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INSTANT MESSAGING

Barry Schuler
President,
AOL Interactive Services

July 13, 2000

AOL: The Pioneer of Instant Messaging

1989 AOL Introduces Instant Messaging, IM becomes one of most popular features on AOL

1996 AOL Introduces "Buddy List" Feature

1997 AOL Makes IM Technology Available for Free to All Internet Consumers

1999 AOL Licenses AIM to Others

2000 AOL Offers Proposal for Open and Secure IM to IETF

Internet Instant Messaging Today

More Than 40 Different IM Programs Available From Variety of Providers:

- Yahoo! Messenger -- 125 Million Registered
- ICQ -- 65 Million Registered
- AIM -- 50 Million Registered
- MSN Messenger -- 17 Million Registered
- Tribal Voice -- 5 Million Registered

Instant Messaging Today

- IM is popular community feature, with little to no direct revenue for ISPs and portal services like AOL, Yahoo and MSN.
- Competitors offering stand-alone IM service charge no subscription fees, seek to create revenues through advertising, consumer list sales and developing IM direct-marketing capabilities.

Demonstration

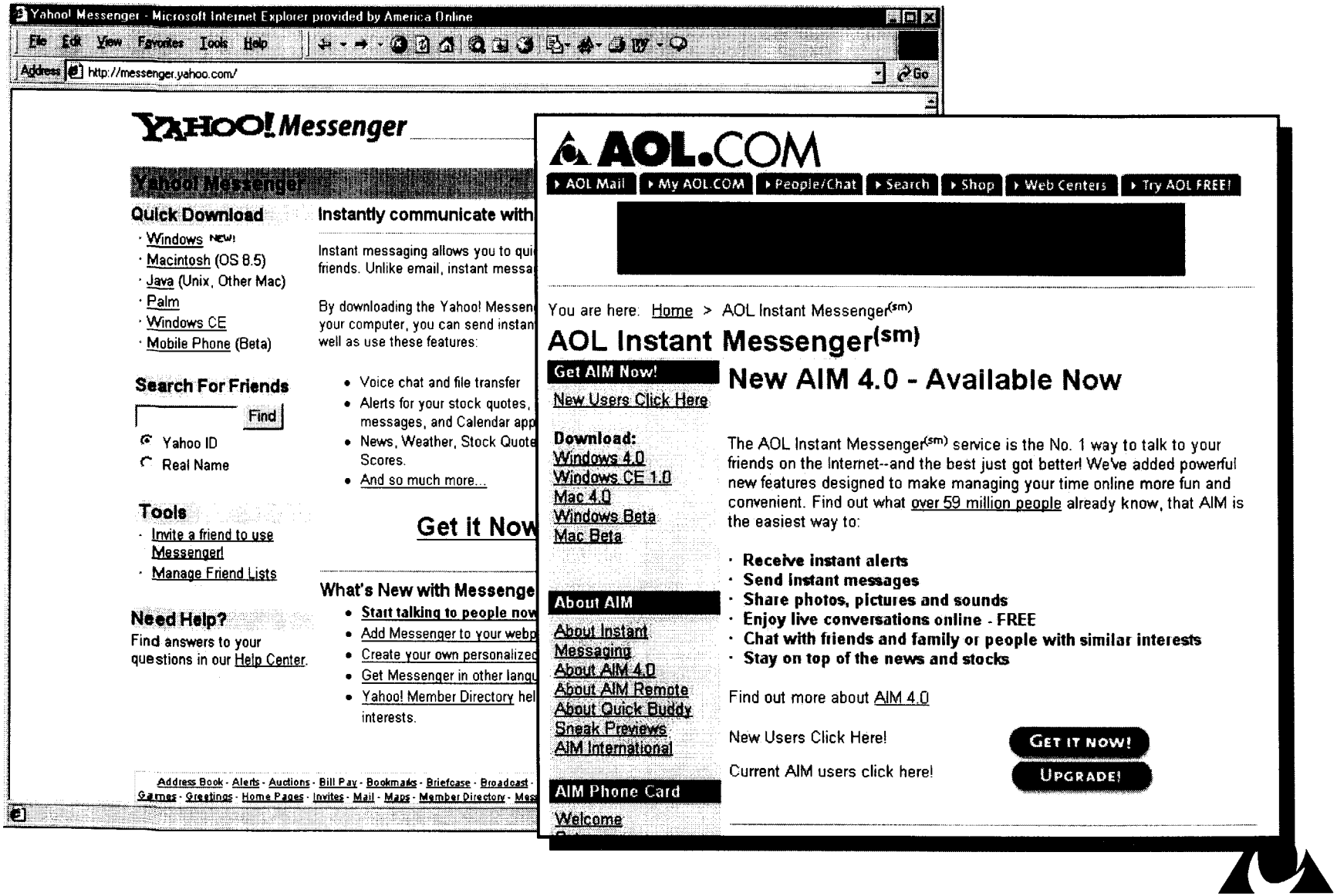
AOL Instant Messaging: How It Works

- Consumer logs in to server, which makes consumer's "presence" known to all on network.
- Consumers notice each others presence through notification system, send messages through server.

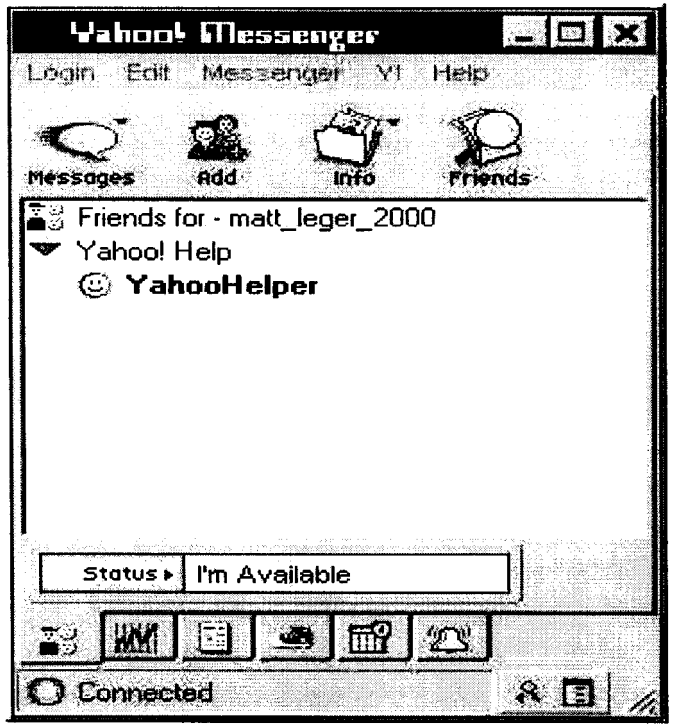
IM: The Consumer Perspective

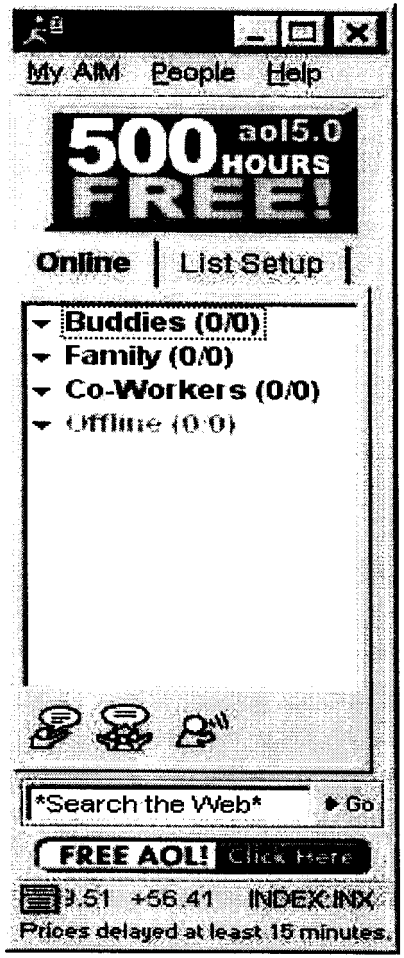
- Community-Based Feature
- Free
- Can Use Multiple Services Simultaneously
- Distributed by consumers to their friends

The Consumer Perspective:Free



The Consumer Perspective: Can Use Multiple Services Simultaneously





Comparison: IM and E-Mail

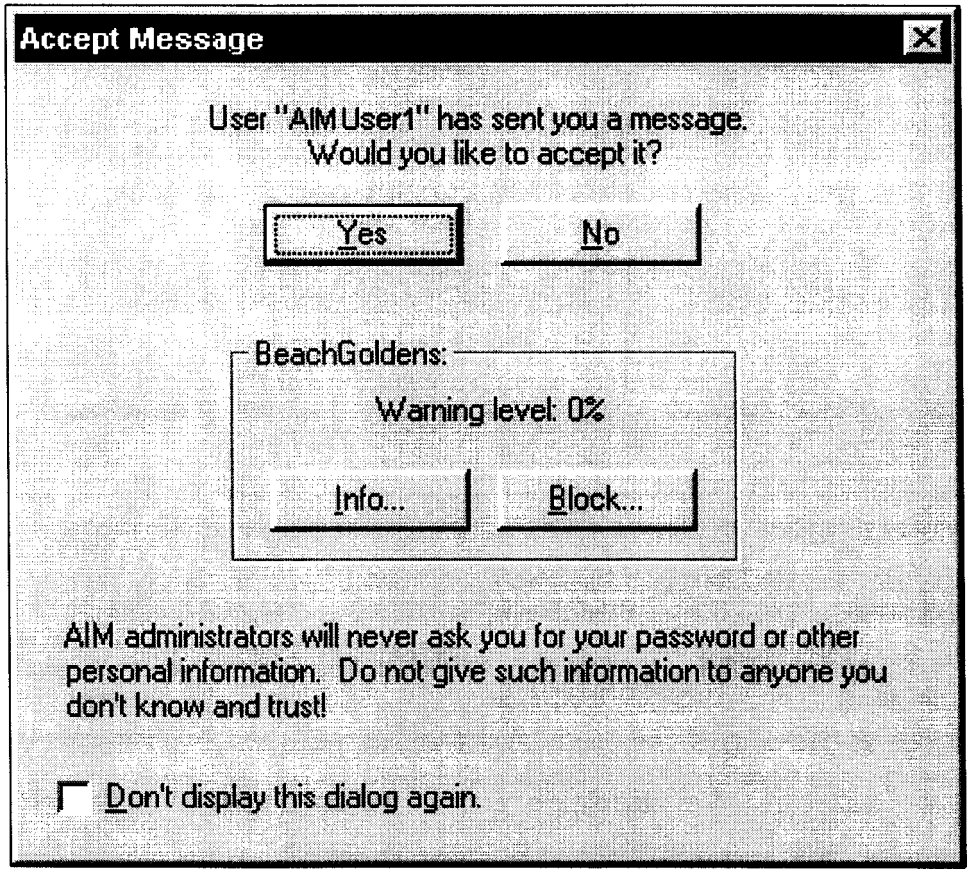
Instant Messaging	E-Mail
• Real-Time: Messages Appear Immediately	• Messages Read on Demand
• Consumers Can Notice Others' Presence	• No Presence Information Needed

Comparison: IM and Telephone

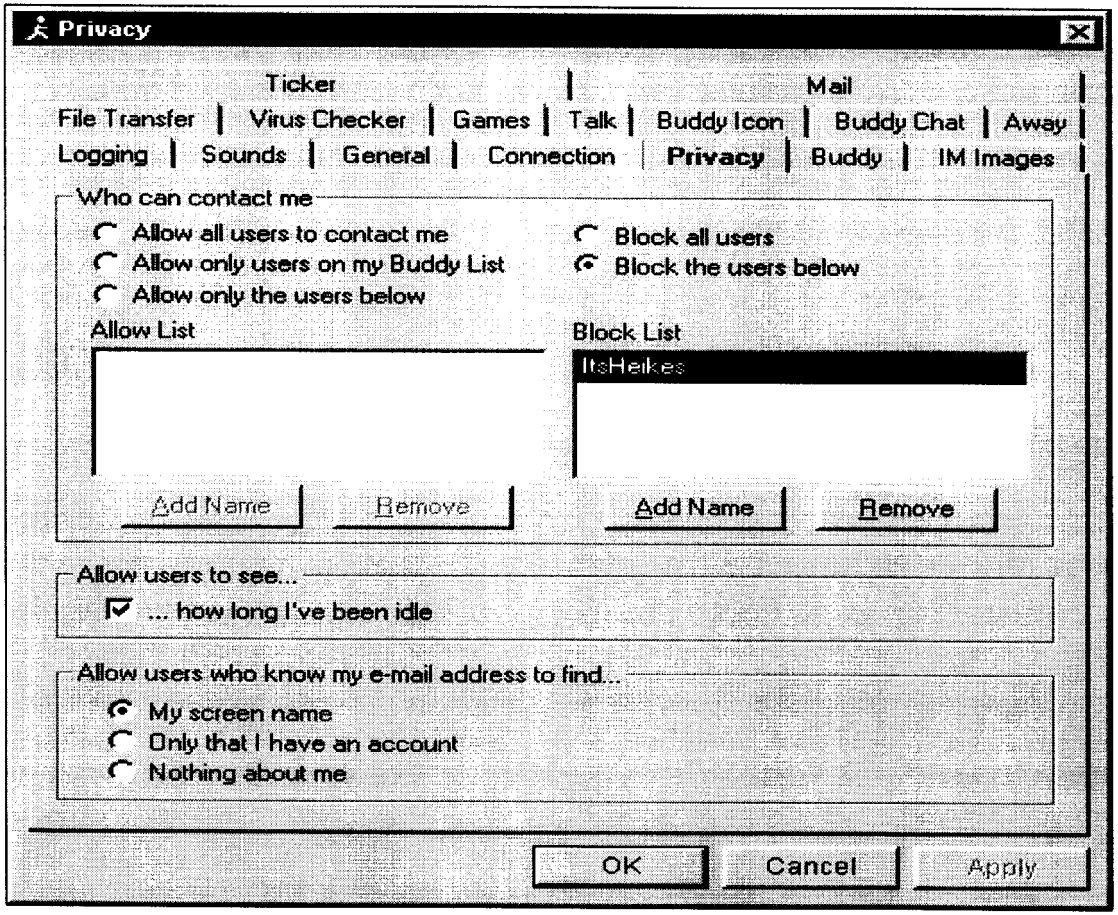
Instant Messaging	Telephone
• Multiple Services Flourish	• Local Monopolies
• Free Service	• Fee-based Service

Member Privacy and Security a Top Priority for AOL

AOL Instant Messaging Users Can Block Unwanted Messages

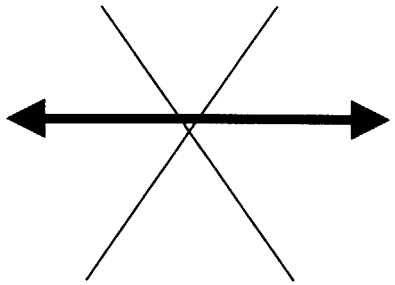


AOL Instant Messaging: Protects Users' Privacy



Protecting Members' Safety Is Paramount

No Interoperability With ICQ Until Security and Privacy Guarantees are Established

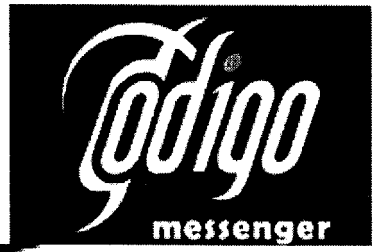


Why Pursue Interoperability?
Three Approaches to IM Service

Portal Feature

Operating System Feature

Stand-Alone Service



Interoperability: The History of E-Mail

- Internet E-mail initially available only within proprietary systems.
- Over time, industry developed standards for communication between users of different systems.
- Potential hazards not anticipated: no protections built into standards against SPAM or other threats to consumer privacy and security.

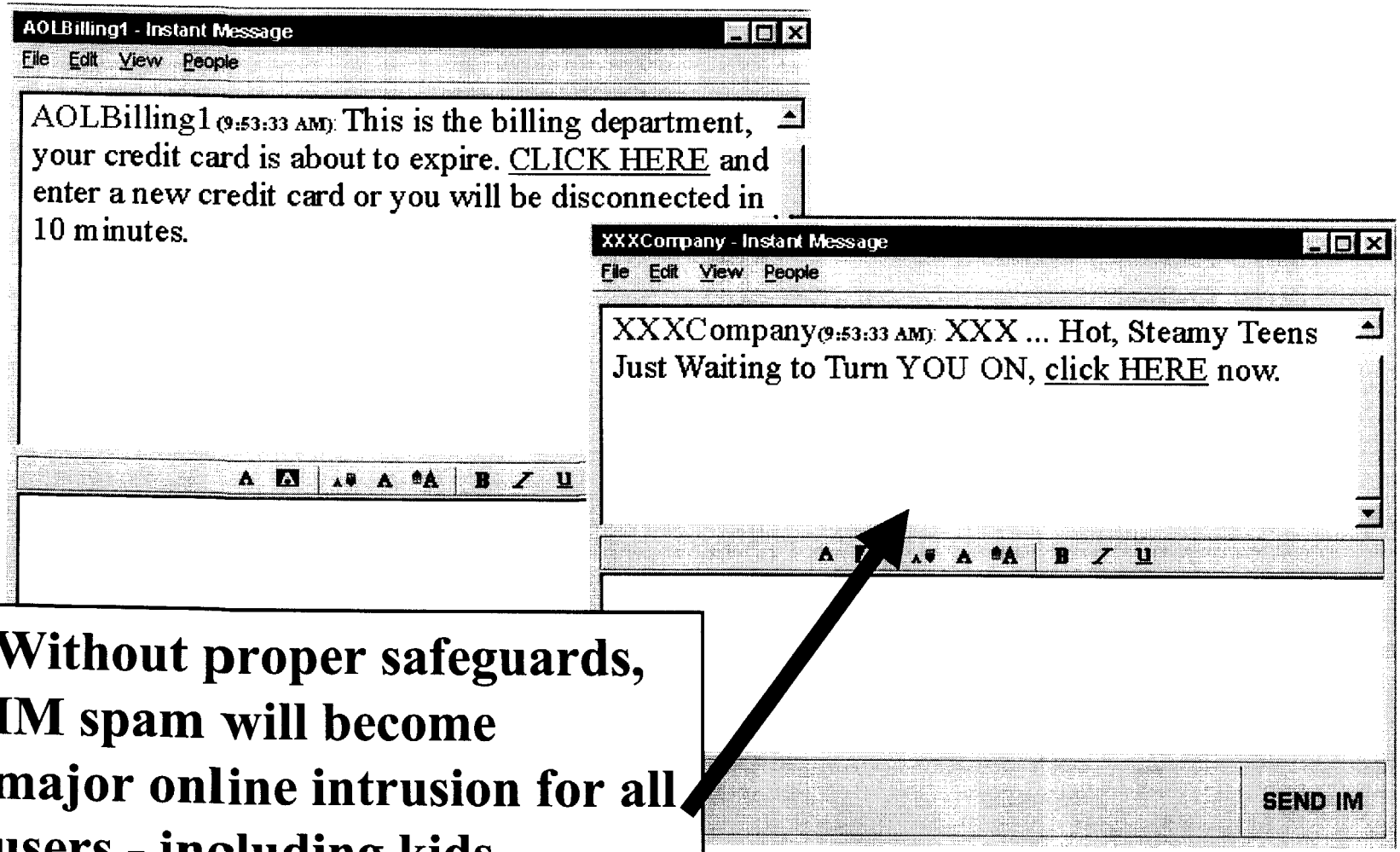
SPAM, E-Mail Viruses, and Hacking are Serious Industry Problems

- All e-mail systems confront SPAM and other intrusions daily. AOL blocks many SPAM mails from known spammers, but issue remains source of consumer complaints.

- Recent viruses such as Love Bug highlight high risk of mail-borne viruses.

- Hackers use e-mail to break into sensitive computer systems.

Spamming in Real Time is even more intrusive and dangerous



Without proper safeguards, IM spam will become major online intrusion for all users - including kids

Achieving Interoperability while Protecting Consumers

The Standards Process

- IETF -- Internet Engineering Task Force -- is International community of network designers, operators, vendors, and researchers.

- Appoints working group to study issue -- industry and other participants asked to submit ideas, which are discussed until consensus is reached.

IETF Work on Instant Messaging

1998	**Working Group on Instant Messaging Established**
April 2000	**Working Group put into "hibernation" due to lack of progress.**
June 2000	**AOL submits architecture for interoperability. Only proposal from major IM provider.**

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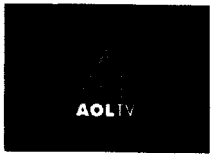


AOLTV
Launching a New Era in Television

Barry Schuler
President, Interactive Services Group
America Online

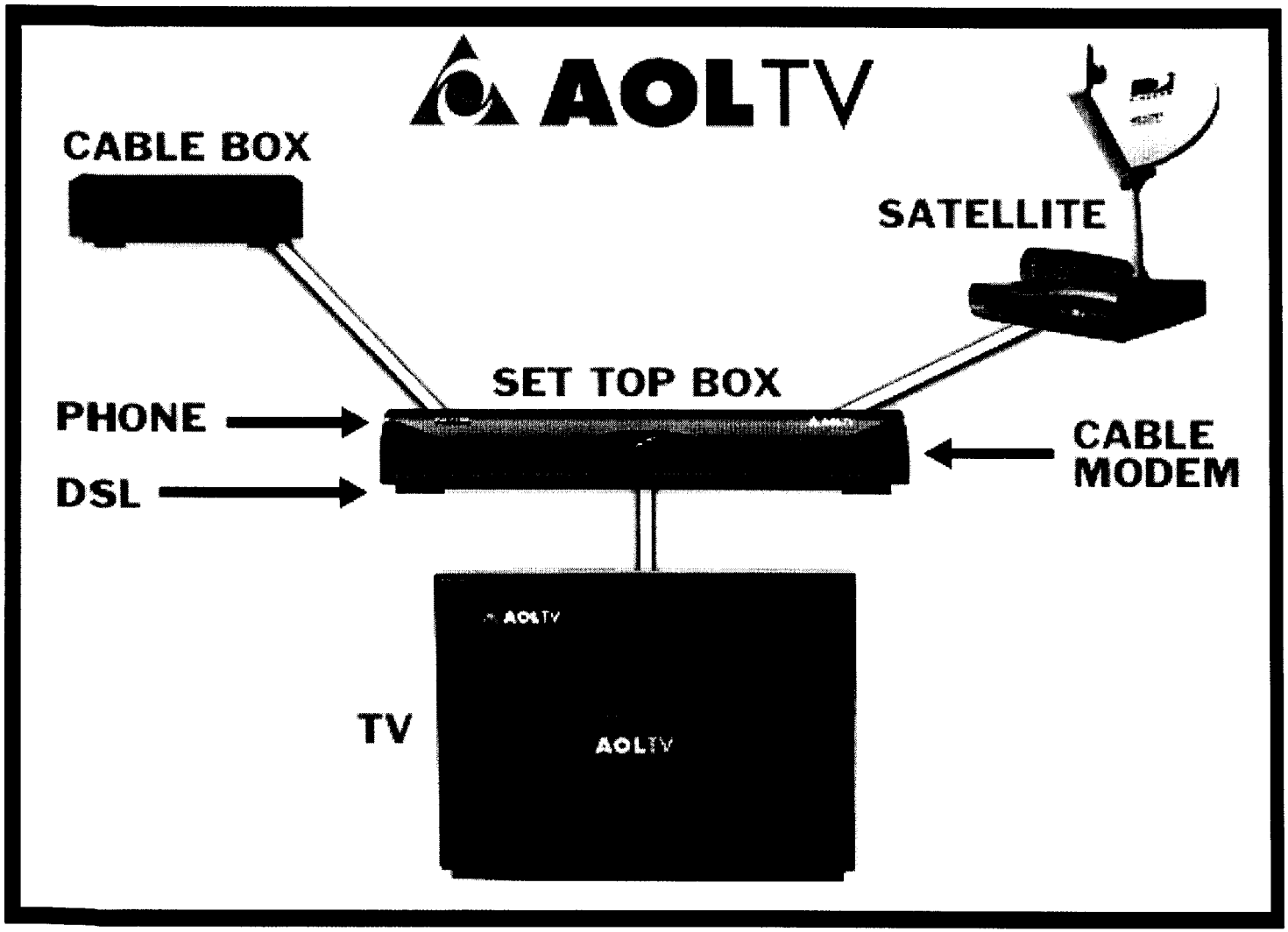
AOL TV

Interactive TV: An Idea Whose Time Has Finally Come

- Interactivity becoming central to consumers' everyday lives
- People want convenience of interactivity across multiple devices for easy access
- Research shows consumers already going online while watching TV

Mass market consumers ready for interactive TV

AOLTV: How it Works



AOLTV

AOLTV: Benefits for Consumers and TV Industry

- Enhances TV viewing with interactivity to enable multi-tasking
- Brings popular AOL features to TV experience
- Makes television easier to navigate
- Provides TV industry new platform for its interactive content and ad/e-commerce
- Commits to open standards and consumer choice

The AOLTV experience driven by consumers

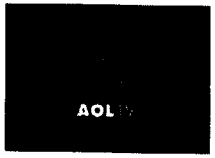
AOLTV

AOLTV - Not Just Internet on TV Set . . .

Extending Best of Interactivity to TV:

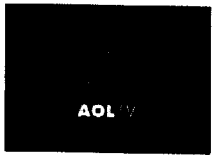
- ⇒ Convenience Features
- ⇒ Virtual Channels Offer More Consumer Choice
- ⇒ Community of 23 Million AOL Members
- ⇒ Content and Ad/E-Commerce to Complement TV Programming

AOLTV will make the television more useful and valuable device for home and family



Three Components of AOLTV

- Navigation
- Your AOL Features designed for TV
- Enhanced TV



Navigation

With Today's Hundreds of Channels, AOLTV Makes It Easy for Consumers to Find What They Want to Watch . . .

TV Will Be Surfable Again!

AOLTV Makes Television Easier to Navigate

AOLTV Program Guide enables consumers to:

- Organize TV channels by category
- Explore new Virtual Channels
- Request on-screen reminders for favorite shows
- Automatically set VCRs to tape programs
- Review program summaries 3 days ahead of time
- Access via any device connected to AOL

Others program guides already being developed:
14 million consumers using DirecTV's program guide

AOL TV

AOLTV Brings Popular AOL Features to TV Experience

- AOL Screen Name
- AOL E-mail
- AOL Buddy List and Instant Messaging
- You've Got Pictures
- AOL Calendar
- AOL Parental Controls
- AOL Favorite Places
- AOL Portfolios

And it's up to consumers to decide how and when to use these convenient features

AOLTV

AOLTV Provides Exciting New Platform for Television Industry.

AOLTV Supports ATVEF Streams and Access To the WWW on TV Without a Commercial Relationship Required.

AOL TV

TV Industry's Content Opportunity on AOLTV

AOLTV Enables TV Programmers to Provide:

- In-depth background for news and sports programming
- Interactive polls
- Chats with TV stars
- Emergency information during natural disasters and other public service announcements

AOL TV

Advertising/E-Commerce to Complement TV Programming

AOLTV Enables TV Programmers to:

- Offer e-commerce opportunities linked directly to the shows on-screen
- Extend the impact of television ads
- Generate new advertising revenue streams
- Build an exciting new generation of interactive content

AOL TV

AOLTV Built on Open Standards

- Open standards ensures content will be accessible on other interactive TV services
- Licensable software from Liberate Technologies
- Support for set-top boxes that accommodate multiple interactive TV services

Open standards key to growing entire interactive TV industry

AOLTV Provides Consumer Choice

- Full support for content diversity in both TV and interactive programming
- Seeking to partner with all broadcast and cable TV networks
- Non-discriminatory listings of channels in Program Guide categories
- Viewer controls what is on the TV screen - e.g. picture in picture, resized picture

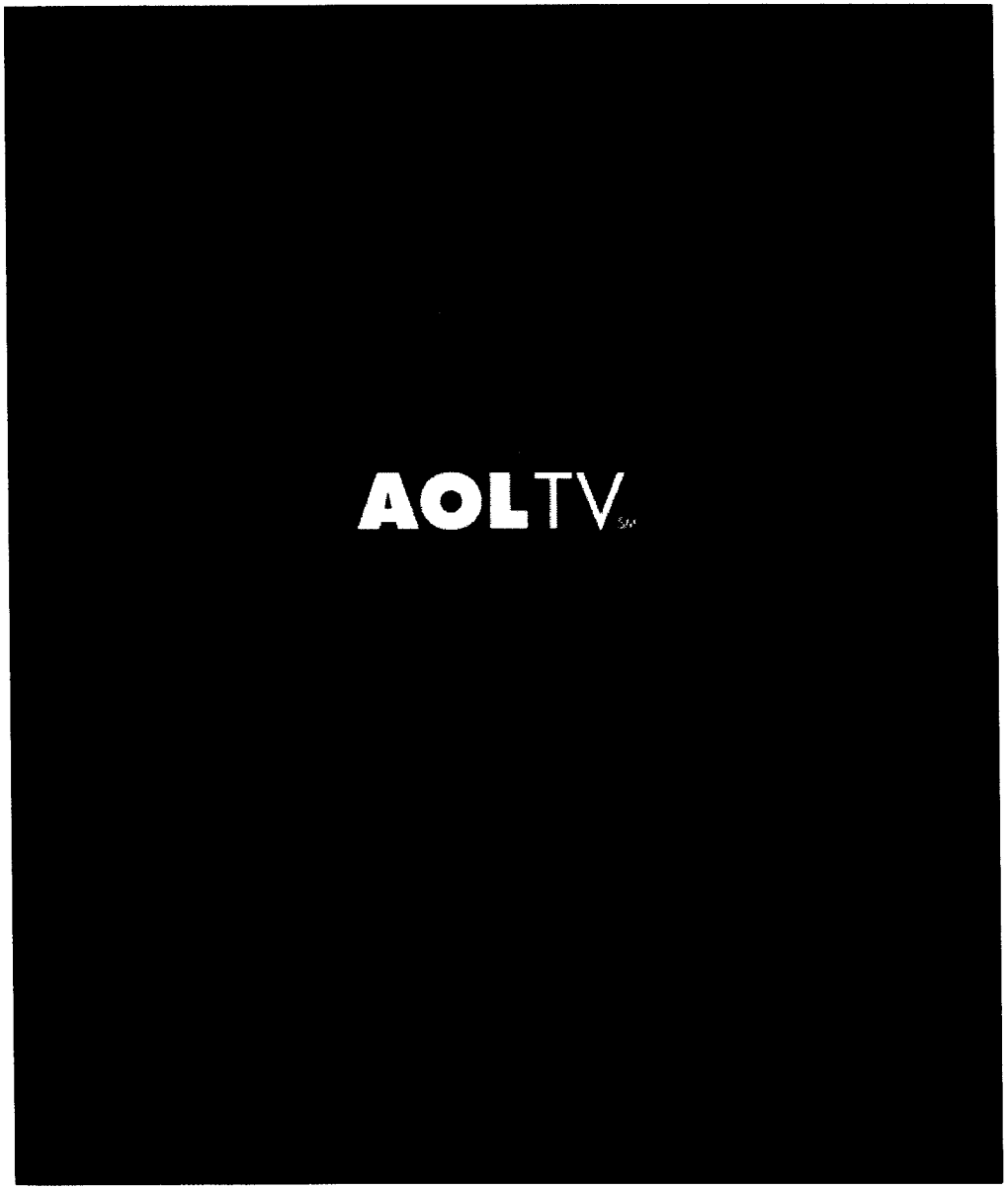
Consumers will decide success of this new industry

AOL tv

AOLTV Success Depends On Building a Large Audience.

This Will Occur by Providing Consumers with the Most Choice and Diversity Possible in TV and Interactive Content.

AOL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