Erik Stevenson (LCA)

From: Jeff Lum
Sent: Thursday, September 26, 1996 11:45 PM
To: Susan Norberg
Cc: Cameron Myhrvold
Subject: RE: Netscape Revenue Breakdown

In reading this carefully it is actually Compaq that receives the bounty from the ISP, not Netscape. So the $12M is not revenue that is going to Netscape. Bengt has also told me that most, if not all, of his largest OEMs do not pay NS any royalties anymore for distributing their browser. Thus, it would appear that most of the OEM/ISP revenue in Netscape's statements are coming from ISPs, not OEMS (at least going forward that should be the case).

From: Susan Norberg
Sent: Monday, September 23, 1996 5:00 PM
To: Jeff Lum
Subject: FW: Netscape Revenue Breakdown

since you've been so helpful in the analysis, I thought it best to keep you engaged. What do you think about the attached feedback from OEM - it's different that what we anticipated.

Susan

From: Amar Nehru
Sent: Monday, September 23, 1996 4:45 PM
To: Cameron Myhrvold; Susan Norberg
Cc: Richard Liotta
Subject: FW: Netscape Revenue Breakdown

Cam: Below is what we've gotten from OEM. We have asked questions to hopefully drill down on the specific data needs for Steveb. As and when we get additional info, we'll run it by you.
thx amar

From: Bengt Akerlind
Sent: Monday, September 23, 1996 11:54 AM
To: Amar Nehru
Subject: RE: Netscape Revenue Breakdown

Sorry this took quite some time. The team has done a great job drilling on this. Customers/ISPs don't want to talk about it because they all know we are out to get them.

What we found is this: Netscape can no longer make any money on the browser in the OEM market. Zenith and Acer a few other OEMs did pay them in the past, but after we came out with a great, free product, Netscape had to back down.

However, Netscape makes money from ISPs in conjunction with OEM shipments. It goes like this (we are using Compaq as an example): Compaq ships a consumer PC with the Navigator icon on the desktop. The end user clicks on the icon and gets connected to a Netscape page (or executes as a wizard locally on the PC - we don't know which..). The user fills out a form (name, address, etc...) for Internet access with an ISP of Compaq's choice (not the choice of the end user). We believe that Compaq is currently working with Sprynet and/or MCI (on a model by model basis). As we understand it, this is not a referral server - hence is the ISP willing to pay bounties to Compaq. What surprised me is that bounties also go to Netscape. This is why: Compaq does a disk image, and then they manufacture on that image for six months. Assume that ISP-A pays them $5 and that ISP-B comes along and offers Compaq bigger bounties. By having Netscape in the middle, Compaq can work with Netscape and switch ISP without changing the disk image. For acting as a middleman, Netscape also collects a bounty, but we have not been able to determine how much. The only point of reference we have is that Compaq last year collected around $12m in bounties total on a volume of 1.8m consumer PCs.

Need more? Send some mail.
Thanks.

From: Amar Nehru
Sent: Monday, September 16, 1996 4:37 PM
To: Bengt Akerlind

GOVERNMENT EXHIBIT 343
PENGAD-Bayonne, N.J.

Cc: Amar Nehru
Subject: FW: Netscape Revenue Breakdown

Bengt: Just checking in. Sorry for the bother. We are shooting to meet with Steveb by end of this week now. Would be great if we had some data on OEM. Pls let me know if questions.
thx amar

From: Bengt Akerlind
Sent: Monday, September 09, 1996 9:51 PM
To: Amar Nehru
Subject: RE: Netscape Revenue Breakdown

Will have something for you wed afternoon. Few customers speak liberally about this stuff so it takes time to get the info together.

From: Amar Nehru
Sent: Friday, September 06, 1996 9:48 AM
To: Bengt Akerlind
Subject: RE: Netscape Revenue Breakdown

Bengt: Just following up, as you suggested. Look forward to hearing from you. We are meeting with Steveb by mid-end of next week. Pls let me know if questions.
thx amar

From: Bengt Akerlind
Sent: Wednesday, August 28, 1996 9:57 AM
To: Amar Nehru
Subject: RE: Netscape Revenue Breakdown

Ok, I will do some math and get back to you. If you have not heard from me early next week, pls send me a reminder. Thank.s

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From: Amar Nehru
Sent: Tuesday, August 27, 1996 6:47 PM
To: Bengt Akerlind
Cc: Joachim Kempin; Richard Liotta
Subject: FW: Netscape Revenue Breakdown

Joachim: Thanks for the advice. Bengt: can you pls help re: the below mail and Stevb's request.
Thanks, amar

From: Joachim Kempin
Sent: Tuesday, August 27, 1996 6:37 PM
To: Amar Nehru
Subject: RE: Netscape Revenue Breakdown

bengta has best OeM DATA

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From: Amar Nehru
Sent: Tuesday, August 27, 1996 6:28 PM
To: Deborah Willingham; Steve Schiro; Cameron Myhrvold; Joachim Kempin
Cc: Steve Ballmer; Richard Liotta; Amar Nehru; Greg Maffei; Brad Chase; Jeff Raikes; Mike Brown
Subject: FW: Netscape Revenue Breakdown
Importance: High

Steveb asked us to coordinate a drill-down on Netscape's browser revenues to understand where they make money and get back to him in 2 weeks. He suggested I contact all of you. I'd be grateful if your organizations could help us get data to answer this question.

In the latest quarter ended June 30, 1996 (Q2-96), Netscape browser revenues were $45mm worldwide. For FY 1997 (Jan 1-Dec 31), Netscape's browser revenue is projected at $270mm worldwide. Net, we are trying to categorize the $45mm and $270mm figures by channel and sub-channel to see how this can pencil out.

To do this, the following data points are needed:
(1) Taxonomy and definition of Netscape's *"revenue buckets"* or channels (ie. customer types included in the VAR, OEM, ISP, Retail and Direct channels. So, for example, when Netscape says VAR, what does it mean?). *@ bottom is current taxonomy we have on the revenue buckets, which is not precise.*
(2) Number of units sold in each revenue bucket (channel and sub-channel)
(3) Price/unit in each revenue bucket (channel and sub-channel)
(4) Partners/customer names - who are the big partners/vendor and who are the major customers within each revenue bucket (channel and sub-channel)

The suggested organizations to get the channel-specific breakdowns are:
ECU - VARS and corporate accounts
OEM - for the OEM portion
PNS - for the ISP portion
EUCU - for retail and perhaps Online

Current taxonomy for Netscape's revenue buckets is:

Channel	Sub-channel
Direct.....	- Corporate Accounts
	- Telesales
	- Online (ie. purchase from WEB site)
	- ?
VAR's.....	- ?
OEM/ISP.....	- OEM
	- ISP
	- ?
Retail.....	- ?

Please let me know if any questions. Thank you again for any help provided.
Thanks, amar

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