

## Microsoft Regroups Against Google

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About 90% of the world's personal computers were running on the Windows operating system as of August 2006. Nevertheless, many technology experts feel that the goose that lays the golden eggs for the company is in danger. They also believe that Microsoft could lose its throne if it doesn't react firmly against its rivals.

Bill Gates sees IBM as his company's main competition. It is true that Big Blue's annual revenues exceed \$90 million—doubling those of Microsoft—and that it is a frontrunner in most segments of the IT market in which it has a presence.

However, Gates' opinion differs from the criteria of many analysts, who feel that Google is the main rival which the giant from Redmond will sooner or later have to face.

As of right now, Google's revenues equate to just 14% of those of Microsoft, but experts stress the importance of the latter's growth. Indeed, when comparing the changes in stock prices for the two companies in recent years, one can see the decline in the influence of Microsoft and the simultaneous rise of Google. The latter presently sits among the world's top 20 in terms of market value, and is in full attack mode.

Evidence of this includes its decisive support for Firefox, the best-known open-source web browser, developed by the Mozilla Foundation, and the direct rival for Microsoft's counterpart.

Meanwhile, Google is expanding its natural habitat of Internet searches by setting off on the conquest of online software. With this goal in mind, the company in 2006 launched Google Apps for Your Domain, designed for small and mid-sized firms. This online software suite includes the email application Gmail, the instant message program Gtalk, the electronic schedule app Calendar and the web design tool Page Creator. These Web-based applications have been available in Spanish since November, offered at no charge and allowing each company to select the domain it wants to use.

Google is also putting the final touches on the release of a version for large companies that offers more sophisticated features. Google's investment in these Web applications promises to save companies time and money as well as allow for accessibility from anywhere at any time.

In this activity, Google is not just focusing on the corporate sector: it also aims to win over the public at large. Early last year it launched *Google Pack*, a set of applications that includes: the word processor Writely, which Google acquired in March of 2006; a

spreadsheet program; email; Google Earth, which gives users an overhead view of any location on the planet; Google Desktop, which lets users sift through their desktop to quickly locate a file or reference; and Picasa, a photo editing program that users can download for free and install on their computers.

It has also finalized deals with Dell to preinstall Google Pack on that brand's PCs and also has pacts with HP, Sony, Apple and Toshiba to automatically include the Google Toolbar on their new machines.

All of these applications are offered free thanks to revenues that Google obtains from its advertising network. For instance, users of Google Desktop stimulate the growth of the advertisement earnings obtained by Google through its ad network AdSense.

How can Microsoft rise up to meet this challenge? Experts note that one answer lies in the very market of online advertising which its rival so deftly uses. Along these lines, one must consider the platform Microsoft Digital Advertising Solutions, launched in 2006, which will offer advertising services in Xbox, MSN, mobile telephones and PDAs. Coupled with that, Microsoft also launched its version of AdWords, called Microsoft adCenter, a system which, like its competitor, allows for personalization in order to deliver ads targeted at different segments, with all the possible parameters, such as by gender or age, or the date or time that the advertiser wishes to run its ad.

### **To Find out More**

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e-business Center PwC&IESE, Report on search engines (currently underway), led by IESE professor Brian Subirana and e-business Center PwC&IESE assistant David Wright.

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