

**From:** Kurt Buecheler  
**Sent:** Friday, September 24, 1999 10:38 AM  
**To:** ICP Business Development  
**Subject:** ICP PPT on broadband.ppt

Took Will's slides and modified them for an ICP and to make as crisp an offer as we can (based on what we know about pricing)

Your comments, edits and suggestions welcome

Kurt



PPT on  
oadband.ppt (184 K)

2  
EXHIBIT NO. \_\_\_\_\_  
3-27-04  
Buecheler

Plaintiff's Exhibit  
**6650**  
Comes V. Microsoft

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# Windows Media Broadband Initiative

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# Streaming / Downloadable Media Explosion . . .

- ◆ 98 Million PC's Installed in the USA<sup>1</sup>,  
341 Million World Wide<sup>2</sup>
- ◆ Over 100 Million Streaming Media Players  
Downloaded<sup>3</sup>
- ◆ 44% of US PC Users use Media Players<sup>4</sup>
- ◆ 1 Million Digital Music Players to Ship in 99<sup>5</sup>
- ◆ It's a multi-format world
  - not Beta vs. VHS – devices can have several players

<sup>1</sup> US Census Bureau

<sup>2</sup> IDC

<sup>3</sup> Microsoft, Apple, RealNetworks estimates

<sup>4</sup> Media Metrics

<sup>5</sup> Forrester

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# Windows Media Background

- ◆ Windows Media is important because digital media is core to sustained success of PC
- ◆ Focus on providing a platform, not competing with ICPs as a web site or hosting service
- ◆ Key objective on enabling business partners to succeed in their areas
- ◆ No per-stream/user/usage charges
- ◆ Wide player distribution
  - Distribution in Windows, IE 5. Auto-update.
  - Third party players, devices already have support.

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# Windows Media Update

- ◆ **Windows Media Technologies update**
  - A better product for both streaming and secure download
  - A better business model
    - A platform to enable partners to succeed
    - No charges for streams, hosting, or promotion
- ◆ **50M+ player distribution and wide industry support**
- ◆ **Tremendous industry support**
  - Four of five major labels have used Windows Media for music promotions and/or downloadable sales
    - New single from Mariah Carey, Garth Brooks video etc.
  - Over 700 radio worldwide radio stations
  - Woodstock '99 - most popular live online music event
  - WMT is near 50% share in news segment

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# Broadband Internet

- ◆ Offers fast Internet access (Cable, DSL, LAN)
- ◆ Many devices will access Internet
- ◆ PC is prominent today, set top boxes will gain popularity.
  - Microsoft TV solution for set top boxes, which includes Windows Media support.
- ◆ Promise of broadband
  - Faster access – here today
  - Always on – here today
  - World class content – just beginning
  - Great quality experience – not here yet

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# Barriers to Broadband Today

- ◆ Lack of compelling content
- ◆ Poor quality due to data loss over internet architecture
- ◆ High costs
- ◆ Broken business model - broadband today means "lose money faster."
- ◆ No clear revenue streams.
  - Piracy rampant for music, starting to appear in video too.
  - Technologies have not existing to enable business models.

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# Windows Media Broadband Initiative

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# **Initiative: Make Broadband and Business Models Work**

- ◆ **Dramatically lower distribution costs**
- ◆ **Improved quality**
  - **Better video technology**
  - **Better distribution models**
- ◆ **Revenue models that work**
  - **Targeted, streaming advertisements**
  - **Pay-per-view, pay-to-download**
- ◆ **Broader audience reach**

**Microsoft is building an *ecosystem* to demonstrate these new business models.**

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# Broadband Ecosystem – Lower cost Distribution

## ◆ Strategy: Edge Model

- By-passes internet to move data from huge centralized servers directly to servers in local points of presence
- Users access content on local servers over internet
- Reduces broadband network costs by 80-90% by moving content near the end user.
- Brings broadband prices near narrowband prices

## ◆ Edge providers:

- Akamai iBEAM Sandpiper

## ◆ Caching providers:

- Infolibria, Inktomi, Network Appliance

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# Broadband Ecosystem – Improved Quality

- ◆ Broadband yields enough bandwidth to stream high end encoding realtime
  - Broadcast TV quality at 300 kbps and above
  - CD quality audio at 96 kbps
  - Downloads require half the bandwidth of MP3
- ◆ Downloads received fast enough to be convenient for consumers

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# Broadband Ecosystem Revenue Models

## ◆ Targeted, streaming advertisements

- Engage will provide a full ad services
- Ad revenue shared with ICPs
- Microsoft and others will purchase targeted streaming ads

## ◆ Pay-per-view, pay-to-download

- Leading pay-per-view companies (Intertainer, Sony, MGM, Universal, Warner, Miramax will participate
- Other ICPs welcome to put up events
- ICP decides what toll to collect (e-mail, money, etc.)

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# Broadband Ecosystem

## Larger Reach Audience

### ◆ Consumer access

- DSL: Northpoint, COVAD, Rhythms, Jato
- CableTime Warner, MediaOne

### ◆ Promotion – windowsmedia.com

- More reach than MP3.com and the realguide combined
- New broadband section to highlight broadband content

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# The ICP Opportunity

- ◆ **Deliver high quality content and viewing experience to web users**
- ◆ **A complete revenue model behind the effort**
  - Pay-per-view and pay-per-download revenue
  - Advertising revenue
- ◆ **Appealing cost reductions for 3+ months**
- ◆ **Press and promotion of users to your site**
  - Windowsmedia.com has 3M page-hits/day
- ◆ **Only top quality audio and video ICPs**

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# The Opportunity

## ◆ Microsoft responsibilities

- Building and coordinating the project
- Provision of software platform
- Bandwidth at deep discount for 3 months
- Limited assistance to ICP to implement PPV offers
- Promotion and co-marketing via PR
- Traffic via co-marketing and windowsmedia.com

## ◆ ICP responsibilities

- Provide 1 live stream 24/7 or 6 clips at least 30 seconds long at both bandwidths initially, add at least 1 new clip daily
- Use approved encoding processes to provide 100/300kbps encoded content to 2+ edge providers for 12 month period
- Allow ad insertion by Engage
- Provide (mutually agreed) reporting information monthly
- Participate in announcement and/or PR efforts
- Promote to end users using your marketing

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# The Opportunity

## ◆ ICP costs

- Providing encoded content to edge providers
- Hosting (Bandwidth will be free for 3 months)
  - Pricing model at Microsoft pricing levels
  - Estimate is 1 megabyte per second (7x24) at \$200/Mo.

## ◆ ICP revenue

- Optional op-in participation in ad revenue sold by engage
  - Ad revenues unknown at this time
- In-stream advertising sold by your company
- PPV revenue

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Where do you want to go today?\*

*Microsoft*

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