RE: IE Re-Branding Subject: - Privileged Material Redacted -> ----Original Message-> From Bill Koszewski > Sent: Tuesday, February 03, 1998 3:17 PM > To: Will Poole; Lora Shiner > Co: Ken Whitaker (LCA) Re: IE Re-Branding > Subject: - Privileged Material Redacted -> > > ---Original Message--From: Will Poole < wpoole@microsoft.com > <mailto:wpoole@microsoft.com>> > To: Bill Koszewski < billk@MICROSOFT.com
> <mailto:billk@MICROSOFT.com>>; Lora Shiner < loras@MICROSOFT.com
> <mailto:loras@MICROSOFT.com>> Cc: Ken Whitaker (LCA) < kenwh@microsoft.com <mailto:kenwh@microsoft.com>> Date: Tuesday, February 03, 1998 2:46 PM Subject: RE: IE Re-Branding > > > > - Privileged Material Redacted -> > > > > > Bill, I assume you will drive? > > ----Original Message From: Ken Whitaker (LCA) > Sent: Tuesday, February 03, 1998 2:17 PM
To: Bill Koszewski; Will Poole: Michael Bernard (Internet) Tracey Kruger; Brian Gluth; Andrea Scott (LCA); Maggie > Waggoner (LCA); Ken Whitaker (LCA); Yusuf Mehdi; David Cole, Daniel > Laster (LCA); Brad Chase; Keme Green (Woods LCA) Subject: RE: IE Re-Branding > > > - Privileged Material Redacted

Ken Whitaker (LCA) [kenwh@microsoft.com]

Tuesday, February 03, 1998 3:41 PM Bill Koszewski; Will Poole; Lora Shiner Andrea Scott (LCA); Ken Whitaker (LCA)

From:

Sent: To: Cc:

>



MS98 0204026 CONFIDENTIAL

> The more branding we want back, the longer and > harder this fight becomes. We are not going to make any friends in > the ISP space if we push this to the limit. It is the wrong fight to > pick if we really want share. Netscape has a huge, huge selling point > with flexible branding, any ISP will sit down and listen to them about > this. Even though it weakens their trademark position.

----Original Message---From: Will Poole < wpoole@microsoft.com <

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> <mailto:wpoole@microsoft.com>>>
                To: Michael Bernard (Internet) < mbemard@microsoft.com
> < <mailto:mbernard@microsoft.com>>>; Ken Whitaker (LCA) < > kenwh@microsoft.com < <mailto:kenwh@microsoft.com>>>; Bill Koszewski <
> billk@MICROSOFT.com < <mailto:billk@MICROSOFT.com>>>
                Cc: IE End User Marketing Team < ieeu@microsoft.com <
> <mailto:ieeu@microsoft.com>>>; Will Poole's Direct Reports <
 ibdsdir@microsoft.com < <mailto:ibdsdir@microsoft.com>>>
                Date: Tuesday, February 03, 1998 10:28 AM Subject: RE: IE Re-Branding
                         There was significant discussion on what's ok
> and what's not ok to give away on the branding front -- BillK can give
> details. Our problem is more complex in that IE is integral to the
> windows experience. Having others insinuate their brand into that
> experience is not a good thing for us to do long term. I think it is
> unlikely that OEMs or others will select Nav over IE just b/c they can
> stick a bigger/better logo on it.

    Original Message

                         From: Michael Bernard (Internet)
                         Sent: Tuesday, February 03, 1998 10:15 AM
                               IE End User Marketing Team; Will Poole's
> Direct Reports
                                      IE Re-Branding
                         Subject:
                                      Related to this comment from the
> analyst report below:
> Rebranding
                         We remain very excited about the ability of OEMs
> and customers to rebrand the [Netscape]
                         browser. This could become a significant
> strategic advantage for Netscape
                         because Microsoft only allows the rebranding of
> the IE embedded control. This
                         control is embedded inside another application,
> such as Lotus Notes, and for
                         all intents and purposes, it appears to be part
> of the overall product. But
                         Microsoft does not allow the total IE product to
> be rebranded. Netscape could
                         use this as a wedge to gain access to OEMs.
> Microsoft intends to fully
                         integrate IE into Windows98 to such an extent
> that Windows and IE become
                         indistinguishable. If this is the case, we
> don't know how they will allow
                         rebranding if Netscape is
> successful.
                                       I know that we decided to not
> let 3rd parties brand the animated logo. Is it possible for us to
> provide more branding opportunities, but just require that the
> "Powered by IE" logo stay on the top menu bar, similar to the AOL
> browser? I don't know all of the issues related to the decision to not
> allow significant re-branding, but I'm curious if we considered this
> option. I know that we keep getting 3rd parties asking for more.
                                       Michael Bernard
>
>
                         Product Manager, Microsoft
                         Internet Explorer Promotions
>
>
                         MBernard@Microsoft.com
>
                                       ----Original Message-----
                         From: Lora Shiner
                         Sent: Tuesday, February 03, 1998 8:54 AM
                              IE End User Marketing Team
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FW: Yusuf, you turned Bruce
                         Subject:
> Smith around...
                                         -Original Message----
                         From: Tony Dirksen
                         Sent: Tuesday, February 03, 1998 8:23 AM
                               Lora Shiner
                         Subject:
                                      FW: Yusuf, you turned Bruce
> Smith around...
                                      Since Yusuf is out, I'll pass
  this to you, too...
                                        ---Original Message---
                         From: Tony Dirksen
Sent: Tuesday, February 03, 1998 8:22 AM
                               Yusuf Mehdi; Brad Chase; Tod Nielsen
                        Cc:
                               Vaughan Briggs; Carla Lewis, Tim
> Halladay; Erika Shaffer
                         Subject:
                                      Yusuf, you turned Bruce Smith
> around...
                                      Latest report from Bruce; note
> paragraph highlighted in red...after our conversation with him, he's > rethought his "army of developers" boast...
                                                        Merrill Lynch
                                      ML++ML++ML
> Global Securities Research
                                ML++ML++ML
                                     NETSCAPE COMMUNICATIONS
> CORP. (NSCP/OTC)
                                            Critical
> Juncture
                                        Bruce D. Smith (1) 212
> 449-0923
> NEUTRAL
                        Long
> Term
> NEUTRAL
                        Reason for Report: Fourth Quarter
> Report
                             Price:
> $16 1/16
                             Estimates (Dec)
> 1997A
                      1999E
           1998E
                             EPS:
> $0.05
          -0.20
                    $0.14
                             P/E:
> 321.3x
             NM
                     114.7x
                             EPS Change
> (YoY):
                            NM
                                      ΝM
                             Consensus
> EPS:
                           $0.01
                                       NA
                              (First Call:
> 26-Jan-98)
                             Q1 EPS (Mar):
> $0.09
          -0.14
                             Cash Flow/Share:
> NA
          NA
                   NA
                             Price/Cash Flow:
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NM
          NM
> NM
                            Dividend Rate
> Nil
                Nil
        Nil
                            Dividend Yield:
        Nil
                Nil
> Nil
                            Opinion & Financial
> Data
                                        Investment Opinion:
> D-3-3-9
                             Mkt. Value / Shares Outstanding (mn):
> $1,548.4 / 96.4
                                    Book Value/Share (Dec-97).
> $4.45
                                         Price/Book Ratio.
> 3.6x
                                    LT Liability % of Capital:
> 0.0%
                                      Est. 5 Year EPS Growth:
> 35.0%
>
                            Stock
> Data
                                           52-Week Range:
> $49 1/2-$14 7/8
                                         Symbol / Exchange:
> NSCP / OTC
                                               Options:
> Chicago
                               Institutional Ownership-Spectrum:
> 31.6%
                                 Brokers Covering (First Call):
> 13
                            ML Industry Weightings &
> Ratings**
                                Strategy; Weighting Rel. to
> Mkt.:
                                               income:
> Underweight (07-Mar-95)
                                               Growth:
> Overweight (07-Mar-95)
                                          Income & Growth:
> Overweight (07-Mar-95)
                                       Capital Appreciation:
> Overweight (28-May-93)
                               Market Analysis; Technical Rating:
             (29-Dec-97)
> Average
                        **The views expressed are those of the macro
> department and do not necessarily
                        coincide with those of the Fundamental
> analyst.
                        For full investment opinion definitions, see
> footnotes.
                        Investment
> Highlights:
                           We remain very cautious on
> Netscape.
                           The next 3 quarter will be
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> critical.

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Fundamental
 > Highlights
                             Q4 slightly worse than
 > pre-release
                             New estimate for 1998 is now $513 million
 > and a loss of ($0.20)
                             Netscape success has broad implications for
 > industry
 >
                         Critical
   Juncture
                         Netscape reported fourth quarter results that
   were slightly worse than the
                         company indicated in their release of
 > preliminary Q4 results on January 5th.
                         Revenues came in at $125 million vs. the
   reported range of $125-$130 million
                         with a loss per share of ($0.22) vs. a range of
   ($0.15 - $0.19). The company
                         stated that the major reason for the slight
> shortfall was the need to adjust
                         contracts due to the decision to give away their
  client software. The company
                         also stated that the $35 million restructuring
  charge, originally expected in
                         Q4, would now be split with $12 million now
> falling in Q1. This is due to the
                         delay in headcount reduction which did not take
> place until the first quarter.
                         After Further
> Review...
                         We have had extensive conversations with the
  development and corporate
                         community since Netscape's decision to license
> its source code free of charge.
                         Our initial reaction was that this was a major
  positive strategic move. We
                        felt that Netscape would gain access to an army
  of unpaid developers, and with
                         the success of the Apache Web Server, we felt
> that this could mitigate
                        Microsoft's enormous resource advantage. After
> our recent discussions though.
                        we are not as confident as we were originally
  The major issue is this, will
                        Netscape be able to maintain a quality product
  with so many uncontrolled
                        developers. There is skepticism about
> Netscape's ability to successfully
                        police this development and prevent the entire
  market from fragmenting. If the
                        market does fragment it would be very good for
  Microsoft because the Internet
                        Explorer platform would be a very stable
  alternative.
  Rebranding
                        We remain very excited about the ability of OEMs
> and customers to rebrand the
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browser. This could become a significant

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> strategic advantage for Netscape
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                         Microsoft does not allow the total IE product to
> be rebranded. Netscape could
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> Microsoft intends to fully
                         integrate IE into Windows98 to such an extent
> that Windows and IE become
                         indistinguishable. If this is the case, we
> don't know how they will allow
                         rebranding if Netscape is
> successful.
                         Free Could
> Help
                         Netscape's decisions to give away its client
> software could stem its decline in
                        market share. We believe that Netscape's market
> share is hovering in the mid
                        50s with Microsoft in the low 40s, with
> Microsoft having the momentum. We
                        believe Netscape's success hinges on their
> ability to hold market share.
                        Netscape is making a significant push into the
> eCommerce space with the recent
                        purchases of Actra and Kiva. We believe that
> this push will benefitial if
                        Netscape is successful in the browser
> space
>
                        We still do not believe that Netscape will be
> anything more than a small niche
                        player in the messaging and groupware space.
> This market has quickly
                        consolidated around two vendors, Lotus/IBM and
> Microsoft. In fact, Netscape's
                        free client will do nothing in this space
> because they continue to charge
                        Client Access Licenses or CALs that in some
> cases could make them more
                        expensive that Microsoft and
> Lotus.
                        Implications for the
industry
                        We have maintained for a while that Netscape's
> success or lack there of, has
                        broad implications for the entire industry.
> Netscape has acted as a strong
                        counterweight to Microsoft in the computer
> industry. Netscape's success has
                        brought Microsoft to the open standards arena
> and the success of Navigator has
                        forced Microsoft to support technologies such as
> Java. If Microsoft is
                        successful in gaining dominant market share in
> browsers, we feel that it will
                        have a significant impact on how Microsoft acts
> in the future. Microsoft is
                        already leading the charge in the evolution of
> many Web standards such as XML
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and we believe that the degree of openness could
> change if Microsoft prevails.
                        We even believe that Sun's Java initiative could
> falter under this scenario,
                        although Steve Milunovich, our Sun Microsystems
> analyst, has maintained for
                        quite some time that Sun's Java opportunity lies
> in the embedded system market
                        and is not dependent on the
> desktop.
                        New
> Estimate
                        We have established new estimates for Netscape.
> For 1998 we are at $513
                        million in revenue with a loss of ($0.20). Our
> 1999 estimates are $690 million
                        and $0.14. We believe we are low on the street
> with these estimates.
>
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