

Microsoft sendit

[Technology](#), [Mobile Phone](#)



Microsoft Acquisition Strategy Microsoft identifies potential acquisition targets under four categories. Using these four categories, we can evaluate the strategic fit of the proposed acquisition of Sendit: 1. Distribution partners Sendit acts as a distribution partner through its use of Windows as a base operating system for its mobile Internet networks. This expands the potential customer base for Windows, as each mobile network operator will essentially become an ISP with a Microsoft platform. 2. Companies that offer services Amar Nehru describes his definition of service providers as technology solution providers and system integrators. The solutions provided by Sendit build on the internet, email and operating system solutions provided by Microsoft, and customers are charged in a similar way; both Microsoft and Sendit used subscriber based revenue models, whereby clients pay for services and upgrades on a per user basis. 3. Emerging technologies Many in the industry believed that one of the next major telecommunications developments would be in the “ convergence” of mobile technology with data delivery. (Page 2). Sendit’s technology uses mobile phones as a platform for Internet access, in a market environment where both mobile phones and the internet had ballooning subscriber bases. This links to the first mover advantage associated with acquiring Sendit. Due to large community and network effects, first movers would have significant advantage. Microsoft should move fast before competing technologies take charge of the market. Furthermore, Sendit has a lead in wireless technologies and data provision. Microsoft may want to incorporate this technology with other products. 4. Demand generation In choosing Windows as the platform for its software, Sendit has the potential to establish

Microsoft software as the standard for mobile Internet providers. This will therefore increase traction for the Microsoft platform, products and services in the marketplace. Given that the characteristics of Sendit match the key criteria that Microsoft looks for in an acquisition on a general scale, we now look beyond this criteria to look at the business model and technological fit between the two companies.

§ Business model similarity Sendit's customers are Telecom companies, Cell phone manufacturers, and mobile phone users. In a business model remarkably similar to that of Microsoft, Sendit targets a community of users (by initially distributing client software free of cost) and thus become the de facto choice for all cell phone users that want to access the Internet. Once successful it can then obtain a steady stream of revenue through upgrades.

The Sendit value chain

§ Threat of Digital Convergence Wary of the trends towards digital convergence (that might diminish the market of PCs) , Microsoft has shown a strong interest in entering the business of wireless computing. It has made significant investments (such as Windows CE) and is trying to enter the business providing internet to cell phone users. Sendit is a product leader in this market.

§ European Market Access Microsoft will gain access to the European cell phone manufacturers through Sendit, as they already have several partnerships with market leaders in the region.

Recommendation Microsoft has three possible approaches to building an alliance with Sendit:

- Share marketing and sales forces with Sendit
- License from Sendit
- Acquire Sendit

Microsoft can also potentially proceed alone; but was lagging behind in related area research and so would need to invest significantly to bring itself up to speed. We recommend a Strategic Alliance

Infeasibility Microsoft would favor a strategic

alliance, if political, regulatory, or antitrust barriers limited Microsoft's entry to the Sendit's market. Our analysis revealed no substantial barriers, except for possible adverse market reaction to Microsoft's public image, refraining Microsoft from entering the mobile internet services market globally or in Sweden. Investment in options Microsoft might prefer strategic alliance to acquisition, if Microsoft believed that mobile internet industry development contained uncertainties in industry's technological, operational or financial development. Driven by such belief, Microsoft might prefer to set up a strategic alliance with Sendit, and to sign an option agreement, under which Microsoft would acquire a right to purchase combined operations, should the perceived business risks prove to be lower than expected initially. Although we believe that in 1999, when the case events took place, Microsoft's perception of business risks implicit in the mobile internet market might have been somewhat less developed than it is today, we strongly support the theory that Microsoft, as a strategic investor, was ready to take measured risks and to invest in industries, which Microsoft might gain advantage in by leveraging on its resources and capabilities in software development business. Indigestibility Microsoft might pursue strategic alliance if it estimated large post-acquisition costs of Sendit integration, or substantial cultural differences that might limit Microsoft from operating Sendit successfully going forward. We believe that post-acquisition integration costs could have been digested by Microsoft with no substantial difficulties, given the fact that Microsoft was a substantially larger business than Sendit was in 1999. However, cultural differences between from business practices prevalent in USA and Sweden, might have prompted

Microsoft to pursue alliance rather than acquisition. Information asymmetry
Microsoft might have favored strategic alliance to an acquisition due to an
information asymmetry arising on Sendit's vis-à-vis Microsoft's substantially
more developed understanding of the mobile internet market, their own
business, capabilities and resources. As the case does not provide much
information on the possible information asymmetries between Microsoft and
Sendit, we believe that potential information asymmetry, although inherent
in an acquisition, should have not been a self-substantial reason to pursue
alliance rather than an acquisition. Valuation Standalone value: \$6. 84million
Value to Microsoft: \$237. 59 First offer price Walk-away price APPENDIX 1:
Industry Value Chain APPENDIX 2: Industry Analysis Supplier Power — (Low)
The programmers, backend system and tools from Microsoft Buyer Power —
(High) Client software sold to Nokia, Erickson. These companies determine
the adoption of technology to a large extent. A lot of technology adoption is
determined by network effects (end users will use technology that is already
existing in the cell phone and that everybody else has). If the Telco's decide
to support a particular technology, this can quickly become the industry
standard. The server ICSA is sold to Telecom companies enabled them to
become ISPs. There are no major switching costs to begin with since the
technology that Sendit provides is non core. Since the technology is still in its
infancy there aren't switching costs. Barriers to Entry (Low)— The wireless
market has not yet adopted any standard. Therefore the market is wide open
for companies to develop their solution/technology and popularize it. Rivalry
(High) The market is quite large is growing. The stakes are high and this
might attract a lot of players. Even though there are not many companies

that provide the functionality of Sendit, there are many that are in the pipe line. A number of competing technologies and products exist. Substitutes (High) In the age of digital convergence a user has many ways to access the internet. Possible substitutes can be access using WIFI and 3G technologies instead of through cell-phone connectivity. Other possible substitutes can be competing technologies such as SMS and WAP