**BILL GATES MINES INTERNET GOLD:MICROSOFTSEEKING MEDIA DEALS IS `SITTING DOWN WITH EVERYONE'**

By [Diane Mermigas](http://adage.com/author/diane-mermigas/386). Published on April 01, 1996.

Bill Gates says there will be no letup in the pace of Microsoft Corp.'s new distribution and content alliances, as the company strengthens its Internet position and links with mainstream media.

"There are just dozens of areas to still work through. Some are pure technology, some are content. Industry by industry, we're sitting down with everyone to talk about new things we can do," said Mr. Gates, the company's chairman, in an interview.

Despite a foiled attempt to buy into Turner Broadcasting System last year, sources say Microsoft is talking to studios and other traditional content players to secure agreements-such as its deals with NBC and DreamWorks SKG-to power its operating system software and Microsoft Network.

He declined comment on that, adding: "There are still a lot of agreements to make in areas relating to content, security and protection software."

NEXT-GENERATION SOFTWARE

Through the newly formed interactive media division, some of the deals will drive next-generation software, with more 3-D and virtual reality features.

Microsoft's sudden embrace of pop culture and mass media is a weapon in the heightened battle to establish Windows as the ultimate Internet platform.

"The media companies have always had to adjust to the fads. But they are also finding technology on their agenda, and things like how to deal with interactive. So we can help each other."

Microsoft recently reorganized and has tied nearly all its products and services to Internet-related growth opportunities, hoping to set new standards.

AGGRESSIVE RESPONSE

The spate of recent ventures and alliances underscores Microsoft's aggressive response to Mr. Gates' call to arms last May in what has become known as the "Internet Tidal Wave" memo.

In some cases, the agreements represent a startling shift in strategies to position Microsoft as a victor in the Internet "gold rush," as Mr. Gates calls it.

One of the most notable shifts was Microsoft's recent deal to license the Java programming language from competitor Sun Microsystems-an idea that company executives had publicly dismissed only months earlier. It has also opted to broaden its Microsoft Network.

In another major move, Microsoft agreed in March to include access to America Online as a standard Windows 95 option in return for America Online distributing Microsoft's Internet software in favor of its rival Netscape.

In other developments, MCI Communications Corp. will switch its support for an online service being developed by News Corp. to a rival service from Microsoft; Microsoft and DirecTV will link to devise a system that will allow personal computers to receive video programming; and Microsoft and Intel Corp. will promote technical standards that will allow the Internet to be used for phone calls and video conferencing.

`GREAT WEEKS FOR US'

"These have been great weeks for us. We made a lot of progress, but there's still no guarantee," Mr. Gates said.

He denied the notion that Microsoft underestimated the Internet's allure with consumers and corporations.

Consequently, this year has already seen a barrage of new Microsoft products and services-the long-awaited Internet Studio for enhanced Web site graphics, protocols for credit card transactions on the Internet, safeguards for banking and corporate use of the Internet, and promised enhanced versions of its Internet Explorer browser and Windows programs.

Analysts who follow Microsoft say they are concerned that even with some form of its Windows software running on an estimated 80% of all PCs, Microsoft may find its competitive dominance and 1995's 53% growth in earnings chipped away in cyberspace.

If Microsoft has an Achilles' heel, it could be its oneness with PCs, which are key to a "communications revolution," Mr. Gates said.

WARNINGS OF VULNERABILITY

However, some analysts contend it could make the company vulnerable to challenges from hungrier software competitors or so-called "Internet boxes" that could eventually provide Internet access without the use of a PC.

"We're very, very modest in terms of how we talk about our future," Mr. Gates said. "The key is there are no guarantees here."

March brought a stark reminder of just that, when Digital Equipment Corp. announced its quarterly revenue would fall below analysts' expectations because of slow PC sales, which were based in part on slow corporate adoption of Windows 95.

That, in turn, adds to the growing Wall Street and industry questions about Microsoft's future role in cyberspace.

Mr. Gates left the impression that he and Microsoft are running hard to keep ahead of-and inspire-industry change.

"When companies, don't do it [adapt constantly], no matter how successful their past track record is, they have a tendency to lose a lot of money and often disappear," he said.

Ms. Mermigas is financial editor at Electronic Media.

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