Subject: Microsoft in Brazil & Outside US
Date: Sun, 23 Jun 1996 11:39:32 -0800
From: lbender@netscape.com (Lorna Bender)
To: mikeh@netscape.com, dshader@netscape.com
CC: javier@netscape.com, dianep@netscape.com, quent@netscape.com, didierb@netscape.com, ram@netscape.com, todd@netscape.com, kateg@netscape.com, charlie@netscape.com

HIGHLY CONFIDENTIAL

Hi Mike and Danny,

A quick snapshot of Brazil. A bit lengthy but this is indicative of MicroSoft's aggressiveness and marketing power in Latin America. This applies outside of US in Asia as well. If 50% of our business is going to be international we need to address the areas they're discussing. I will send a separate message on what I think we need to do overall and where we need help.

Microsoft is going into all major accounts we visited with Jim Clark and offering to:

1. Pay $1.00 to take each navigator out of the account
2. Support and provide all of their products and give mktg dollars to support vendors in trade shows, conferences etc.
3. Give MS Explorer for free for 2 years
4. Work with the key accounts to do whatever they can to promote MS's products (ie mktg dollars, MS resources at shows etc
5. Give free servers and Explorer to banks. They are now saying they'll develop an applications in the local market for banking.

We see in the field from international perspective

1. Netsape will lose the consumer due to the lack of a retail product or a dial-up product. There is no loyalty from the consumer to us. We cannot lock them in via ISP's as we charge more money, require upfront payment etc. We're much more flexible now and adjusting pricing, payment schedules etc. We need to utilize the power of our home page (80M hits a day vs 8M at MS) to partner with customers, ISPs, distributors etc. and direct traffic to their site.

2. Companies will pay for the intranet products so the value proposition is key via the channel. MS gives low margins to the channel, we need to build loyalty and give them proper discounts, training, marketing funds etc. so they invest. LEVERAGE is key here, as the more Netscape or its partners are in front of the customer, the better chance we'll win.

3. CAPPS are the high end differentiator for us as MS is not there yet. With the acquisition of e-shop they are moving in. In the banking arena in Brazil for example, they are also now saying they'll develop local applications. We need to maintain our lead in CAPPS and commit to offering local solutions.

GOVERNMENT EXHIBIT 1257

4. Training is critical and we're organizing boot camps for the Intranet/CAPPS for Q3 to

NSC019334
CONFIDENTIAL

HIGHLY CONFIDENTIAL