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News: Analysis & Commentary: THE INTERNET

BROUHAHA IN BROWSERLAND

Who will set the cyberstandard--Netscape or Microsoft?

By Kathy Rebello in San Francisco, with John Verity in New York, and bureau reports

Don't bother trying to keep score. In the battle for the hearts and minds of cybernauts, things move so quickly that even the players sometimes lose track.

Consider what happened in the last few weeks. On Feb. 27, Netscape Communications Corp. scored a coup when AT&T announced that it would provide free Netscape Navigator browser programs to those who sign up for AT&T's new Internet service. On Mar. 11, Netscape scored again, announcing that America Online Inc. customers would soon be able to download Navigator 2.0 for free as a way to use AOL to cruise the World Wide Web. The same day, CompuServe Inc., which had said it would use Microsoft Corp.'s Internet Explorer browser, announced it would also use Navigator.

On Mar. 12, though, the tide turned--toward Microsoft. The software giant made the stunning announcement that AOL would actually make Internet Explorer, not Navigator, its "preferred" browser on its main online service. Says Brad Chase, Microsoft's chief negotiator in the deal: "We were at Warp 1. Now we're at Warp 10."

On the surface, the browser wars may seem like little more than corporate one-upmanship, especially since browsers can be downloaded for free. But browsers aren't just software for navigating the Internet's World Wide Web. As the gateway to the Web, they have a strategic importance akin to what Microsoft's MS-DOS operating system has had in PCs: The company with the most popular browser can set industry standards and sell software that works seamlessly with the browser. That's why, says Douglas P. Colbeth, president of Spyglass Inc., a Web software company allied with Microsoft, "for Netscape and Microsoft, this is a holy war."

Despite Microsoft's impressive dealmaking, it's a war in which Netscape still has an edge. In February, Netscape Navigator held 81% of

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(Publication page references are not available for this document.)
the browser market. Microsoft had 7%, according to a monthly random census of 100 corporations by Zona Research Inc. What's more, Navigator 2.0--which has such features as "frames" to display more than one Web page--is widely regarded as one techno-step ahead of Internet Explorer 2.0. "We're moving very quickly and staying ahead of Microsoft," declares Michael Homer, Netscape vice-president for marketing. "They're trying everything to slow us down."

They're having some luck. Consider the AOL deal, which Netscape seemed to have sewn up. There also had been bad blood between Microsoft and AOL, which had objected loudly to Microsoft's plan to include its own online service in Windows 95. But by last November, Chairman William H. Gates III was eager to put his browser on the map and called AOL CEO Stephen M. Case. They met in early January, after Microsoft heard that AOL was negotiating with Netscape. Says Case: "We were skeptical just because of the momentum Netscape had." He had a bold proposal, though: AOL would use Internet Explorer if Microsoft would put AOL software in Win95. Microsoft didn't blink.

MORE DEALS? Still, weeks of wrangling followed, and AOL went ahead with its announcement of the Netscape pact on Mar. 11. By midnight, however, AOL was in Microsoft's camp, and Microsoft was able to announce the deal to a gathering of developers on Mar. 12. Gates says the deal is the centerpiece" of his plan for Internet Explorer. "We get up every morning and think about browser share," he says.

So, Microsoft is still dealing. Sources close to CompuServe and Prodigy Services Co. say they're negotiating deals like AOL's, too. That could expose Microsoft's Internet Explorer to more than 10 million customers.

But don't try to do a final tally yet. Nobody knows how many consumers will jump to the Web. Nor do they know if any will stick with Explorer or download the more popular Navigator. And nobody knows how many Web surfers will sign up for AT&T's new WorldNet service--and be counted in the Netscape column. But keep your pencils sharpened.

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PHOTOGRAPH: INTERKNOT: THE WINNER OF THE BROWSER WARS WILL BE ABLE TO SELL OTHER SOFTWARE THAT WORKS SEAMLESSLY WITH ITS WEB PROGRAM PHOTOGRAPH BY MARK RICHARDS/CONTACT ILLUSTRATION: CHART: WILD RIDE CHART BY ALAN BASEDEN

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BUSINESS

MARKETS ◆ HIGH TECH ◆ ECONOMY

IESDAY
IGUST 18, 1996
n Jose Mercury News

TALKING BUSINESS

"There is not one scintilla of evidence to demonstrate that having a good ethics policy increases profits. But there are (is) evidence to show that a lack of one is . . . costly."
CRAIG DREILINGER, consultant

MoneyDigest

DOW	DOLLAR	BONDS	NASDAQ
▲ 23.67	▼ ¥0.61	▼ 0.01%	▲ 1.00
5,704.98	¥107.63	6.68%	1,138.27

Today's stock market story — Page 5E

Magellan records history's biggest monthly fund drop

The assets of Fidelity Investments' flagship Magellan Fund fell $3.5 billion in July, the largest one-month decline in history for a mutual fund, said research group Lipper Analytical Services Inc. Magellan's assets declined 6.4 percent to $50.97 billion on July 31 from $54.47 billion on June 30, according to a report released by Fidelity today. The fund's assets were as high as $55.5 billion at the end of February, and were

The browser battle

Microsoft and Netscape talk up a storm

BY DAN GILLMOR
Mercury News Computing Editor

The Web wars raged on Monday as Microsoft Corp. lavishly launched its latest World Wide Web browser while rival Netscape Communications Corp., a week before the official launch of its new browser, insisted that its own product remains superior.

Microsoft, barely visible on the Internet just a year ago, aimed to show that it's now an unstoppable force in one of the fastest-growing segments of computing.

■ A report sets off speculation about Microsoft's motives in project with Apple. PAGE 2E

Netscape, which has held a strong lead in key areas of Internet software, was trying to show that it's still in the lead.

At parties in several cities — the main event was in San Francisco on Monday evening — Microsoft displayed the official version of Internet Explorer 3.0, which runs on Microsoft's Windows 95 and Win-

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Comparing browsers

Microsoft and Netscape each recently released new versions of their browser programs, which find and manipulate information on the World Wide Web. Some features:

Netscape Navigator 3.0

- Security scheme uses codes that are harder to break.
- Available for computers run by 16 different types of operating systems, including all versions of Windows, Macintosh and many Unix programs.
- $49 in stores, downloads on Web.

Microsoft Internet Explorer 3.0

- Allows "style sheets" that retain the look of the original document.
- Implements ActiveX technology, a glue to bring data created from previous software techniques to the Web.
- Initially available only for Windows 95- based and Windows NT-based PCs. Versions for Macintosh and original Windows PCs later this year.
- Free downloads on Web, packaged in America Online, AT&T WorldNet and other internet access provider programs.

Source: Companies

ASSOCIATED PRESS

Speculating on a move

Pac Bell ups ante in

Ethics experts try to arrest white-collar crime

TUESDAY FOCUS:
New Ideas

NEW YORK — As U.S. companies grow increasingly concerned about corporate crime, they're spending hundreds of millions of dollars on ethics training programs to keep employees on the straight and narrow.

Just a few years ago, only a handful of firms specialized in business ethics. But in 1991, the U.S. Sentencing Commission adopted the Federal Sentencing Guidelines.

Under the law, companies convicted of white-collar crimes can receive huge federal fines if they can't prove that they've made at least minimal efforts to avoid corporate misdeeds such as insider trading and fraud.

The result: Ethics training initiatives skyrocketed. And they've spawned a lucrative cottage industry for hundreds of lawyers, accounting firms, academics, management consultants, ethicists and other specialists.

So what exactly do these management consultants and ethics experts do?

Sometimes, they conduct sensitivity and awareness workshops on topics ranging from workplace diversity to sexual harassment. At other times, they offer seminars in which employees act out ethical dilemmas they may face on the job. Ethics consultants can also help companies set up their own, ongoing ethics programs.

When ethics consultants don't charge flat fees for seminars or workshops, they are paid retainers or are billed at hourly rates. These rates run the gamut — from $50 to $2,000 an hour, experts said.

According to various estimates, ethics consulting is now a $1 billion industry.

Larry Ponemon, director of business ethics at the company KPMG, said an essential part of his job as an outside consultant is identifying issues that would mortify a chief executive if the problems hit the front page of the newspapers.

KPMG's approach is almost the exact opposite of that employed by Stier, Anderson & Malone, a law firm in Bridgewater, N.J., that investigates ethics problems for big corporations.

Often, when the firm is retained by a company, the business already faces accusations of wrongdoing.

Edwin Stier, a partner at the firm and the former head of the New Jersey Attorney General's Division of Criminal Justice, said he conducts "non-adversarial investigations" into allegations of misconduct.

The firm also makes it clear to its clients that they "must be willing to tell the public whatever the facts disclosed, no matter how embarrassing or detrimental it might be in the short-term," Stier said.

"It may mean that people in the company are held responsible for misconduct. But that's the risk they take."

Microsoft-Apple project rumored as antitrust ploy

BY JANET RAE-DUPREE
Mercury News Staff Writer

Microsoft Corp.'s campaign to make its software the Internet access tool of choice has generated speculation that it may be trying to prop up ailing Apple Computer Inc. — and prevent antitrust challenges to its own dominant position.

A story in Monday's Wall Street Journal had the industry buzzing over the possibility that Microsoft might want to protect Apple's plummeting market share as a defensive measure against antitrust issues.

But Microsoft insisted its only interest is in making its Internet Explorer software the World Wide Web browser of choice on any computing platform. Internet Explorer works on Microsoft's own Windows operating systems, but Microsoft wants it to work on Macintosh machines, as well as technical workstation computers that run an operating system called Unix.

Microsoft opened a 30-employee office in San Jose last year to work closely with Apple in moving Internet Explorer onto the Macintosh platform. That office, which could grow to as many as 60 people within a year, also has created partnerships with the makers of key Macintosh software development tools.

But officials said the office does not offer cash grants to Apple software developers, as the Wall Street Journal story said. And Microsoft was only one of many partners who last week created the Macintosh Internet Developers Association, according to an Apple spokeswoman.

"The speculation about Microsoft's motives shows how difficult a position the nation's largest software company is put into at times. If it had not supported Apple, it might have been accused of trying to kill its last major competitor. But by helping Apple, it is now facing allegations it is trying to prop up that last competitor.

Industry observers say it is neither: What Microsoft really wants is to beat out Netscape Communications Corp.'s Navigator browser as the Internet access software of choice.

Annoyed Microsoft officials said they have no intention of deliberately shoring up Apple just for the sake of preserving the appearance of competition. Their interest is solely in advancing Microsoft's products.

"There's no ulterior motive," said John Ludwig, vice president of Microsoft's Internet platform and tools division. "We knew we had to have a great Macintosh Internet product . . . I don't have the ego to suggest that Internet Explorer on the Mac has any impact on the Mac market share. That's ludicrous. And that's not how we think about it."

Microsoft and Netscape tout their browsers

BROWSER
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dows NT operating systems. A browser uses World Wide Web information-sharing standards to view text, graphics and other kinds of information stored on computers that can be down the hall or around the world.

At the Internet Explorer launch in San Francisco, Microsoft Chairman Bill Gates said his company has lined up many avenues of distribution, and partners who will bring their entertainment, news and other content to the Web and who have made Internet Explorer their preferred browser. For example, the Wall Street Journal Web site, which is moving to a subscription only system, will be free until the end of the year for users of Internet Explorer, as will sites run by several other companies.

Netscape, preparing to finalize version 3.0 of its Navigator browser, which runs on many different operating systems including Windows, used its Web page to claim that Navigator 3.0 is superior to Internet Explorer in five ways. The "final" versions being released this week and next are as close to feature-complete and bug-free as the companies believe they can make them. And even as the two browsers arrive, software developers at Microsoft and Netscape are working hard on the next versions of the products.

Microsoft's newest browser comes with free subscriptions to several popular Web sites, including ESPNet SportsZone, InvestorsEdge.com, Hollywood Online and four other products.

Netscape pre-empted its own regular Web home page — the jumping-off spot for visitors to Netscape's Web site — with a "Special Report" saying that Navigator is the "world's most [illegible]"

Microsoft, meanwhile, held a two-day "reviewers workshop" near the company's Redmond, Wash., headquarters two weeks ago to show off Internet Explorer's own advanced features.

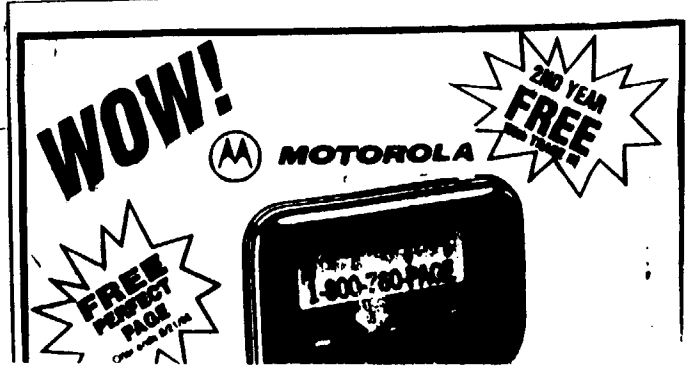
Netscape today has by far the largest market share for browsers — the best guesses are more than 80 percent — but Microsoft has been making deal after deal with Internet access providers, including America Online and AT&T, to make Internet Explorer the services' preferred browser. Several weeks ago, at a conference in Seattle, Gates said he expects Internet Explorer to have a healthy share within a year.

Browsers are only one area in which Microsoft and Netscape are competing. Both are offering software that is used to build and maintain Web sites and handle other kinds of computer-based collaboration.

One of the reasons Microsoft expects to gain significant share is that it is giving away the Web browser with the Windows operating system and through a variety of on-line sites and partnerships. Gates joked Monday, "The product is priced to sell."

To download the latest version of Microsoft Internet Explorer, point your Web browser to **http://www.microsoft.com/ie** . The latest Netscape Navigator can be found at **http://home.netscape.com/comprod/upgrades/** .

Knight-Ridder Inc., the Mercury News' corporate parent, is an investor in Netscape.



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San Francisco Chronicle

PERSONAL TECHNOLOGY

BATTLE OF THE BROWSERS

By David Einstein
Chronicle Staff Writer

Microsoft upped the ante in a bitter rivalry with Netscape Communications last night, releasing the latest version of its World Wide Web browser and offering free Internet features to people who use it.

Bill Gates, mega-rich chairman of the Redmond, Wash.-based software juggernaut, came to San Francisco to personally introduce Internet Explorer 3.0, which was made available to the public at midnight.

As with previous versions of the browser, it is distributed free on the Internet. Personal computer users can download it by going to Microsoft's site at *www.microsoft.com*.

In a surprise announcement, Microsoft said that users of the new browser will have free access to several popular subscription services on the Web for the rest of the year. These include the online version of the Wall Street Journal, and the entire ESPNET SportsZone site.

Microsoft officials claim their new browser leapfrogs the technology of Netscape's own third-generation browser, Navigator 3.0, which is due to be released next Monday.

The new Microsoft browser appears to match Netscape's feature-for-feature, including support for Internet newsgroups, e-mail, Internet phones and Java, which brings animation to the Web.

In addition, Microsoft supports its own multimedia technology, ActiveX. If that gains support among Internet content developers, it could give Microsoft an edge over Netscape.

In an unusually quick rush to the barricades, Netscape yesterday morning published a side-by-side comparison of the new browsers on its own Web site.

The Mountain View company claims Navigator 3.0 is faster, smaller and more feature-laden than Internet Explorer 3.0, with better e-mail features and tighter security as well (however, Microsoft said it has the same level of online transaction security).

Microsoft said users of the new browser will have free access to several popular subscription services

Netscape also noted that its new browser will be available for 16 different kinds of computer operating systems, while Microsoft has only versions for the latest Windows systems.

In its Web white paper, Netscape cited industry research showing that 87.6 percent of all Web surfers use Netscape's browser, while Microsoft has just 2.6 percent. Microsoft disputes the figures, saying it now has about 10 percent of the market to around 60 percent for Netscape.

Regardless of the numbers, Microsoft officials believe Netscape is worried about the new Microsoft browser. "This is a major stake in the ground for us," said Brad Chase, a marketing vice president at Microsoft. "This is the first version that we feel confidently is a step ahead in almost all aspects of this product category."

Chase said that Netscape's online rebuttal illustrates "a sort of defensiveness that reinforces what a good product Internet Explorer 3.0 is."

Netscape officials say they are merely trying to blunt Microsoft's considerable marketing muscle. "They have a very large megaphone and a lot of money," said Mike Homer, a vice president of marketing for Netscape. "We just want to make sure our customers know what our advantages are."

Homer said that Netscape also will have some surprises when it introduces its new browser next week. He hinted that the company has forged alliances with Internet content companies that will let users of the new Navigator 3.0 receive customized news and information, including graphics, automatically by e-mail.

Netscape raised the Internet stakes on another front yesterday, announcing software that makes it possible to run a Web site on a PC with Windows 95. The new Netscape FastTrack Server, priced at $295, will be available in retail stores this fall.

Marcus Chan

Go Take A Hike on The Web

The great outdoors isn't so great if you dont know where to go or what to expect when you get there.

But with the Great Outdoor Recreation Pages Web site (*www.gorp.com*), planning your next escape to nature is just a click and click of the mouse away.

Diane and Bill Greer, the Brooklyn-based wife and husband team that created GORP, have turned their passion for outdoor adventures into a one-stop cyber shop for in-depth, comprehensive information.

"We basically wanted to be an encyclopedia" of outdoor recreation, said Bill Greer, who said the site is visited by a quarter million users a month.

Looking for stuff on national parks, forests, wilderness areas, archaeology sites or scenic byways? GORP has the lowdown — descriptions, directions, phone number