

From: Brad Chase  
 Sent: Monday, March 02, 1998 10:16 PM  
 To: Paul Baile, Lora Shiner, Yusuf Mehdi  
 Subject: RE: IE Plus Monthly Report - January 1998

got it i mis read the original  
 thanks

-----Original Message-----  
 From: Paul Baile  
 Sent: Monday, March 02, 1998 5:39 PM  
 To: Brad Chase, Lora Shiner, Yusuf Mehdi  
 Subject: RE: IE Plus Monthly Report - January 1998

Attached are the IESK sell through numbers compared to IE Plus. I think this what you were looking for

I just took a snapshot of the comparative data for IESK to compare with IE Plus, as Plus has only existed since October 97. I can provide complete info for IESK for all of 97 if you like.

**Comparative Sell-through data (compared to previous year IESK data)**

|                | IE+    | IESK   |
|----------------|--------|--------|
| January 98/97  | 14,519 | 13,712 |
| December 97/96 | 16,461 | 13,304 |
| November 97/96 | 24,490 | 10,688 |
| October 97/96  | 18,771 | 12,895 |
| Totals         | 74,250 | 50,599 |
| Average month: | 18,562 | 12,650 |

-----Original Message-----  
 From: Brad Chase  
 Sent: Sunday, March 01, 1998 10:01 PM  
 To: Paul Baile, Lora Shiner, Yusuf Mehdi, Steve Schiro  
 Cc: Michael Bnskom, Matt Sullivan  
 Subject: RE: IE Plus Monthly Report - January 1998

good report we are making good progress though we should be doing better at retail and i am hopeful about your ideas

i don't understand the comparative sell thru numbers since there does not seem to be the old numbers listed

-----Original Message-----  
 From: Paul Baile  
 Sent: Saturday, February 28, 1998 7:46 PM  
 To: Lora Shiner, Yusuf Mehdi, Steve Schiro, Brad Chase  
 Cc: Michael Bnskom, Matt Sullivan  
 Subject: IE Plus Monthly Report - January 1998

**January 98 Summary**

January sales continue to demonstrate that IE Plus sell-through is stronger than that of its predecessor, the IESK. IE Plus realized a 6% increase over sell-through of the IESK in January a year ago. However, we experienced a 12% decline in IE Plus sell-through from December 97. This decline is due in part to a decrease in retail sales for the post-holiday season. Strategic SKUs with comparable run rates such as Money 98 and Encarta Reference Suite experienced similar declines in this post-holiday timeframe. Other possible reasons for the decline in IE Plus sales include a slight inventory shortage which was rectified in early January (Best Buy, a top 5 reseller of IE Plus, reported some inventory problems), reduced stocking at retailers such as CostCo (they eliminated the entire browser category from stores by late Decemeber), and the "normal" flattening of sales of the product several months after launch. It may also be due to reduced stocking vis a vis Netscape Communicator, as we have reports of a sell-through rebate offered by Netscape to resellers, possibly in the December timeframe.

Also, based on the latest PC Data for December 97 (the most recent report available), IE (combined IE Plus and IESK) maintained a unit sell-through market share of 32%. This is a 9 percentage point drop from November, and partially reflects sales trending towards "normal" run rates after November (which was the first full month of product availability after launch). In contrast, Netscape achieved a 61% unit sell-through market share.

We are taking steps to improve sell-through in the coming months. This plan includes:

- 1) IE Plus will be one of the featured products in the PC Value Pack promotion created by the MS OEM team during March-April. In this promo new PC owners who purchase IE Plus will receive a mail-in rebate of \$25 (instead of the standard rebate of \$20).
- 2) IE Plus will be one of the SKUs that will earn resellers a \$5/unit rebate for every unit sold from April-May, if they

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agree to buy-in incremental units above and beyond their normal buy-in quantities. This should have the effect of driving incremental display, and increasing sales at our top resellers. Estimates are to increase sales by 20-30%.

3) We are working on a retail promo at CompUSA with US Robotics / 3Com based on the "Speed you need" online promo. This will be in the May-June timeframe. Basic premise of the promotion will be if users buy IE Plus and a 56K USR modem, they will get an additional savings via mail-in rebate or combined price reduction at the register.

4) We will continue to monitor distributor and reseller prices in the channel and make adjustments to price if necessary. Even though many of Netscape's top resellers (CompUSA, Computer City) lowered prices by \$10, their low-end SKU (Communicator Internet Access Edition) is either on par or higher-priced than IE Plus (after mail-in rebates).

5) IE Plus is being featured as a "Demo Days" product to be demonstrated by Demo reps Jan-April.

**IE Plus Sell-through and Run rates**

Actual and average unit sell-through continues to be close to the original plan (projected sell-through at 15K/month). However, January 98 sales and average run rates dropped from previous months. 12% decline in sell-through, 29% decrease in average run rate. This is due to several factors, noted above.

IESK data for the comparable periods last year is also included below. October, November and December 97 IE Plus data has been restated (upwards) from the previous monthly report. The restatement was necessary because TechData information had been incorrectly understated in late 97. This actually increased our total sell-thru numbers by over 4,000 units!

<< File: 1-98 IE Plus monthly.xls >>

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Source: MS Sales

**IE Plus run rates**

(based on MS Sales reporting weeks for each month)

<< OLE Object: Microsoft Excel Worksheet >>

Source of monthly data: MS Sales

**Retail Unit Market Share - progress towards our goal of achieving 50% share**

PC Data information, which is typically 1-1.5 months behind, is used to calculate unit and dollar market share. The current data, from December 1997, reflects a 9 point decline from November. This is partially due to the fact that November was the first full month of sales after IE Plus launched - typically a high sell-through month due to excitement about a new SKU. This is also partly due to a 10K increase in unit sell-through of Netscape Communicator (Standard and Deluxe) in December. Intelligence from buyers in the retail channel say there was a sell-through rebate offered by Netscape in January - possibly this also occurred during December as well.

<< File: browser share 1298.xls >>

Source: PC Data

**Reseller Unit Sell-through and Sell-in by Account for January 1998**

By account business results for the top resellers are shown below. CompUSA, Best Buy, and Computer City continue to be our top selling accounts. Here are the top 10 resellers, with launch-to-date unit sell-through and sell-in numbers:

<< OLE Object: Microsoft Excel Worksheet >>

Source: MS Sales

**Online software sales**

These resellers are linked from the IE Plus web site. Here are their current sell-through and sell-in numbers.

<< OLE Object: Microsoft Excel Worksheet >>

Source: MS Sales

**Issues**

- Quality issues. There have been some reports of customer problems with the Win32 version of IE currently on IE Plus coming from the eastern region. I investigated these reports with our lead support engineer, Erik Odenborg. Unfortunately most of the contacts we made could only give us anecdotal information. We did contact several reseller reps (at Computer City, CompUSA and Egghead), as well as discussing reports with Microsoft RMRs. We

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were able to document and solve a few issues, while the rest were merely follow-on calls to see if we could offer any assistance. I also sent IE 4.01 CDs to RMRs in the New York office, as well as sending CD's to the reseller reps we contacted.

- New IE Plus SKU coming. There will be a new SKU released to manufacturing on 2/18/98 with availability in late March/early April. This release will include IE 4.0 for Windows 3.1 and Macintosh, as well as IE 4.01 for Win32. We will need to continue to manage inventory to keep returns to a minimum. However, we expect to see 40-50K of old product to be returned.
- Java logo on existing/new inventory. There was no ruling on 2/27. At this point, we are continuing to keep the Java logo on the IE Plus box (both the old and new sku) until notified to do otherwise.

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