Internet Browsers

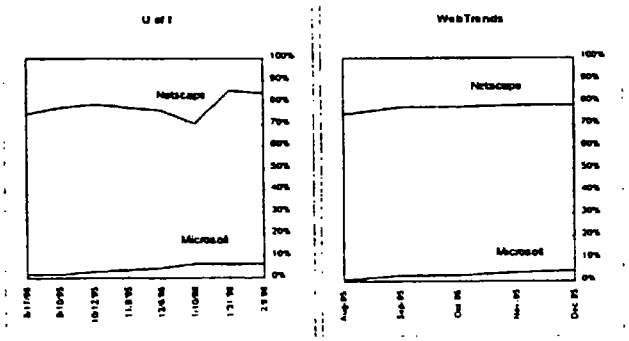
1. Netscape's actions

2. How to Win

Paul Maritz

Feb 22, 1996

The Problem: Browser Market Share



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Why does it matter

- Pages become applications
- Netscape/Java is using the browser to create a "virtual operating system"
  - no longer a browser, now an environment
  - has end-user momentum (unlike Appware, etc.)
  - will redefine client/server computing
- Windows will become devalued, eventually replaceable?

Netscape Navigator History

- 1.0 Q4'CY94
  - Major release - rewrite of NCSA code
- 1.1 Q2'95
  - minor - tables
- 1.2 Q3'95
  - minor
- 2.0 Q1'96
  - major

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Navigator

- Navigator 2.0 -- shipping today on Win3.x, Win95, WinNT, Mac, X.
  - Framesets
  - Javascript code interacts w/ browser
  - Java support (not on win3.x or Mac yet) code relates w/ Java runtime library
  - Plugins manage the screen
  - Mail, News Client Built In
- Security (w/ Verisign) can use in conjunction with their browser to ID you as you.
  - Client authentication, secure news/mail
- Chat, Smartmarks, VRML (PaperSoft) Add-Ins take over the screen?
- 24 3rd party plugins (Director, Acrobat)

Authoring Tools

- Navigator Gold -- beta today on WIn95 and WinNT
  - Easy HTML editing, bundled with browser
  - Posting to ISP
- LiveWire -- beta this quarter?
  - Site mgmt
  - Server based JavaScript
  - Server admin
- LiveWire Pro -- beta this quarter?
  - DB connectivity

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Speculation:

- Navigator 3.0 -- Q3 96
  - User features:
    - 2D layout (BlackBird)
    - HTML/JavaScript/Java as send note
    - Integration of InSoft/VRML
  - Developer features:
    - common Java object model (with Sun?)

Speculation:

- Navigator 3.0 -- Q3 96
  - (Proprietary?) Security/Identity:
    - Private newsgroups (w/ AOL?)
    - Personalized communication
  - (Proprietary?) Commerce
    - information standards
    - payment standards
  - "Keep MS on treadmill":
    - Javascript object model tweaks (aka MS treadmill)
    - plug-in tweaks

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Speculation:

- Navigator 4.0 -- Q4 96/Q1 97
  - Next generation streaming media
  - Integration with backend workgroup store (using Informix?)
  - Database-focused controls/plug-ins, local replication for mail/news

Netscape as a company

- Browser is their core competence:
  - browser- excellent work
  - tools, server - OK

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Netscape as a company

- Able to scale up quickly:
  - Clark, Barksdale, Doer - know how to work "system"
  - Andreessen - giving good direction on browser
  - Hahn (Collabra) will drive good workgroup direction
  - Schell, Sha - good technical managers
- Able to react quickly (eg. Blackbird, IIS)

Netscape as a company

- Obsessed with MS
  - will not support MS initiatives (eg. DocObj)
  - using market cap to address our strategy
    - eg. Since Dec 7th, identified MM as their weakness:
    - Insoft, Papersoft, Critieron acquisitions
  - shades of Novell

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Java

- Gaining as scripting language
  - Netscape
  - Lotus
  - Macromedia
  - Adobe, etc.
- Class Libraries define "API"
- Becoming the "brand" for software components

Sun & Java

- Licensing tied to the VM (interpreter)
- Trying to get innovations in API to flow back to Sun
- Working on JavaOS (an OS to sit under the runtimes)
  - diskless workstation, 5-10MB memory
  - ship by year-end?
  - selling to OEMs
- Core Java no longer at Sun?

key writers
have left Sun.

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How to Win

Netscape strengths

- Browser
  - share
  - technology
- Market Position (Netscape=Internet)
- Good business people
  - exploiting position to build customers, partnerships (eg. Telco's, IBM, TCI)

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Netscape Weaknesses

- Not dominant on the server
  - future innovations (eg. identity/security/workgroup) require server cooperation/infrastructure
- Tools not overwhelming
- Going for broke
  - willing to match MS across the board
- Will become more threatening as they grow (eg. to Sun)

MS weaknesses

- Late Win3.1, Mac offerings
- Behind on browser features
- Late on Servers (Proxy, Commerce)
- No control over Java
- Windows/Office not viewed as factors
  - Pages evolving into applications - not using Win API
  - Office95 limited relevance as tool

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MS strengths

- Deep assets: desktop, server, apps, tools
- Broad LORG/SMORG/EU channel asset
- More $'s even than Netscape
- Content (timely?)
- Access??
- Localization capability
- Support?

Product Strategy

- Catch Netscape 2.0, neutralize Java with IE 3.0
- Lead on extending pages to apps
- User features:
  - Integrated with Windows, Mail
  - conferencing
  - multimedia
- Tie back to Windows
  - UI
  - API's
  - H/W acceleration

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Better Product

- IE3.0:
  - match Netscape 2.0 (framesets, plugins, etc.)
  - get control of Java with Java support/tools
    - Java can not be an advantage for Netscape
  - Extend platform for a richer experience
    - Viewing (Docobj)
    - Programmability and Client/Server (OCXs),
    - Multimedia & games (Active VRML)
    - Phone & Conferencing (Microsoft Conferencing, SDK)

– I need to understand exactly what we can do with this.

Better Product

- Make Windows the Intra/Internet browser (shellview)
  - Customer benefits from one place to view and work with all information (Webview)
  - Common paradigm for Intranet/Internet

\ should play well to corporations

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Better Product

Need to be cross platform:

- NT with Shell Update Release (SUR)
  - Available when SUR is in beta
- Macintosh
  - In broad beta Q1 96 (on the web now)
- Win 3.1 (Internet Explorer 1.5)
  - Included with Gibraltar now
  - Broad distribution Q1 next year (on the web now)
  - Need stack and dialer
- UNIX (partner)

buying a company w/a product to use Access to create an application, then translate to HTML pages

Better Product

- Get ahead as pages evolve to applications
  - forms, data-binding, client/server behavior, multimedia
- Get control of, then leverage the programming model
  - extend HTML to leverage MS tools (and vice versa)
  - Use COM/OLE objects:
    - as way to add behavior client/server
    - provide needed x-platform support (Mac client, UNIX server)
    - neutralize Java
  - easy to extend the browser
  - superset plug-ins
  - safety
- Build identity ("Active") for these services

Better Product

- End-user features
  - Conferencing
  - Phone
- Mail
  - HTML support
  - Browser integration
- Workgroup
  - HTML forms
  - Exchange Store integration with IIS

Better Product: Servers & Tools

- Tools
  - easy to scale up from HTML
    - forms
    - data binding
    - objects
  - complete management solution
- Servers
  - fast, scaleable
  - complement programming, databinding model

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MS Products Timeline

- IE2.0, IIS now, Frontpage
- Apr: Frontpage 1.1 Intl. English
- June/July: IE3.0 on 95/NT
- July: Office97
- Aug: Frontpage 1.2 MAC
- Sep/Oct: Inet Add-on (Integrated Explorer, Oprah, Athena) Shell View or page view
- H2'96 ?
  - HTML Forms
  - Inet Studio
  - IIS 2.0
  - Merchant Server

Win 3.1 + MAC versions should ship 2nd ?

Marketing/Sales

- End-user share build
  - broad retail reach
  - promotion
  - access partnerships
- Business
  - Intranet
  - Client-server apps
  - Commerce
- Evangelism/Partners:
  - Web-masters
  - ICP's, ISV's, OEMs, Netop's, etc.
- Microsoft
  - Web Sites
  - internal business
  - Content
- Radical?

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End Users

- **Share in "post NS2.0 gap" (next 6-9mons) is job#1:**
  - Massive seeding of IE
    - Magazines, tradeshows, via partners, high-profile events etc
    - IE being free is a key advantage to push
  - Big push with Internet Starter Kit and Plus 2.0
    - Pay for premium merchandising positions
    - Bounties for resellers from MSN?

End Users

- **Share in "post NS2.0 gap" (next 6-9mons) is job#1:**
  - Leverage access partners ISPs and Telcos
  - Broad advertising on the web & with traditional media?
  - MS Content?, "MSN" Services? (free email, personalization?)

Business

- Own the Intranet:
  - Marketing/Sales: speak to corps on how to use the Intranet
  - Make Summer/Fall Product set the "Intranet" solution:
    - Office/FP '97
    - IE3.0/Inet Add-on
    - NT/IIS
  - stress browser/server being free

massive campaign
branding!
- deal w/ legacy data
- integrated w/ Windows + existing server structure

need demos, materials
convert [illegible] to build our own scenarios

Intranet Tour?

Business

- Commerce/Merchant Server
  - show how to exploit PDC
- Show how to build "Web-based" client-server apps
- Exchange/Workgroup integration
- Show ~~whw~~ how to use the Internet as your "WAN"

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Microsoft itself

- MS usage of the Web
  - All of our web sites needs to be the top IE 3 sites
  - We need a plan to convert the company
  - The web needs to be our primary communication tool
- Browser share needs to be a top priority for our sales teams and the customer units
  - Account plans
  - Building channel infrastructure
  - Training

propaganda site

Webmasters

- MS design experience + help

- Need to identify and build relationships
  - PDC, Tech ed and other programs to reach them en mass.
    - Probably need some new vehicles to reach them
- Make site mgt easier for them
  - Free front page and internet studio
  - Utilities to help them manage their site
- Build an authorized webmaster program and advertise broadly to end users and businesses

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ICPs

- Build 'first wave" like programs to provide value to ICPs that build on our platform and use our logo:
  - Create web sampler CD, add key partners web pages to it and bundle with Windows 95
  - Being in the pre-populated favorites list
  - Doing an internet theme
  - Being a part of special events CD
  - Link presence on our homepage
  - Link presence in an automated favorites update.
  - etc etc
- Special marketing pool of $30M to build co-marketing opportunities with the key sites

ISPs

- Allow ISPs to be in Windows and the Internet Starter Kit
  - Type in your area code and get a list of ISPs to choose from
  - Issue: MSN being in the access business creates a challenge and materially limits the number of ISP partnerships we can build.
    - There are limits to the number of MSN resale or MSN Access Partners we can have.
- Provide customization opportunities so ISPs can brand their offering and add specific features
- Co-marketing funds to encouarge ISP partners to promote our browser and get new customers for them
- Cross platform is key key to this group

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Public Netops

- Let them sell access
- Incent them to push our clients, servers
- Give them capability to offer additional services:
  - content
  - mail
  - commerce
  - identity, etc.

Traditional ISVs

- Allow them to distribute our browsers for free
- Develop first wave programs that:
  - Encourage them to build on our extensions and use our logo for their own sites
  - Take advantage of appropriate extensions in their products (docobj)

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OEMs

- Encouraging them to ship Windows with all their systems since IE is a part of it
- MDA terms that provide co-marketing support for:
  - Enhancing their own site to be built on IE 3 and using our logo
  - Shipping our web sampler CD, with their own and our partners web pages on it (might not be separate CD)
  - Quickly pre-installing our product updates

Resellers

- Co-marketing and merchandising dollars for:
  - Premium display of the Internet Starter Kit and Plus 2.0.
  - Enhancing their own site to be built on IE 3 and using our logo
  - Advertising

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1996 Evangelism

- Need series of boot-strap events/seminars
  - cross MS divisions
  - focussed on broad "non-end user" community:
    - business
    - ICP's
    - Webmasters
    - corp developers

Issues:

- Who are our partners?
  - We need to build many alliances to help promote out platform
  - Some may require a larger amount of "sacrifice" than we are used to:
  - Examples:
    - AOL, Compuserve
    - Macromedia
    - Oracle
    - Apple
    - Sun
    - RealAudio

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Issues:

- Access — What role should MS play? — US sole source provider — outside US, multiple providers
  - is it a help or hindrance?
- Identity
  - who gets the names? — Windows passport
- Windows "box"
  - who do we set use the asset? — phone #'s of ISP's in box?

Radical

- Use $'s:
  - "buy" coolest sites (ESPN?,?) now
  - give away content?
- Partner with Intel to fund first nationwide QoS network: — Quality of Service
  - tie to Windows client/MMX
  - give away voice calls (for a while)

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BACKUP

Netscape Mission

"Premier provider of open software that enables people and companies to exchange information and conduct commerce over the Internet and other global networks"

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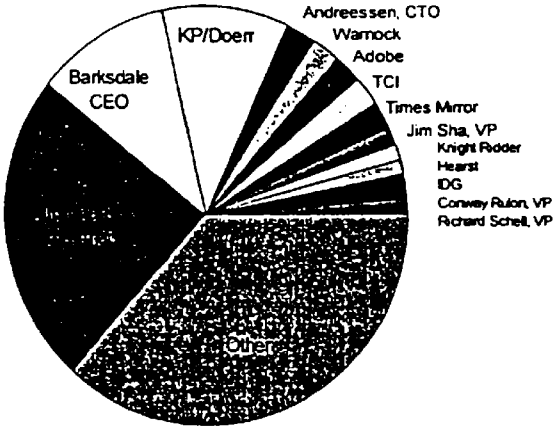
History

- Founded April 94 by Clark and Andreessen
- $8M original funding – $4M Clark, $4M VC
- Barksdale joined 95?
- Navigator 1.0 shipped 12/94
- IPO 8/95
- Collabra acquired 11/95
- Insoft acquisition 2/96
- Paper acquisition 2/96
- Currently ~700 employees (200 new in January)

Ownership



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Key People

Jim Clark (50)	Chairman, Founder	SGI – Chairman, Founder
Jim Barksdale (52)	President, CEO	AT T Wireless – CEO McCaw – President/COO Federal Express – VP, COO
Marc Andreessen (24)	VP, Technology	UofI, NCSA
Eric Bina, Rob McCool, Jon Mittelhauser, Aleks Totic, Chris Houck, Lou Montulli	SDEs	NCSA, Lynx
Peter Currie (38)	CFO	McCaw – EVP, CFO Morgan Stanley – Principal
Roberta Katz	General Counsel Secretary	McCaw – SVP, General Counsel Heller, Ehrman, White & McAuliffe
Todd Rulon-Miller	VP, Sales and Support	Software Alliance – President, CEO NeXT – VP
Mike Homer (37)	VP Mktg	EO – VP Engineering GO – VP Marketing Apple
Rick Schell (45)	VP Eng	Central Point – VP/GM Borland – V Sun, Intel
Jim Sha (45)	VP/GM, Int Apps	Oracle – VP Unix Wyse – VP/GM
Kandis Malefyt	VP, HR	SGI – Director HR ISI

Organizational Characteristics

- Fast Response -- shared mindset, quick decision processes, delegation
- Expansive -- broad view of platform and business
- Focus -- no sacred cows to protect
- High Risk -- initiatives announced with little followthru thinking
- Anti-Microsoft -- reactive to MS strategy

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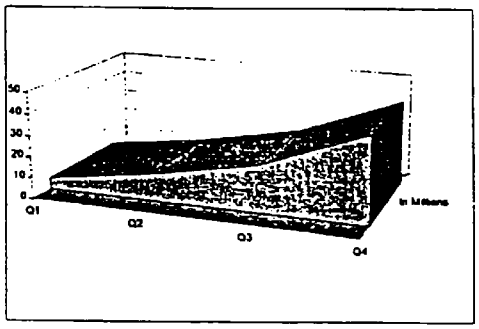
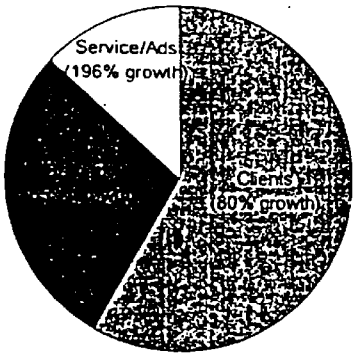
Revenues



85% growth in latest quarter

Q4 Revenue Mix -- Products



Service details:

- 10x increase in ad revenue
- Maintenance contracts
- Fees for consulting/support on WSJ, Intuit, other home pages

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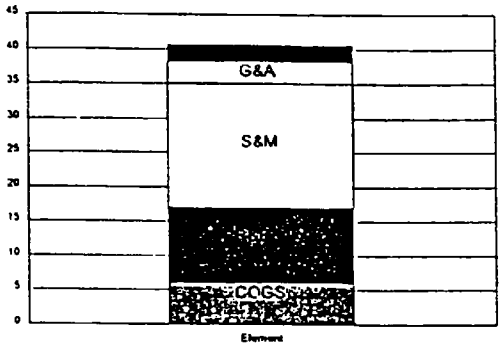
Cost Structure



Core Technologies

- Navigator -- HTML, JavaScript, Java
- HTTP/Commerce Server
- Navigator Gold, LiveWire -- Authoring and Site Mgmt
- Groupware -- Collabra Acquisition
- Conferencing/streaming a/v -- Insoft Acquisition
- 3D -- PaperSoft Acquisition

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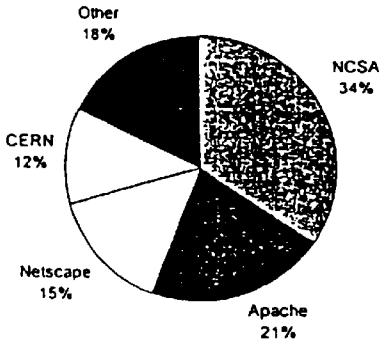
Collaboration Products

- Mail, News -- shipping today in 2.0
- Collabra Share -- shipping today on Win3.x, Win95, WinNT, Mac
  - Threaded discussions/newsgroups
  - Replication between Collabra products, to/from Notes, to/from Internet
- News Server (Unix), Mail Server (Post.Office, Unix/NT)
- Insoft -- not shipping
  - Audio and video conferencing/streaming

Server Market Share



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Servers

- Communications Server -- shipping today on Unix, NT
  - Similar to MSFT IIS
- Commerce Server -- shipping today on Unix, NT
  - Communications Server plus security
- Proxy Server -- shipping today on Unix
- Mail/News Servers -- shipping today on Unix, NT (mail only)
- NSAPI - strategic API, unlikely to be adopted by others

Solutions

- Merchant System -- shipping today on Unix (SGI/Sparc)
  - Staging Server, Merchant Server, Transaction Server, templates and scripts
- Publishing System -- shipping today on Unix
  - Commerce server, Membership mgmt, Search (Verity), Billing, CC Processing
- Community System -- shipping today on Unix
  - Commerce server, Chat, Newsgroups, Membership mgmt, Search (Verity)
- IStore -- shipping today on Unix
  - Commerce server, Catalog manager, CC/order processings

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Future Directions - Server

- Database integration (Informix partnership)
- Strong merchant push
  - Verifone
- Site/Content mgmt
  - Likely using Informix databases
- Java/JavaScript as programming solution
  - Long term replacement to NSAPI
  - Work with Sun on DB access

Other Points

- 2.0 product delayed for perf
- Likely need to migrate to NT
- 2 revs away on Solutions products
  - Picked 1-2 key sites to work with, learning w/ customers, building great sites, using knowledge to deliver shrink wrapped product
  - Custom solutions will hurt us -- they are way ahead in learning curve, customer understanding, penetration, marquee sites

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PR/Marketing

- Huge leverage with partnerships
  - Sun, Adobe, Silicon graphics
- Perceived as leader
  - BlackBird, security, 3D
- Reactive to Microsoft announcements
  - BlackBird, 3D, InSoft
- Wired -- Mastered Internet PR

Web Site Share

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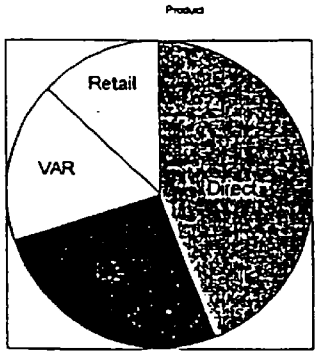
Web Site

- Primary Vehicle for External Communication
  - Home – Announcements, download, menu
  - Net exploration launch point
  - Online Netscape store, 3rd party products
  - Netscape discussion groups
  - Company, Product, and Partner Info
  - Net and Product Help
  - News, Press releases
- Usage Helps Them Learn
  - Eat their own Web dogfood

Q4 Revenue Mix -- Channels



- Retail up 5 points over previous quarter
- Direct (telemarketing, online, field) down 4 points from previous quarter

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Developer Relations

- 12,000 developers enrolled in programs
- 24 addins to extend Navigator 2.0, 41 partners
- 28 companies endorsing Java
- 1st major conference in March 1 week prior to MSFT PDC

Enterprise Penetration

- 70% of F100 use products
- Cisco, Wells Fargo, Intel, SGI, Sandia, Nat Semi, Mobil, McDonnell Douglas, Eli Lilly, Allen-Bradley, ATT, Electronic Arts, Fidelity, Siemens ROLM, Chemical Bank
- Sell Direct and OEM

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Value Added Channel

- Goal - Highly leveraged model
- Heavy recruiting - VAR's 250 (Jun 95); 600 (Sep 95); 1,000 (Nov 95); 1500 (12/95)
- Today: Partners slotted in following programs:
  - VAD > Reseller
  - Developer (>12,000; ICP, Web master focused)
  - ISP (>100)
- Tomorrow: Program tailoring
  - Certification, training, sales incentives

Retail Channel

- Product hit stores in June 95
- Use two tiered structure: Access, Ingram, Ventana
- Browser - #1 9 weeks running in Comm category
- High retail presence US; minimal abroad
- Retailers pushing Navigator 2.0
- Prominent in Communication/Internet section

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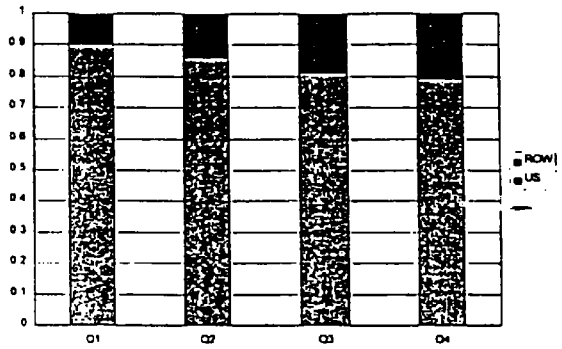
Revenue Mix -- Geography



International Status

- Subs located in:
  - Australia
  - France
  - Germany
  - Japan
  - UK
- New Subs opening in 1996
  - Canada; Hong Kong; Italy, Scandinavia, Singapore
- 38 distributors representing 29 countries

Source: MS Int'l field surveys, Didier Bensimoul, VP European Sales, Netscape

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Threats

- Growing in "traditional" channels
  - 70% Fortune 500 penetration
  - Growing retail share
- Moving beyond HTML to "Platform for Communicating PC's"
  - Programmability, database, multi-media
  - Personalization, client authentication
  - Cross platform, PC and other devices
- Acquisitions/Partnerships
  - AOL, Lotus/IBM, Sun
  - Borland, MacroMedia, Adobe, VeriSign
- Wired, wired, wired!

Opportunities

- Arrogance/Partnerships
  - Growing/threatening partners (W3C, developers)
- Reactive to Microsoft
  - Always try to out-announce Microsoft
- Cross Platform/Anti-Microsoft
  - Force them to play the platform game or lose
- Migration
  - Existing Win32/VB/Office users and corporations
- Mission Critical
  - Stabilty/reliability an issue
- Growth outside of browser
  - Tools, etc. could get beyond core competency

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