

Microsoft Prices Windows Media 9 to Battle MPEG-4 for Dominance

David Mario Smith, David Mitchell Smith

Microsoft's new license terms for Windows Media 9 undercut MPEG-4, MPEG-2 and other mainstream technologies on price. Fiercer competition with RealNetworks and Apple Computer, both of which support MPEG-4, is inevitable.

NEWS ANALYSIS

Event

On 7 January 2003, Microsoft announced the final availability of the Windows Media 9 series platform, together with the first Windows Media license terms for any platform, application or device.

Analysis

Microsoft's new licensing agreements give greater flexibility to developers and cost significantly less than MPEG-4, MPEG-2 and other mainstream technologies. For example, licensing Windows Media on non-Windows platforms will cost about half that of licensing MPEG-4.

A battle looms to determine the de facto digital media standard. With this latest move, Microsoft intends to further its reach in the digital media player market. In spite of the trend in consumer electronics toward the MPEG-4 digital media standard, Microsoft hopes eventually to dominate this market. More than 170 consumer devices now support Windows Media. Microsoft's relatively low cost video compression technology — 10 cents and 20 cents per unit for decoding and encoding respectively, and 25 cents for the combined encoder/decoder — shows a consistent Microsoft strategy of undercharging to gain ground on competitors. Fiercer competition with RealNetworks and Apple, both of which support MPEG-4, is inevitable.

Microsoft has also unveiled a Digital Media Upgrade for users of Windows XP, which includes the final release of both the new Windows Media Player 9 Series and Windows Movie Maker 2. The subsequent unveiling of the Plus! Digital Media Edition will reveal Microsoft's push to have XP rival Apple's operating system as a central digital media hub for creating, managing and playing back digital music and video.

With the new licensing, for the first time, developers can mix and match audio and video, bitstream, containers and digital rights management (DRM). For example, developers can use Microsoft's DRM technology and another audio technology. This aggressive licensing, with costs below MPEG-4 implementations, should appeal to developers and consumer electronics device makers. Because of these lower licensing fees, which apply to non-Windows environments, consumer electronics and PC firms should strongly consider licensing Microsoft's media technology.

Analytical Sources: David M. Smith and David Smith, Gartner Research

Recommended Reading and Related Research

- "Evaluate Windows Media 9 on Cost vs. Features" — Enterprises should consider Windows Media 9 Series if they don't need non-Windows server compatibility but require a low-cost implementation and optimized quality. **By David M. Smith**
- "RealNetworks: Surviving the Microsoft Offensive" — Microsoft Windows Media is everywhere, but RealNetworks is still relevant for many uses. **By Lou Latham**

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REGIONAL HEADQUARTERS

Corporate Headquarters
56 Top Gallant Road
Stamford, CT 06902-7700
U.S.A.
+1 203 964 0096

European Headquarters
Tamesis
The Glanty
Egham
Surrey, TW20 9AW
UNITED KINGDOM
+44 1784 431611

Asia/Pacific Headquarters
Level 7, 40 Miller Street
North Sydney
New South Wales 2060
AUSTRALIA
+61 2 9459 4600

Latin America Headquarters
Av. das Nações Unidas 12.551
9 andar—WTC
04578-903 São Paulo SP
BRAZIL
+55 11 3443 1509