



Issue: 11

Date: 6 January 1992

IMS NEWSLETTER

Philips Consumer Electronics B.V. Interactive Media Systems Bld. SFH - 6 P.O. Box 80002 5600 JB EINDHOVEN Tel. +31 40 7 35440 Fax 36334

'Go for success' in '92

At the start of a new year, it is always good to make up the balance of the past year and to look at the expectations for the coming year.

For CD-I and for the IMS community, 1991 was a historic year for a number of reasons.

First of all, CD-I was successfully launched as planned in October '91. Over 40 titles from PIMA are already in the market, and a regular monthly roll-out of new titles is foreseen. The product is now on sale in around 1,000 retail outlets, and the reactions of the consumers who have bought the system are overwhelmingly positive.

Other important achievements in '91 were the agreement with Nintendo to put their games on CD-I, as well as the agreement to develop a bridge format to CD-I for a dedicated Nintendo games player. Also noteworthy was the agreement with Sony to extend the Data Discman and Electronic Book format towards CD-I compatibility. The MPEG Full Motion Video standard was frozen in '91, and we recently announced the extension of Photo CD with prerecorded Photo CD discs.

We also set up the European publishing activities through PIME (Philips Interactive Media Europe), which includes subsidiaries in Germany, France, Italy and the UK, and we established the international publishing holding PIMI (Philips Interactive Media International). Our publishing company PIMA in the USA has made some important new co-operation agreements, among them the Britannica and the Hanna-Barbera deal.

We also introduced various new products in the field of CD-ROM. The CD 461, together with the software package, gave us the opportunity to gain strongly in market share, and we are convinced that our product strategy - hardware and software - will put us in a strong position

against our main competitors. In '91 we also acquired a new movie catalogue from CIC for LaserDisc, and made a distribution deal with VCL Carolco in Germany.

In our National Organizations we have taken on a lot of new activities and hired new people to prepare us for the market introduction of our new products. For example, our French organization made an important breakthrough towards the publishing world in France, through agreements with Hattier, Infogramme, Antenne II, Club Med. etc. In the Netherlands, the first project for CD-I education was completed with the English 'No Problem' language course for basic schools which was introduced in December '91.

1992 will become at least as important a year as '91 for IMS and our publishing group PIMI. We will introduce CD-I in Japan a few months from now, and in the European key countries in the summer.

We will also introduce Photo CD in mid-'92 together with Kodak. The functionality of Photo CD and pre-recorded Photo CD discs will be a strong extra selling feature for CD-I, while we also believe that Photo CD on its own can become a very interesting business.

cont. on next page...



PHILIPS

...cont. from front page.

But the most important of all for '92 will be our market success in the USA with CD-I. We are convinced that our very professional PCEC marketing and sales organization together with our highly creative and effective title generation organization PIMA are the key factors for success in the US market, and success in the USA will definitely mean success worldwide.

We have adapted our organization from a merely product creation oriented organization towards a market-driven organization. We will continue to strengthen our organization in the areas of marketing, sales and distribution. And we have to take additional actions in the field of merchandising, in particular.

Next to our 'go for success' approach in the USA, we will prepare ourselves in Europe and the Far East for a perfect market introduction. The main message is to learn as much as possible from our successful experience in the USA.

Finally, we also see important breakthroughs in professional, institutional and educational applications for CD-I. Now that CD-I has been introduced on the consumer market, a lot of investors are showing more interest in this particular area. We will continue to develop programmes with our partners in the various countries.

In order to make CD-I and the related formats the formats of choice for the publishing industry, we will continue to support our partners with highly effective authoring and support facilities.

Philips Interactive Media and its partners will go for success in '92. We all did a good job in '91; we will do an even better one in '92. With better service support to our customers.

I wish you all a happy and successful

Gaston Bastiaens

3M supports CD-I platform

A significant commitment to Philips' CD-I technology has been announced by 3M, whose Optical Recording Division will convert computer tape software to the CD-I format and provide disc mastering and replication services.

This announcement was made at the Society for Applied Learning Technology (SALT) conference in Arlington, Va., where Philips demonstrated the first evidence of 3M's new CD-I services - a GTE Imagitrek corporate training disc which was converted, mastered and replicated by 3M's Optical Recording Division.

NEW CD-I TITLES

Compton Multi-Media Encyclopedia

The award winning 'Compton's MultiMedia Encyclopedia', published by Chicago-based Britannica Software, Inc., will be available on the CD-I format in mid-1992 for distribution worldwide by PIMA. The CD-I version will include the full text of this 26-volume reference work, with more than 15,000 pictures, animation sequences and 60 minutes of sound.

Some specific features include: an audio reference with famous speeches, classical music and other sounds recorded as they happened; a Webster's Intermediate Dictionary; a world atlas; topic tree; idea search; title finder; picture explorer; article indexing and cross-reference link.

The simultaneous presentation of video, graphic, audio and text information will make this the most unique audio-visual encyclopedia on the market, according to PIMA president Bernard Luskin.

'Discover Belgium' disc

HyperVision of Louvain, Belgium, which was set up by Philips and five other partners, aims to make the expertise of the university world much more widely available in the educational and professional markets through the CD-I medium.

Its first product, to be available in time for the 1992 Sevilla World Fair, is entitled 'Discover Belgium' and is being produced for the Belgian national information bureau Inbel.

This disc gives a multi-language presentation of Belgium as a centre of art and culture, together with demographic, geographic, historical and economic information. After its Sevilla launch, the disc will be made

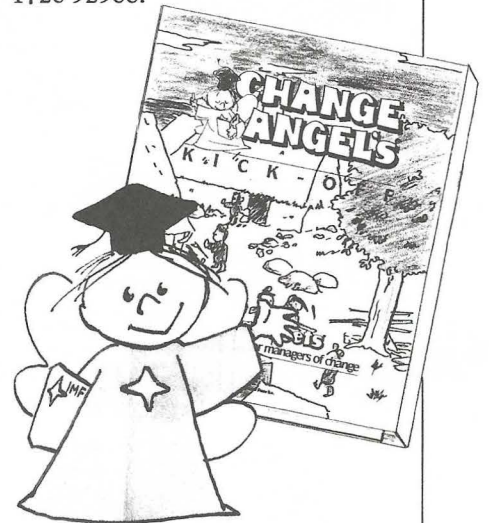
available to companies, schools and the official Belgian representations in other countries.

'Management of change' in CD-I management game

Successful management of change is the theme of a management game on CD-I from Industrial Management Force of Alphen aan den Rijn, the Netherlands.

Today's manager is a manager of changes, according to the publisher. This management game challenges players to discover and develop their own abilities to achieve their personal and business goals efficiently and effectively.

Behind the amusing presentation, entitled 'Change-angels kick-off', is a serious change management method, based on a planned, phased approach to the change process according to IMF's implementation model. Production of the disc was by CODIM B.V. of Eindhoven. More information from IMF, tel. +31 1720 95343, fax +31 1720 92966.



MPEG standard for digital compression drafted

A Committee Draft of the evolving MPEG standard for digitally compressed video and sound data was prepared at a meeting of the ISO/IEC Working Group 11 held in Japan from 18 to 26 November.

This draft standard is entitled 'Coding of moving pictures and associated audio for digital storage media at up to about 1.5 Mbits/s', and comprises three parts: System, Video and Audio. This standard targets a variety of storage media, including CD-ROM,

DAT and computer disks, and it is expected that MPEG-based technologies will eventually be used in a variety of communication channels like ISDN and local area networks, and even in broadcast applications.

Following this initial phase of work on the MPEG standard, the committee will focus on developing a generic standard for the compression of high-resolution video signals to be used for both storage and communication applications.

Joint Philips/Sony 'Electronic Book' presentation at Frankfurt Book Fair



Part of the public area on the Philips stand at the Frankfurt Book Fair, showing the demo systems for use by visitors.

CD-I and DCC the highlights at JES, Tokyo

Specially featured products on the Philips stand at the largest-ever Japan Electronics Show, held in Tokyo in early October, were CD-I and DCC. The Philips participation involved three groups: Consumer Electronics, Components and Semiconductors, and the CD-I Consortium Japan. CD-I demonstrations were given continuously, using software from PIMA and JIM (Japan Interactive Media), with demonstration personnel present to give first-hand information. Photo CD was also on show for the first time in Japan, and was regarded as an exciting development by many industry visitors.

As well as the Philips booth, another 180 square metre exhibit was provided by the CD-I Consortium Japan, to allow its 42 member companies to display their CD-I players, titles, authoring systems and panels.

CD-I players were shown by Philips, Sony, Matsushita, JVC and Kyocera, with titles from JIM, DMS, Toppan, Dai-Nippon, Toshiba-EMI, Virtual East, Ricoh, Vestec, Query, CSK, ALK, Microware and PIMA. Authoring systems and tools were presented by CRC, Vistec, Sony Computer Systems and Microboard, while pointing devices and blank discs were shown by Mitsumi, Alps and Shin-Etsu Polymer.

Around 390,000 people visited this show through its 5-day duration.

Some 8,000 publishers from 90 countries were represented at the Frankfurt Book Fair, held in early October. Among the highlights of the Philips presence at this important event for the book publishing world was the



This mailer was sent out to publishers in 11 countries, inviting them to 'get on board' by visiting the Philips stand at this 'publishing event of the year'.

joint announcement of the 'Electronic Book' format, with discs that can be played both on Sony's own dedicated players and on all CD-I players. 'Electronic Book' discs are already on sale in Japan, but require the Sony Discman portable CD-ROM player for replay. The modified format announced at Frankfurt follows the CD-ROM XA 'Bridge' standard, ensuring CD-I compatibility.

The 210 square metre Philips stand was divided into a consumer area with 11 CD-I demonstration booths, as well as a larger trade area which accommodated a working CD-I studio with a staff of 20 and the full range of authoring systems.

All the Philips publishing companies and joint ventures were also present for the first time at a single event - PIMA (Philips Interactive Media America), PIME (Philips Interactive Media Europe) and DMS (Denshi Media Services), each with an individual booth.

A focal point of the Philips stand was a display of the entire launch catalogue of CD-I titles, shown for the first time in Europe.



IMS at Time '91 exhibition in UK

Another important recent exhibition for IMS was Time '91, held in London from 15 - 17 October, at which the UK IMS organisation showed the full range of multimedia products and software.

Strong emphasis was placed on CD-I, with the US launch taking place simultaneously. The complete range of CD-I titles was on display on the Philips stand (see photo).

Multimedia demo systems and the full range of CD-I titles from the USA were on display at the Time '91 exhibition in London.



US CD-I Association formed

The American CD-I Association for publishers, producers and developers has been formed, closely following the setting up of similar groups in Europe and Japan.

The association aims to promote and support the emerging CD-I industry in the USA, to monitor developments in worldwide CD-I markets, and to provide publishers with up-to-date information about the evolving market.

The association's founding meeting was held on 31 October, the opening day of the CD-I One annual CD-I publishers' conference in Los Angeles. Support has already been received from a number of leading US software publishers.

French government support for CD-I

On 25 November 1991, Mr. Jack Lang, the French Minister of Culture and Communication, gave a presentation on CD-I to the Ministry of Culture. In this presentation, which included many of the latest French CD-I title projects, Mr. Lang emphasised that he is very keen to support cultural multimedia projects for the consumer market.

Another development in France was on 3 December, when Mr. François Mauduit, CEO of Philips Consumer Electronics France, and Mr. Jean-Marie Rausch, French Minister of Telecommunications and Mayor of Metz, signed an agreement to open a complete CD-I studio facility in the Metz Technopole.



Mr. François Mauduit (right), CEO of Philips Consumer Electronics France, and Mr. Jean-Marie Rausch, French Minister of Telecommunications, signed an agreement to open a CD-I studio in Metz.

Commodore award for Philips CD-I title

Philips IMS in the UK has won a top award in the Consumer Category of this year's British Interactive Multimedia Association Awards for its 'Great British Golf' CD-I title.

This award, sponsored by Commodore Business Machines, is one of a series made each year by BIMA for outstanding achievements in the field of multimedia. Another award in the Productivity Category is sponsored by Philips IMS.



David Anderson (right), managing director of Philips IMS UK, receives the top award in the Commodore-sponsored Consumer Category of the British Interactive Multimedia Association Awards from Ted Toms, managing director of APS Multimedia.

Philips Hong Kong at Book Fair

The complete range of IMS products was shown by Philips China's Hong Kong Group at the recent annual Hong Kong International Book Fair, which was attended by some 250,000 visitors. The scale of this exhibition reflects its status as the world's third most important book fair, and the position of Hong Kong as one of the most important global printing and publishing centres.

This event was the first public showing of CD-I in Hong Kong, although the main objective was to confront the Hong Kong, Chinese and Asian publishing communities with CD-I as the new publishing medium. A high level of interest was shown in the system, and the initial contacts made at the fair have since been followed up by detailed discussions and even a number of visits to the IMS headquarters in Eindhoven.

First US reports: 'sales exceeding expectations'

CD-I player sales are 'far exceeding expectations', according to the first market reports from the USA. Striking aspects are the fast sales take-off, and the high ratio of software to hardware sales.

Just one example is a report from Rogersound Lab, which is selling players through 10 of its up-market Los Angeles outlets. This chain sold 30 of the \$799 players in two weeks, and expects to sell 100 by Christmas. Software sales were an average of 10 discs per player, with more supplies needed fast. Although the store expected consumers would take much longer to understand the system, it reports that they are 'not intimidated by the technology'. This has a lot to do with the availability of the demo kiosks in the stores, according to the chain's manager.

The initially high rate of disc purchases is probably linked to the present purchase by 'early adopters', who want to show the system to its maximum benefit. The next stage of the sales phase will be a broader market push in time for

Christmas, leading gradually to the addition of mass merchandisers, discounters and membership chains as market acceptance is achieved.

PCEC's own surveys of early purchasers show a universal enthusiasm about the system, with a very high utilisation by family members and generally high software purchases. Initial findings in general are that most buyers are from the East and West Coast areas; mainly male with the greatest concentration in the 35 - 45 age group; in the upper income ranges (\$50 - 100,000); and split between families with younger children in the 2 - 10 age range and families with no children.

Most buyers express interest in reference-oriented titles, 'thinking games' and children's titles with educational value, and already own high-end CE products like projection TVs, camcorders and computers. So far the majority of sales have been from the up-market stores, although this position is expected to change as broader market acceptance is reached.