



Microsoft

Phase I
MKTG 361, Silver
February 8, 2020

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Introduction

As one of the world's largest software companies, Microsoft has been committed to developing a range of software and product services. Microsoft has been able to cater to both business and personal computer needs, and it has allowed them to gain a competitive advantage in the software publishing industry. The scope of this report is to get an understanding of Microsoft's marketing and operating strategies by researching its marketing challenges, its 3 target markets, and its SWOTT.

Company & Industry Overview

Software publishing encompasses a wide range of services such as designing, developing, licensing, and supporting software for firms and individuals. Cybersecurity is one of the fastest growing niches due to the large increase in internet connections during the ongoing COVID-19 pandemic, which makes businesses and individuals vulnerable to hacks and information leaks (Cook, 2020). As the world becomes increasingly digital and reliant on technology, the industry continues to expand at a fast rate, with industry revenue rising at an annual rate of 6.4% over the last five years, and an expected rate of 2.4% in the next five years (Cook, 2020).

Microsoft is the largest player in software publishing, making up 25.8% of the industry and generating \$75.62 worth of revenue (Orbis, 2020). Their largest profit source comes from Intelligent Cloud services. Other top-selling products include operating systems and server applications, gaming consoles, PCs, and tablets.

Microsoft SWOTT Analysis

Microsoft is the world's leading OS and software provider, holding a global monopoly resulting in a high market share (King & Peterson, 2017). However, Microsoft suffers from several detrimental weaknesses including a lack of innovation and a history of failed acquisitions and investments (All Answers Ltd, 2018). Despite its flaws, Microsoft has a number of opportunities for growth in several established and emerging markets. Current trends indicate future growth in cloud computing, video game development, affordable cloud based software, and comprehensive technologies (AI, DBMS, data analytics) (Markets, 2020; Financial, 2020). However, intense competition, increased cybercrime, volatile foreign exchange rates, and long-term privacy concerns continue to threaten Microsoft's bottom line (Markets, 2020; Financial, 2020). With strategic planning, Microsoft can provide consumer value and maintain its dominance in the technology sector. Refer to *Figure 1* for a more detailed analysis of the SWOTT.

Top Three Marketing Challenges

One significant marketing problem Microsoft is facing is the lack of consumer awareness of certain products. While Microsoft has an array of products offered to consumers, most people only know of the most popular, such as Windows 95 and Microsoft Office. Whereas, products like Tivo-like that allows users to pause and record live shows are not well known. Network World reports that "Microsoft has a large roster of CRM and ERP products that are relatively unknown, at least compared to the heavyweights in the space" (Kepes, 2015). There are gaps of knowledge about what the company sells because they are not marketing these products to the best of their ability. Not successfully marketing their product is a major issue for the company but it is not the only marketing challenge they face.

Another substantial marketing challenge the company deals with is competing with Apple who is one of Microsoft's biggest competitors. Compared to Apple, Microsoft is falling behind when it comes to marketing their products. ICT Monitor Worldwide states, "Yet, somehow Microsoft is saying all the right words, at supposedly the exact right time, and I'm just not hearing them. I want to listen, I want to be moved" (ICT Monitor Worldwide, 2014). While the company may be marketing their products, their message is not being conveyed to the consumers. Meanwhile, Apple is marketing their products extremely well and consumers are buying their products instead. Microsoft struggles to market as well as Apple does and needs to make improvements to their marketing strategies.

Finally, Microsoft lacks sufficient marketing of their search engine, Microsoft Bing. This browser was launched in 2009 and "while Google, Safari, and Firefox have been gaining the market share in internet browser segment, Microsoft is losing the market" (Bashar, 2020). Not only has Microsoft Bing been trailing other search engines, in 2018 the browser wasn't on that year's most popular web browsers list (Martin, 2020). Although this company has been very successful with some of its products, the company can do more to market other aspects of its company such as Microsoft Bing.

Three Target Markets

Microsoft holds the majority market share for a single company at 25.8% in the software publishing industry (IBISWorld, 2020). Microsoft targets businesses, households, and government, who depend on their products and services to function seamlessly. Refer to *Figure 2* for a more comprehensive chart of Microsoft's target markets.

Primary Market: Businesses

Over one million companies worldwide and about 650,000 companies in the US use Microsoft's Office 365 products (Statista, 2020). Their essential programs like Excel, PowerPoint, and Word allow businesses to be fluid and precise with deliverables. Refer to Figure 2. In the software publishing industry, 64.9% of revenue comes from business software needs (IBISWorld, 2020). The COVID-19 pandemic has made software subscriptions, like Office 365, critical in business operations as employees continue to work from home.

Anti-virus and anti-hack software are also essential for protecting sensitive company information, requiring regular upgrades to prevent expanding threats. Microsoft provides this with its cloud platform, keeping customer data and confidential files protected within the company (Microsoft, 2020).

Secondary Market: Households

While Commercial sales make up most of its revenue, Microsoft certainly hasn't overlooked the demand for software among individuals and their families. Refer to Figure 2. Making up 24.4% of the industry revenue, Microsoft's secondary target market is households and individuals (IBISWorld, 2020). Millions of people take advantage of their Office products, and even more, have explored the Microsoft 365 Family Package. "This allows families or close friends to access smart assistance features, save and share files and photos via OneDrive, and even support across five devices for each person" (Microsoft, 2020).

Leading up to the launch of this package that targets individuals and their families, Microsoft saw a rise of 7.03% in their stock (Gaus, 2020). Towards the beginning of the COVID-19 pandemic, it was important for families to be virtually connected by any means necessary. However, as the pandemic continues, more households and individuals are likely to cancel subscriptions as the unemployment rate rises (IBISWorld, 2020).

Tertiary Market: Government

Governing bodies require reliable software to make positive change in their communities. Refer to Figure 2. Government makes up the last 10.7% of revenue for the software publishing industry (IBISWorld, 2020). Similar to businesses, government demand for software is essentially inelastic. Microsoft has taken a stronghold in this market as they strive to promote well-being, influence, positive change, and augment government services to fulfill the demand (Microsoft, 2020).

With Office 365, Microsoft empowers small to large government organizations to enable remote government access, fuel cross-agency collaboration, and deliver trusted and secure services (Microsoft, 2020). Through seamless service and collaborative products, Microsoft allows any government to thrive and act quickly.

Summary

Microsoft will continue to be one of the most successful software companies in the world due to its well-known and established brand. Their products and services have become an essential part of business operations whether employees work on-site or at home. However, Microsoft still lacks a solid marketing strategy despite its transparent target markets. Microsoft has room for improvement if they decide to maintain that competitive advantage. Please direct all report specific inquiries to Team 72 via email or phone.

Attachments

Figure 1: SWOTT Analysis

Strengths <ul style="list-style-type: none"> • Leading OS and software provider • Holds a global monopoly resulting in a high market share • Well-known and established brand • Easy to use software • Robust Financial Performance • Works with major computer hardware producers to pre-install Windows software 	Weaknesses <ul style="list-style-type: none"> • Lack of acquisitions and investments • Security defects resulting in lack of consumers' trust • Maturing PC markets: As the market for these products has progress, Microsoft will eventually have difficulty maintaining revenues in these sectors • Slow to innovate
Opportunities <ul style="list-style-type: none"> • Internet of Things (IoA): Emerging technologies • Cloud Computing Services: Professional business software • Video Game Industry: VR, console, and mobile gaming • Niche Markets: Vehicle Automation, drone development, agricultural technologies • Strategic Acquisitions • Strategic Partnerships 	Threats <ul style="list-style-type: none"> • Competitive Market: IBM, SAP, Oracle, Apple, Amazon, Google • Cyberattacks & Security Issues: Microsoft claimed a \$3.5 billion loss in 2020 • Foreign Exchange Risks: \$426 million loss from foreign currency translation adjustments • Software Piracy: Increased software piracy in foreign markets
Trends <ul style="list-style-type: none"> • Cloud Computing Services: Professional online business software solutions • Comprehensive Technologies: AI, database management systems, data analytics • Affordable Online Software: Develop affordable cloud based software • Video Games: Increased demand for VR, console, and mobile gaming services 	

Figure 2 - Target Markets

Market	Businesses	Households	Government
% of Revenue and Details	<ul style="list-style-type: none"> • 64.9% • Established and competitive • Essential for remote environments • Forecasters and database management 	<ul style="list-style-type: none"> • 24.4% • Families with dependents • Remote students (high school & college) 	<ul style="list-style-type: none"> • 10.7% • Small and large in size • Essential for remote environments • Forecasters, surveyors, public outreach, database management

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