCP, indirects account for nearly 1/2 NSCP revenue
- Target top 25 NSCP "Solution Experts" and switch
- Direct mail offer for free MCP certification, ATEC training, MS Products
- 1:1 site visits by PM team
- Possible field SP rep incentive

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PR

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Situation Analysis

- Big Bad Microsoft
  - Under constant scrutiny
  - Bar is higher for claims
  - Reader backlash & Press need for balance
  - DOJ & Sun situations starting to hurt IE
- Tide is turning - IE4 is beginning to be recognized as the leading browser
  - Recognition for innovation, best browser & email
  - Jury is still out on push and channels
- We have swept the reviews (win32)
- Press don't understand inherent benefits,value of TWI, push and channels
- Press perceive UI to be complex, system resource high & unstable
- Market share numbers getting quoted inaccurately w/NSCP @ 70%

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Objectives

- Have IE4 recognized as the most popular browser by IE5 public broad beta
  - The leader in customer adoption, innovation & industry support
- Have IE4 recognized as the corporate desktop of choice
- Establish the perception that OE is the leading Internet mail client in the dial-up market
  - Leading=technically superior and/or fastest growing
- Establish the redefinition and support for broadest "TRUE Platform" Support

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Tactics

- Supporting Objective 1 (Most Popular Browser)
  - Share Campaign (60/40 in Nov; 50/50 by IE5 public beta
    - Educate analysts; getting buy-in: clarify metrics, offer perspective; make the claim
    - Leverage analyst data for broadreach press education
    - Corrections campaign: correct all inaccurate share reporting
  - Public Face Campaign
    - Ensure IE screen shots are used in all internet showcase pieces (Metro, top magazines), advertisements, TV
    - Work w/ Hollywood community to seek product placement of IE
    - Field incentive to go after local metros for this campaign
  - Define TWI
    - Carve out grounds of competition
    - Refine definition of TWI- you only get it with active participation from the OS vendor. **Deliverable - TWI whitepaper**

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Tactics

- Supporting Objective 2 (Corp desktop of choice)
  - Project Mindshare
    - Publicize 4 NSCP switchers and do a press release
    - Publicize corporate wins/standardizations
    - Ensure the press understands the numerical milestones re: Fortune 500 accounts
    - Publicize vertical market adoption
    - Profile Solutions-in-Action on Website

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Tactics

- Supporting Objective 3 (OE)
  - Analysts email market classification
    - Educate and work with Analysts for successful classification of dial-up market
  - Support the Outlook 98 Tour
    - Ensure O98 is helping define the dial-up market
  - Publicize the AOL adoption of OE
  - Embrace and promote Holiday OE campaign
  - Press Switchers program
    - Find out who are candidates to switch
    - Send Buddy mail in OE
    - Encourage home use

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Tactics

- Supporting Objective 4 (True Platform)
  - Press Release on bold claim of True Platform name and concept (Web site messaging/design support)
  - Successfully launch Win 3.1, Mac and UNIX IE4 versions reinforcing the True Platform messages
  - Consistently reference True platform and messages in all materials
  - Cultivate 3rd-party and customer references
    - Get Mainsoft to talk about MS/Mainsoft UNIX involvement
    - Create association with UNIX community
      - UNIX user group (publicize effort)
  - Ensure True Platform messages are used by Platform Marketing

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Measurements - Reviews

- Cross-Platform Reviews
  - Stand-alone Mac, Win3.1 & Unix reviews garner a 3.0 rating or higher and reflect Microsoft messaging (in particular, new x-plat messaging)
  - Win 100% of the Mac and Win 3.1 competitive browser reviews
  - Positive coverage for UNIX first looks
- Feature Stories
  - Secure the following 15 features in tier one pubs by end of January (work in progress or published):
    - 3 on NetMeeting
    - 5 on Outlook Express
    - 7 on any other feature (Tips & Tricks, HMC)
- Ensure we blunt Navigator 5/Aurora efforts

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Measurements - News

- 75% of all articles mention one of the agreed upon themes (simplicity, TWI, push/channel value, cross platform)
- Positive 3rd party quotes in 75% of MS-generated news articles (3rd party includes corporate customers, analysts, end-users)
- Place a total of 3 corporate case studies in top tier publications by end of January.

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Measurements - Consumer

- Secure IE related coverage in 6 of our top 12 core consumer publications by January (work in progress or published)
  - Priority books include Working Woman, Entrepreneur and Child
- Secure coverage in 3 of our niche consumer pubs (eg Ebony, Parent, Playboy)
  - Niche pubs are those w/less regular technical coverage
- Secure two IE4 feature articles in 75% major metros
- Secure one OE and one NetMeeting focused article in 50% major metros

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Backup Slides

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Objectives - Numbers

	Today 11/3/97					Switch		Growth					Goal				
	Nav		IE		Total		% of	Over-	Nav		IE		Nav		IE		Total
	#	%	#	%		#	Nav	all	#	%	#	%	#	%	#	%	
Corp	11	73%	4	27%	15	2.25	20%	2.00	0.6	30%	1.4	70%	9.35	55%	7.7	45%	17
ISP	6.4	86%	1	14%	7.4	2.00	31%	1.00	0.3	25%	0.8	75%	4.65	55%	3.8	45%	8.4
MSN			2					0.20			0.2	100%			2.2		
Non-AOL	17.4	48%	7	19%				3.2	0.9	27%	2.4	73%	14	35%	13.6	34%	
AOL / IE			7.2	20%				0.8			0.8				8.4	21%	
with AOL	17.4	48%	14.2	39%		**4.25**	24%	4.0	0.9	21%	**3.15**	**79%**	14	35%	22	**55%**	
AOL (non IE)			1.8	5%		0.4	22%								1.4	4%	
Other			2.6	7.2%											2.6	6.5%	
Total Internet	36					4.65		4.0					40.0				
Total AOL			9								0.8				9.8		

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Referral Server

- Situation
  - Reliability of signup and signup experience needs improvement
  - 21K new US users/month (est. 30K/month including non-reporting partners); 731K ICW hits (2.7% conversion)
    - OLS folder: 100K new users/month (estimate); AT&T reports around 30K new users/month; No AOL and Prodigy reports
    - MSN icon: 18K new users/month
- Objectives
  - Increase RS signups from 30K to 50K (240 K new users by 6/98)
  - 100% of partners reporting (currently only 6 of 12 US ISPs)
- Tactics
  - OEM test promotion; Learn how-to preempt OEM-ISP deals
  - "Get connected with 56K modem" promotion ; Involve ISPs and IHVs
- Total New Users (in US by 6/98) = 240 K
  - .9 MM New Users (including OLS Folder and MSN Referrals)

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Objectives

Share in Dec 1997 would look like this:

Dec Projection	Nav %	Nav #	IE %	IE #
Share based on last access	42%	15,000,000	25.0%	9,000,000
Add Share of upgraded AOL			20.6%	7,400,000
			45.6%	**16,400,000**

36,000,000

Share in Jun 1998 would look like this:

June 97 Projection	Nav %	Nav #	IE %	IE #
Share based on last access	35%	14,100,000	33.3%	13,300,000
Add Share of upgraded AOL			21.5%	8,600,000
			54.8%	**21,900,000**

40,000,000

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