Essay on marketing strategy of microsoft

Business, Company

Is Microsoft a Monopoly?

Introduction

Microsoft is a leading software developing company in the world. Almost more than 90 % of people using a computer uses one application developed by the Microsoft because Windows application has become an essential interface that makes using a computer relatively easier for the user. The main word can be used for Microsoft is user-friendly. As the company producing the first user-friendly computer interface, the company made an essential brand that many people all around the world are addicted. Nowadays, there are other companies producing user-friendly operation systems for the computers. However, Microsoft has developed its operation systems very rapidly, and many applications in Microsoft are compatible with the other platforms belonging to the other companies.

The question whether Microsoft has formed a monopoly, or Microsoft is very successful developing new technologies is truly hard to answer. To answer this question, we need to develop an understanding of Microsoft marketing strategy. By understanding this strategy, we can figure out whether Microsoft is a monopoly, or it is just a natural situation.

The first section will analyze the marketing strategy of Microsoft. The second section will discuss the type of the market in which Microsoft operates. The third section will discuss the other market types that might be apt to the operating system and software market. The conclusion part will conclude whether Microsoft is a monopoly or not. Some misunderstood facts about the Microsoft case leads us to an improper assessing of the operation system and software market.

Microsoft is a leader company in the operating systems market on the world. Before Microsoft developed the Windows operating system, the operating systems were very complex, and they needed a specialization to understand and use the operating systems. Even completing a simple task in the old fashioned operating systems was taking longer time compared to the modern time operating systems' functioning. Thus, the people were in need of a user-friendly operating system so that they could complete their tasks easily without getting a computer specialist's assistance.

Microsoft has been the first company that produced the first user-friendly operating system. The Windows operating system has always been software with a menu assisting the users to complete their tasks. The help section in the Windows operating system has been an essential innovation. When people have had problems of using operating systems, Microsoft could comprehend the immediate need and Microsoft took serious steps to prepare a user-friendly operating system.

Microsoft has continued its research and development program on the Windows operating system for long years. Microsoft has developed more thirty versions of the Windows operating system. Each version has developed some more features every time. Microsoft has received a patent for each version of the Windows operating system as any high-technology company does for its products and the company enjoyed the monopoly power thanks to the patent rights. Up to this point, it seems like there is no monopoly problem. Even if the company has the rights of the Windows operating system for a certain limited time according to the patent rights received officially, it did not create a barrier for the other companies to

produce and market their operating systems.

After a while, the story of Microsoft started giving out the smell of a potential monopoly in the markets of operating systems and softwares. Because Microsoft has developed an unusual operating system in terms of being user-friendly in 1980s, many people have preferred using this system. Some studies indicate that the user-friendly virtual programs increase the productivity of the labor at enormous rates. Subsequently, the companies and the individuals truly liked the Windows operating system, and they got addicted to it. They did not need write long codes for completing simple tasks.

However, Microsoft has used the advantage of being first in this field. The company was aware that many people liked this new idea; Microsoft has shaped its marketing strategy by taking the reasons behind the people's preferences into consideration. Each new version of the Windows operating system was bringing a new user-friendly application, and people were relatively more aware of the user-friendly approach of Microsoft. However, Microsoft has not supplied all the innovations in a short period. As observed in the industries, those make innovations continuously, selling the technology just after its invention or completion might damage the marketing strategy of the companies. Thus, the companies prefer marketing different innovations at different time. This way, they can improve the addiction that the customers develop for their products. In the recent times, the Apple Inc. has been implementing a similar strategy for the iPhones. Each new version of the iPhone introduces something new to the customers; therefore, the company can continue its marketing power. Considering that

people are sleeping in front of the retailers to purchase the most recent version of iPhone, this strategy perfectly works for the companies.

Another important aspect of the Microsoft's marketing strategy has been to develop some applications those can be run only on the Windows operating system. Video applications, office programs, and many others have produced special to the Windows operating system. That has meant to the customers that when a customer would like to use program, he has to buy the Windows at the same time or vise versa. In simple words, Microsoft has forced its customers to buy different products at the same time.

Many other companies and some professional have developed other operating systems. Two main examples of these operating systems are the Apple's OS and the Linux operating systems developed by some professionals like Ubuntu, Linuxmint, Debian, Mageia, etc. The Apple's OS is prepared for some professions essentially like architects and designers. The Linux operating systems are distributed freely on the internet and mainly financed through donations. These operating systems could not develop any application that might be used on the Windows operating system until the recent five years because the Microsoft has always found a way to ban these producers.

Consequently, Microsoft has developed a marketing strategy accordingly with the program introducing new versions to the market. The marketing strategy has aimed at developing the monopoly power for a longer time than the patent protection ends for the Microsoft products. This strategy has worked successfully for long years. After the other operating system developing companies have reached a certain level of technological

advancement in their products, they blamed Microsoft for creating a monopoly in the operating systems and the software applications market. They supported their blame by filing the market share and the revenue statistics of the companies. The general picture was a bad one for Microsoft, and Microsoft lost in the legal processes.

For developing a relatively better understanding of whether Microsoft is a pure monopoly or not, we need to understand the market type of operating systems and softwares. This information will enable us to understand whether it is possible to develop a monopoly in the markets of operating systems and softwares or not. Thus, we can make a better decision on the Microsoft case.

Market Type of Operating Systems and Softwares

Operating systems are developed by the computer professionals. Also, there are marketing specialists working on developing marketing strategies of the developed products. Considering that the operating systems production mainly depends on research and development works, marketing strategy is completely different from a normal product. Timing for the marketing activities plays very essential role in creating the most efficient marketing strategy and reaching the company's goals. Consequently, there are two main agents behind the marketing of operating systems: computer professionals and marketing professionals.

Computer professionals work on the desired features in the operating systems based on the company's vision and mission. For instance, Microsoft aims at developing user-friendly easy-to-use computer programs. This mission leads the computer engineers to understand the difficulties users

face and develop new technologies accordingly.

Marketing professionals are into developing strategies to enable the company to reach the company's goals in the short term, the middle term, and long term. Microsoft is a multinational company working in many different countries. Because of that, Microsoft's goals are not only profit-oriented goals. For instance, Microsoft invests in some social projects related to fighting with the poverty in the Africa continent. The marketing professionals of Microsoft, based on these company's goals, develop some strategies to market the products in many countries.

Marketing department and research and development department work closely; therefore, the marketing professional become aware of the needs in the market and pass this knowledge to the research and development department while the research and development department informs the marketing department about the new developed products. These two departments determine the marketing strategies and product development processes together.

Assuming that all the companies in this market deal with similar issues, all of them have same processes in determining their marketing strategies. Each company would like to prove to the customers that their products are better than the other companies' products. Also, to avoid the risk of losing a product design developed in the company to the other companies; they receive a patent for their products. The patent rights protect them for a certain number of years. After their patent protection time ends, and then they do not have any property rights for their products; in simple words, another can copy their products without taking any permission from them.

Also, considering that the operating system market is an innovation industry, the product lifecycle, compared to many other products, is relatively shorter. When a company starts marketing a new version, the older versions are considered as old in the market and their prices rapidly go down.

Taking all the information in the previous paragraph, the companies need to implement research and development processes continuously to supply new products at certain time intervals. In another word, a competitive company in the operating systems market has to produce new things almost every year and convince their customers that their products are relatively better than the other companies. Subsequently, we observe a marketing style depending on the differentiation of products. From the theory of micro economics, we call this kind of markets as monopolistic competition markets.

In the monopolistic competition markets, the companies try to make their customers believe in their product. If the customers believe that one company's products are better than the other companies' products, then this company has a monopolistic power in the market temporarily. It is temporary because in a while the other companies understand how the company has the monopolistic power, and they follow the same strategies. When they do follow the same strategies, the customers understand what happens in the market and the monopolistic power of the company disappears. Thus, if a company would like to enjoy the monopolistic power for a long time, they need to be able to differentiate their products in a relatively longer term. For a continuous differentiation, a company has to do following activities: 1) understanding the needs of the customers, 2) understanding the beliefs of

the customers, 3) pursuing continuous research and development activities to innovate the products and develop new products, 4) developing a timing for the marketing activities, 5) developing promoting and advertising programs for the products to create a desired belief among the customers. This differentiation process is a costly process. The decision makers in the company analyze the cost-efficiency of the differentiation process, and they make the decision of product lifecycles and some other essential decisions in marketing strategies.

Microsoft is a one of the most successful companies in implementing differentiating strategies. Their approach of user-friendly softwares is the most differentiating feature of their products. Many computer users believe that the Windows is the beginning of a new era in the computing for the users. The illiterate users without any undergraduate or high school diploma can easily use the computers with the Windows operating systems. There have been other operating systems at the same time; however, the other operating systems were difficult to use.

The other companies could start producing user-friendly programs later than Microsoft. There were two main reasons for this: 1) Microsoft had the legal rights and 2) the other companies could learn the technological advancement later than Microsoft. In another word, Microsoft could manage to keep the rival companies away from the market for a long time. Being able to force the other companies to stay out of the market means a building a monopoly. Thus, for the time from 1980s to 2000s, Microsoft could build an almost perfect monopoly.

However, pursuing the monopolistic power in the market requires investing

more and more on the differentiation of the products. As mentioned in the part explaining how the differentiation process work, Microsoft has spent a lot of energy and financial resources on this. That has been sustainable until 2000s because the cost of pursuing the differentiation process for 20 years was less than the profit received from the market. However, after 2000, the technological advancements have become more expensive and pursued the differentiation strategy become very costly. The other companies have understood the Microsoft strategy almost perfectly because the legal protection for the old version of the Windows operating system has expired. The other companies could have the opportunity to analyze the Windows operating system. They could build similar operating systems and even further than this they could find the missing points in the Windows operating system. Following these steps, these companies could produce some applications those could be used in their operating system environments as well as in the Windows operating system.

As a result of the facts explained above, the other companies have produced some new operating systems those can do almost everything that the Windows operating system can do. For the Linux operating systems, there is a special opportunity for the specialist users. Because the Linux operating systems are open-source operating systems, a professional computer people could develop special softwares and personalize the operating systems according to their needs freely. In this case, these professionals preferred using the other operating systems other than the Windows operating system that has always been closed-coded and it is impossible to create personalized versions for the computer professionals. Also, considering that,

nowadays, even individuals who do not have the knowledge in the computer sciences can easily use the free Linux operating systems.

The information give in the previous paragraph tells us that Microsoft lost its monopolistic power. In simple words, Microsoft's user-friendly approach has been copied by the other software companies. Recently, Microsoft has declared that the company will not continue to produce the Windows series and support the older versions. From this move, we can understand that Microsoft is aware of that the user-friendly differentiating feature is not a big advantage for the company. The recent technological developments support the market share of the Apple Company's products and some other similar companies' products. Microsoft is after developing a new marketing strategy because the rival companies have developed more competitive products. Essentially, mobile phones, tablet computers, and the softwares for these devices are relatively more popular at the current time.

Conclusion

The operating systems and the software markets are monopolistic competition markets. That means the companies use the patent rights for a certain time, and the entire companies try to differentiate their products to have the monopolistic power. However, pursuing this monopolistic power requires a cost of sustainability, and it is impossible to continue the monopolistic power forever. When the cost of differentiating products reaches a top, the monopolistic power disappears and a high level of competition begins in the markets.

Microsoft has experienced all the stages mentioned in the previous paragraph. Microsoft had the monopolistic power until 2000s; however, after

2000, the other companies have solved the puzzle of Microsoft, and they can produce and market the same technology and even relatively better ones. Thus, after 2000, the operating systems and the applications markets are not monopoly markets. We still might claim that these markets are monopolistic competition markets because product differentiating can still work in these markets.

In conclusion, when Microsoft was punished, the court was right about the verdict; however, for the current time, Microsoft is no longer a monopoly. However, we should not forget that the high technology markets are always very close to being a monopoly market because of the characteristics of the high-technology products.

In general, many people assume that the lack of competition is no good for the consumers and even for the producers. However, the real life examples indicate us that imperfect competition is inevitable. In another word, perfect competition is impossible. From this perspective, the economy managers have to work for a relatively better imperfect competition markets.

Works Cited

Carlton, Dennis W. " The Lessons from Microsoft." Business Economics 36 (2001): 47-53. Print.

Liebowitz, Stan J, and Stephen E Margolis. Winner, Losers & Microsoft. California: Independent

McKenzie, Richard B. " Microsoft's " Applications Barrier to Entry:" The Missing 70, 000

Programs." Cato Institute Research Papers 380 (2000): 1-21. Cato Institute. Web. .

Richard, Gilbert J, and Micheal L Katz. " An Economist's Guide to U. S. v.

Microsoft." Journal of

Economic Perspectives 15. 2 (2001): 25-44. Print.

Richard, Gilbert J, and Micheal L Katz. " An Economist's Guide to U. S. v.