

Microsoft's Mistakes Proving Costly

By Jim Hedger, StepForth News Editor, [StepForth Placement Inc.](#)

The wizards of Redmond turn thirty this year. Officially founded in 1976, Microsoft appears to have lost its edge as it enters its third full decade. At one time, not so long ago, Gates and Co. drove the machine, setting standards that everyone else conformed to. Virtually nothing could stand in their way and competitors who did seriously threaten their dominance could be effectively diminished in one way or another.

Over the past few years Microsoft has gotten slower. Key product releases have been delayed, upper-management has been reshuffled several times in two years, defining initiatives such as the .net strategy have been virtually abandoned and worst of all, Microsoft has lived in reaction mode for the better part of the 2Ks.

To complicate things, their chief rival, Google, opened the year by signing a last minute deal with AOL, one it suddenly snaked away from MSN Search. The company is not on the leading edge anymore and to a staff member, they know it.

At times it feels like they have adopted a "fake it till you make it" public face. Bill Gates and Steve Ballmer parrot each other's speeches about facilitating the pending digital lifestyle while demonstrating product ideas that other firms have already developed. Both have been talking about "... beating Google in six months", for over a year now but the search division of Microsoft doesn't even seem capable of bettering itself. They are so scared of Google that both have stated they don't see Google as competition, and they still don't have a functional pay-per-click search advertising model.

They are trying to develop a new search engine in [Windows Live](#). The product is in its beta phase and its interface feels experimental. One interesting personalization feature they are testing is user controlled search macro commands. Basically, users will be able to create personal information buttons that will be added to a search toolbar running across the top of the Windows Live screen. The buttons are used to narrow or focus search results, the example offered by MSN being actual recipes as opposed to results full of advertisements for cookbooks. A detailed explanation is provided at the [MSN Search WebLog](#).

The future of Microsoft depends on the web. It can still exercise a great deal of power and influence by controlling the core operating system of most PC machines but the shell surrounding the OS has been breached by web-based services and software and Microsoft's long term dominance is obviously threatened.

The latest rollback on the delivery date of Vista, their first OS upgrade since XP, shows how difficult it is for Microsoft to evolve into an age when the desktop computer is reaching its obsolescence. First expected in early 2005, Vista, (formerly known as Longhorn), is now expected to be ready for release in January 2007, a full month after the Christmas season.

Microsoft earned everything it has today by establishing control over the basic user interface that everyone uses, the operating system of most PC computers. To observers, the development of its new one has spiraled out of control.

Pulling on its core historic strategy, the plan to deal with Google and Yahoo has been tied up in the OS. Microsoft wants to make the experience of working on one's desktop computer and across the greater Internet, or an internal Intranet, virtually seamless. Since late 2004, the plan was to bundle a number of web services into something they could control, the OS.

That is why Vista is such an important milestone for Microsoft and for the various industries that work around Microsoft's massive sphere of influence. Vista has been pushed back year after year and actually placed on Wired Magazine's list of vaporware products for 2004 and 2005. Computer makers and retailers most recently expected the product in November 2006.

The problem Microsoft faces moving towards that future, and the reason the Longhorn/Vista initiative has been so difficult is they have fallen behind the curve when it comes to servicing consumer expectations over the web. They have been a constant third in the race for search supremacy and frequently trail behind their rivals when it comes to introducing branded products typical consumers use over the web. That, in part, is because consumers are using the web differently than they use the XP driven computer they access the web on.

There are, of course, exceptions to this rule that tend to fly below the radar screen of daily users. Windows Media Player is a good example. It works directly with online information sources to provide a richer multimedia experience. Users don't need to turn to Google to learn the recording date of the CD or to receive other information about a piece of media. It is simply provided by the product. Hundreds of millions of people use the product everyday but few think about Microsoft while they do it. It is a subtle product that is taken as granted by North American XP users.

Other examples are abundant. When they do lead, as in the case with MSN Messenger, Windows Office, and other branded, daily use products, they simply don't generate the buzz that keeps consumers thinking about their products.

The problem for Microsoft, unfortunately, doesn't revolve around creating more buzz for their products. Their problem is that other companies are creating the products that people want to use.

While Windows Media Player is a multi-functional product, smaller digital music storage and replay devices have replaced its daily use. Google is poised to introduce an online word processing suite. Firefox has taken a significant share of the browser market.

The crux of the problem is that when servicing a general web based audience, the only large-scale profit model is found in advertising, not subscriptions or purchase pricing. If users aren't looking at a Windows Media Player screen when listening to their MP3s, they aren't looking at, or following up on any commercially sponsored information. Similarly, with Internet Explorer, users could be subtly directed towards other Microsoft products, properties and advertisers.

Microsoft has made some costly mistakes over the past few years. Its long-term dependence on the OS as the tool in its fight to dominate the online experience has put it behind its competitors in terms of product adoption and loyalty. The door is thus open and several other entities are walking into the room. Regardless of management shuffles and realignments, the delays of today will haunt Microsoft long into the future. The delay of Vista will have a palatable affect on PC sales over the Christmas season. Take your local PC dealer or manufacturer to supper sometime. He or she could probably use a good meal.