Lesley Halverson (LCA)

From: John Ludwig
Sent: Tuesday, January 16, 1996 9:58 AM
To: Chris Jones; Thomas Reardon; Ben Slivka
Cc: Philip Bickford
Subject: FW: AOL

thanks to phil for getting the machines set up

From: Joachim Kempin
Sent: Tuesday, January 16, 1996 9:43 AM
To: Bill Gates; Pete Higgins (Xenix); Nathan Myhrvold; Brad Silverberg (Xenix); John Ludwig; Russell Siegelman (Xenix); Steve Ballmer; paulma@EXCHANGE.MICROSOFT.com
Subject: RE: AOL

are you suggesting we should put them in our box? May be all of them?
Not a bad idea- but the OEMs might not be too happy about it. They are loosing their $$?
I will follow up with Compaq and HP they are not in compliance. Compaq truely pisses me off.

From: paulma@EXCHANGE.MICROSOFT.com[SMTP:paulma@EXCHANGE.MICROSOFT.com]
Sent: Tuesday, January 16, 1996 9:33 AM
To: Bill Gates; Pete Higgins (Xenix); Nathan Myhrvold; Brad Silverberg (Xenix); John Ludwig; Russell Siegelman (Xenix); Joachim Kempin; Steve Ballmer
Subject: AOL

I know that this is a controversial topic and the current decision is not to do this, so I would not bring it up if I didn't think it is very important. We need to look carefully at any significant opportunity to gain share vs. Netscape, and think carefully before AOL goes off and partners with Netscape.

In prep for the Steve Case meeting, the Windows group did some hands on analysis of current shipping Win95 machines (by buying five machines thru retail: Compaq Presario, IBM Aptiva, PB, HP, and NEC). The results were pretty illuminating -- AOL and other internet solutions are not only on every hard disk, but are invariably positioned on the desktop more strongly by our OEMs than any MS offering. The reality is that the AOL request for presence in the Windows box will do very little to advantage AOL further. This particularly so as majority of Windows copies are shipping and will be shipping through OEM channel, and it will be hard to change what the OEMs are doing in this regard. It may be really be just a question of who is going to get the finders fees from AOL - MS or the OEMs?

When you couple this with the web survey released last week by Find/SVP which put AOL at 30% share for internet users, it certainly suggests that we may have been looking at this from the wrong perspective, and should be looking to leverage Steve Case's fixation, rather view as a big hurdle with lots of downside to us, and we should consider coming to some sort of accomodation with AOL. Data follows.

* * *

We bought 5 brand new machines at retail today. we have them set up in 27/2705, very instructive:

- IBM Aptiva M71. Has a custom shell that new users get dumped into -- Aptiva Guide. One of the groups is an Information Superhighway group. In here they have AOL, CServe, IBM Internet Connection, Journalist (the personal newspaper front end to Cserve), and Prodigy. No mention of MSN, no mention of Internet Explorer. Mosaic is provided as the front end for IBM Internet Connection. If you exit Aptiva Guide to the Win95 shell, MSN and IE are on the desktop.

- Compaq Presario 9546. Tabworks is on the system, but we started up in the Win95 shell. Perhaps someone played with this box at the store prior to us getting it. MSN is not on the desktop; AOL is on the desktop. IE is on the desktop as well. If you start up Tabworks: AOL, CIS, INN, Netscape, Prodigy, GNN (AOL's internet access service) are all top level tabs. MSN and IE are not, nor are they in the Tabworks index.

- PB Force 1998CDT. Navigator is the default shell. The Info room in Navigator has Prodigy, AOL, Cserve, Spry Internet in a Box. No MSN, No IE. When you go to the win95 desktop, MSN and IE are there

- HP Pavilion 7020. Boots you into the HP Personal Page shell. In the Online section, you get AOL, Prodigy, Cserve, and MSN. No IE. If you exit to the win95 shell, neither MSN or IE are on the desktop. Setup for IE is on the hard disk but seems to have been corrupted in some way, you cannot get IE to correctly setup.

- NEC Ready 9552 (not very significant market share but the retailer was pushing it as the hot machine). No custom shell, MSN and IE are on the desktop. On the start menu there is an Online group which contains AOL,

Cserve, INN, and Prodigy. Netscape PE is also in its own program group.

In addition, Patfox and his marketing team canvassed a broader set of machines at retail last week -- they took a half day to visit some stores. What they learned:

From: Pat Fox
Sent: Monday, January 15, 1996 11:58 AM
To: John Ludwig; Chris Jones; Paul Maritz (Xenix); Brad Silverberg (Xenix)
Cc: Pat Fox
Subject: OEMs preinstalling AOL

My team went "shopping" on our move day last week. Here is a list of OEMs with AOL preinstalled. A more complete "trip" report is forthcoming. Note these are the consumer systems.

Systems with AOL
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IBM Aptiva - running win95 w/ AOL preinstalled
IBM ThinkPad - running win3.1 w/ AOL preinstalled. Didn't see a W95 system
AST - W95 w/ AOL preinstalled
Dell - W31 and W95 with AOL preinstalled on Dimension line
NEC Ready systems (including their Power Player game system) - W95 w/ AOL preinstalled
Packard Bell - AOL was on all systems viewed, tho PB is reportedly working on an exclusive deal with compuserve
Acer systems - Win95 with AOL preinstalled
Compaq Presarios - Win95 with AOL preinstalled
Gateway - ships an "Info Highway" CD with AOL and others on it, but not preinstalled on hard disk
HP Pavilions - Win95 w/ AOL preinstalled
DEC Starions - Win95 w/ AOL preinstalled

Not confirmed
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Toshiba - systems viewed were running win3.1 w/ no AOL

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