

ZDNet News.com
September 27, 2004
New Microsoft set-top box ready to roll
By Ina Fried

Microsoft plans to start shipping a new set-top box this week, and it's not your grandmother's WebTV.

Though MSN TV2 is the successor to the original WebTV devices, the new box is a vast departure from its predecessors.

On the outside, it's slick, with new video-playback and photo-viewing programs, and a custom version of Internet Explorer 6 designed to make Web browsing on the television a far less painful process. On the inside, it's a Windows CE-based product with a 733MHz Celeron--slow by PC standards but downright zippy in the world of set-top boxes.

Microsoft will sell the US\$199 device in two ways--as a dial-up product for technology newbies with US\$21.95 monthly service; and as an additional way for broadband homes to view the Web for US\$9.95 using the existing Internet connection. Newbies, who have historically been the bulk of MSN TV subscribers, are likely to be the majority of initial customers, said MSN TV General Manager Sam Klepper.

"We think over time, broadband (subscribers) will be half or more," Klepper said in an interview at Microsoft's Silicon Valley campus.

Many of the new features are aimed at those customers, including the ability to play music or movies stored on a PC in another room. The device can connect via wired or 802.11b wireless networks, though Microsoft plans to add support for faster 802.11g wireless networking in mid-November. Customers will get 2GB of e-mail space for their primary account and 250MB for up to 11 additional accounts.

The new box, which is being made by Thomson and sold under the RCA brand, will be shipped to stores starting next week. The product has no hard drive, but it has enough flash memory to store some data, including 100 compressed photos that can be used as part of a slide show.

The release of MSN TV2 is part of the continuing transformation of the former WebTV operation into a unit that provides TV services to a variety of other Microsoft divisions, including the eHome unit, and Microsoft TV, which develops products for cable and other TV service providers.

Microsoft acquired WebTV in 1997 for several hundred million dollars. Microsoft eventually renamed the product MSN TV in 2001. In the past, Microsoft touted the fact that there were about 1 million subscribers for the service, but Klepper would not say how many there currently are.

Klepper did say the new service should be cheaper to operate than the old MSN TV, which used a proprietary browser, e-mail service and operating system.

One of the challenges for the unit, though, is that MSN TV finds itself as just one of many products Microsoft is aiming at the living room, including entertainment PCs, as well as two other set-top boxes: The Xbox game console and the Media Center Extender, a device that plays content stored on a Media Center PC in another room.