

What is this Sea Change?

Good Morning Silicon Valley reports that the recently leaked Press Release is actually confidential Microsoft memo.

"The next sea change" in computing -- software as a service -- has arrived, Gates writes, and Microsoft must embrace it or lose ground to the advertising-supported Internet businesses being developed by Google, Yahoo and Salesforce.com.

In the Web 1.0 Dotcom days, a concept had emerged called B-to-B-to-C, as a successor to B-to-B and B-to-C. As consumer marketers were looking for more efficient ways to reach their consumer audiences, the idea of reaching them through their employers seemed cost-efficient and attractive.

Now, at the height of Web 2.0, Microsoft seems to be in the absolute best spot to capitalize on the B-to-B-to-C advertising opportunity.

Imagine, you are BMW, and you want to advertise to a very targeted audience of consumers with a certain household income level. Who else is in a better position to give you access to this super precisely segmented data about people's income levels than major corporations?

Let's say, GE cuts a deal with BMW, and lets them advertise to the 10,000 employees in the annual income range \$100,000 - \$500,000. What form would this advertising take?

It could be, that for this set of employees, as soon as they open up Microsoft Office or Outlook, BMW's AD is placed on their desktop. As a result, instead of GE paying Microsoft for the corporate license of MS Office, BMW ends up subsidizing the application.

As Microsoft thinks through their response to the Sea Change that Gates discusses above, it would be good to remember that Microsoft is still in a position of strength within the enterprise, large and small, and not try to follow Google blindly into the pure SaaS zone.

Microsoft should re-define the rules of this war, instead of chalking out a blow-by-blow response to Google.

Implementation:

I would keep Microsoft's revenue line intact, but make changes in the software plans. In the new system, Microsoft still sells MS Office, etc. as is, or may be with some more integrated architectural view with a better SaaS feel.

However, as you know, Microsoft has discontinued its relationship with Overture as their AD Management system, which means they are developing their own. So, now, I would play to Microsoft's strengths, and design this system so that a version of it can also be sold to / used by corporations to manage Ads on the desktops of their employees.

So, in this new order, Microsoft continues to get paid for the software they provide to enterprises, but they also sell additional software which adds an Advertising Revenue line to every corporate P&L.

I submit, that Microsoft sits in a uniquely attractive position in the food chain to broker this flow of funds via advertising dollars trickling online, by empowering enterprises to monetize their employees.

And take a cut.

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Silicon Valley Entrepreneur and Strategy Consultant Sramana Mitra writes about Entrepreneurship, Business Strategy, Emerging Technology, Market Moves, and sundry other topics in her Blog "Sramana Mitra on Strategy". Read more of her writings at <http://www.sramanamitra.com>.