

From: Rich Lappenbusch
Sent: Friday, November 17, 2000 4:17 PM
To: Sean Alexander; David Caulton
Cc: Denmark West
Subject: RE: Demo Outline Draft

Comments below. This looks great. Please update this based on my feedback and send out as word doc to our colleagues working in the review space below. Send to folks at MSN to sync up and ask for feedback by 21st.

Salman Ullah; Kate Seekings; Jeremy Hinman; Peter Atkins; Kumar Mehta; Danielle Tiedt; Denmark West;

Salman Ullah - overall
Kate Seekings - Games
Jeremy - MSN Music
Peter - MSN Video on demand
Kumar Mehta; Danielle Tiedt - doing AOL and Yahoo reviews.

thanks

rich



-----Original Message-----

From: Sean Alexander
Sent: Friday, November 17, 2000 3:42 PM
To: Rich Lappenbusch; David Caulton
Subject: Demo Outline Draft
Importance: High

Rich,
After looking through the tech and demos, I want to recommend some changes. I'm combining the first and second demos into a single scenario describing how the consumer is "Real"ed in. Attached is a rough demo script for review. Don't worry Rich, I found your porn complete with Under 18 disclaimers before viewing on GoldPass. :)
[Rich Lappenbusch]
delete all this.

What we will not do:

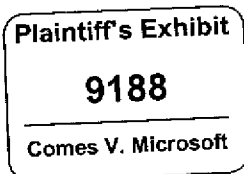
- Show AOL Plus other than slides. Leave this to the AOL competitive team, too complicated and confusing for scenario **[Rich Lappenbusch]**. Mention the 24M customers more they have today as a result of this.
- Show Real crapping on MSN Explorer for video other than inferred via demo *with* MSN Explorer. Once RealDownload is installed, this will be enough to show they're going after the user experience by reporting back user activity.

What we will do:

How the Consumer Gets "Real"ed in:

- One of two ways- system preloaded with RealPlayer (ex: Sony- show flap from top of box w/ Quicktime and Real listed in software pre-loaded)
- That's the easy way- note the OEMS that ship RealPlayer
- Imagine for a second the consumer who doesn't even have Real on their site. How do they get it? Imagine I'm one of XXX million consumers who bought a PC in the last year. I've installed MSN Explorer and use MSN Internet access. Let's take a look at the Real experience.
- Ex: New PC User who likes to watch ABC News. Want to get the latest headlines.
- **[Rich Lappenbusch]** "So that means that we are paying for all the infrastructure to bring the customer into the MSN experience and immediately losing any ability to monetize that customer on value added services because we are GIVING that customer to Real.com. We are also paying the bandwidth charges which are very high on streaming, it stresses our ops infrastructure much higher than other things like chat. etc.
- Why don't we have a suggested offer via pop-ups or other means to steer the traffic back to wm friendly sites like MSNBC.

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- **[Rich Lappenbusch] [Rich Lappenbusch]** Imagine you try to go to ABCNews.com and the top killer stories from MSNBC pop up in a daughter windows. Most people will stay in the walled garden, IF we have a competitive offering that's why MSN Video and MSN Music are critically important services to have.

Mention that real.com is top 5 site based on stats from CWard.

- Go to ABCNews.com want to watch video- have to install RealPlayer b/c it's the only format supported. This is what we hear from our customers on how they get Real in the first place- see about stat form CWard)
- Taken to Real's site- duped into purchasing RealPlayer Plus & 1 free month of GoldPass (Note you'll discuss later) for \$29.99 total
- Set Up RealPlayer Plus- Option Duping
- Look at crap on system, note how it takes over the system & rips file extensions away from Windows Media Player by default **[Rich Lappenbusch]** in violation of their OWN policy on ask, suggest, tell or whatever that was..
- Show Take 5 & Messages- Advertising for Games and RealAudio 8
- Note big icon for "Today in GoldPass". Click on GoldPass

Subscription Model GoldPass Demo

- What is GoldPass? Discuss Subscription model and how Real has moved from \$19.95/year upgrades to \$119.40 by charging \$9.95 for GoldPass Subscription. Note they are charging their Top 1% of customers for this (150MM uniquely registered players, **[Rich Lappenbusch]** 155M per their CFO a few weeks ago

Draw the similarities with the HBO business model early on and how that evolved. Peter on the list above can help you script that.

- Content broken down into: Premium Content and Software

Premium Content

- Note headlines start with **[Rich Lappenbusch]** top clip which happens to be... Bikini Open -targeting PG-13+ broadband demographic
- Click on "Show All GoldPass Features"
- Note the content, highlighting premium material such as London Fashion Week **[Rich Lappenbusch]** this is not on gold pass is it???
- Click on London Fashion Week. Note huge disclaimer for over -18 age. Now we enter the adult realm.
- Note on a home PC, this is the only thing stopping a child from viewing content if a parent or sibling purchased RealPlayer Plus.
- Click I Accept. Note this is where Real is targeting their premium content- soft-core content for adult males.
- Play content???- It's bare breasted women. **[Rich Lappenbusch]** Play the first 5-10 seconds show the performance is there and quit before you actually show nudity. That'll make the point. LauraF should have an adult entertainment industry slide ready to go in appendix for back up.
-
- Not just audio and video however, it's also games and utilities- a subscription style plus pack. **[Rich Lappenbusch]** Kate should have an opinion on what to say here.

Software - Free or For-Fee

- Note that GoldPass is essentially a subscription-based PlusPack. Content rotates every month to appeal to current and new audiences. **[Rich Lappenbusch]** Sticky, high frequency apps. Yahoo is already optimizing their search engine for smut.
- Note NetZip- Zipfile compressor that Real acquired last year. **[Rich Lappenbusch]** ADWARE is a good term, Drive it home.
- Note the SurrealFX Add-On for RealPlayer and RealJukebox. Note we installed it
- Demo SurrealFX w/ Music from Take 5 Playing
- Discuss how these add-ons appeal to NetGen community- very popular w/ WinAmp, Real trying to capitalize on that popularity
- Speaking of NetGen'ers, Real is getting into gaming business- licensed LithTech 3D Gaming engine and is now a publisher. Competes with Gaming Zone in some areas.

- Click on Games show Top 10 list, note Castol Superbike. Click to install. Note they try to get you to buy it by default. Nowhere do they tell you it costs \$\$
- Hit Back, click on Free Demo
- Notice RealDownload Express. Choose Ok, I want that, it's free. It'll help me.
- Download the game. Notice how RealDownload Express takes over and displays TWO banner ad windows.
- Opt-out of game install- note that we have it installed. See splash screen with Real's logo ALL over the place
- Average consumer- perhaps I get an email from a friend telling me to go install MSN Messenger **[Rich Lappenbusch]** YES! Expose how their are devaluing all our top reach vehicles.
- Go to install- RealDownload Express pops up and blasts me with advertising again. What should be a common OS experience (downloading a file) is now turned into an advertising opp for Real. Statistics regarding what is being downloaded and from where are sent back to RealNetworks. Specifically complete URL and filename of the file downloaded.

Other Consumer Entry Points

- Note that that Real's consumer mindset extends beyond their own portal site to others. Ex: Excite@Home ships RealPlayer (Slide), as does AOL (slide). Real's AOL format deal makes them the exclusive video format today for all broadband a/v content on the AOL network.
- Lastly, there is direct competition with the OS by way of MovieMaker. RealNetworks has created a custom version of their encoding tool RealProducer, specifically for Yahoo! Geocities. Create a home movie and post it to your personal web site on Geocities.
- Navigate to Geocities Website- again, no MSN, no Windows Media. This competes with our partners on MovieMaker and with MSN who hasn't entered this space (yet).

Summary

As you can see, this demonstration shows how aggressive RealNetworks is in taking over the client experience **[Rich Lappenbusch]** and stealing traffic away from our web services - from spamming the desktop to re-taking Windows file formats, to turning simple activities such as downloading any file from your browser and advertising opportunity.

Real is going after all the portal sites from Excite@Home to AOL Plus as the provider capturing over XXXMM users in the next year. We have also seen how Real has morphed into an Entertainment company, competing with not just DMD but many facets of Microsoft both directly and indirectly. Through distribution, technology, and content partnerships with AOL Plus, Excite@Home, Yahoo and others, Real is delivering compelling consumer services that compete with MSN, Windows/IE, and Messenger.