

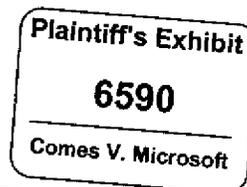
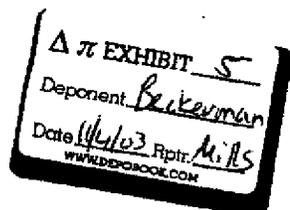
# Windows Media Technologies

## Marketing and Product Plans

Summarized from  
FY00 Planning Decks

June 2, 1999

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# Agenda

- ◆ Streaming Media vision
- ◆ What it means to lose, to win
- ◆ Success metrics
- ◆ Competitive landscape
- ◆ Goals and strategies
- ◆ New investment areas
- ◆ Product roadmap

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# Streaming Media Vision

- ◆ **Microsoft is leading provider of streaming media technology to:**
  - **Computer and consumer electronics industries**
  - **Content owners and creators**
  - **Corporations**
  - **Consumers**
  - **Network equipment providers and operators**
- ◆ **Microsoft at center of digital media revolution**
  - **Reinvigorating PC usage**
  - **Driving creation and adoption of new digital media applications, content, services, and *devices***

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# **Platform Battle Similar to Netscape, But Different Playbook**

- ◆ **No entrenched open standards (HTML, HTTP)**
- ◆ **No acceptable least-common-denominator**
- ◆ **Rapid changes in technical quality of content**
  - **Creating radically new business opportunities**
  - **Driving fast adoption of new technology**
- ◆ **Consumer use model differs**
  - **Most consumers use only one browser**
  - **Nearly all use two media players; many use 3**
- ◆ **Fixed-format devices are potential king-makers**

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# What It Means to Lose

- ◆ Real, Apple, or others provide the required multimedia runtime on Windows and WinCE
  - Content runtime will drive innovation and standards for tools, consumer & server apps
  - Windows multimedia APIs are no longer the focus of the development community
  - Potential COGS hit to license proprietary technology to get access to content
  - Opening for competing formats in OEM hardware
- ◆ RealPlayer becomes the browser of choice

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# What It Means To Win

- ◆ **Windows at center of digital media innovation**
  - Increased consumer relevance for PC
  - Maintain PC value vs. "Portal PC"
  - Not dependent on 3rd party runtimes or APIs
- ◆ **New opportunities for MSFT and 3rd parties**
  - New business models for content and services
  - Advantage WinCE for digital appliances
  - Broadband client and server platform
- ◆ **Enhanced Office/BackOffice functionality for knowledge workers**
  - Online training
  - Corporate communications
  - Rich business-to-business information sharing

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# **SMD Top Line Success Metrics**

- ◆ **Achieve competitive parity across all key areas over next 18-36 months**
- ◆ **Primary metrics for success over the next 3 years:**
  - **Achieve > 50% share of total content viewed on the internet and intranets via Microsoft formats (asf/wma, codecs and DRM)**
  - **Achieve > 50% usage share of installed streaming media client runtimes**
  - **Achieve leadership of installed streaming media servers (measured by # in use)**
  - **Lasting design wins in key Broadband and CE mkts**
- ◆ **Customer retention (SCI / Barriers to switching)**

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# Real Networks Strategy

- ◆ **Maintain industry leadership**
  - Continuous PR, marketing, deals and product releases
  - Widest player distribution, neutralize Microsoft advantages
  - Technical superiority to support fee-based business models
  - Expand efforts into broadband and portable device space
- ◆ **Paint Microsoft as:**
  - Proprietary and not focused on this area
  - Distant second (<20% mkt share)
- ◆ **Grow three businesses**
  - Platform: RealMedia system
    - Player / PlayerPlus, Server
    - Tools, Solution kits
  - Consulting/integration, hosting (RBN)
  - Advertising: RealGuide and ancillary portals
- ◆ **Couple player/portal to drive advertising, upgrades, barter deals**
- ◆ **Aggressively partner: infrastructure, content, ISVs**
- ◆ **Use market value to acquire other companies and technology**
  - Vivo, Xing, portal sites

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# Windows Media 4.0 vs Real G2

## ◆ We Win

- Audio quality & range
- High-bandwidth, full-screen video
- Rights management
- Server admin, scale, multicast, reliability
- IE 5 integration
- PPT 2000 integration
- Multi-processor encoding

## ◆ Tie

- Low-bitrate video quality
- Bandwidth management
- Multi-band video
- Encoding performance
- Encoder ease of use (templates)
- Commerce integration/PPV

## ◆ We lose

- X-platform players
- Player UI and extensibility
- Synchronized multimedia
- Audio/video editing tools
- Multi-band audio
- Media portal

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# Apple, IBM Strategies

- ◆ **Defend and extend the Mac**
  - As leading multimedia PC for creation and playback
  - As professional content creation platform
  - By adding QuickTime streaming server on MacOS X
  - With licensed codecs and internal codec development
- ◆ **Offer cross-platform support**
  - QuickTime client on Windows to ensure breadth coverage for ICPs
  - Open Source for QuickTime server to gain support on Unix and NT
- ◆ **IBM's Electronic Music Management System (EMMS) positioned as comprehensive, open, extensible, modular, solution for electronic music.**
- ◆ **2/99: collaboration w/six major labels to do a pilot EMMS project over Roadrunner network to 1000 cable subscribers in San Diego in summer 99; 2000 albums; both download and burn to CD.**
- ◆ **4/12/99: Real Player and encoding tools into EMMS**
- ◆ **4/15/99: Sony "MagicGate" and OpenMG copy protection technologies into EMMS**
- ◆ **Part of "4C" effort**

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# Microsoft Windows Media Strategy

- ◆ **Be leading streaming technology provider**
  - Highest quality, most innovative, most reliable platform
  - Media portal to guide users to content & traffic to partners
- ◆ **Small, aggressive, focused sales, marketing and biz dev effort worldwide to establish platform**
  - Corporations, content owners & ICPs, business partners, consumers
- ◆ **Integrate streaming as new, compelling feature in core Microsoft products**
  - Consumer Windows, Business & Enterprise Windows
  - Office and BackOffice
  - MSN
- ◆ **Invest in partnerships and infrastructure, integrate into existing cable and DSL deals**
  - SPs, Content, Infrastructure, Hosting, ISVs

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# **SMD Thought Leadership Areas**

## **◆ Best Consumer experience**

- **Best audio and video quality, best player experience, integrated portal; narrowband and broadband**
- **Commercialize MSR innovations, partner with Consumer Windows**

## **◆ Enabling 3rd party Business Models**

- **DRM, Advertising, Personalization, PPV**
- **Partner with Commerce & Consumer division**

## **◆ Media enabling corporate Intranets**

- **PPT broadcast, video broadcast, Training, Announcements, meetings**
- **Intranet media guide toolkit**
- **Commercialize MSR innovations, partner with Office and Business Windows**

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# **Business & Marketing Goals**

## *Short-term*

- ◆ **Establish Windows Media as well-known and rapidly growing competitor to Real (and QT)**
- ◆ **Be #1 partner of music industry**
- ◆ **Continue drive to content parity on top sites**
- ◆ **Capitalize on Internet radio popularity**
- ◆ **Expand, localize media portal:  
WindowsMedia.com**
- ◆ **Invest in international efforts**
- ◆ **Document successes in corporate market;  
drive through MS field**
- ◆ **Design wins with ISVs and IHVs**

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# **Mid-Term Marketing Strategy**

**Market our thought-leadership areas aggressively**

## **◆ Take position as leader in consumer experience**

- **Via our own products & services**
- **Via partners' products and content**

## **◆ Show we are best partner for ICPs/ISPs**

- **Offer best business model for partners**
- **Product availability and pricing**
- **Customizability, biz model features**

## **◆ Offer maximum value & complete solutions to corporate customers through MS and partner sales forces**

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# Funding the Effort

- ◆ **Overall SMD growth FY00**
  - Add about 150 hc;
  - Total around 500 (fte+cs)
  - Budget ~ \$140 million; fy99 ~ \$67m
- ◆ **Marketing and Business Development**
  - Nearly doubling the team (fte+cs)
  - Plus ~15 in marketing
  - 10 in International sales
  - WindowsMedia.com grows by ~1.5 – 2x
  - Expense budget ~ \$40M (35+5); fy99 ~ \$20M (18+3)

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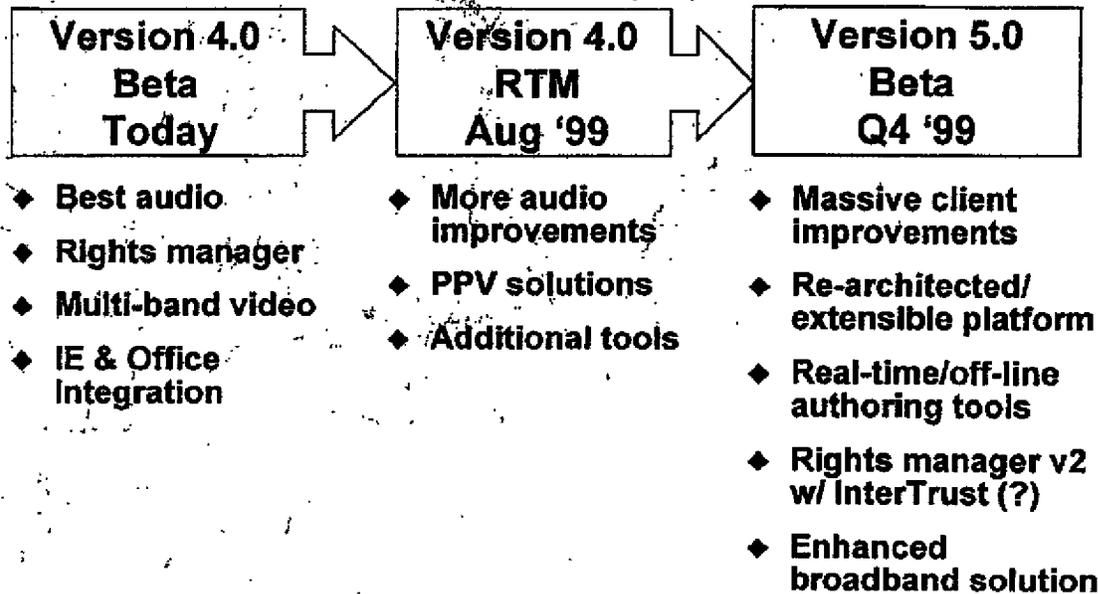
# **Incremental Product Investment Areas**

- ◆ **Tools: Grow team, license core technology (+10-15 heads)**
- ◆ **Streaming platform (+27 HC)**
  - WinCE clients and cross-platform clients
  - Broadband / cable support
- ◆ **WebEvents/Media Portal (+30 HC)**
- ◆ **Consumer Electronics / codecs (18 HC)**
- ◆ **DRM/Intertrust - Investment + 23 HC for integration, reimplementaion and new features**
- ◆ **Solutions (+19 HC)**
  - 3rd pty biz model/commerce
  - Webcasting
  - Corporate communications/training

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# Release Roadmap

## Windows Media Technologies



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