
From: Jim Allchin
Sent: Monday, November 03, 2003 9:21 PM
To: Amir Majidimehr; Rick Thompson; Bill Gates; Will Poole
Cc: Alexander Gounares; Chris Jones (WINDOWS); Denmark West; Joe Peterson
Subject: RE: Scenario leadership

There is no question we are being clocked by Apple in a number of dimensions. I won't comment any more beyond what has already been said about the music situation.

In the past we have been very weak regarding scenarios. There was a good start in Windows XP. In fact that is why we called them "experiences" We integrated devices, PC, and services together (e.g., Photos). It was truly just a start, but really showed where we needed to go.

We talk about them as experiences on our web site today. See, for example, <http://www.microsoft.com/WindowsXP/experiences/default.asp>.

There are other "how to"s online as well. See <http://www.microsoft.com/windowsxp/pro/using/howto/default.asp>. The problem with these though is that they show the seams in our experiences or scenarios very clearly. Many of these are mini-scenarios, but our software doesn't handle things simply enough today.

We should judge ourselves about how well we understood the obvious scenarios and how seamless it is to accomplish -- across devices, pcs, and services. Apple is very good at scenarios. Today their worse space deals with networking. They are improving in this area as well though. Too often I fear we worry about making the 10% case visible to the user easily when we should spend our time on ensuring the 90% case is seamless. This needs to be our goal for LH and in fact for all our products.

jim

From: Amir Majidimehr
Sent: Mon 11/3/2003 7:43 PM
To: Rick Thompson; Bill Gates; Will Poole
Cc: Alexander Gounares; Chris Jones (WINDOWS); Denmark West; Jim Allchin
Subject: RE: Scenario leadership

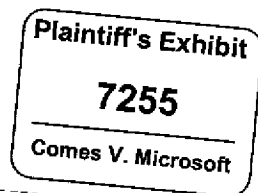
There is no question that we are behind Apple on iPod. We have been trying in the last few months to see if Apple would support WMA on iPod. They said yes, but under terms that we could not live with (perpetual no-cost source/object license, support only in iTunes and NOT media player or service, etc.). We are still working this but the outlook is not bright.

In parallel with above, we tried to push the rest of the device manufacturers to do a better job of integration than they do today with our media player. But for the most part, they ignored us and shipped either with third-party jukebox software, their own media players, or worse, simple "transfer apps." None of these work even remotely as well as Apple's solution. It was not until recently, when Apple moved iTunes to Windows, that these vendors understood the threat Apple represents to their business.

In order to make progress here, I have made sure that solving the device competitiveness is priority 1 for DMD. We make sure that new devices coming to market:

1. fully support the new sync engine in media player 9.1 (slated for release mid-next year)

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2. support our new device transfer protocol, MTP, which obviates the need for device drivers for most devices (i.e. "it just works" with media player)
3. 100% work with our (and third-party) music services using our DRM.

We are putting together special marketing/promotion program for partners who make great devices that work well in Windows. (The tricky part will be matching Apple's huge marketing dollars but we are going to use what we have at our disposal to make do.)

In short, we will assure that there is an integrated, end-to-end story from buying the music to listening to it on the go. This should get us in parity with Apple for the most part. What should get us past them, is the number of choices the user will have and the pricing for the devices. As Will mentioned, all music services other than Apple use our file format, compression and DRM and there is more to come. In addition, the consumer can choose to buy a dirt-cheap, flash memory device (e.g. under \$99) all they way up to high-end hard disk based devices that should still cost 30% less than an equiv iPod.

So the net is that we fully agree that we are not doing as well as we should. But our partners have seen the light, and we ourselves, are highly motivated to not lose the end-to-end scenario to Apple. The next few months will be tough but we should come out of it, looking a lot better.

Amir

From: Rick Thompson
Sent: Monday, November 03, 2003 5:10 PM
To: Bill Gates; Will Poole
Cc: Alexander Gounares; Amir Majidimehr; Chris Jones (WINDOWS); Denmark West; Jim Allchin
Subject: RE: Scenario leadership

Bill: Will is cramming for EU meetings that start next Monday in Brussels (just fyi)
My views:

1. Agility versus Platform in Windows:

We get Scenario leadership when we iterate, like in Media Player, IE (years ago), Tablet and Media Center.

Think: "3 releases in 3 years".

It is much harder to keep Scenario leadership for more than a short period of time, when we ship (platform-bound scenario bits) every 3+ years

This is particularly true when the scenario is just emerging (like MCE now)

Point being: I expect Scenario leadership when we organize / prioritize to iterate 3 releases fast

2. Our own Devices:

Portable Media Center (Media 2 Go) and Windows PVR (both from ToddW) will both drive the integration of Media formats, DRM, Synch, and maybe biz model?

JoeB's Bobsled (remoting) stuff gets us started in the direction of "Windows-ready digital TVs" but we have a loooong way to go

3. Amir should address the Music questions

4. Photos: Good questions. Chris?

From: Bill Gates
Sent: Monday, November 03, 2003 8:20 AM
To: Will Poole
Cc: Alexander Gounares; Amir Majidimehr; Chris Jones (WINDOWS); Rick Thompson; Denmark West; Jim Allchin

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Subject: RE: Scenario leadership

These are good points.

I am still unclear if we can get the Samsung or DELL devices to be neutral enough to work with our music service or if we need to get someone to make a device that works with what we do.

I think one outcome of good scenario work is that it would make us understand what we want from peripheral makers.

What do we want in cameras for metadata and UI? What do we want relative to device discovery? (hopefully patented stuff).

In some cases we may want to do a peripheral ourselves but in most cases we want Designed for Windows branded devices made by third parties.

When I hear we have a plan for Designed for Windows cameras, and other devices I will feel like our scenario work is really moving ahead.

Great scenario work would also result in us marketing the guidance to people on how to assemble the pieces to execute on the scenario.

When I see websites/books explaining how to set up for scenarios I will feel like our scenario work is really moving ahead.

I know Media Center is focused on TV/satellite stuff on the PC for their next version and I'll bet they get that right.

They will end up having a number of devices that they connect to and a Designed for Windows program I will bet.

For music I feel like I had been asking us to collaborate with the Ipod competitors on Designed for Windows for some time.

I didn't realize they would tie up with specific music services but perhaps I should have. Even in the meeting discussing going into the music download business the need to have device affinity wasn't discussed.

For photos I think its wide open for us to show leadership

For home surveillance/home security/home control we don't have any guidance to people.

From: Will Poole

Sent: Sunday, November 02, 2003 10:52 PM

To: Bill Gates

Cc: Alexander Gounares; Amir Majidimehr; Chris Jones (WINDOWS); Rick Thompson; Denmark West; Jim Allchin

Subject: RE: Scenario leadership

I will provide some high level answers and let Amir and Chris and Rick address in more detail:

1. There is more scenario thinking going on than you see. You should have visibility into it -- we will fix that. You've been asking for a while, so it's my bad for not seeing it done sooner. There has been lots of scenario definition work done for Longhorn. I will ask that Chris and Rick assign one PGM leader per large group to collect the scenario papers that we have and get them on a STS site I will then ask that we catalog them and see where the holes are before handing you the stack [to look for more holes].

I will follow up to confirm we have completed this to your reasonable satisfaction by end of this month.

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2. You are 100% right to be concerned about the lock-in Apple is trying to generate with the iPod. It is a fine device for which we must field solid end to end competitive solutions. The only good news is that Apple's intransigence in formats means that the other 60% of the device market does not work with their software and can't upgrade to iPod (b/c their WMA music will not play there). We hope to neutralize Apple's format connection to users by getting them to embrace WMA and to be able to operate within our player environment; Amir is still working on that.

Amir can brief you further on device / player / service scenario work being done between his team and MSN

3. We are not a leader in downloadable music [yet]. We are a leader in downloadable movies (along with two partners: MovieLink and CinemaNow) If you have not tried MovieLink, you should. The experience is remarkably good. It is even better on a Media Center 2004 PC. We (I take most of credit and blame here) stopped spending majority of time on music and focused on film/video, over two years ago. There were many reasons for the decision. Most of which I still feel good about. Our lack of leadership in downloadable music is due to combination of that decision as well as MSN's mis-execution on the service. I'm willing to bet that we will make more money selling MCE 2004 than Apple will selling iPods + iTunes music. You also will not see Apple delivering high definition video in cinemas or on iMacs.

Rick can brief you to the home video and home audio distribution scenarios that are being addressed in the eHome team, in partnership with media and other longhorn teams.

4. MusicMatch and Napster both use our media format and DRM exclusively, at their option. AOL is integrating WM9 into their player for next year. All of them are working with our platform b/c of our device integration. E-2-e scenarios are still not as good as Apple. But there is consumer choice, and there is a growing ecosystem.

Amir can tell you how we plan to partner with these players and partner and/or compete w/ Apple.

5. We just merged the MSN and Windows photo teams. Chris led this effort with David C. Ben Peart is driving the new team and should be able to get much better traction on e2e photo scenarios as a result. Amir is driving next gen photo scenarios to the camera with a project called Photon, which has been very well received by Canon and others.

Chris can update you on FY04 and FY05 photo scenario plans.

6. I agree we need to be proscriptive with customers about how to realize scenario value with our technologies and services. The work we're doing in retail with Schiro and team is helping there. We need to do more. This is a topic we are working at the Consumer Leadership Team also as you know.

I will ask RickT to follow up with you based on input we got in the last CLT discussion.

Will

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

From: Bill Gates
Sent: Sunday, November 02, 2003 9:54 PM
To: Will Poole
Cc: Alexander Gounares; Amir Majidimehr; Chris Jones (WINDOWS)
Subject: Scenario leadership

This whole Apple music experience is one that is interesting to me and makes me wonder where the scenario thinking is in Windows.

What is the best scenario paper I have seen? None. Even on Photos which has a lot of people I really haven't seen anything.

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Because we are going to be so late with a music service we are going to be behind others almost forever it seems like

All of the hardware people have will be tied to other services.

People won't want to give up their hardware.

Therefore our player and our leadership and even getting people to connect to Winfs will lose out.

I don't see enough that we are doing that will help us be viewed as a leader.

Part of the scenario involves devices and the installed base of devices. What is our strategy there?

Software updates to the installed base? Musicmatch and Napster have the lead (with Apple).

People I know (a rich group I admit) are getting ipods with thousands of songs on them.

Herb Allen has given dozens of his friends Ipods with thousands of songs (he bought them).

Warren Buffett just loves the thing.

I don't see good scenario thinking for photos. For home connections. For home security. For phone connection.

What cameras are blessed by us? What stops this from being another Ipod situation?

We have seen this a bit already with Kodak and their printing and their photo processing – they connect the pieces and we don't.

Media center is an exception – they will do good thinking for the high end integrated scenario.

I just don't see any solution oriented stuff. What MSFT website or book tells you how to do cool stuff with your PC in the home?

Maybe there is a bunch of scenario thinking I just haven't seen.

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