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SECTION: Section A; Page 14; Column 1; Editorial Desk

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HEADLINE: The Browser Duel

BODY:

An old-fashioned marketing war has broken out in the new and rapidly expanding world of Internet software. Individual computer users could be big winners.

Microsoft, the computer software giant, is trying to dislodge a smaller company, Netscape, from its dominant position in the market for browsers, the specialized software tool needed to surf the World Wide Web. The two companies are now aggressively wooing potential consumers with rapid product improvements and rival offers of free on-line subscriptions. For the moment, computer owners do not really have to choose at all. If they have enough disk space, they can take advantage of the special features of both companies' browsers.

Last month, Microsoft launched a new and improved version of its browser, called Internet Explorer 3.0. Those who install copies of this free product can also get temporary subscriptions to the on-line versions of The Wall Street Journal, MTV, ESPNet Sports Zone and other services. Netscape quickly responded with an improved version of its browser, Navigator 3.0, which costs $49 and offers similar features and a comparable package of free tie-ins, including a plan to deliver customized versions of The New York Times over the Internet.

The latest versions of both browsers make it easier to use the multimedia capabilities built into today's computer hardware and many Web sites. Using these features once required retrieving and installing specialized software from the Internet. Regrettably, the two companies seem to be moving away from the standards of compatibility that make sense on the Internet, where the same documents, graphics and sounds are supposed to be available to people around the world with whatever computers and software they use. If the browsers continue to develop in incompatible directions, a Web page designed to take maximum advantage of one browser could appear with many of its features unreadable by the other.

The future of both companies depends heavily on the outcome of this browser war. The personal computer market used to be about freestanding high-performance machines, heavily loaded with individually purchased software applications.

Microsoft was a big winner in this market. More recently, interest has shifted heavily to the Internet and its star attraction, the World Wide Web. Many in the computer industry now envision a future where people connect to the Internet with low-cost, stripped-down machines, copying simplified versions of the software they need for particular activities. That could prove catastrophic to companies like Microsoft that primarily sell software designed to be permanently installed on hard disks.

Nobody can yet be sure if or when this vision will become reality. But if Microsoft can carve out a large share of the browser market with Internet Explorer, it will not have to worry as much about a threat from this new style of Internet computing. Netscape, meanwhile, operates mainly in the Internet browser field and fears that Microsoft will use its powerful presence in other software areas to unfair advantage.

Continued competition requires that the Justice Department make sure that Microsoft does not abuse its dominant position in operating systems to unfairly muscle Netscape out of the browser market. Netscape has already alleged that Microsoft is offering discounts on its Windows 95 operating system to computer vendors willing to promote Internet Explorer at Navigator's expense. Microsoft denies these charges.

Computer users should get the most out of this browser war while it lasts, and the Justice Department should maintain its vigilance so that this beneficial battle can go on as long as possible.

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LEVEL 1 - 96 OF 160 STORIES

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HEADLINE: No escape at Netscape; Netscape falling victim to Microsoft in Web browser market; Viewpoint; Company Business and Marketing

BYLINE: Binstock, Andrew

BODY:

No company has so thrived on overblown expectations, adoring customers, and lack of income than Netscape. You must recall the IPO last year - the incredible hype, the whipsaw of prices, and the inflated price levels. Invest ors were, and still are, banking on Netscape being the Microsoft of the Internet. In some quarters, Netscape was believed to be the one company that could stand up to Microsoft and keep it from dominating this new sector of the computer industry. Because its founders included two cofounders of SGI and the developer of the then highly regarded Mosaic browser, Netscape appeared to have put together a team no one could duplicate. From this foundation, with the aid of an incredible marketing engine, arose a company that today needs a serious reality check.

By most counts, Netscape has succeeded in establishing its Navigator browser and Web servers as the software of choice at more than 80% of all Web sites. With this dominance, Netscape appeared to have the market to itself, especially in early 1996, when Microsoft had no products or compelling strategy for the Internet. Java was all the rage, and Sun's known hatred for Microsoft, along with its close cooperation with Netscape, seemed to ensure the Redmond giant would find entry into this world difficult.

All is different today. Microsoft browsers are eating up Netscape's market share with no trouble at all. What looked like intense customer loyalty to Netscape was a mirage. Users and companies wholesale embraced Microsoft's product and strategy. Ill a six-month period, Microsoft turned on a dime and executed effectively on its strategy. Today, many users consider Microsoft's browser equivalent to or better than Navigator 3.0. It certainly is faster and cheaper.

Meanwhile, Netscape-the darling of those who love open systems and open standards-is playing the game for which it condemned Microsoft: making numerous proprietary extensions to open standards such as HTML. (So is Microsoft.) And it is doing so for the same reason: to lock in customers and lock out competition. So much for the guy in the white hat.

The more you think about it, the more patently idiotic it was to believe a browser company could keep Microsoft out of a significant market. No one@including Netscape - anticipated the alacrity or quality of Microsoft,s response.

The discussion among emotionally detached observers is Netscape's fate. Not one of my contacts is optimistic in this regard. There is no feat of technology Netscape can pull off that Microsoft cannot duplicate - apparently quickly. Nor is Netscape going to best Microsoft's marketing. It seems Netscape's sole advantage was that it was first to market. Word processors, you recall, once found themselves in the same position. And like them, Netscape has offered no compelling strategy, as to how it can prevail in its market. If this emperor is to survive, he will need a tailor with some imagination.

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HEADLINE: Browser Wars:Why Microsoft Will Whip Netscape -- Internet Explorer is poised to take a big bite out of Navigator's browser market share

BYLINE: Scott Bourne

BODY:

In my lifetime, I have witnessed two great races for space. The first was in the late 1960s, when the United States and the then-Soviet Union raced each other to the moon. The outcome of that race-Neil Armstrong's 1969 " small step"-has defined the role of space exploration ever since.

In 1996, I am witnessing another race for space between two superpowers: the race for space on your hard disk and on the Internet. The Microsoft powerhouse, with Internet Explorer 3.0, is ready to do serious battle against Netscape, an upstart giant in its own right, with its Netscape Navigator. My early pick? Microsoft's Internet Explorer, hands down.

Remember-this is not about which browser is better. Ever-changing product specs make that a futile conversation. It's also not about who I want to win. Rather, it's about who will win and how it will impact you-especially if you create Web pages.

in the beginning

First, a little history from the period before there even was a rivalry. Since the release of its first browser in 1994, Netscape has enjoyed a virtual lion's share of the market.Market share estimates ranging from 69 percent to 80 percent of total browser desktops have consistently made Navigator the big (yet cool) kid on the block.

But the big N's dominance has not gone unnoticed by Bill Gates and company. Ever since Microsoft entered the browser market in the summer of 1995, it has been trying to find any way possible to capture as much market share from Netscape as possible. It's been a long road, but the release of Internet Explorer 3.0-along with a formidable marketing campaign-might end this escalating rivalry much quicker than you think.

heavier artillery

As of late August, both Netscape and Microsoft had released version 3.0 of their browsers. Feature-wise, Explorer seems to have matched Navigator and exceeded it with a few extras. (For a complete breakdown of browser features and performance, see our cover story.)

In the power tools category, Netscape has put all of its eggs in Java's basket. Meanwhile, Microsoft's response to Java, the ActiveX development

platform, is paving the way for open standards on the net. Among its virtues, ActiveX gives developers more flexibility in their content creation, without sacrificing a platform-independent environment.

Although ActiveX still is in its infancy, it seems to work well. If you read my column on Java ("It's Time to Reassess Java's Jive," September, page 53), you know I was less than impressed with early Java applets. Not so with ActiveX. Microsoft has positioned ActiveX not only as an answer to Java, but also as a way to bypass Netscape's plug-in architecture. Netscape has less than 100 plug-ins extending its reach anyway, while Microsoft advertises it has more than 1,000 ActiveX controls. Thus, surfers opting not to go with Netscape's plug-ins can get more than 10 times the application penetration using ActiveX controls.

From a development standpoint, ActiveX controls are tons easier to develop than Java applets. While poor documentation, security, and speed issues remain Java's sore spots, ActiveX seems to have none of these problems.

which way to go?

ActiveX and Java aside, only subtle differences distinguish Navigator from Explorer. Both support HTML 3.0 specifications, and both support most major browser plug-ins. And while Explorer itself loads faster, Navigator still loads content faster in most environments. Navigator also remains slightly more versatile with its 16-platform compatibility, whereas Explorer is available only for Windows and Macintosh-based platforms. But then again, if you have the Windows and Mac markets, there isn't much left to worry about, is there? Think about it.

Now that the feature sets are more similar, the Web author's job of choosing which browser to design for gets down to two points:Do you want to learn Java or ActiveX? And what percentage of your site's visitors use Navigator vs. Explorer?

According to Sunnyvale, Calif.-based Interse Corp., Internet Explorer had a 1 percent market share in July 1995 and nearly a 16 percent share 12 months later. With the release of Explorer 3.0 in August, visitors to the Microsoft site were downloading more than 50,000 copies of the browser daily. That's sure to skew the numbers even more.

Aside from the nuts-and-bolts differences between these browsers, the real differences are actually cultural, rooted in user perceptions. More early Web adopters use Navigator. Despite Netscape's claims, that's not because of product superiority; it's because Navigator is the browser with which they started. Brand loyalty is extremely high for most Netscape users, and for a time the name touted a high hipness quotient. But then came the company's MBAs, accountants, lawyers, and finally the IPO. Now Netscape is viewed by many of its partners, vendors, and those in the development community as arrogant and hard to deal with. (Yes, like Microsoft.)

Microsoft will take advantage of Netscape's changing reputation and target newbies. Microsoft also will target those who see the net as a marketplace and Netscape-no longer their big buddy-as a big business.

why explorer will win

Here's my reasoning:

- Funding. Microsoft has lots of money-reportedly $7 billion in cash. Its interest income alone dwarfs Netscape's gross earnings. That money buys anything needed to keep Explorer in top form. Microsoft also has enough money to give Explorer away for free. Netscape isn't free. You figure it out.

- Distribution. According to a Microsoft spokesperson, the company has distributed 40 million copies of Windows 95 with Explorer bundled. Microsoft also is taking unprecedented steps to distribute Explorer into local markets. In Minnesota for instance, Microsoft will be at the state fair distributing what they call "Internet on a Stick." It's a CD-ROM attached to a stick and sold for $2, right next to the ubiquitous corn dogs and cotton candy.

- A ready-made user base. Despite all those copies of Windows being used out there, only 12 to 15 percent of North American computer users are online, according to CommerceNet, in Palo Alto, Calif. Of course, that leaves a huge number of potential Web surfers who have yet to pick a browser. I'm betting these newbies will take the one that comes free with their operating systems.

- Marketing. Bill Gates will use his connections to build alliances with anyone and everyone on Explorer's behalf if it means beating Netscape.

In a stroke of typical this-is-why-I-have-a-kabillion-dollars-a nd-you-don't, Bill Gates-inspired genius, Microsoft has worked some cool deals for Explorer 3.0 users. They get free trial access to the electronic version of The Wall Street Journal, a path to special content on MTV's site, and free access to pay-for-view areas on ESPNet's SportsZone. Watch for even more of this type of online bundling.

In the end, competition is healthy. After all, it's what propelled us to be the first country on the moon. Microsoft needs Netscape to push it ahead on the development curve, and this competition ultimately will make the Internet a better place. I also think it will be what drives Microsoft to be the first company to really dominate cyberspace. Of course, with a huge chunk of the market still out there waiting to be wooed, there just may be space for another Navigator along the road.

Scott Bourne, the founder of NetRadio, is a contributing editor to NetGuide Magazine.

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