From: Moshe Dunie
Sent: Saturday, July 19, 1997 4:14 PM
To: Jonathan Roberts; Bill Gates; Paul Maritz
Cc: Jim Allchin (Exchange)
Subject: RE: idea

1) Jonathan, I think you misunderstood and got it backwards (this is quite confusing, indeed). We won't be able to do channels only on Memphis. I think there are too many deals w/ ICPs to enable that to happen. **TWI** is the element that we **do** have flexibility to deliver **only** on Memphis and IESK.
2) Following the Netscape model is a good approach (I wonder how many people that download Nav actually pay Netscape).
3) I agree that NetMeeting should not be free.
We have worked intensively with the Netmeeting folks to accelerate their schedule, so that it will be included in Win98 (However, it is going to come in very, very late for Win98 - in the build 3rd week of August, final bits in the middle of October).

Thanks.....Moshe

-----Original Message-----
From: **Jonathan Roberts**
Sent: Saturday, July 19, 1997 12:57 PM
To: Bill Gates; Moshe Dunie; Paul Maritz
Cc: Jim Allchin (Exchange)
Subject: RE: idea

I agree with this approach. Netmeeting seems pretty clear. Based on the mail stream, it is not feasible to pull TWI, so that leaves channels as the last big feature. The decision should be made based on the following priorities:

1) IE Share. How much would pulling channels diminish share growth, either through press backlash, or significantly diminishing consumer proposition?

2) How to make Windows 98 the optimal IE experience? We have perf, what else can we do? Even with the option to turn off the default loading of Active Desktop, Windows 98 is inescapably most appealing to the IE user. Of course, the plan is Win 98 with Web integration converts a huge base, but a die hard 16MB Nav user is hard to move. If they access help or an HTML page while in Explorer or in My Computer they will be loading the IE HTML rendering engine and significantly increasing the working set. This means, that in many scenarios, the 16MB Nav user will have a much slower experience with 98 than 95. Implication is twofold. First, anything that hurts IE share dramatically hurts Windows 98, since it reduces our most fertile customer base. Second, anything we can do to say we provide a better IE experience the higher % of upgraders we'll get from this base.

Jonathan

-----Original Message-----
From: Bill Gates
Sent: Saturday, July 19, 1997 7:30 AM
To: Moshe Dunie; Paul Maritz
Cc: Jim Allchin (Exchange); Jonathan Roberts
Subject: RE: idea

One approach would be to have the stuff we charge for be like Netscape where we say you can get it on the web and use it for 90 days but then you have to pay.

I personally think something like Netmeeting where we have done a lot of very good unique work could also be put into this category. Because it's a free product it doesn't get as much visibility as it should.

-----Original Message-----
From: **Moshe Dunie**
Sent: Friday, July 18, 1997 6:56 PM
To: Paul Maritz
Cc: Jim Allchin (Exchange); Bill Gates; Jonathan Roberts
Subject: FW: idea

-----Original Message-----

PENGAD-Bayonne, N.J.
GOVERNMENT EXHIBIT 725
MS7 005460
CONFIDENTIAL

From: **Bill Veghte**
Sent: Friday, July 18, 1997 6:49 PM
To: Moshe Dunie
Subject: RE: idea

I touched base w/ Chris to make sure I had my datapoints correct as Paul's question is the right one.

Bottom Line: Channels *are* distinct from ActiveDesktop/WebView. They are not part of shell32. People can get channels w/o ActiveDesktop today.

Brad raises three key concerns to the plan...

Browser Share:
At the end of the day the numbers vis-à-vis browser share that we are leaving at the table are minimal. Reasons:

- It is free for the first 90 days so you get your stampede of power users. At the same time, you will get a heck of a jumpstart to IE4 roll-out. After the first 90 days or so, downloads trend down anyway.
- People who don't want to buy a full OS can get the IESK.
- The real number is in the OEM units and these will come w/ Win98 anyway.

Perception:
BradC understands this much better then I do but the mail from JoeB points out that from his experiences w/ the press, people think of True Web Integration w/ OS as something that they get *with* an OS. My experience coming out of Beta1 were the same. That said, I do not know the perception and the expectations we have set about giving away the shell and TWI.

Reviews:
I can't believe we won't get credit for TWI if we ship it in the IESK and give it away for 90 days. Yus and BradC are masters of positioning. I am sure they can win this point.

-----Original Message-----
From: **Paul Maritz**
Sent: Friday, July 18, 1997 5:22 PM
To: Moshe Dunie; Jim Allchin (Exchange); Bill Gates; Jonathan Roberts
Subject: FW: idea

FYI.

I am checking on the information below about Channels Support not being separable from Integrated Explorer. If that is true, then it would be hard to change.

-----Original Message-----
From: **Paul Maritz**
Sent: Friday, July 18, 1997 5:19 PM
To: Brad Chase
Cc: Yusuf Mehdi; Kay Barber-Eck
Subject: RE: idea

OK. I would still like to get together on Monday and discuss. 1pm?

-----Original Message-----
From: **Brad Chase**
Sent: Friday, July 18, 1997 2:22 PM
To: Paul Maritz
Cc: Brad Chase; Yusuf Mehdi
Subject: idea

paul some thoughts on your proposal today from yus and I. in the end i don't recommend it

objective
---
add more value to memphis and start getting people thinking about some internet bits not being free

proposal

- IE 4 as is would be free for 90 days
- After that the Unified Explorer (the single click UI but not the AD) would only be a part of IE Plus at $49 and Memphis at $99
- So in effect we would announce an IE Plus and say that it is free for 90 days and only available for $49 at retail or in memphis after that

technical info

I checked with jeff henshaw and technically the active desktop and the Unified Explorer are all a part of shell32. thus we can't separate them technically. we can just turn off the UI though that gives a users access to the Unfied Explorer. so we could ship an IE 4 without the ability to turn on the Unified Explorer.

analysis

pros:
- makes it easier to charge $99 for memphis and helps make IE Plus more compelling
- starts getting people to think about everything won't be free
- might get us a big surge of downloads and usage in the first 90 days

issues/cons:
1. will hurt IE share efforts
   - the "true web integration" is a unique advantage over Nav. Many who would choose IE b/c of it now will be paralyzed as I discussed above. What do they do?
   - This feature has been well received in the reviews
2. confusing for customers - just think about trying to explain this!
   - the unified explorer and the active desktop are thought of as a single entity for most customers. we have been calling them a part of "true web integration" - we don't even have separate names for them really. splitting them gets really confusing, especially since some will have gotten IE 4 with it and some without it.
   - what do corp and other biz customers do? we are essentially telling them that they get it for free and then have to pay if they want the Unified Explorer later. What do they do? Corp customers do not want IE Plus really. yet it is hard to ask them to roll out all of their IE 4 bits in 90 days. do they wait for memphis? do they skip the unified explorer and not install it? Do they just somehow try to license all the IE 4 Plus bits in the first 90 days when they are free? how do they track who got it free and who didn't?
   - many will perceive we have not be straight about this, this will be seen as a big bait and switch. I would expect a big backlash
3. Unclear that it will help revenue that much
   - The key revenue gain would be if you could charge OEMs more for memphis. You already indicated that they will get all the bits for free since we have promised it to them
   - Given the current run rate of windows 95 upgrades, how much would this really help us sell more win 95 users to upgrade to memphis? I could do the math but you can assume that a lot of the key influential users who might buy memphis for the unified explorer will get IE for free in the first 90 days.

Alternatives:
1. It is simpler to communicate all this if we could choose to not ship the AD with IE 4 either after 90 days. This is a variant of my original idea to ship true web integration only with memphis. However, unfortunately that does not work either. we need the active desktop with IE 4:
   - ICPs are counting on it and broad distribution of it means ICPs take advantage of it more. Active Desktop is a key way to get IE 4 share b/c ICPs want to get components on the desktop and the only way to do that is to recommend the user get IE 4.
   - ISPs are also counting on having the active desktop with IE 4 and plan to take advantage of it. I talked to Cam and he indicated his people would be upset if we tried to take this away
2. Go back to my other plan to think about IE-5 as really being an IE Plus product and/or bits for the next version of Windows. We can continue to improve integration and instead of changing direction at the last minute we can go out and explain to people what we are doing and soften the blow.
3. Get yourself out of the problem that there is not much value for Windows 95 users to move to Memphis. The idea here is to eliminate the Windows 95 sku and put the Windows 95 Upgrade and the Windows 98 Upgrade in the same box and call that the Windows 98 Upgrade. Charge $89-99 for it like we do today. You justify putting both in b/c win 3.1 customers can't go to Windows 98 directly and have to upgrade to Windows 95 first. You are only forecasting about 2M units and $75M in Upgrades at the $49 price in the US anyway. I bet our total revenue is higher at $99 anyway since we probably won't lose half the upgraders at $99.
4. Take some of the IE Plus bits and put them in memphis. We can try to help memphis with some of the stuff we have found. Alternatively find some other bits to prop up memphis. Give away a games sampler with it for example. That could be really hot