

---

**From:** Gary Schare  
**Sent:** Saturday, November 25, 2000 11:21 AM  
**To:** Kevin Unangst, Jim Reinertsen; Tony Bawcutt; Jennifer Baisch (PARSONS); David Britton; Susan Cameron; Andre Bazire; Dave Fester; Steve Sklepowich  
**Subject:** Initial data from Kaiser  
**Importance:** High

There's some really good data in here that should help you for your deliverables on Monday. We should get more from Kaiser early in the week.



kaisersdata.zip (115 KB)

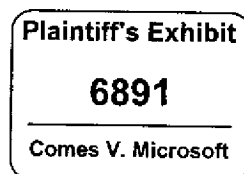
On the slide template I sent last week, feel free to make wholesale changes if you need to. I've already re-worked the enterprise slides a bit to accommodate this new data. But I kept the structure mostly the same as my previous draft.



enterprise sample.ppt (75 KB)

Remember, Richlap is looking for final slides Monday afternoon. He needs to print the deck Tuesday for the dry run. But don't stop working on Monday. We will likely make some major changes after the dry run as we still have 3 weeks to go before the final review.

Gary



**From:** Rich Lappenbusch  
**Sent:** Wednesday, November 22, 2000 9:50 AM  
**To:** RealNetworks Core Team  
**Subject:** Kaiser research results coming in...



Revenue

adcourt Spreadsheet (11.21.2000).ppt



Outline

I invite all of you to review the research that Kaiser is coming in with. Please update your slides as appropriate.

rich

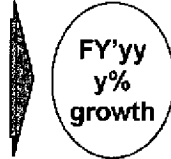
# Enterprise Segment pt. 1 of 2 – Gschare

## ① Revenue Summary

	FY'xx	FY'yy
Real ICP Revenue	<b>Kaiser Associates to provide</b>	
% Total Revenue		
Yr/Yr Growth		

### Growth Drivers

- Dedicated enterprise sales force engages without Microsoft showing up
- Complete solutions (software, network design & implementation, encoding, hosting)



## ③ Key Programs and Partners

### Programs

- Enterprise starter kit
- Solution bundles on website (software, consulting, hosting)
- Free encoding from Loudeye
- Gov't seminar series in VA

- Key programs visible through the sales force
- But not much impact on customers

### Partners

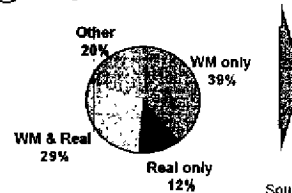
- Who's who of top ASPs on Internet
- StarLight and RCS inside the firewall
- Major UNIX vendors/OEMs (Sun, HP, IBM/Lotus, RedHat)
- Two gov't-specific resellers

- ASPs work with Real because "they have to"
- ABM strategy with UNIX vendors gives Real enterprise credibility

## ② Alignment with Customer Requirements

	Enterprise	Analysis
Enterprise "fit"	<ul style="list-style-type: none"> <li>• Integration with existing systems</li> <li>• Cross-platform clients and servers</li> </ul>	<ul style="list-style-type: none"> <li>• Minimal integration, but not a liability</li> <li>• Multi-platform client and server a big plus</li> </ul>
Cost	<ul style="list-style-type: none"> <li>• Enterprise licensing programs</li> <li>• Low price</li> </ul>	<ul style="list-style-type: none"> <li>• Real willing to drop price by 75% to win</li> <li>• Generally regarded as too expensive</li> </ul>
Complete solutions	<ul style="list-style-type: none"> <li>• Software for authoring publishing, &amp; management</li> <li>• Prof svcs for planning, deployment, encoding, hosting</li> </ul>	<ul style="list-style-type: none"> <li>• RCS a huge advantage, every deployment is custom</li> <li>• Complete solution hard to counter</li> </ul>
A/V quality & Network Impact	<ul style="list-style-type: none"> <li>• TV quality to the desktop</li> <li>• Bandwidth mgmt</li> </ul>	<ul style="list-style-type: none"> <li>• Parity situation, no advantage for Real</li> </ul>

## ④ Key Market Data



- Total usage share for Real: 41% vs WM: 68% in Oct'00
- Real's usage share down from Real: 43% vs WM: 46% in Apr'00

Source: Digital Media Business Tracker 10/00

**Insert Real OS Platform data from CWARD**

**DRAFT**

Strategic Review - RealNetworks

Appendix x-1

Strictly Microsoft Confidential - Internal Use Only

1

MS-CC-Bu 00000098521  
HIGHLY CONFIDENTIAL

# Enterprise Segment pt. 2 of 2 – Gschare

## 5 Product Assessment

### Real wins

- Rich-media authoring tools
- Unix client & server support
- Encoder push to server
- Remote server admin

### Real loses

- Desktop clutter
- Player as browser
- Server sca/reliability

### Tie

- Managed player
- A/V quality
- Bandwidth management
- Content management

## 6 Worldwide Sales Force Structure

- Approx. 50 enterprise salespeople worldwide
- 25 dedicated U.S. enterprise "segment" salespeople (lg. accounts), represents ¼ of U.S. sales force
  - Corporate: 12 people
  - Government: 5 people (all in DC)
  - Education: 3 people
- 27 telesales, org'd by region, not vertical (6-7 ent. if ratio holds)
  - Very focused on OEMs (Sun, HP, IBM)
- 70 int'l salespeople across 4 segments (15-20 enterprise if ratio holds)
- Compensation: Commission on units sold + bonus for new accounts

## 7 Customer wins/losses

<b>Real Wins</b> <ul style="list-style-type: none"> <li>• Applied Materials, 3Com</li> <li>• Boeing, HP, Intel, Novell, Pac Bell, TI, U of Penn, U of Mich, Fed Gov't (GSA, DOD, DOC, TVA)</li> </ul>
<b>Real Losses</b> <ul style="list-style-type: none"> <li>• Williams, CalTrans, AT&amp;T, Bear Stearns, Int'l Paper, Proctor &amp; Gamble, CSFB</li> </ul>
<b>Fighting</b> <ul style="list-style-type: none"> <li>• JP Morgan, Nike, Schwab, BofA, First Union</li> </ul>

### Analysis

- When MS engages, Real usually loses account
- Real often loses on price (Williams, NIST)
- Real occasionally wins on x-platform clients and servers

## 8 SWOT

<b>Strengths</b> <ul style="list-style-type: none"> <li>• Enterprise sales &amp; consulting force</li> <li>• Complete solutions</li> <li>• X-platform server and client</li> <li>• Price flexibility</li> </ul>	<b>Opportunities</b> <ul style="list-style-type: none"> <li>• Leverage Unix partnerships on the server</li> <li>• Migrate enterprise browser to Real/ Netscape</li> <li>• Generate revenue to fund consumer content efforts</li> </ul>
<b>Weaknesses</b> <ul style="list-style-type: none"> <li>• Desktop clutter/interference</li> <li>• Player as browser</li> <li>• Server sca/reliability</li> <li>• Enterprise relationships</li> <li>• Platform/Solutions too expensive</li> </ul>	<b>Threats</b> <ul style="list-style-type: none"> <li>• MS out-mans Real in field</li> <li>• MS harnesses MCSPs</li> <li>• ASPs move toward MS due to channel conflict</li> <li>• MS provides better web/media server integration</li> </ul>

### Real is very exposed in the Enterprise

- Few partnerships left
- Sales force not making numbers
- Customers unwilling to write huge checks to Real
- MS shops choosing WM because "it's there"

Real is viewed as consumer company; not taken too seriously in the enterprise

**DRAFT**

Strategic Review - Real Networks

Appendix 4

Strictly Microsoft Confidential - Internal Use Only

MS-CC-Bu 00000098522  
HIGHLY CONFIDENTIAL