As Seen On:

Microsoft's Monopoly May Not Matter

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What does the outcome of settlement talks in the antitrust case mean to Microsoft where it matters -- its legacy and its plans?

With the Supreme Court denying to hear Microsoft's appeal of the lower court findings of fact, Microsoft is looking at little chance that the ruling that is a monopoly will ever be changed.

Contrary to popular opinion, being a monopoly in itself is not illegal. It's anticompetitive behavior that gets the government and competitors riled up.

So what's the industry to do if the ongoing settlement talks come out in Microsoft's favor? I think the answer is: "Keep doing what you've been doing."

Yes, Microsoft has a monopoly, but let's remember that its scope is very limited. Microsoft, like any shareholder-value oriented company, has tried to leverage its strengths, and despite widespread corporate and consumer support for its products, it's not such a technology powerhouse as the average user of its technology might think.

Credit Due

Take, for example, high-end database software. According to reports published earlier this year by research firm Dataquest, Oracle and IBM each controlled approximately one-third of the industry. With 66 percent of the market dominated by these two players, Microsoft was able to eke out a stake of just under 15 percent.

While Microsoft dominates in the low-end markets with MS SQL Server, it's facing healthy competition from free alternatives such as MySQL, mSQL, and PostgreSQL. A recent Neilsen//NetRatings report shows that QuickTime and RealAudio software are used six times more often than Microsoft's Windows Media technology.

More encouraging is the fact that Apple's QuickTime was adopted as the new MPEG standard.

Who's Counting?

When it comes to Internet servers, Netcraft reports that the open-source Apache Web server software serves 60 percent of the domains on the Internet, with Microsoft's IIS lagging behind with a relatively paltry 28 percent of the market.

While Apache runs on Windows, it's a fairly safe bet that, likewise, 60 percent of the Web sites on the Internet run off of Unix Web servers.

Interestingly enough, Netcraft also reports that 50 percent of Web servers are Microsoft operating systems while Unix-based systems are a little less than 50 percent.

Putting two and two together, these numbers indicate that while the operating systems are evenly split, Unix systems host 60 percent of the domains, while IIS only pulls 40 percent of its weight for the same number of servers, according to the research reports.

The Net Effect

When it comes to Internet access, AOL and AOL Instant Messenger dominate the Internet access and instant messaging markets, leaving MSN and Microsoft Messenger in its dust.

As for programming languages, Microsoft recently announced C# as the competitor to Sun's Java. Java has enjoyed an active, vibrant developer community, while Microsoft's offerings have changed direction several times over the past few years. With only a few Java developers signing on to C#, Microsoft announced J#, which it hopes will attract Java developers to the Windows platform.

In my opinion, this is a poor choice for many Java developers. Java touts platform independence, while Microsoft's J# ties developers to Windows. Java technology is pervasive these days -- it is included in just about every popular shipping Web browser, and increasingly, is the underlying basis for cell phones and PDAs, thanks to J2ME (Java2, Micro Edition).

Hot Java

The more penetration Java gets with developers and consumers alike, the less standardized do Windows APIs become. Similarly, Java isn't the only alternative to Windows technologies. Perl, Python, and the numerous others are open development standards, which don't tie their developers to one particular platform.

Of course, unlike many of its competitors in the operating system arena, Microsoft doesn't build the hardware that its software runs on. Sun, IBM, Apple, HP, AMD, Intel and SGI are sophisticated high-tech companies that have chip fabricating plants or hardware design and assembly lines, areas of the market in which Microsoft has never been bold enough to compete.

Where it Matters

Microsoft's success as a software-only company simply comes from two strategies. First it controls the two markets where it has gained dominance -- office productivity software and consumer desktop operating systems. Second, it enters into promising new software markets as soon as possible and works to stop competitors from gaining the upper hand.

What does the outcome of settlement talks in the antitrust case mean to Microsoft where it matters -- namely in its legacy and plans?

Adversity is the true litmus test for a business, not prosperity.

Does Microsoft stand to lose anything in the settlement talks in the antitrust case? Yes and no.

Microsoft has the most to lose where it is weak. And curiously, those stakes are in the bets Microsoft placed in its legacy technologies of Windows and Office, as well as in its expansion products and services, MSN and Xbox.

If the U.S. armed forces, China and France are any indication, StarOffice is gaining popularity worldwide. Apple's MacOS X's launch came with rave reviews. Similarly, Linux is making new friends with both home users and corporate allies alike.

Meanwhile, Microsoft's new markets don't look any better. Take, for example, the video console market that Microsoft is entering with the Xbox. With fierce competition from Sony and Nintendo, industry giant Sega bowed out of the hardware wars and gracefully chose to take part only in the software development side of the industry, happy to write games for the remaining players.

Can't Handle

If industry stalwart Sega can't handle the competition, how does Microsoft hope to?

Already, critical impressions of the Xbox are coming forth. These range from an awkward form factor for a TV-oriented console, unwieldy controllers, to absent test units for a device expected to begin shipping in as little as one month.

How long will Microsoft keep this division afloat if it doesn't bear any fruit for its shareholders?

Fork in Road

Microsoft will find itself at odds with the desires of its customers. MP3 has recently become a household term while the RIAA has become demonized in the public view because of what many view as the organization's unfriendly bent toward artists, consumers and the marketplace.

CD sales have dropped in direct proportion to the drop of Napster use, according to some studies. Due to its implicit partnership with the record labels and media producers, Microsoft will be forced to push closed technologies such as SDMI and WMF (Windows Media Format).

These efforts will meet a fate similar to DivX, which, if you'll recall, was so soundly defeated by the DVD buying market that Circuit City and its cohorts had to quickly abandon the silly concept.

Despite the rejection of these technologies, Microsoft will be unable to embrace open technologies without losing face or credibility with its content producer partners, thus leaving open standards ripe for picking by its competitors.

Business As Usual?

Adversity is the true litmus test for a business, not prosperity.

Since Microsoft has been in a period of uninterrupted financial excess, the company could look the other way while customers pirated its software. Microsoft was the jewel in the eye of many IT departments because these individuals did not acknowledge the cost of doing business with Microsoft.

With licensing policies being more strictly exercised and a forced upgrade to XP looming on the horizon, this false economy of scale offered by inappropriate licensing of Microsoft technology is now starting to make people realize the cost of Microsoft products.

Ending Complacency

The days of Microsoft's complacency are over.

A settlement unfavorable to Microsoft won't prevent future injustices by the Redmond giant, as much as it will punish the company for previous injustices.

Indeed, attributing the decline of Microsoft to the antitrust case will be doing its competitors -- outside of the browser market -- a significant disservice.

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