Memorandum

To:	Field RVP's, GM's and Directors
CC:	Rich Tong, Brad Chase, OCU Leads, Jeff Raikes
From:	Sam Jadallah, Cameron Myhrvold
Date:	December 18, 1996
Re:	Plan of Record: Working with ISPs in North America **(DRAFT)**

Summary

The objective of this memo is to summarize the roles and responsibilities of PNS, OCU and to a certain extent ECU, with respect to the engagement and account management of ISPs and ICPs. This document was created after significant discussion with IPTD, PNS and OCU and will apply to both ISP's and ICP's for the delivery of Microsoft Internet Platform technologies for **Commercial Use Internet Services only**. ISPs represent an important group of potential Microsoft channel for the following reasons:

1. **ISPs Drive Browser Market share.** 35% of end-user Internet access customers get their browser from an ISP.
2. **ISPs are where corporations host.** A high percentage of corporate customers engage ISPs for hosting services. The outsourcing IS manager in most cases does not care what platform the ISP uses to host their site. Therefore, ISPs are a key driver of Web hosting platform market share. Who can follow our authoring strategy if there are no hosting companies able to support what we're asking Web developers to do?
3. **ISPs drive Web development platform/tool decisions.** A high percentage of corporate customers engage ISPs for Intranet/Extranet needs. ISPs are an important driver of Web development platform/tool market share.
4. **A competitive window has opened.** Netscape has refocused on the Intranet and de-focused on ISPs. Microsoft can leverage this with a focused sales, marketing and support effort.

The Role of PNS

Microsoft has formed a dedicated sales force to specifically target Network operators. This is Public Network Sales or PNS headed by Cameron Myhrvold. The mission of the PNS group is to entrench Microsoft's products and technologies for commercial use in public networks worldwide. Given our present pricing policies, this mission will not generate significant revenues for Microsoft in the short-term, however for the reasons stated above, this group of customers is critical to our long-term success with the Internet. Thus, the role of PNS is to develop long-term strategic relationships with these companies in order to ensure that our products and strategies are of value and are implemented as components of network operators/ISP commercial services on a worldwide basis.

PNS Named Accounts

PNS manages the business development process and sales for the commercial use of MS products to a set of Named Accounts worldwide. These include the following types of customers:

- Telephone Companies (e.g. AT&T, MCI, Sprint, WorldCom etc)
- Cable Companies (e.g. TCI, Time Warner, ComCast, Continental, Post Newsweek etc)
- Internet Service Providers (e.g. UUNET, BBN, PSINet, DIGEX, etc)
- Online service Providers (e.g. AOL, CompuServe, Prodigy etc)
- Independent Content Providers (e.g. Yahoo, C|Net, Starwave, Paramount and Disney etc.)
- OEM's who serve them. (E.g. Cisco, Ascend, Nortel, Digital, Andersen etc.)

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The list of PNS Named Accounts in North America is attached as Appendix A.

PNS, OCU and ECU Account Management / Program Management

Named Accounts: PNS will handle all account management, business development and sale of Microsoft Internet platform products (IE, NT and MCIS) to these named accounts for their commercial use. This list will typically be service providers with 10,000+ subscribers, but may incorporate smaller partners who are strategic in their geography or industry. PNS will need to work closely with ECU, since in some cases the companies offering Commercial Internet Services (primarily TelCo's) will also be handled by ECU as a LORG/Corporate product customer, PNS/ECU accounts implementing MS technology for Commercial use will be handled by PNS. If they are implementing for internal e.g. Intranet use, the ECU account manager handles them. PNS will also have to work closely with OCU because PNS accounts will be engaged in providing Internet services to OCU customers.

PNS does not sell Office or Select agreements or even NT Server to Netop IT departments for internal use - they focus exclusively on selling our Internet platform to network operators for commercial use on the Internet (i.e. *no internal-use software sales*). The PNS business model (subscription based annuity revenue) is a significant opportunity for Microsoft as the base of Internet users grows.

The Role of OCU

Broad/Non-named Accounts: OCU and the field will manage the broad ISP community. OCU will create and manage a Microsoft ISP program as an extension of the Microsoft Solution Provider program. OCU and the Field will manage all non-PNS accounts in a one-to-many fashion.

The investment in this market segment will be long term, since no appreciable revenue will be forthcoming from the ISP's in the form of direct product sales in the next year. Since SORG and MORG customers are looking to the ISP for advice on internetworking and business use of the Internet, the immediate goal of OCU in the broad channel is to migrate the ISP from the current UNIX dominated hosting environment to Microsoft technology.

Specific Field Actions: How OCU and PNS can work together

1. Participate in the ISP recruitment event that is part of the OCU S2 flight. Regional and District Internet specialists should be prepared to handle presentations and demos.
2. Use the appended list of accounts to understand what accounts PNS calls on:
   - If your customer is not on this list then you should work with them to license IE and NTS/IIS and MCIS. In addition you can have PNS deliverables like the Netop customer bulletin delivered to your customers
   - If your customer is not on this list and you believe they deserve 1-to-1 account management, then contact the PNS account manager assigned to your region to ensure the needs of that customer are met.
   - If one of your existing customers is on this list and you want to know how you can leverage any PNS progress with the commercial side of this account, contact the account manager listed in Appendix A.
3. Use the PNS ISP database to get ISPs into your local NTS and Internet selling events and activities. This list is a great set of prospects for the upcoming SP/ISP program. Integrate local ISP partner names and data into the PNS ISP database. For now, send this information to Chris Drenkow (RhoTech) and Chris will integrate it into the main database. This database will be on-line in January.
4. Use the local ISPs who have licensed IE and who are hosting on NTS as references and partners with your corporate accounts for things like hosting, Internet access, etc.
5. Participate with the local ISP's in TSB's and demand generation activities to help Microsoft SORG and MORG customers find services.

The table below outlines these roles:

	Account / Program Management	Product Delivery		Marketing & Demand Creation	Content Creation
		IE Licensing Referral Server	MCIS, NTS, BackOffice		
Named Accounts Commercial Use	PNS – Direct account management	PNS	PNS Direct License Standard Channel	PNS	DBSD/IPTD/ISBU
Named Accounts (primarily Telco's) Internal Use	ECU Direct Account Management	N/A	Select/MOLP Standard Channel	ECU	DBSD/IPTD/ISBU
Broad Non-Named Accounts (ISP's/ ICP's)	OCU/Field –as extension of MSP program	PNS	Standard Channel	OCU/Field	DBSD/IPTD/ISBU

IE Licensing / Referral

- Named: PNS and IPTD will handle all aspects of the program to get consumers referred to an ISP for Access and to License IE to ISP's. This includes the on-line IE Licensing program (which causes the ISP to become a Group I ISP see **Microsoft ISP Program** below), the Internet Connection Wizard (ICW) and the Access Referral server to aid consumers in finding an appropriate ISP for access or hosting. Since licensing IE satisfies group I of the MS ISP program, ISP registration information will be coordinated with OCU to include the ISP in the MS ISP program.

- Broad: OCU will develop a referral WEB site on Microsoft.com to allow business customers to find local Group II or III ISP's for business hosting and connections.

Recruiting / Registration

- Named: PNS will manage the Microsoft.com/ISP web site including the on-line registration server. This will allow the ISP to license IE on-line and to join the MS ISP program at the Group I level. Recruiting by PNS will be on a direct basis with a dedicated sales force to an established list of Named Accounts (attached as Appendix A).

- Broad: OCU (in cooperation with IPTD) will generate and execute ISP recruitment seminars to update the ISP on MS technology and drive them to the ISP program. This will be launched as part of the S[illegible]light and updated and re-run periodically

Marketing / Demand Creation

- Named: Marketing to the PNS named accounts will be via the PNS direct sales force around the world. Some of the PNS named accounts are also ECU customers, so PNS will work with the appropriate field account manager to meet the commercial and internal business needs of the customer.

- Broad: OCU and IPTD will develop and manage ISP technology and business value seminars with the field and will develop demand generation events to drive customers to the MS preferred ISP's. All OCU activities in this space will operate in the Breadth model, using programmatic steps to reach the ISP's and demand creation. The breadth seminars planned are:
  - ISP TSB – ISP hosted seminar targeted at SORG and MORG customers to generate leads

Product Delivery (Channel)

All products will be sold and delivered by our standard channel. PNS will directly fulfill product to PNS direct licensees

Content Creation

- IPTD (supported by both OCU and PNS) is responsible for creating content material for product marketing, training, demo's and seminar's.

Market Size / Influence

NOTE: Metrics and statistics in this section are not complete.

As mentioned previously, this market is not expected to be a significant revenue source for Microsoft in the next year. However, these partners have significant influence for SORG and MORG customers as to the platform, tools and back office products that will be used to service the growing WEB presence of these companies. We seek to capture the platform and tools standard for ISP's/ICP's such that they recommend Microsoft products to their SMORG customers. Successful results in this area will move the market share of NT/IIS servers in ISP's from 3% to 10% in the remainder of FY97.

Beginning in February of this year, PNS built a database of ISPs and worked with IPTD to create an automated IE licensing site on the Web. Currently there are about 6,300 ISPs in our database. 4,500 of these are in North America. To date we have been working with these ISPs to license them IE 3.0 and get them to evaluate NTS, IIS and FrontPage. Here are some of the results:

- 4,500+ ISPs worldwide have signed the IE distribution agreement (3,200+ in North America)
- 1,000 of these ISPs in North America use Windows NT in some part of their business
- 140 ISPs in North America support the Front Page extensions

Recent information from the just-released Netcraft Web server survey for December 1996 shows that we have made some progress in the market. The survey received responses from 603k sites, up 14.6% from 526k sites in the November survey. The results show the following:

- 59.0k IIS sites (up from 49.3k in November) NT/IIS grew from 9.37% to 9.77% of all sites.
- Netscape's share fell from 13.75% to 12.96% over the month.
- Apache continues to gain share - but much more slowly (up to 41.0% from 40.8% in November).

This survey includes company.com sites. NT/IIS share in ISP sites is much lower - around 3% today. We need much greater penetration to ensure our success in this market.

RICK PLEASE NOTE SUGGEST YOU USE THE DATA ABOVE RATHER THAN THE DATA BELOW TO MAKE THE MARKET SITUATION POINT AND TRANSITION FROM THE ABOVE PARAGRAPH TO THE MICROSOFT ISP PROGRAM SECTION BELOW. OR MORE CLEARLY STATE WHAT YOU'RE TRYING TO SAY BECAUSE WE'RE NOT SURE WHAT YOU'RE SAYING WITH THE DATA.

DANS ATTEMPT TO EPLAIN THE DATA BELOW:

External market projections, shown below, forecast consolidation in the access business as the large Network operators make access to the Internet backbone a low priced commodity. The small ISP of today, providing Access and Hosting will migrate to Hosting and WEB Development for corporate customers in the future.

Number of ISP's World Wide (Estimates)	ISP s	
	Today	In 1998
1) ISP's (Access/Hosting)	6,000	3,000
2) ICP's (Hosting/Content)	1,500	3,000

External market projections, shown below, forecast NT and IIS gaining market share over the next two years.

Server Market Share	Percent	
	Today	In 1998
1) NT/IIS	15	45
2) Other (Unix, VMS, Apple, etc.)	85	55

NOTE: Metrics and statistics in this section are not complete.
The estimates below indicate the number of ISP's and ICP's using Microsoft technology necessary to reach high market share.

Program Penetration required to account for 80% of:	Today	In 1998
1) Subscribers	300	150
2) Hosted Sites	3,000	1,500

Program Penetration required to account for 95% of:	Today	In 1998
1) Subscribers	600	300
2) Hosted Sites	6,000	3,000

Microsoft ISP Program

To ensure this penetration, Microsoft will implement a Microsoft ISP Program. For the past year, Microsoft has engaged ISPs with a series of product specific marketing programs. Examples include the IE & IEAK License Agreements, the Referral server program, and the Normandy and Merchant beta programs. We rolled these out on an ad-hoc basis because no formal infrastructure existed.

OCU will manage and implement the Microsoft ISP Program under the SP Program. This is a three level, umbrella program under which product and channel specific initiatives can be communicated and delivered to Internet Service Providers without having to create a new program or program delivery scheme every time.

To reach group one, an ISP is required to register on-line and to submit to an electronic validation of requirements. In order to reach group 2 or 3, the ISP must be nominated by either PNS or the field DM. Electronic and call-down validation will occur to ensure that the partner is compliant with program requirements. A separate document outlines the full MS ISP program, a summary table is outlined below:

MS ISP Program Summary

Program Level	Requirement	Support	Training Offered	Access to product
Group One Basically Site Builder L1	1. License IE 2. Distribute IE 3. IE Logo	IEAK Newsgroup PSS Newsgroups	Free NT One-Day Offer Free IIS One-day Offer Free FP One-day Offer Free NT Self Paced	Free NT Svr 10 cals
Group Two	1. Promote & Host on NT/IIS 2. Support & Promote FrontPage Extensions 3. Powered by NT Logo	L1 + Priority Comprehensive	Free MCIS (3 day) Free Merchant (2 day) Free TCP/IP (4day) Free NT/IIS (5 Day)	SP Single Box
Group Three	1. Promote & Host on MCIS 2. Promote & Host MS Merchant 3. Have 1 MSPS (Internet) on Staff	Premier Support contract	Depth Partner Training offers	SP Single Box

Appendix A - PNS Named Accounts in North America

RICK, THIS LIST NOT YET COMPLETE. PLEASE SEND US FINAL SET OF REVISIONS TO THIS DOC TOMORROW AND WE WILL ATTACH OUR FINAL LIST.

Named Telco Accounts	HQ Location	PNS Acct. Mgr	ECU Acct. Mgr
1 Alltel	Little Rock, Ark.	Ken Goetsch	none
2 Ameritech	Chicago	Ken Goetsch	Chris Smith
3 ATT	New Jersey	Kevin Cherry	Mary Illes
4 BC Tel/MediaLinx	Vancouver, BC	Kevin Cherry	Alex Dowding
5 Bell Atlantic	Washington DC	Ken Goetsch	John Teeples
6 Bell Canada	Toronto	Kevin Cherry	Kathryn Porteous
7 Bell South	Atlanta	Kevin Cherry	Kirk Puffenberger
8 Citizens	Stamford, Ct.	Ron Wollum	none
9 Frontier	Rochester, NY	Ron Wollum	Tim Cooper
10 GTE	Dallas	Ken Goetsch	John Olbeter
11 MCI	Washington DC	Tony Bawcutt/Nancyri	Meg Slesinger
12 MFS	Omaha, Neb.	Ron Wollum	none
13 Nynex	New York	Ken Goetsch	Susan Hauser
14 Pacific Telesis	San Francisco	Ken Goetsch	Wendy McGill
15 SBC	San Antonio	Ken Goetsch	John Grispon
16 SNET	Hartford, Ct.	Ron Wollum	Kent Orahood
17 Sprint/Global One	Kansas City	Ron Wollum	Catherine Hill
18 US West	Denver	Ron Wollum	David Clark (Rky Mtn)
19 Worldcom	Jackson, Mi.	Ron Wollum	Phil Sorgen, John Bunn

Named ISP & Online Service Accounts	PNS Acct. Mgr	Dial-up Subscribers
1 AGIS	Bill Snyder	
2 ANS CO+RE Systems	Bill Snyder	
3 America Online	Laura Tonina	
4 BBN Planet	Bill Snyder	
5 Cable & Wireless (CWIX)	Bill Snyder	
6 Compuserve Network Services	Bill Snyder	
7 Compuserve Information Services	Ajay Sikka	
8 DataXchange Network	Bill Snyder	
9 IBM Global Network	Bill Snyder	140,000
10 PSI Net	Bill Snyder	
11 UUNET	Bill Snyder	
12 Access One, LLC	James Huse	5,000
13 Affordable Internet To All	James Huse	14,000
14 AGIS	Shawn Sanford	
15 America.Net	Shawn Sanford	20,000
16 American Information Network	Shawn Sanford	
17 American Network d/b/a inx.net	Shawn Sanford	40,000
18 ANS	Shawn Sanford	
19 BEST Internet Communications	James Huse	15,000
20 Brigadoon.com, Inc.	Manfred Schmiedl	20,000
21 CADVision Development Corp	Shawn Sanford	15,000
22 Canada Internet Direct Inc.	Shawn Sanford	20,000
23 CERFnet, Inc.	James Huse	15,000
24 Charter Communications Int'l	James Huse	25,000
25 Communications Vir	Shawn Sanford	58,000
26 Complete Internet Access	Shawn Sanford	16,000
27 Concentric Network Corporation	James Huse	100,000
28 CTS Network Services	James Huse	12,000
29 CyberGate - Florida	Shawn Sanford	18,000