Microsoft case study

Business

How hasMicrosoftresponded to competitive threats and opportunities in the past? What patterns do you see? Microsoft typically entered markets when it realized potential of dominance. The second timeIBMasked Gates to build them an SO, Gates saw potential, believing that the SO would become a standard that other manufacturers could use as well.

Microsoft bought DOS from another software vendor, modified it and licensed it to MOM. Gates held onto the copyright, and as he predicted he was able to sell MS-DOS to all the other vendors and become the dominant SO developer In the PC market.

When Excel and Word failed to compete In the PC market with Lotus and Workforce, Microsoft turned Its attention to theApplemarket where there were fewer competitors. Apple had smaller share In the SO market, so few companies were building software for the Macs.

Microsoft could take Its time learning how to create a better product. Eventually, Microsoft returned to take on Lotus and Workforce, this time in much better shape. They were also able to use their size by under-cutting competitors’ prices, offering customers “ competitive upgrades,” making the Microsoft option more cost effective to buyers.

Five years later, in 1995, Microsoft had become the dominant player in word processing, spreadsheets and presentations with MS Office. The Internet browser war is another good example of how Microsoft was late to the game, but was able to learn from the competition and leverage its weight later on in the battle. In 1993 and 1994, the Mosaic web browser was gaining great momentum.

Marc Andresen, taking a page from Gates, knew winning in market share meant winning it all.

Andresen had the foresight to see the importance of the web browser and had Netscape licensing Mosaic. By mid-1995, Netscape had the lion's share of the browser market. At this point, Microsoft woke up and Gates made a big push to create a browser. Roughly a year and a half later, Microsoft had pushed its third version of Internet Explorer out which finally started matching Netscape quality.

Microsoft turned up the heat on Netscape by throwing money at Internet Service Providers (e. G. AOL) to bundle Internet Explorer with their software.

Internet Explorer also was integrated into the Windows operating system, making it the De facto default browser of most PC's. Eventually, Navigator could not keep up with Microsoft.

Microsoft's response to the threat of Java pushed ethical boundaries. At first they licensed Java, as it seemed to be an Important plugging for the web. Then they created a " polluted" version of Java that only ran on Windows. Furthermore, when Windows XP was released, Java was not allowed to run on It. This did not bode well for Microsoft, losing a huge lawsuit to Sun Microsystems the creators of Java.

Similar tactics of less-than-fair practices were taken with the threat of Linux, Linux emerged as a huge threat to the likes of Sun and Microsoft, because it was for the most part free, while Sun and Microsoft were selling server operating systems for hundreds and thousands of dollars. Microsoft went back to its copy-cat tactics and starting making some of it source code visible, as was typical of Linen’s open-source steward. I en, Maladroit tree ten 010 track AT selling strapped clown versions Tort cheaper.

When all this failed, Microsoft finally stooped to legal tactics, licensing Novel’s Linux software and threatening to sue anyone who copied their code. This seemed to have some effect on the Linux community, as market share for servers dropped.

The major theme I noticed was to copy the competition until their product is adequate. Then they try to thwart their competition by flooding the market with rower-priced products of similar quality. In the past, they seem to have done a good job of also tying strategies to their dominance in other markets.

Using their Windows platform, they bundled their browser to gain a competitive advantage over Netscape, this did not work at first, because their browser was sub-par, but as it got better, Netscape could not keep up, especially as they gave their product away for free (it came pre-loaded with the SO). With the Java they tried using their dominance again, but as I mentioned earlier it clearly failed. Luckily, Java’s importance in the industry declined as the Internet evolved.

In the case of search engine competition, they tried using their Windows platform to their advantage, but this ultimately failed.

Google‘ s product was far superior, and it remains free for users. When Microsoft’s one-two punch fails, (1) copying and mimicking the competition to eventually offer a cheaper product of equal value and then (2) using their

SO or browser platform market share to further fend off attacks, Microsoft seems to resort to some legal/intellectual property tactics, whereby they scare competition with potential lawsuits, as in the case with Linux and later mobile phone makers. 2.

How large is Microsoft’s competitive disadvantage in Internet search and search related advertising in 2008?

If the industry remains on its current trajectory, how will Microsoft’s disadvantage evolve over time? Microsoft’s competitive disadvantage in the Internet search market circa 2008 was huge. According to Exhibit 3, from the Microsoft’s Search case study, from July 2007 to November 2008, MS/Lives market share is gradually declining, while Google gradually heads towards the winner-takes-all scenario. In the figures, even Yahoo and “ Other” search engine market shares were on the decline as well, where Microsoft was doing only marginally better than “ Other. To make the problem even worse, Exhibit 5, shows how Microsoft’s quality of “ search” was getting better. In 2005, it might have seemed like there was hope for Microsoft to catch up, as their search “ relevance” was by far inferior to Google.

However by 2007, Yahoo and Microsoft, according to Figure 5, were almost neck-and-neck with Google as far as quality, while Yahoo and Microsoft were still clearly on the decline in market share. It appears that Microsoft’s smug attitude of ignoring technology trends is putting them behind the Eight Ball yet again.

This time however, using previous tactics as discussed in the first question will not work. There are no “ prices” to undercut, Google is free to its users.

Google invented most of the best search algorithms, so there is little room for Microsoft to sue them or use legal tactics. And tying their search engine to their Windows or Internet Explorer platform is not really feasible either – people can always change their homepage from MS to Google.

Unlike, Netscape, Google's value was enormous, making them no easy opponent for Microsoft to Just puss around. Google was Tally Leverages as a competitor.

In ten search advertising realm, clearly value is tied to the general " search" market share. Since fewer visitors were using Man's search, and more people were increasingly using Google, ad-based revenue for Microsoft was on the decline as well. Exhibit 6, confirms this assertion, showing that Google was actually getting more money per click and furthermore was taking 66. 2% of the ad-based revenue compared to Man's paltry 7.

0%. Another dynamic that is lightly touched upon in the case study is that it was hard for the search engines to differentiate themselves.

Corrective typing features that issues what the user " really' meant to type is an example of a beneficial feature that adds value to a browser. However, within weeks, the other competitors also have such new features to match their competition. Interestingly enough, I think the search engine competition bares a certain resemblance to the Coke and Pepsi " Cola Wars.

" The big problem for Microsoft in the land of Search seems to be brand recognition. Google had a good product, and it was first to market, much like Coca- Cola did.

Without the ability to clearly differentiate itself in Search, Microsoft really has no hope of catching up to Google. To begin with, Google has the advantage as being perceived as the best. They are the leading brand.

Why should people change their habits? Even as MS/Live improved upon its technology, there was no reason for users to switch to Microsoft, even if it is Just as good. “ I’m already comfortable using Google, why do I want to try a new browser where there is no familiarity. ” I think this credits the concept of “ customer switching costs,” as discussed in Understanding Industry Structure (by Porter).

Monetarily, there are no real costs to switching to MS, but I think the fact that there are costs at all for users to leave Google makes Microsoft’s battle that much harder. If Microsoft’s search trajectory continues along the same path, I believe it will essentially become irrelevant.

If it continues to decline below it 8. 3% market share from November 2008 while Google climbs towards 70%, MS/Live essentially becomes an irrelevant player in the market, much like Apple did in the asses as MS- DOS and Windows came to dominate the operating system market.

Furthermore, looking at the Interbrain rankings from 2008 of the world’s Top 100 Brands, Google is clearly on the rise, Jumping from 20th place in 2007 to 10th place in 2008. Microsoft, consequently dropped from 2nd place to 3rd place. I think the brand recognition of Google if looked within the Search industry alone would show that Microsoft is a distant 3rd behind Google and Yahoo. When people think of “ search,” they think of Google.

It has been used by people as a verb that is synonymous with internet search. Merriam-Webster and Oxford even added it to their dictionaries in 2006 as a transitive verb. Http://news. Cent. Com/2100-1025_3-6091289.

HTML) How does one compete with that? 3. Why is Microsoft pursuing the market for search and search-related advertising? Microsoft's original search capabilities were introduced on their MS website. MS was a competitor to other online portals, like Excite, AOL and Yahoo. These sites hosted news, search functionality and other content. The general approach of these wheedles was to act as a catch-all Internet sloes Walt various types AT services Ana data.

MS, like AOL had initially been exclusive to members-only.

As the competition started creating similar sites for the general public, MS re-launched in 1997-1998 to become open for all. Initially, MS outsourced its search functionality to Into, while Overture handled its online ad-space. Search was a bit of an after- thought as opposed too realized potential for revenues. In the early browser days, most websites were Just trying to keep people on their websites. Search was seen as having little revenue potential.

Google, a year later, learned from Overture's Bill Gross about cost-per-click which defied the standard cost-per-impression model which wasn't necessarily optimal for advertisers.

Google further enhanced their search by qualifying the search results with a combination of relevance and popularity. It also enhanced it ads, by applying a rule of relevance again. People using their site would see ads that they were more likely to actually care about, versus ads that were Just imposed on them regardless of their interests. These technologies and concepts made the Internet more organized, and useful to people.

And clearly, from Exhibit 2, we can see Google's model was growing quickly, from $MOM to $1. 58 in ad and search revenues from 2002 to 2003.

By 2003, Microsoft was suddenly realizing the importance of search and the potential for ad-based revenue because of Google's massive success. Microsoft realized it needed to get in the game and get it right. Payne and Moss, from the MS am, considered acquiring Into, but it seems they realized Google was way ahead of their partner in the race for search supremacy. They decided they needed something new, built from scratch.

At the same time, Microsoft realized Overture was not doing getting good enough results in the search-based ad-space, so Microsoft also decided to tackle a homegrown project to develop its own advertising system.

It was clear to Microsoft that Google had become a big threat. And as Roam from Microsoft's search development acknowledged, Man's search " emphasis was on pursuing revenue, not satisfying users. This led to a vicious cycle. This is exactly what Microsoft realized that Google was not doing, it was aimed at making its users happy, giving them relevant ads, as opposed to throwing more ads at them and driving the customers away.

There is further evidence to suggest that the Internet was supplanting the importance of the PC. Cloud computing was seen by many outsiders as where the future was heading.

As mentioned in the case, Sun’s motto was “ The network is the computer. ” This seems like it would have been the major impetus for Microsoft to get into the search market more seriously, as its bread and butter was creating software lilt for the PC. Although, as noted in the case, Senior UP at Microsoft, Hussy Mimed had downplayed search as being “ still in its early days,” indicating that it would eventually get a lot better. But search did not seem to register on Microsoft’s radar until Google was running away with the market in 2003.

4.

What strategic options should Microsoft executives pursue? The Microsoft Search case tells an interesting story about a tech company, its approach to products and markets, and how it has evolved over the years. I think some of its strengths from the past have become its weaknesses. As of 2008, it was still operating using the same methods it had used for the last 25 years or so. Google took the search industry and used disruptive Innovation to Decode ten market leader In search Ana search-oases ads. Maladroit tried to play catch up, as it always had.

But in this day and age, that is not good enough in the Internet business. You really have to differentiate yourself, and if you can’t do that, you won’t get customers. One of the main things Microsoft must focus on is innovation. I think some of Gates’ instincts still stand to be solid advice for Microsoft. Choosing a good market space, for example, is still relevant to Microsoft. I also think utilizing their legacy products to leverage new products is a valid strategy.

Even Apple, the current leader in technology, has used this strategy to diversify its products.

Apple has used its tunes platform to launch various products such as pods, phones, Apple TV's and so on. Likewise, I think there is still opportunity for Microsoft to leverage its Windows platform to do the same thing – grow into other markets. They need to become more of an ambidextrous organization, utilizing Windows and Internet Explorer's dominance to bring forth new products. The second major strategic approach Microsoft must take is to rebind itself.

It is starting to be seen as this technology that " gets the Job done. No one gets excited about Microsoft's new releases. The thing that Apple has really done better that Microsoft is in the branding. Apple has done a great Job of personalizing its products. Jobs always focused on the customer as the primary concern.

I believe Microsoft could do a better Job at focusing on the end-user as opposed to focusing on the market share alone. Apple's products have become known as the products that customers want to use. When this is combined with their linkages to other products, it becomes a nearly unbeatable force.

Microsoft has done little lately on either of those fronts. I think as the convergence of technology increases interoperability and brand become much more important.

Microsoft’s brand is more built on its dominance that is has maintained across many industries, but it is starting to lose ground to companies that focus more on the user. To some extent, I’d say that Microsoft is fairly diversified, as Google is with all of its products, but both companies lack coherence compared to an Apple which has figured out how to sew it al together.

As was mentioned earlier, there is a trend that everything is moving towards the cloud. I think there is an opportunity for Microsoft to leverage its server technology and its Windows familiarity to really create products that bridge certain gaps in peoples’ lives – cloud frameworks and products that make the user’s life easier and more organized. Unlike Apple, there software development has often been on business applications. I think this is a good starting place for new innovation.

Instead of taking Apple head on, they might have better success if they work from that angle.