Erik Stevenson (LCA)

From: Cameron Myhrvold
Sent: Tuesday, July 09, 1996 8:16 AM
To: Georges Nahon
Subject: UUNET-Pipex deal for Europe

Importance: High

Below is mail that John Sidgmore, CEO of UUNET sent me about what it would take to get Pipex off of NetScape. They are a big distributor of Navigator in the UK. He is proposing a cash payment to them of $3.3M plus putting them on the ISP referral server at a reduced bounty rate. He also wants some help getting Pipex people trained on MS products.

They say they will do $5-6M in revenue off distributing Navigator in the coming year. He claims they have a 40% gross margin on this business (seems incredibly high for standard software distribution). If true this would mean $2-3M in gross profit, which is how they come up with the $3.3M figure I guess (though this still seems high).

I think this is a very expensive deal. I proposed to him $500K in cash, a reduced bounty and also some MCS hours in the UK to get his people up to speed on NT. I don't think he will go for this.

What do you think we should do here?

We are signing Netcom in the U.S. at an ISP referral bounty of $35-20 depending upon volume. We think we can sign AT&T and Prodigy at $10-15. I believe most of our deal will be like Netcom ($20-30). I would certainly be willing to drop the Pipex bounty to $10 to get this business. In a sense this would be like the buy down of NetScape commitments that we have done with MCI.

Comments? Thoughts?

Cam

From: sidgmore@uunet.uu.net[SMTP:sidgmore@uunet.uu.net]
Sent: Friday, June 14, 1996 9:17 AM
To: Cameron Myhrvold
Cc: Dan Rosen; sidgmore@uunet.uu.net
Subject: netscape

Cam,

I have missed you several times since I've been travelling, and because you were not going to be available today, I thought I would try this....I'm just going to ramble through my views on how to construct a win-win deal.

We are willing and able to construct a program to partner fully with Microsoft in the software arena (browsers and servers).

We would advertise and otherwise promote the Microsoft products....(sort of exclusively --ie. we would not do this for netscape, but there are other software products we still support especially in the U.K. , like ftp and we may have obligations to promote some of these.

We would not advertise or promote or (or do anything special for) ...the Netscape products. We will take orders for their software when asked by a customer. In all cases, we will make it clear that Internet explorer is our preferred/primary/default software product.

On the server end, we will offer (but not advertise or promote) both Netscape and open market servers in addition to NT, but we take very, very few orders for these here....our relationship is mostly server hosting and the server is either specified by the client when we bid, or the client operates in our shared environment.

In any event, we will make a major commitment to NT server hosting, and we will set up a new organization to do this..(we are recruiting now). We can use all the help we can get, but we certainly need training, especially in the U.K.

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we propose that Microsoft provide:

training and continuing support for NT and the internet related product lines....especially a focused training effort in England.

free and unlimited IE licenses.

Microsoft solution providers will be encouraged to buy internet connctivity from UUNET, and Microsoft will produce and distribute literature and Marketing support for this program.....essentially giving uunet/pipex a Microsoft look and feel.

Microsoft and Microsoft solution providers wil recommend UUNET for internet connectivity to their customers/partners. We should be included in the "box" , packaged along with the microsoft solution.

MS will provide links from web sites (Microsoft.com, msn.com, etc) to UUNET and PIPEX home pages.

we should have our "dial service" on the desktop, like the others...with an advantaged "bounty" price.

Front page, etc...we should be the primary partner for services...

and the big one....a 3.3m payment to allow us to recover our cost of commitment to the netscape program (I think you know our revenue stream of ap. $5m/year and growing, will disappear now quite quickly if we do this) , and our conversion cost for Microsoft, IE, NT, etc.... I would be willing to break this up and tie a third of it to our performance ...e.g. would be earned only if IE turned out to be 80% or more of our shipments over some period.

Cam, I would like to discuss this at your convenience.....

best regards,

John

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