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## Microsoft's Tune Like Many Others

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Cue the music: **Microsoft** has officially thrown its headphones into the ring in the contest to bring legal music downloads to the masses.

Singing a similar tune to that of rivals **Apple Computers** and **RealNetworks**, Microsoft's new **pay-for-play** service launched yesterday as a [beta version](#) with songs selling for 99 cents a pop or \$9.99 an album.

The launch is part of broader plans to tap into -- or even dominate -- the digital music business, including a cranked-up version of its music software to play the tunes. "In a major platform rollout that starts today and continues into the holiday season, the company is unveiling an array of products and technologies designed to simplify the experience of buying and listening to digital music, videos and television. ... Launching today are a new online music store, portable video and music players and software for making it all work together," the Seattle Times reported. "Microsoft is selling its digital media lineup to more than just consumers, however. The fall blitz is also aimed at computer manufacturers, record labels and other industry players," the paper said.

"The launch is seen as crucial to the software giant's efforts to establish itself as a force in the nascent digital media market," the Financial Times reported. "Microsoft's store is modelled on Apple Computer's popular **iTunes** music store, which has captured about 70 percent of the legal music download market since its launch in April 2003. The success of the iTunes store and popular **iPod** digital music player has made Apple the early leader in digital music. But with Microsoft hoping to make Windows-based personal computers the hub of home entertainment networks, it can ill afford to allow Apple to become the industry standard for digital media."

The San Jose Mercury News noted of the launch: "What makes Microsoft's store noteworthy isn't necessarily innovation but its staggering reach. The music service's access to 350 million monthly visitors to **MSN** and compatibility with 70 portable music players makes it a serious threat" to iTunes. The Los Angeles Times picked up on this, too: "The point ... isn't just to sell music. Microsoft also wants to spread the use of its digital music technologies and boost the popularity" of MSN. And from CNET's News.com: "Industry analysts and executives consider Microsoft's full-blown effort to build its own music service as both a defense against Apple iTunes' dominance in the market and an offensive push to transform Windows into a digital media hub."

Microsoft never wants to offer just stand-alone services. They want to reel consumers in so they will use Microsoft software for as many things as possible. Interestingly, "Microsoft expects to make more money from ads than music tracks, said [MSN corporate vice president] **Yusuf Mehdi**," the Seattle Times reported. "Mehdi said Microsoft intends the music store at its MSN site to showcase the company's digital media and search technologies. 'We want to mainstream the music opportunity with MSN Music,' he said."

- [The Seattle Times: Microsoft Has New Push For Multimedia](#)
- [The Financial Times: Microsoft Launches Online Music Store](#)
- [The San Jose Mercury News: On Its Playlist: A New Online Music Store and Digital Media Players](#)

(Registration required)

- [The Los Angeles Times: Microsoft Ambitions Are Now Set to Music](#) (Registration required)
- [CNET's News.com: Microsoft Opens MSN Music Store](#)

Microsoft says songs from its service can be downloaded and played on more than 70 digital music players that work with its **Windows Media** software. "MSN Music -- available in the United States, France, Germany, Italy, Belgium, Brazil, Korea and Australia -- will start with a catalog of 500,000 songs, but will eventually increase that number to match the 1 million tracks available on Apple's iTunes," the San Francisco Chronicle reported. The Seattle Post-Intelligencer explained that with Microsoft's service, people can download tunes directly from a Web browser on their Microsoft-powered operating systems using the newly revamped **Media Player 10** software. "Many other services, including iTunes, require download of specialized music software. The MSN Music store ties into a much larger effort by Microsoft to add features and stir renewed interest in the **Windows XP** operating system, which was released three years ago and won't be replaced with a new version for two more years," the paper said.

Unlike Microsoft's music store, "Apple's service only works with its iPod and a recently released **Hewlett-Packard Co.** clone," the New York Post reported. "But Apple may still have an advantage there: After all, the iPod has become an ultra-hip accessory. Adding music and video products is part of Microsoft's plans to increase sales of its operating system, which runs almost 95 percent of personal computers." Of course, Microsoft is touting its service as the go-to place for online music services. More from the Chronicle: **Forrester Research** analyst **Josh Bernoff** said, "Microsoft's goal is to use MSN Music to promote the benefits of its Windows digital media software to consumers, makers of electronic devices and the entertainment industry. 'That really is the major strategic initiative here, to make sure it's the Microsoft Windows Media format and its digital rights management system that are used by the entertainment industry to protect music and video files,'" Bernoff told the Chronicle.

- [The San Francisco Chronicle: Microsoft Selling Music](#)
- [The New York Post: Microsoft Tunes Up in Apple Online Feud](#)

The P-I noted that as "Microsoft gets into the music download business today ... the company is looking to separate itself from the rest of the field with a deeper music catalog, higher-quality music encoding, an easier process of finding and downloading songs and a slate of additional features and services. ... Whether the features will be enough to attract large numbers of users and earn Microsoft a substantial share of the music download market should become clearer in the coming weeks as the company conducts a public test of the service. A final version is expected in mid-October."

And, in a nod to Apple's wildly popular iPod digital music player, Microsoft has its "first

[Portable Media Center](#), a handheld device that uses Microsoft software to play audio and video, including content downloaded from MSN Music and other services," the P-I said. The San Jose Mercury News explained: "Microsoft's new paperback book-size Portable Media Center is the first device to offer **Janus**, the code name for Microsoft software that allows subscribers to online entertainment services to move rented movies or music to portable players. **Napster**, the first music service to exploit this technology, will offer a preview version of its new Napster to Go service for \$14.95 a month."

More from the Financial Times: "While analysts agreed the software group's music store was well designed and easy to use, they said Microsoft faced a key challenge: It had to ensure the store worked well with scores of third-party portable music players that will be on the market by the end of the year. 'The hardware and the online media service has to work as well as the iPod does with iTunes,' said **Mike McGuire**, analyst at **Gartner**."

So why is Microsoft late to the digital music game (even **Wal-Mart** jumped into the act sooner)? Here's the company's spin on that (hold your chuckles, Apple execs): "In my opinion, a lot of services have rushed out to market, have not been very good, and we've seen that from the lack of consumer

enthusiasm. We didn't want to do that. I wanted to make sure that when we came out, since we weren't going to be the first out, we might as well be one of the best out," Mehdi told the Seattle Times.

• [The Seattle Times: Exec Details Strategy of Response to Apple, iTunes](#)

The Seattle Times cited figures that indicate the market still has a lot of growing room -- good news for a latecomer. "Despite the buzz around Apple's iPod, **Napster** and other online music services, digitally delivered music is still just a tiny fraction of the market, [**Jupiter Research** analyst **David Card**] said. Jupiter expects the industry to grow from \$100 million in sales in 2003 to \$1.9 billion in 2009, at which point it will still be just 12 percent of the music market."

The Los Angeles Times said Microsoft's "main competitive advantage will be the huge amount of traffic MSN and related sites already attract. According to **ComScore Media Metrix**, more than 100 million people, or 64 percent of all Web surfers, visited MSN in July, second only to **Yahoo** among online portals. And Microsoft's entertainment-oriented **WindowsMedia.com** site drew 50.2 million people, **Nielsen/NetRatings** reported."

Apple isn't sitting idly by. "Perhaps in anticipation of the looming threat from Microsoft, Apple on Wednesday announced it would pay 5 percent commission to Web sites that refer customers to the iTunes online store," the Merc reported.

### More Digital Device Wars

Meanwhile, in other digital entertainment news, the Los Angeles Times today reports on the trajectory of portable video player sales. "The **Walkman** revolutionized the consumer electronics industry. The **Watchman** was a dud. Fast-forward three decades and history could be repeating itself. Although the iPod and other portable digital audio players have become such huge hits that they're part of pop culture, the outlook for portable video players is far from sure," the newspaper said. "The industry is betting that the new crop of hand-held video players, which closely mimic their music-player cousins, will light a fire under sales. The little machines can play movies legally downloaded from online rental sites. They can also store and play downloaded tunes. Will that be enough? Maybe not. Consumers who want to watch movies on the go already have a lot of options."

• [The Los Angeles Times: Portable Video Player Sales In Slow Motion](#) (Registration required)

### Wired Politics

As the **GOP convention** wraps up today, technology has continued to play a role both from the floor to the protester-filled streets outside. Madison Square Garden has been transformed into a mini-tech hub. The convention "has more than 40,000 miles of cabling to operate high speed computer systems, telephone lines and live television broadcasts. **Verizon** has wired more than 12,000 telephone lines and hundreds of broadcast circuits over its fiber optic network, spokesman **Daniel Diaz Zapata** said," the Associated Press reported.

• [The Associated Press via washingtonpost.com: Convention Boasts State-of-Art Technology](#) (Registration required)

Cell phones have become digital message boards for convention participants and protesters alike. "Text-messaging has emerged as a major political force in New York, helping protesters swap everything from meeting times and locations to reports on police activity. The messages aren't just ordinary person-to-person messages; protester groups in particular are making use of a new service that allows them to send a single message that a computer then forwards instantaneously to a list of users who have signed up. In some cases, the messages go to hundreds of cellphone users. Some user lists receive dozens of message a day," the Wall Street Journal reported. "It isn't just protesters who are making use of the new technology. Some delegates also are using the technology to arrange social activities with groups of friends. Members of the Mississippi delegation were given two-way pagers to

keep updated on dinners and speeches."

- [The Wall Street Journal: Get the Word Out](#) (Subscription required)

More from the AP on how some of the protester-friendly messaging services work: "**Ruckus RNC 2004** was among the text-messaging groups available on the commercial **UPOC.com** service, which is best known for text alerts of celebrity sightings. More popular with protesters was the **TxtMob.com** site, developed expressly for activists by techies with the **Institute for Applied Autonomy**. Users register their mobile phone number and e-mail address with the site and can join many of the 200 groups (some are private), some of which have hundreds of users. Messages sent by users are 'broadcast' through the TxtMob server."

- [The Associated Press via washingtonpost.com: RNC Protesters Using Text Messages to Plan](#) (Registration required)

## GOP Data Hunt

An update on the **Secret Service** probe of the posting of Republican delegates' personal data to the Web: Wired reported yesterday that the "**Department of Justice** has backed down from its demand that the internet access provider for several **Indymedia** websites give grand jury testimony on who posted [delegates'] names, addresses, phone numbers, e-mail addresses and New York City hotel locations ... on the NYC Indymedia Open Newswire. While some of the delegate information posted on the NYC Independent Media Center site was publicly available on Republican websites, the Secret Service opened a criminal investigation into the posting, alleging that it could be used to intimidate voters," the article said.

- [Wired News: Feds Hunt Source of GOP Data](#) (Registration required)

## PlayStationary

**Sony** is looking to boost its videogame business, turning to a gaming guru to help its fortunes rise, The Wall Street Journal reported in a front-page piece today: "It's been a decade since Sony Corp. came up with its last big hit product, the PlayStation videogame machine. Since then, amid many technology revolutions -- mobile phones, flat-screen television sets, digital music players such as **Apple Computer Inc.**'s **iPod** -- the company that invented the **Walkman** has played the unfamiliar role of laggard. Sony's net income in the past four years combined is less than **Microsoft Corp.** makes in a quarter. Its stock price is the same as it was at the end of 1996," the paper said. "With another decade like that, the world's most famous consumer electronics maker could be just another name on the discount shelf. Desperate for hits, Sony's bosses last year tapped **Ken Kutaragi**, the creator of the **PlayStation** business, to remake the company's electronics strategy." Kutaragi, the paper said, is "determined to build the next generation of Sony gadgets around homemade chips and software that others can't easily copy. To promote teamwork, he's throwing together divisions of the Sony empire that once barely talked to each other. It's a jarring transformation for a company known for prima donna engineers who cared only about their own gadgets, jealously guarding innovations and thinking of other divisions as rivals."

- [The Wall Street Journal: Videogame Whiz Reprograms Sony After 10-Year Funk](#) (Subscription required)

Meanwhile, video game sales are taking a hit. "Video game sales soared to a record \$18.2 billion last year, but the days of strong growth are on pause as players await a new generation of consoles in 2005 and 2006, a new study showed on Wednesday," Reuters reported, noting "for the entire year are expected to be flat compared to 2003, at \$18.2 billion, said London-based research group **Screen Digest** in its annual study."

- [Reuters via USA Today: Video Game Sales Seen Pausing After Record 2003](#)

Here's one game maker that couldn't make it through the sales slide: "Combat Elite" publisher **Acclaim Entertainment Inc.**, which earlier this year lost licenses to two franchises -- the "Turok" shooter

games and MLBPA baseball -- has filed for Chapter 7 bankruptcy, Reuters reported.

- [Reuters via washingtonpost.com: Acclaim Files For Chapter 7 Bankruptcy](#) (Registration required)

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