

Microsoft in online Office demonstration

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Microsoft yesterday responded to the growing threat from Google and other internet companies to one of its most profitable businesses with demonstrations of its Office applications that will run over the web.

The software company also laid the groundwork to move beyond the troubled Windows Vista era, showing off an early example of the next version of the PC operating system that it said would hit the market by early 2010.

Although the final online versions of widely used applications such as Word, Excel and PowerPoint are unlikely to be released for more than a year, Microsoft's public demonstration of them yesterday showed the urgency it now feels to defend a core business. Office accounts for more than 90 per cent of revenues in the company's business division, its largest arm.

Google launched its own online applications early last year, charging companies \$50 per year for each user, and IBM has since produced a free set of services known as Lotus Symphony.

Many of Microsoft's biggest corporate customers had pressed the company on when it would respond to rivals such as these, said Stephen Elop, head of the business division.

However, he went on to say that very few have actually switched to using Google's applications. He also denied that Microsoft's announcement was a defensive move, but said the timing reflected a view that browser technology had only recently advanced enough to support online applications.

Microsoft said it would release a free, advertising-supported service for individuals that would let them access versions of its applications through a standard web browser.

Corporate customers will have to buy the service under either a subscription or software licensing plan, with final pricing yet to be determined - although Microsoft said pricing would be in line with rivals. The online versions will not include all the features of the traditional software.

The applications will be released at the same time as the next version of Office, which is expected to coincide with the next Windows in early 2010.

While the move to advertising-supported and low-priced online applications would eat into some current Office sales, it should also extend the reach of the software to many more users, Mr Elop said.

It is calculated that half the estimated 500m users of Office applications use pirated software. The hope is that many might be drawn to the advertising-based online version, increasing Microsoft's income, he said.

"It will change the economics in ways that none of us fully understand," the Microsoft executive added.

Meanwhile, Microsoft executives acknowledged Windows Vista had been hurt by early compatibility problems as they showed off the next version of the software, known as Windows 7. A full test version would be released early next year.

"We've got to do a better job with Windows 7," said Steven Sinofsky, head of the Windows group.

Fonte: Financial Times, London, October 29 2008, Companies & Markets, p. 20.