

# Microsoft's \$21.9 billion military AR headset contract could pave the way for new consumer features down the road

Article

Microsoft **won** a 10-year, \$21.9 billion contract to supply the US Army with 120,000 AR headsets. The **HoloLens**-based devices, based on Integrated Visual Augmentation System, will use AR to show soldiers maps, compasses, and other heads-up displays. The headsets **expand** on the HoloLens with a more rugged design and myriad features like **real-time mapping** and extra sensors for night and thermal vision. For simulations, the headsets use machine learning and AR to create life-like training environments, which the US Army **claims** “allows the Soldier to Fight, Rehearse, and Train using a single platform.”

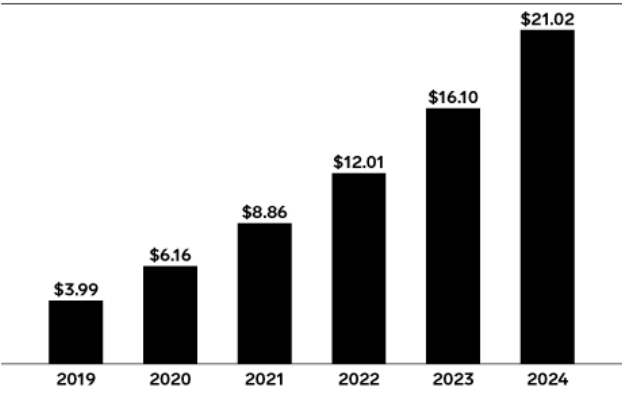
**Microsoft’s Army contract marks its third major military partnership in recent years.** The company **signed** a \$480 million contract with the Army in 2018 to secure prototypes that would become the AR eventual headset. Less than a year later, Microsoft’s Azure beat out AWS in a highly **contentious** battle over which cloud provider would help build out the Pentagon’s cloud computing infrastructure called the **Joint Enterprise Defense Infrastructure** (JEDI). That deal, reportedly worth around \$10 billion, is currently being **challenged** by Amazon.

**Meanwhile, workers at Microsoft have voiced opposition to military partnerships.**

- In 2019, a group of Microsoft workers **wrote** a letter opposing the Army AR headset contract saying they “did not sign up to develop weapons,” while another group **published** an open letter on Medium urging Microsoft to pass on the JEDI program.
- Microsoft President Brad Smith tried to preempt some of these concerns in a 2018 **blog post** where he said employees with moral misgiving towards working with the military could move to other projects.

**Microsoft’s military deal dwarfs most other AR contracts in terms of scale and may have trickle-down effects for consumers down the line.** The US Army’s AR contract stands out for the sheer size of investment. For comparison, mobile AR revenues worldwide from both consumer and enterprise applications combined are expected to total \$21.02 billion by 2024, **per** an ARTillery Intelligence report. While that forecast is limited to mobile and does not include military use cases, it does highlight just how significant the Microsoft deal is. And even though the features included in the Army’s AR headset aren’t currently available to consumers, that could change. Military tech tends to eventually **trickle down** to consumers after years on the battlefield. **Microwave ovens, Global Positioning Systems (GPS) virtual reality,** and the **internet** itself, for instance, all started off as military projects before eventually making their way to consumers.

**Mobile AR Revenues Worldwide, 2019-2024**  
billions



*Note: consumer and enterprise applications; includes productivity, advertising, in-app purchases, premium apps, media/content creation, and retail/e-commerce enablement*  
*Source: ARtillery Intelligence, "Mobile AR Revenue Forecast, 2019-2024" as cited in company blog, Sep 17, 2020*

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