

Windows Media Platform Group

Eclipse Review Series: Music Strategy

Music Scenarios and Technology

Music Team (geoffhar, ccallo, jpaddle, davidkal, davidhos, marklake)

(Draft) Mar 01

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Exhibit: <u>4</u>
Wit: <u>Paddleford</u>
Date: <u>5-06-04</u>
<i>Emi Albright, CCR RPR</i> <i>Esquire Deposition Services</i>

Plaintiff's Exhibit
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What We Hope to Accomplish Today

Majority consensus on our music strategy



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Vision

- **Windows Media (codec, file format, DRM) and Windows Media Player are the technologies of choice for consumers and businesses for the digital creation, distribution, and playback, of music and music video, anytime, anywhere, and on any device**

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Assumptions (next 12 months)

- PC is central storage device for music in the home
- We will continue to walk a "balance beam" between user experience and content owner business needs
- CD's will be dominant/significant media for 2 + years
 - 2 - 10 years before broad consumer adoption of "locked" media
 - Scattered support for DVDA, SACD, DataPlay
- More Windows Media digital content activity will be generated by home ripping than will be delivered by ICPs
- Our end game is to increase new consumer activity using Windows Media, and to convert and/or increase current usage of Windows Media:
 - Content, and convenience, initiates and drives consumer activity
 - On-line and off-line good consumer experience drives consumer activity
 - Long term established relationships with major labels is important
 - Retailers and aggregators, as interface to consumers, are important

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Situation Analysis

- **Labels under increasing pressure, are motivated to "lock content"**
 - *UMG estimated sales down 20 – 25% down this holiday season in Germany and Holland*
 - *Sony states 4 blank CDs for every one commercial CD sold*
 - *CD burners 30% of homes in US*
- **On-line sales are responsible for 1.6% of total music market today**
 - *40 billion dollar industry/year - 5 labels for 85% of global market (EMI, BMG, UMG, Sony, WMG)*
- **Adoption of latest platform/features is slow**
 - *Labels are reluctant to jeopardize current status quo (brick and mortar represents 98% of their business), and are not motivated to invest without a new business model*
 - *Reach is important*
 - *Tightly integrated music eco-system means we are dependent on all parts - labels, retailers, aggregators, and service providers*

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Situation Analysis

- **Industry still in search of sustainable digital music business model**

- ***Digital Downloads for sale a bust***

- To date, total of approximately 9,000 songs made available for approximately 10,000 sold
 - Difficult consumer experience from purchase and price, to usage restrictions
 - Digital costs exceed physical

- ***Advertising Models unable to deliver off-setting costs***

- Low click-through and CPMs; need to base on performance or bounties or invasive advertising
 - Complicated artist issues (i.e. Britney Pepsi deal – can't do Coke)
 - Lack of critical mass of inventory and advertisers

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Situation Analysis

- Industry still in search of sustainable digital music business model

- **Subscription Models difficult**

- Rights issues, and therefore fees, in flux
- Non-cooperative labels (AOL TW vs. Be Music vs. Duet with Sony and Universal)
- Consumer resistance (Napster was free)
- Business models upside down (MSN Music not profitable until 2005)
- Lack of fully deployable solution today (80% there)
- Club terms proposed make artists, labels, and retailers unhappy

- **Promotional Activities may be best commercial opportunity for adoption**

- Business model driven by portals or CDNs paying hosting and bandwidth costs in exchange for "programming", labels not budgeted for internet promotions (vs.. radio and retail)
- Helps labels establish artists and sell CDs
 - U2 WMD over 100,000 downloads; Madonna webcast
 - E-mail names valuable to labels for up sell opportunities
 - Super-distribution is working - more than 100% in the case of Lenny Kravitz
 - Business model driven by portals or CDNs paying hosting and bandwidth costs in exchange for "programming"

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Big Picture Goals and Objectives (What We Want to Win)

DMD Contribution to Microsoft Goals:

1. Increase consumer excitement around Windows
2. Sell more Windows Servers

Secondary Contribution to Microsoft Goals:

1. Create opportunities for incremental DMD/MSN revenue

DMD Goals:

- **Ultimate Goal:** Adoption of latest player + format: own user experience and platform on which media apps are built – first choice with generic, off the shelf player or border, second choice with skin
- **Preferred:** Adoption of platform + format: player ocx or cms
- **Acceptable:** Adoption of format only: apps written on format sdk

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High Level Music Objectives (next 12 months)

Overall Goal 1: Top Down

XX% of most popular music available to users at most popular sites is offered in WMT (commercial downloads, promotional downloads, radio, clips, subscriptions)

Overall Goal 2: Bottom Up

XX% of content ripped into WMT format

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Audience Priorities

- | | What They Need |
|--|---|
| • Tier 1 | |
| ▪ <i>Consumers</i> | <i>Good experience (no DRM?)</i> |
| ▪ <i>Labels (EMI, Sony, UMG, BMG, WMG)</i> | <i>Audio and video quality, security, distribution</i> |
| • Tier 2 | |
| ▪ <i>Aggregators (Yahoo, MSN Music)</i> | <i>Distribution, solutions, reach, cross platform, low TCO</i> |
| ▪ <i>Retailers (Amazon, Tower, Best Buy)</i> | <i>Integration, seamless installation, customer retention, "zero support platform", solutions, reach, cross platform, low TCO</i> |
| ▪ <i>Service Providers (Reciprocal)</i> | <i>Tools, solutions, lowTCO</i> |

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Audience Realities

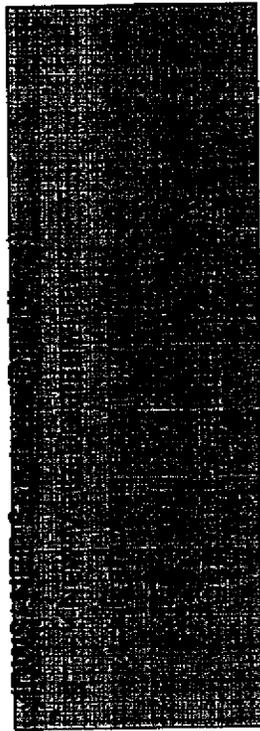
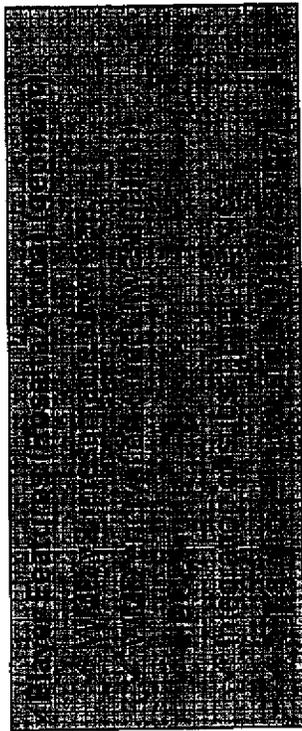
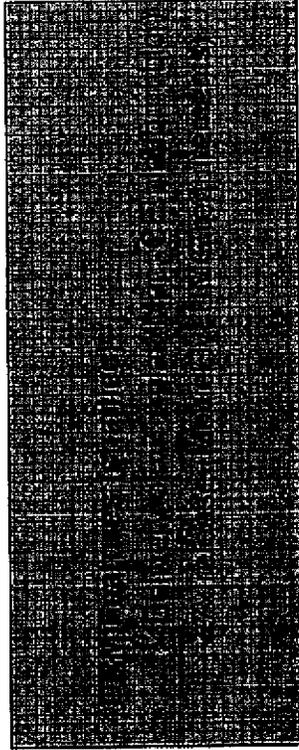
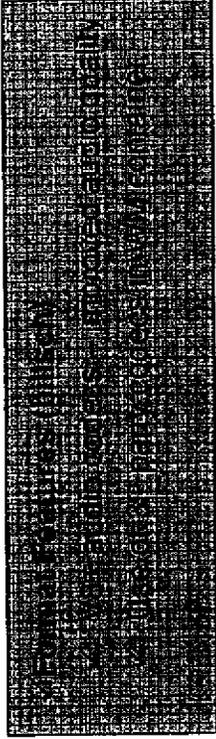
- We may "Delight" this Audience
 - Mainstream consumer (not early adopter)
- We may "Satisfy" this Audience (Won't delight, won't please, won't disappoint)
 - Early Adopter consumer
 - Labels
 - Portals/Aggregators (Yahoo, Subscription Services/MTV)
 - Retailers (Amazon, Best Buy)
- We may "Disappoint" this Audience... but we'll try not to
 - SPs (Liquid Audio, MusicNet)

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Eclipse Features



Big Ideas

- **Pursue Physical Media Format**
 - *WM codec and DRM, for audio, video, games, 5.1 quality*
 - *Potential Revenue stream*
 - *Label support – puts MS “skin in the game” to protect content/sale of format*
 - *Metadata in exchange for DRM’g*
- **Transcription**
 - *Keeps Windows royalty free*
 - *Moves market*
 - *Some loss of control*
- **Mastering tool**
 - *Ensures optimal quality content creation into Windows Media*
- **Major Partnerships**
 - *Pursue strategic, major, key alliances in entertainment*
 - *Embrace, sell .net*

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Issue

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Issues

- **Internet Content Goal**
 - *Difficult to measure (can measure files, but not tracks or usage)*
 - *High dependency on major accounts (i.e. Amazon)*

- **Ripping Goal**
 - *Difficult to measure (AMG data?)*
 - *Difficult to influence*
 - *A function of marketing and product team, rather than biz dev*

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STRENGTH AND FACTORS

Section 1.1: Major Content: Macroeconomics

Section 1.1:

• The relationship between the economy and the environment

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• The relationship between the economy and the environment

• The relationship between the economy and the environment



Strategic Tax

General Information
Statutory Authority
Title 26 (Internal Revenue Code)

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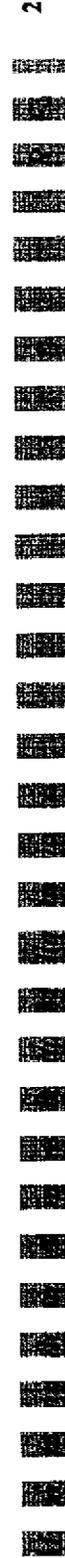
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Strategy and Tactics

Goal: XX% Major Content at Major Sites

Strategy 2 – Industry Adoption (cont'd)

Tactics 1.2 (cont'd)

- One subscription service design win outside of MSN Music (e.g. Full Audio, EverAd, Yahoo, MTV, AOL) (Calio, Kail, Paddleford, Lakefish)

- Education via one on one calls, visits
- Engagement via promotions
- Excite via case studies, experience

- More than 50% of new major label content to be created using v7 DRM (or later), and v8 codec (or later) (Kail, Lakefish)

- Include in promotional agreements
- Put encoding stations in major labels and aggregators

- Tight integration with JR's and Jen Baisch's SP and ICP programs for latest technologies and best practices (Lakefish)

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Strategy and Tactics

Goal: XX% Major Content at Major Sites

Strategy 2 – Industry Adoption (cont'd)

Tactics 1.2 (cont'd)

- Establish new 5.1 audio format with locked WM content
 - Brad Brunell – need biz dev head and DMD support
- Partnerships
 - Work with Corp Dev and Hank Vigil
- Work towards establishing a standard
 - Brad Brunell
- Ensure locked media integration (Calio, Brunell)
 - Discussions with labels
 - WM Physical Format Group

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Strategy and Tactics

Goal: XX% Major Content at Major Sites

Strategy 3: Business Models - Make the Numbers Work

Tactics 1.3:

- Build minimum one case study to show digital media promotions driving conventional and digital media sales, evangelize (Calio, Lakefish, Kail)
- April program with Tower Records, Reciprocal, and Sony
- Use all possible Microsoft assets to solidify format adoption outreach and provide new opportunities for ICPs
 - Active participation in MSJAMS (Calio, Lakefish, Kail)
 - Integration with MSN and WinXP re distribution opportunities for Duet, etc. (Calio)
- Work with CDNs to bring ad model to streaming media (Kail)
- Investigate translation layer, standard (Calio, Brunell)

High Level Music Objectives (next 12 months) cont'd

Overall Goal 2:

XX% of ripped content in WMT format (Player adoption and use - need to define)

Strategy:

Educate/Establish/Excite consumer mind-share

Tactics:

- Press and marketing campaign around player, audio/video quality, HDCD, and metadata (Lakefish)
- NetGen campaign
 - WinXP Netgen group participation (Calio, Unangst, Harris, Knowlton)
 - RealWorld opportunity (Lakefish, XPNetGen group)
 - MSN sponsorship of VMAs (Calio, Lakefish)
 - MTV technical contract for development (Calio, Harris)
- Workable DRM future scenario (roaming/e-Home) (CCalio, BradBr)

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Strategy and Tactics (How We Win)

● Marketing (Lakefish)

- *Consumer marketing campaign re Player and audio/video quality to encourage rips*
- *Windows Media music industry awareness - v7 quality, DRM security, and worldwide reach*
 - Print Advertising in strategic issues of Billboard and Mix Magazines
 - Consumer reach (Kevin's team) through MP7 Sustain Mktg Plan
- *Windows Media V8 audio quality Windows XP Media Player awareness*
 - Demo Workshops – East and West coast demonstrations for music labels
 - Competitive Review – Golden ears testimonials for quotes, PR
- *Demonstrate latest technologies on WM.com – WMDs, v7 and v8 standards, DRM*
 - Top Tier promotional content on WM.com using latest technology
- *HDCD consumer and industry campaign – renew enthusiasm and awareness*
 - New HDCD website, new partner/label e-newsletter; revised consumer postcard and partner direct mail card
 - Re-establish HDCD label logo licensing system
 - HDCD adoption program at mastering level (Mike Flanagan)
- *Develop new marketing business models for labels to prove benefits of digital media promotion*
 - Include quantified promo successes that directly lead to higher CD sales (soundscan analysis)
 - Label exec sponsorship of moving radio promotional \$\$ to new media marketing (research)
- *Music Industry awareness and usage research – empirical understanding of WM and competitive formats*
- *Integrate MSN Music efforts into overall music strategy – promote exclusive and on-going content offerings*

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Appendix

- **Competition**
 - *InterTrust*
 - *IBM*
 - *Liquid Audio*
 - *SecureMedia*
 - *Intel*
 - *SD*
- **Windows Media format adoption graph**
- **Industry matrix**
- **Music Industry Market Statistics Year 2000**

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Competitive: InterTrust

Strengths

- Universal and BMG content
- Strong IP
- Perceived as best in security
- Great PR and marketing
- \$200M in bank
- AOL relationship
- Multiple codec support

Weaknesses

- High upfront fees
- \$14M loss last quarter
- Behind in subscription model technology
- No OS integration → no SAP
- No known video deployments
- No known streaming deployments
- No promotional content currently available
- No super-distribution deployments

Where we win

- Second generation DRM with more deployments - all labels, more sites, studios
- Rights Manager has a significant lead in the Film industry
- Over 200M+ player support WMRM, giving it ubiquity, compatibility
- All major portable devices support WMRM, including Rio, Creative, Lyra, etc.
- SAP and future OS integration (secure media path)
 - *InterTrust claims this capability, but no deployments*
- Highly flexible platform – streaming, downloads, audio and video

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Competitive: IBM EMMS

Strengths

- Full Commercial package
- Field Trial Tested
- Sales Force
- Watermark tool
- AAC, ATRAC3, MP3 compatibility
- Kiosk services and tests
- IBM "trustability"

Weaknesses

- No current deployments
- No market presence
- Total solution requires DB2
- Behind in subscription models
- No OS integration – no SAP
- No portable devices currently enabled
- No streaming deployments
- No video - currently music-only

Where we win

- Second generation DRM with more deployments - all labels, more sites, studios
- Rights Manager has a significant lead in the Film industry
- Over 200M+ player support WMRM, giving it ubiquity, compatibility
- All major portable devices support WMRM, including Rio, Creative, Lyra, etc.
- SAP and future OS integration (secure media path)
- Separate license and content – ideal for super-distribution and subscriptions
- Highly flexible platform – streaming, downloads, audio and video

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Competitive: Liquid Audio

Strengths

- Warner, EMI deployment
- Strong retailer support –Best Buy, CDNow, etc.
- Indy program with significant on-line content available
- AAC, AC-3, MP3 compatibility
- Content can include lyrics, art, etc.
- Real plug-in provides broad reach
- End to end solution

Weaknesses

- Only Audio
- A lot of garage band content
- Very limited portable device support
- Lost \$9M last quarter on \$3M revenue (down from \$3.5 rev previous quarter)
- No OS integration – no SAP
- No video - currently music-only

Where we win

- Second generation DRM with more deployments - all labels, more sites, studios
- Rights Manager has a significant lead in the Film industry
- Over 200M+ player support WMRM, giving it ubiquity, compatibility
- All major portable devices support WMRM, including Rio, Creative, Lyra, etc.
- SAP and future OS integration (secure media path)
- Separate license and content – ideal for super-distribution and subscriptions
- Highly flexible platform – streaming, downloads, audio and video

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Competitive: SecureMedia

Strengths

- RealPlayer plug-in
- Real resells SecureMedia server
- Claims format independent – MP3, MPEG, Flash, Real
- Promote Security, User Experience and Speed ('on-the-fly' encryption)

Weaknesses

- Only available in RealPlayer
- No end-to-end protection – only protection on the wire
- No downloadable -> no portable device support
- No OS integration – no SAP

Where we win

- Rights Manager provides end-to-end protection on the wire and on the device
- Second generation DRM with more deployments - all labels, more sites, studios
- Rights Manager has a significant lead in the Film industry
- Over 200M+ player support WMRM, giving it ubiquity, compatibility
- All the major portable devices support WMRM, including Rio, Creative, Lyra, etc.
- SAP and future OS integration (secure media path)
- Separate license and content – ideal for super-distribution and subscriptions
- Highly flexible platform – streaming, downloads, audio and video

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Competitive: Intel

Strengths

- Key driver of 4C (with MEI)
- Some key IP in tamper resistance
- Renewable agents
- Intel "trustability"
- NBA deal

Weaknesses

- No big deployments
- PassEdge for sale
- No major traction in audio

Where we win

- Rights Manager has more deployments – all labels, more sites, studios
- Rights Manager has a significant lead in the Film industry
- Over 100M+ player support WORM, giving it ubiquity, compatibility
- All the major portable devices support WORM, including Rio, Creative, Lyra, etc.
- Innovations in end-to-end security - Secure Audio Path
- Rights Manager keeps the content and license separate, which provides very flexible solutions like subscriptions and superdistribution
- Music and video, downloadable and streaming

Competitive: SD

Strengths

- Combined market strength of MEI Toshiba, Sandisk, flash memory companies
- 4C security model, quasi standard
- Shipping today in Japan
- More secure than 'serial numbers'
- WM Format (but not DRM)
- Palm Pilot support coming soon

Weaknesses

- Fragmented market for PM (Sony Memory Stick, Dataplay, Compact flash, Iomega)
- Mediocre security compared with public key system
- Large upfront license fee
- Per unit fee for device key (a few cents)
- Key must be renewed every six months

Where we win

- Rights Manager works on the top selling portable devices – Rio, Creative, Lyra, etc.
- Support for compact flash, Smart Media, MultiMedia Card, Zip, Clik drive



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Music Business Basics

**Definitions, Explanations, and the answers to the
questions "Who Needs Labels, anyway?" and "Where
Does the Money Go?"**



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Music Biz Who Owns the Music

- Composer: The author of the song
- Performer: The performer of the song
- Publisher: Entity representing the composers' works (BMI, ASCAP), typically retaining 50% of the royalties
- Label: Contracts the performer for sound recording rights

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Music Biz Legal Issues/Licensing

- Mechanical: Governs the ability to create and sell pre-recorded media, like tapes and CDs
- Performance: Governs the playing of music like radio and in-store background music
- Synchronization: Governs the use of music in other forms like songs in movies/ads

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Music Biz Legal Issues/Licensing

- Note that each of these licenses has subsets and special cases -- for example the mechanical license may be built on a sliding scale that is tied to number of shipments (units sold), with varying pay-outs by format (CD vs. tape), and many royalty base deductions (per contract), and will vary significantly from country to country

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**Public
Utilities (A&E)**

- **Final** - labels that are still in use will be sold
ser all the goods of the industry and
br ads

Music Biz What Labels Do (Financing)

- Labels provide \$ to sustain the artist (who can't work and write, record), and produce the high quality album which includes costs for equipment, studio time, the producer, recording and mastering staff, additional musicians, and other costs (often in excess of 1 million dollars)

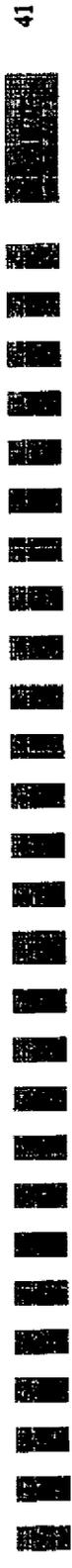
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White Paper (Production)

• The firm's production is a function of the amount of labor and capital employed. The firm's production function is given by:

$$Q = A L^\alpha K^\beta$$

where Q is the quantity of output, L is the amount of labor, K is the amount of capital, A is a constant, and α and β are the output elasticities of labor and capital, respectively.



A I S C B Z

W h i t e b a l : D (P i i t i n)

- There is a list of the first six items in the index (see also, 21, 22) which are the first six items in the list of the first six items in the index.



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RE BY W P RE TT T

**Music Biz
What Labels Do (Distribution)**

- Key to success from pressing sheets to physical distributors and retailers is (1) strong relationships and (2) strong timing. Labels are not just a conduit for music; they are a marketing machine. Labels are not just a conduit for music; they are a marketing machine. Labels are not just a conduit for music; they are a marketing machine.

M I S C B Z
R O T A I O N

- **T r a d i c i o n e** : **U n i t a t e**, **a r j e** **z e** **a l c i**, **i n** **M e r g a l e** **s t f f**,
u n **r e** **i s t** **i n** **f r a n** **s i** **u a l l i** **o h g l** **t r a** **f i c a** **z e** ;
- **M i s s i o n e r h i n n i** : **U e n s i d e** **s o s** **a d r o i t r f f** ; **s a r y** **l c** ; **l i g**
l i s
- **D i l i e n r e** **l e i t g e** **l a e r s** (**a p** **o v i** **l e** **M** **l e** **s e** **t i n** **d i c** **n s** -
t r e **b a t c n** **e r** **t i g** **r f** **y** **i a l** **s a k s** . **A g** **a s i e** **t r i s i c**
o r d **i t** **10** **%** **f a s** **r i m** **a** **t a** **l e** **s y** **100** . **n** **10** **0** **s i** **l e** **f o r** **e**
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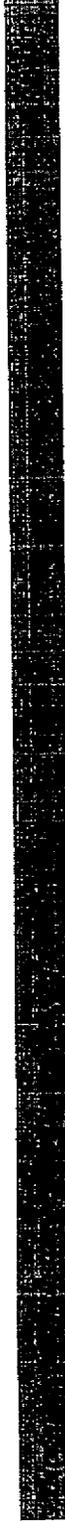
MSCBZ

Victims (Retic)

- A large number of health professionals are actively engaged in providing services to victims of domestic violence. It is important to ensure that all victims receive the services they need.

Music Biz What Labels Do (Radio)

- Playtime on top radio stations is still the best way to promote music
- Radio stations exist based on income from advertisers, which leads stations to focus on market share and audience reach (and therefore discourages play of new talent or unfamiliar songs)



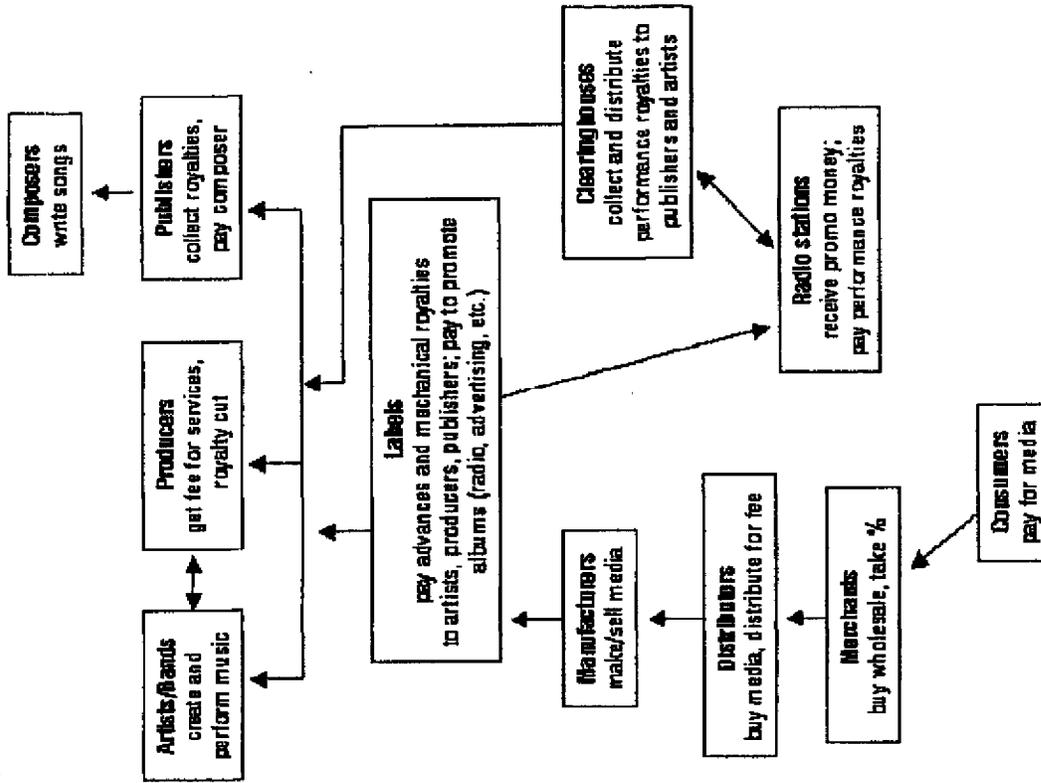
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MUSIC BIZ
WHERE DOES THE MONEY GO?
Prerecorded Music Industry Money Flow
 Source: IDC, September 1999



Music Biz Where Does The Money Go?

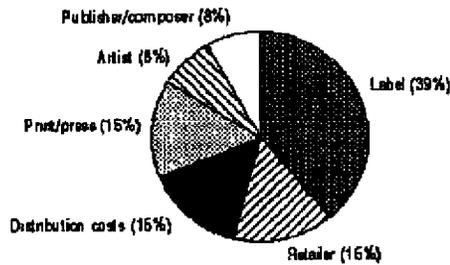
- The average \$13 the consumer pays for a CD is split so many ways that the original artist and songwriter can often lose money on hit albums.



MUSIC BIZ - Where Does The Money Go?
Revenue Distribution of a CD Audio Sale
Note: Percentages are based on the average cost of \$13.00 for a CD.
Source: IIC, September 1999

\$13 CD Breakdown

- \$1 Publisher/composer
- \$1 Artist
- \$2 Pressing, Printing
- \$2 Distribution costs
- \$2 Retailer
- \$5 Label



(compare to costs for digital distribution - LA charges \$4, Recip gets 7% or just 1% less than the artist!)

~~Highly Confidential - Premium Digital Music Distribution~~

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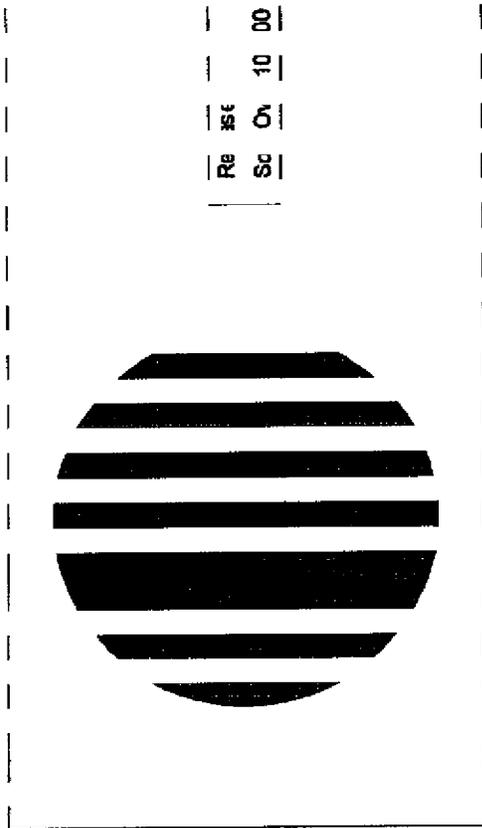
What is the main idea?

- The author's main purpose is to inform the reader about the importance of the... (text is mirrored and difficult to read)



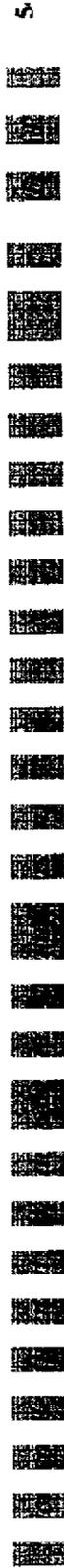
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Telephone**



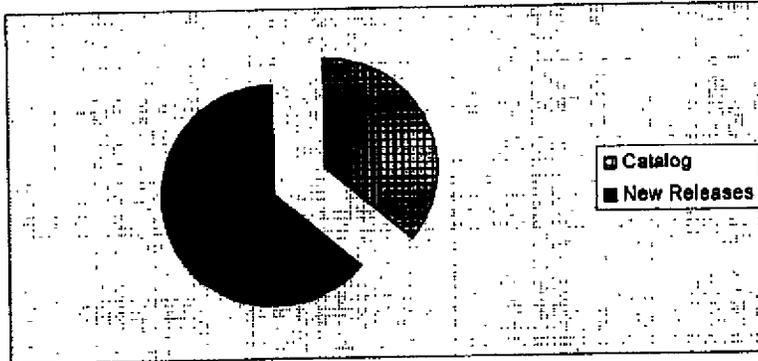
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**Music Biz
Where Does the Money Go?**



- Due to the high risk and high cost of new releases, labels are dependent on sales of catalog titles for survival. Catalog sales represented 36% of overall music sales in 1999.

Microsoft Confidential - Internal Digital Music Division

Music Biz Where Does the Money Go?

- Artist royalties (the mechanical royalty) generally account for 7 – 12% of the suggested retail price, or \$1 per CD sold. "Superstar" artist royalties generally exceed 13% of the suggested retail price.
- The band does not get any money until the label recoups the original advance

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1999 Music Market Analysis

~~Highly Confidential - Proprietary Information~~

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1999 Market Analysis

Music is the world's universal form of communication. It touches every person of every culture on the globe to the tune of \$38.5 billion annually in sales of recorded music, and the U.S. recording industry accounts for over one-third of that world market.

~~Microsoft Windows Digital Media Division~~

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U.S. Music Sales in 1999

Reported by RIAA, Washington, February 12, 2000

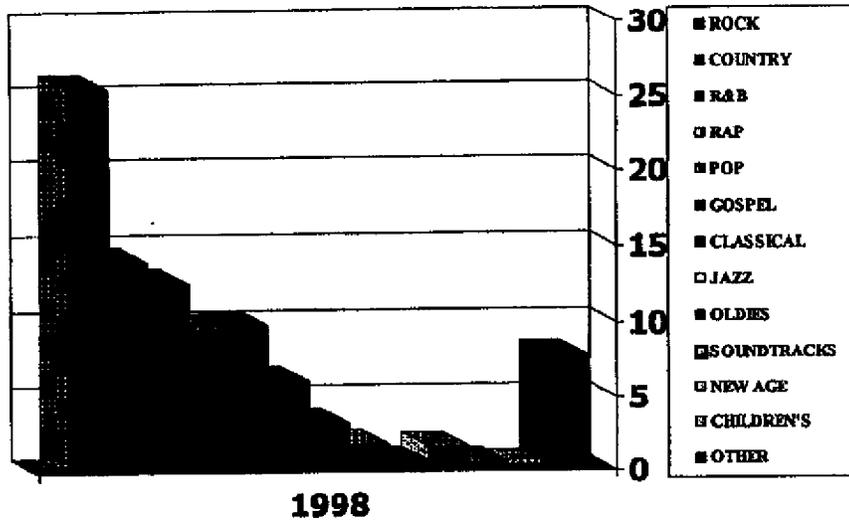
The Recording Industry Association of America's										
1999 Year-end Statistics										
1330 Connecticut Avenue NW, Suite 300, Washington DC 20036										
(202) 775-0101										
Manufacturers' Unit Shipments and Dollar Value										
(in millions, net after returns)										
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Total Units	865.7	901.0	955.5	955.8	1,122.7	1,112.7	1,137.2	1,083.4	1,124.3	1,160.8
Total Value	7,541.1	7,834.2	9,024.0	10,046.8	12,068.0	12,300.3	12,630.8	12,236.8	13,723.5	14,564.5

- Closing in on \$15 billion, the market for recorded music, measured by what manufacturers ship to retail and non-retail channels, continued its upward trend in 1999.

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Consumer Profile of US Market

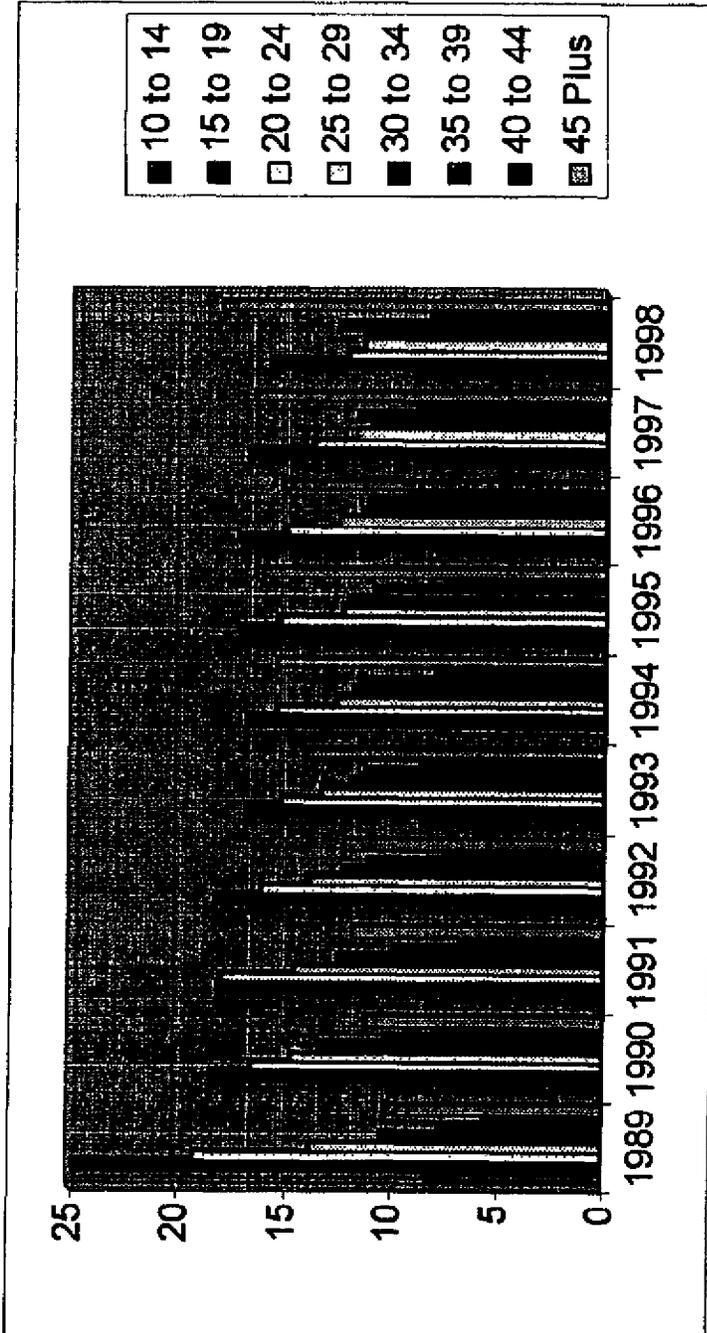


- In 1998, Rock, Country, R&B, Rap and Pop comprised a combined 72% of all music sales.

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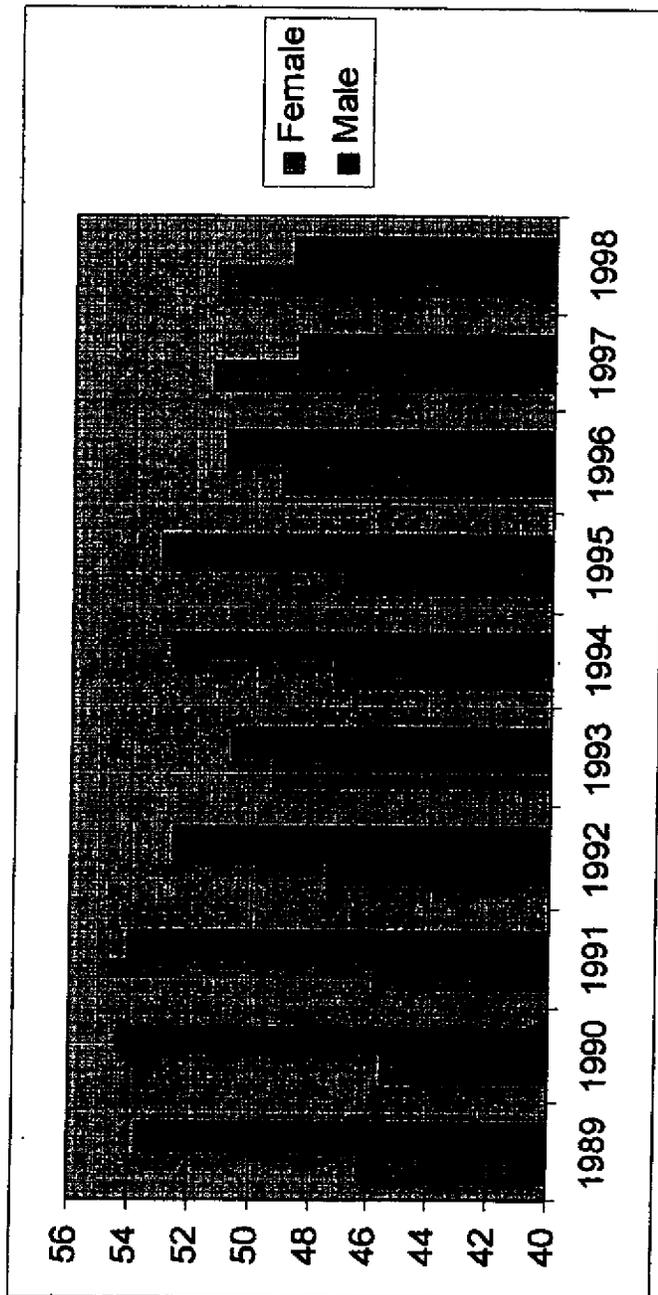
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Consumer Profile



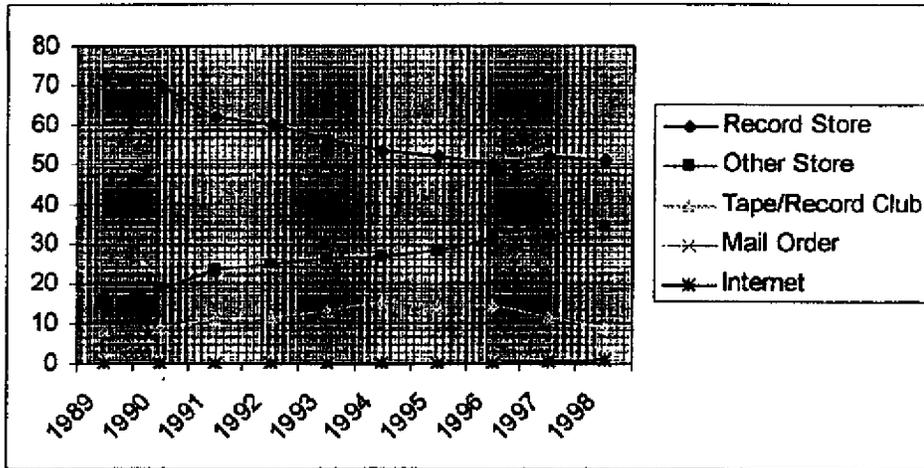
• The past 10 years have seen a marked increase in music purchases for the 35+ age group, while the 15-19 year old segment has declined from 24.8% of sales in 1989 to 15.8% in 1998.

Consumer Profile



- Female buyers now outnumber male buyers

Consumer Profile



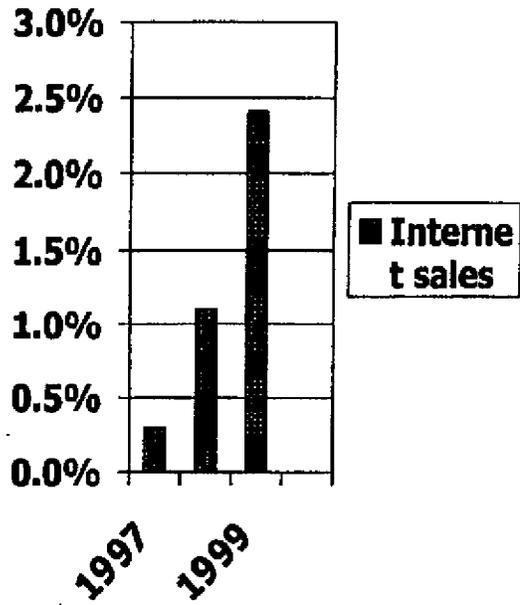
◆ **Record Store purchases have declined** while sales at other retail outlets have increased. Mail order and Record Club sales have fluctuated over the years with their combined percentage of sales equaling 11.9% in 1998.

◆ **Internet sales have become significant** after 1997, representing **1.1% of sales in 1998**.

Microsoft in the United States and Canada Digital Music Division

Consumer Profile

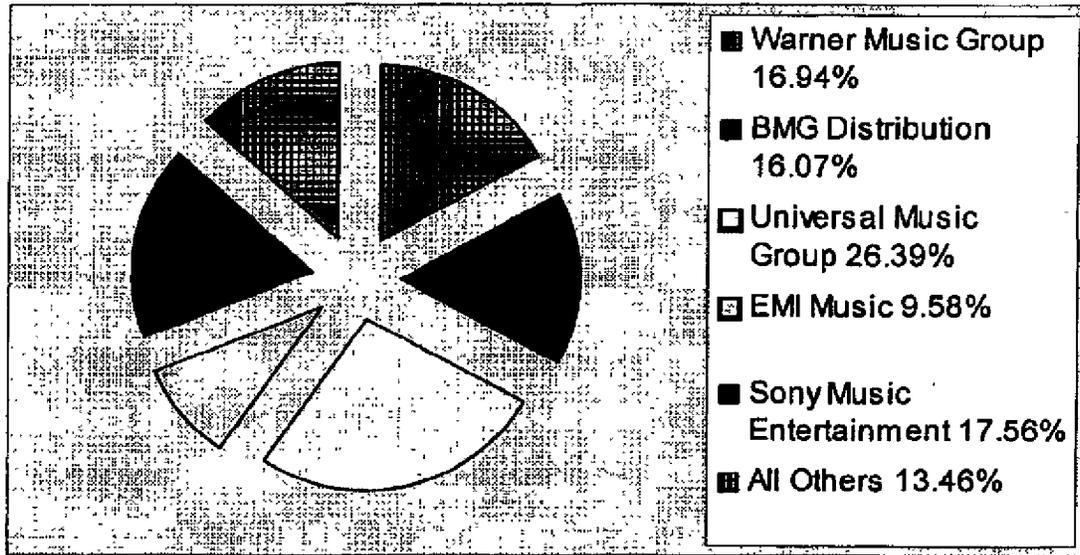
- Internet Sales
 - 1997 - 0.3%
 - 1998 - 1.1%
 - 1999 - 2.4%



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MAJOR LABEL SHARES OF U.S. MUSIC MARKET

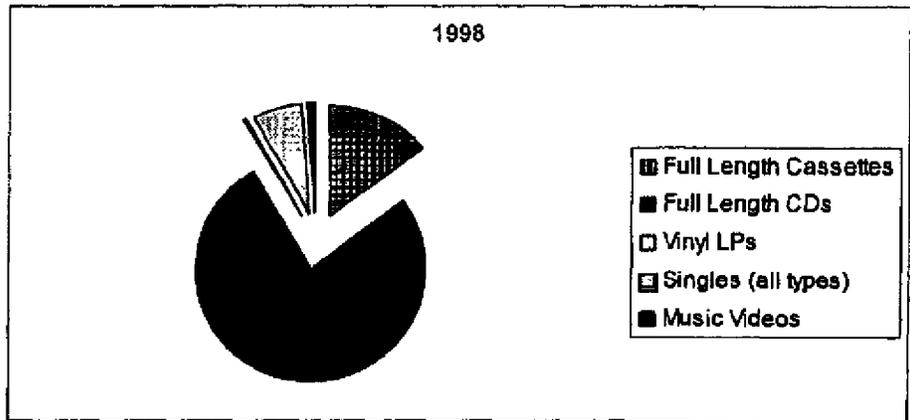


Warner Music Group, Sony Music Entertainment, BMG Distribution, EMI Music, Universal Music Group, All Others

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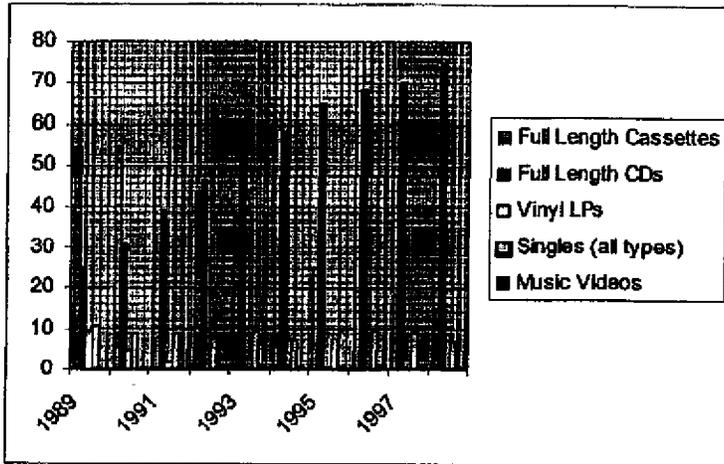
Configurations Consumer Profile

Singles are a small percentage of the market dominated by full length CDs



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Configurations Consumer Profile



- CD Purchases have continued to increase as all other traditional configurations have decreased.



Configurations

DVD

- DVD music video unit shipments grew 405% from 485,000 units in '98 to 2.5 million in '99
- DVD music video dollar value grew 442% from \$12.2 million in '98 to \$66.3 million in '99
- It is expected that DVD-A-capable players will have an installed base of 13 million units in the United States by the end of 2003. Even with this growth, compare this figure with the U.S. installed base of over 127 million CD players at the same point.

These numbers do not reflect total DVD shipment activity because not all reporting companies are able to provide DVD statistics at this time.

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Worldwide Music Sales - 1999

Global music sales in 1999 grew by 1.5% in constant dollar value to \$38.5 billion, helped by sustained strength of demand in the USA and by healthy advances in South East Asia, Scandinavia, parts of Eastern Europe and Australasia.



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North America - 1999

- The US experienced strong growth for the fifth year in a row, with a rise of 8% in value and 5% in units. Conversely the Canadian market was down by 11% in units and 9% in value. North America as a whole was up by 3% in units and 7% in value.



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Europe - 1999

As a whole, Europe was flat in units and up by 1% in value.

The European Union music market fell by 3% in units and remained flat in value, but there were notable differences between individual markets. Of the largest markets, the UK dropped in units by 5% but grew 4% in value; Italy saw growth of 1% in units and 4% in value. France and Spain fell while Germany remained flat in units. In several other European markets, notably in Scandinavia, sales were generally strong.

The Norwegian, Swedish, Danish and Irish markets all showed healthy growth rates. In Eastern Europe, the major music markets (Hungary, Poland, Russia, Croatia) all grew in unit terms except for the Czech Republic, which fell by 25% in units and almost 30% in value.

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Japan and Asia - 1999

Reduced consumer demand in Japan, the biggest market in the region, led to an 11% fall in units and 7% in value during 1999. Asia as a whole fell by 3% in units and 6% in value. Excluding Japan, the Asian region grew by 4% in units and 1% in value, mirroring the economic recovery of the region. Highest growth rates were experienced by South Korea and Indonesia, while other countries such as China and Singapore fell.

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Latin America - 1999

Latin America fell for the second year in a row during 1999, following the 1998 trend. Units were down by 6% and value down by 5%. While two of the major markets, Argentina and Brazil, fell both in units and value, Mexico, the second market in the region, experienced a healthy 15% growth in value terms. The share of the market accounted for by the CD format keeps growing in the region, accounting for 86% of all sales, compared to 82% in 1998.

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