

Is Microsoft Standing on Feet of Clay?

Written by Marco Attard
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Microsoft is a colossus, with sales reaching over \$60 billion a year (and growing by 10% Y-o-Y), annual profits totaling \$20BN and owning nearly \$60BN in cash. But is it really about to collapse due to standing on feet of clay?



This is the belief Silicon Valley big VC firm partners, executives and startup gurus speaking to Business Insider share. How would such a scenario-- a nightmare for Steve Ballmer and co.-- play out?

First off, Apple manages to beat all other vendors to become global PC vendor by H2 2012, as Canalys predicts (keep in mind Canalys forecasts also count tablet numbers). As consumers (and employees) get more and more intimate with Apple hardware and software, enterprise IT departments will also start switching to Apples-- as they already do in the mobile sphere, switching from Blackberries to iPhones and the iPad. RIM tried to enter the enterprise tablet market with the PlayBook, but with very little success.

Microsoft is trying hard to attract the tablet customer base, mind-- Windows 8 is set to launch with a touch-based interface after all, and even Nokia is said to be working on a Windows 8 tablet. But what if the vendors making such Microsoft-powered tablets fail to capture the imaginations (and wallets) like the iPad does?

Business Insider says even loyal Microsoft developers are grumbling about Windows 8-- if not moving to work with the cloud-based competition.

The above scenario is already playing out in the smartphone sphere (global Windows Phone smartphone market share remains at around 2%)-- even if Microsoft hopes Nokia's take on the platform will help reverse the trend. However Android might just continue ruling the market (current Android global market share stands at 52.5% according to Gartner), while iOS lords

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over the rest. Business Insider rightly points out "...as the makers of competing desktop operating systems learned in the 1990s, it's very hard to break in [the market]."

Windows Phone can easily end up with less than 10% of the smartphone market by 2013, despite all efforts from Microsoft and partners.

As Windows starts losing market share, Office and other Microsoft business applications (Office alone accounts for around \$15BN in annual sales) might also start losing relevance-- and market share-- to the non-Windows, cloud-based competition. And if clients move to non-Microsoft tools, the next logical step is to buy non-Microsoft platforms to run them.

But Microsoft has the living room, right? Perhaps, but the Xbox business only makes around \$1.5BN in annual sales-- "not enough to make up for the erosion of Office, Windows, and all those other multibillion dollar profitable businesses." Good news for both current (Sony, Nintendo) and future (Google, Apple) contenders for King of the Living Room and the gaming market.

Combine all above losses in market share with an economy sinking into another big recession... and Microsoft faces a big bad quarter like the one IBM faced back in the early 90s. Ballmer ends up forced to pasture (where he'll spend the days playing golf) and Microsoft dumps non-core businesses (Xbox and Bing, mainly) in order to focus on maintaining whatever is left of Windows market share while porting Office to the iPad.

Microsoft will remain, next to the ruins of a pedestal saying "Look on my works, ye Mighty, and despair!"

Or... maybe not, of course. Maybe everything will work out right for Microsoft after all. But maybe it should also keep the words Shelley's "Ozymandias" close to heart, just in case.

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