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**Infocomm Sales and Marketing**

Year 2/3 (2022/23), Semester 3/5

## **SCHOOL OF INFOCOMM TECHNOLOGY**

Diploma in Financial Informatics

Diploma in Information Technology

**ASSIGNMENT I  
Individual**

|  |  |  |
| --- | --- | --- |
| **Deadline:** | **Softcopy & Presentation Video Recording** | **Submission to POLITEMall by**  **12 Jun 2022 Sunday @ 2359 hrs** |

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| --- | --- |
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**Penalty for late submission:**

* 10% of the marks will be deducted for everyday (inclusive of Saturdays, Sundays, and Public Holidays) after the deadline.
* **NO** submission will be accepted after **22nd June 2022, 1700hrs**

**Assignment 1 Report**

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# Introduction of the Company

Microsoft was founded by Bill Gates and Paul Allen on April 4, 1975, in a garage in Albuquerque New Mexico. Five years later, both were hired to provide an operating system for IBM’s first personal computer, which then in 1985, Microsoft first launch its now-ubiquitous Windows software product. Now, Microsoft is one of the world’s largest technology companies. Some of their hardware products include Microsoft Band smartbands, Xbox video game consoles and controllers, Microsoft Lumia smartphones and Microsoft Surface tablet and notebook PCs etc. Some of their software development products include Azure, Jscript, and Visual Studio etc.

# Environment Analysis

## PEST Analysis

### Political aspect

The political environment directly affects the profitability and revenues of any active business, which includes technology giant such as Microsoft. In the political aspect of PEST Analysis of 2021, Microsoft has had software selling problems, along with political bribery.

Within the past recent years, Microsoft has run into a number of several political issues such as bribery, even providing more than $10 million towards the formation of political environments to be on the positive side of the government. Countries, China for example, have taken issue with how Microsoft distributes and sells their software. The United States of America and China have had a harmonious relationship in the past. Up to date, the U.S relies heavily on China. Furthermore, in 2015, the European (EU) gave Microsoft a $730 million fine for violating their trust regulations.

### Economical aspect

Microsoft is affected by the current state of the economy. In the Economical aspect of PEST Analysis, Microsoft is still recovering after the loss from 10 years ago. The company sees profits waver due to the change of taxation rates and labor laws or from poor relationships between international cooperation. In 2007, when the financial crisis hit, Microsoft was forced to dismiss over 5,000 employees, which shows how the economy can cause devastating results for a company.

### Sociocultural aspect

Not only does the economy affects the revenue and profits, but social factors also play a part too. And not keeping track of cultural changes can impact a business negatively, which is more difficult when a business is more global. In the Sociocultural aspect of PEST Analysis, there is a massive increase in the use of mobile devices, however, Microsoft has not adapted to smartphones easily as most of their products are built for computers, and thus putting little focus on mobile users. With other businesses stepping up in the mobile industry, Microsoft needs to change their thinking to include smartphones as a major part of their campaigns to succeed. In addition, there is also a shortage of skilled talent in STEM fields impacting local recruitment.

### Technological aspect

Microsoft is a technology company, where it develops and distributes digital software. In the Technological aspect of PEST Analysis, Microsoft has constant competition with other technology companies such as Apple and has troubles with Nokia, as it was not profitable.

It is good that Microsoft puts lots of fundings towards innovation, research, and investments with the huge cash reserves. They spend around 20.7 million U.S. dollars in its 2021 fiscal year in their research and development (R&D) expenditure, which brings them second in ranking among software and computer service companies globally in terms of R&D spent. This is shown by the profit after adopting cloud-based services. Although they have created phone hardware and devices, but they still see revenue decrease in that area.

# Situation Analysis – Industry

## Michael Porter’s 5 Forces Model

### Threats of new entrants

The threats of new entrants in the tablet industry are low. With high entry barriers, along with pricey designing and developing enterprise software, it takes a long time to success. In addition, there is a lack of professionals who have such exclusive knowledge. The current organizations such as Apple have established supreme cost advantage due to their broad experience and economies of scale.

### Buyer Power

The buyer power in the tablet industry is high. There are many customers who are regulars, and buyers are able to get tablets from different brands due to a huge market, with Samsung and Apple mostly preferred by the customers. There is no switching cost from one tablet to other but only a difference in their operating system. For example, Apple iPads uses iOS, while Samsung tablets uses Android. In addition, buyers purchase the majority of the seller’s sales as worldwide tablet shipments increased to 168.8 million in 2020, taking up about 5 million of 2020 shipments (Benjamin, 2021).

### Threat of Substitution

The threat of substitution in the tablet industry is high. Mobile phones and laptops are the closest substitutes for tablets due to their similar functions. Both mobile phones and tablets contain a CPU, memory, display functions and use an operating system that runs apps to perform various functions (Hope, 2021). Between Tablets and Laptops, tablets have longer battery life, easier to bring around and is designed for media consumption (Kyrnin, 2021). Laptops on the other hand is more powerful programs with more features and is designed for productivity (Kyrnin, 2021). Therefore, there is a high threat of substitution in the industry.

### Supplier Power

Supplier Bargaining Power in the tablet industry is low. This is due to the great number of suppliers, along with low supplier switching cost and that the cost of suppliers relative to the selling price of the products.

There is a huge number of suppliers worldwide and Microsoft is the largest customer in terms of purchase volume for most of their suppliers. Huge multinational technology company, Microsoft for example, can replace most of their suppliers with little to no cost for the business. This has an evident unfavorable impact on the supplier bargaining power. Lastly, the cost of suppliers relative to the selling price of the products is low, which is another factor that decreases the supplier bargaining power.

### Competitive Rivalry

The competitive rivalry in the tablet industry is high. This is mainly due to the large number of competitors, and the rate of growth of the industry.

Companies such as Apple, Samsung and Huawei are quite big in the tablet industry, taking top 3 in market shares in the fourth quarter in 2020 ([see Appendix A](#_Appendix_A_1)) (IDC Corporate, 2021). The industry is growing quickly due to the rapid rise of number of sellers. Tablets shipments are even expected to increase by 1.5% in 2022 due to the high number of sellers and demand (IDC Corporate, 2022). In addition, the exit costs are low and there is fierce competition through innovation.

## Industry Life Cycle

The Tablet Industry is in the Late Mature Stage. Since the early 2010s, Tablets has always been a staple in the mobile device world. They were regarded as “the best of both worlds” (Brown, 2021) between smartphones and computers in the past.

In the earlier days of the mobile market, tablets were advertised as better for productivity than smartphones as they were not as powerful as a multitasking machine compared to tablets. Tablets also become popular due to the introduction of iPads by Apple in 2010. However, since then, the industry has experienced low growth in revenues as shown by the graphs ([see Appendix B](#_Appendix_A)), there is a distinct low percentage in the Android tablet space that started in 2018. Samsung, which had a 18.6% dropped to 12.4% within five months, which is the lowest point seen in four years. The competitive landscape also becomes clearer with Apple leading the industry as shown by the graphs.

# Situation Analysis – Company

## Michael Porter’s Value Chain Analysis

### Primary Activities

#### Microsoft Inbound Logistics

Microsoft deals with several suppliers globally, as shown by the map ([see Appendix C](#_Appendix_C)). Accordingly, the company has to ensure and maintain that the highly complicated supply-chain operates smoothy. It is a must for all the suppliers to follow to Microsoft Supplier Code of Conduct and The Microsoft Supplier Requirements. With that, the primary sources of value for Microsoft inbound logistics include the economies of scale, presence of strategic relationships with suppliers and detailed knowledge of supply-chain management practices due to selling relevant software i.e., Microsoft Dynamics AX.

#### Microsoft Operations

Microsoft Corporation business is divided into three sectors: Productivity and Business Process, Intelligent Cloud, and More Personal Computing.

Firstly, for Productivity and Business Processes, it comprises Microsoft products and services related to productivity, communication, and information services. This sector includes a variety of devices and platforms such as Office Commercial, Office Consumer LinkedIn, and Dynamics.

Secondly, Intelligent Cloud includes all kinds of server products and cloud services, be it public, private, or hybrid, that can power modern business. This sector includes server products such as SQL Server, Windows Server, Visual Studio, System Centre, and related CALs, and Azure, as well as Business Services, such as Assistance Services and Microsoft Consulting Services.

Lastly, More Personal Computing comprises of products and services pitched towards complementing the interests of end users, developer, and IT professionals across screens of all sizes. In the exception of phones, Microsoft devices are primarily produced by third-party contract manufacturers. Microsoft manufacturing plants are located globally to ensure proximity to suppliers along with reducing transportation expenses and harmful environmental impact. Some of the plants are also located in poorest regions such as Brazil’s Manas and Mexico’s Reynosa to create job opportunities for the locals.

#### Microsoft Outbound Logistics

Microsoft outbound logistics comprises of the following distribution channels: Original Equipment Manufacturers (OEMs), Distributors and Resellers, Online Sales, and Microsoft Stores.

OEMs work as a crucial distribution channel for Microsoft via pre-installing Microsoft software on new devices such as PCs, tablets, servers, smartphones, and other intelligent devices. These OEMs include Acer, ASUS, Dell, Fujitsu, Hewlett-Packard, Lenovo, Samsung, Toshiba, and with many regional and local OEMs ([Microsoft Annual Report 2018](https://www.microsoft.com/investor/reports/ar18/index.html)). In addition, the largest component of OEM distribution channel is represented by the pre-installation of Windows operating system on computing devices.

Retail stores such as Wal-Mart, Dixons and Microsoft retail stores are distributors and resellers of Microsoft products and services, along with license solutions partners (LSP), network agencies and developers and more. There are also 116 Microsoft stores globally.

For online sales, Microsoft offers online content services to customers through Bing, MSN portals and channels, Office 365, Xbox Live, Outlook.com, OneDrive, Skype, and Windows Store. Microsoft online also offers a range of addition services such as online publicity platform with offerings for advertisers and publishers, as well as Microsoft Developer Network subscription content and updates.

#### Microsoft Marketing and Sales

“Brand marketing message is closely associated with the values of effectiveness, efficiency and convenience in dealing with a wide range of professional and personal tasks”. (Dudovskiy, Microsoft Value Chain Analysis, 2019) Microsoft uses licensing ways to promote its products and services, which organizations can choose from the following forms of licensing depending on their size, scope of operations and resources, such as Enterprise Agreement Licensing, Microsoft Product and Services Agreement Licensing, etc. The main source of value creation for Microsoft marketing and sales activities comprises a successful engagement in viral marketing and the use of licensing sales method to reduce cost of sales to a substantial amount. Sales and marketing expenses increased USD2.0 billion or 13% in 2018 compared to the previous year, primarily due to LinkedIn expenses and investments in commercial sales capacity, offset in part by a decrease in marketing expenses ([Microsoft Annual Report 2018](https://www.microsoft.com/investor/reports/ar18/index.html)).

#### Microsoft Services

Service primary activity within the framework of value chain analysis refers to support provided to customers after the sales, or also known as customer service. Microsoft efforts to sustain the maximum level of customer services pre-purchase, during the purchase and after the purchase. Sophisticated online answer desk offers appropriate customer services in the areas of account and billing, technical support, setup, and installation support and buying advice. In addition, Microsoft aids with businesses and IT professionals in terms of obtaining the maximum advantages from their products and services.

Microsoft also aims to support its customers in terms of online security. The company has an online security center on its website and offers knowledge about download security essentials. As part of its customer service program, Microsoft offers an online Malicious Software Removal Tool to customers. The global technology company also has an online disability answer desk to support customers with disabilities.

### Secondary Activities

Understanding the importance of all activities helps to apply the Porter Value Chain. When understanding the relative importance of identified value chain activities, Microsoft should focus on areas where value can be increased, cost efficiency can be reached, differentiation basis can be set, or processes can be optimized.

#### Firm infrastructure

The firm infrastructure represents a range of activities, which includes quality management, legal matters handling, accounting, financing, planning and strategic management. Microsoft can optimize the value of the whole value chain by effective infrastructure management. They can also control the infrastructure activities, or also known as overhead costs, to strengthen the competitive positioning in the market.

#### Human resource management

By evaluating different Human Resource aspects, Microsoft can analyze their HR management. Some aspects include, recruiting, selecting, training, rewarding, performance management and other personnel management activities. An effective HR management allows Microsoft to lower competitive pressure established on motivation, commitment, and skills of its workforce. This also helps to achieve the company’s cost minimization goals by analyzing hiring and training costs with their relative return. Therefore, the heavy reliance of Microsoft on employees' talent will enhance the importance of HR management.

#### Technology development

“In a modern, technological advanced era, almost all value chain activities depend on technological support.” (Byrne, 2018) The technology development is very important for Microsoft as the technological integration in activities such as production, distribution, marketing, and human resource requires technology development. It can be split into product and process technological development activities. Some examples are automation software, technology-supported customer service, product design research and data analytics. Even, the research and development department of Microsoft is classified in this category, which helps Microsoft gains a competitive advantage. Therefore, technology development is crucial.

#### Procurement

Procurement represents the processes involved in purchasing the inputs that may range from equipment, machinery, raw material, supplies, and other items necessary for producing the finished product. With its linkage with multiple value chain activities, Microsoft should thoroughly consider its procurement activities to enhance the inbound, operational, and outbound value chain.

## SWOT Analysis

### Strengths

For strengths, Microsoft has a strong global presence, along with their strong focus on innovation, good brand image.

Global presence is a major strength of Microsoft. Global presence reflects higher sales and a massive reach. The company has a strong market share, diverse products and 190 markets globally. There has a huge increased use of computers and digital technology due to the fast technological growth throughout the world. More than 500 million devices use the Windows Operating System (Pratap, 2018). Microsoft Office software is also being used on a very large number of devices worldwide.

With their strong focus on innovation, Microsoft is able to stay ahead of its competitors in several areas such as AI and Mixed reality. Innovation fuels growth in the computing and cloud industries, therefore brands must maintain their focus on innovation and continue to invest in research and development to grow in the technology industry. Recently, Microsoft’s R&D investment in 2017 equaled 13 billion dollars which was a billion higher than the investment it made previous year (Pratap, 2018).

Any brand that aspires to be famous globally and lead the global market must build a strong brand image. Brand equity is a primary support that drives faster growth for a brand and a strong one becomes a key support in a long run for any brand and in the technology industry. Microsoft is a leading brand in the computing and cloud industry and thus create a very high level of trust among its customers that include individual customers, businesses, government institutions and more.

### Weaknesses

Although Microsoft may be a big cooperation, there are always two sides of the same coin. Some of their weaknesses include Declining of PC market and slower in terms of innovation.

The PC market has been through serious decline in the latest years driven largely by the rising sales of smartphones and tablets. A huge number of major computing brands saw their market share and sales decreasing. Microsoft, a major source of software and devices, also found its sales affected by the reduction sales of computers. Therefore, the decline in PC market impacts Microsoft negatively

In the recent years, for Microsoft, the investment in the area of R&D has grown. But when compared to huge competitors such as Amazon and Apple, Microsoft’s innovation speed is slower. Its search engine and browsers are also not as strong as the ones by Google, which is also the reason why Microsoft’s market share in search and online advertising industry is much smaller than Google.

### Opportunities

Microsoft has many opportunities to grow such as Innovation and AI along with Acquisitions and partnerships.

Opportunities in IT industry are increasing and several sectors like AI present a large volume of matchless opportunities before the major technology players like Microsoft. The gaming industry is also full of opportunities and investing in innovation in such areas can help Microsoft to achieve growth, as well as competitive advantage.

Microsoft have made several acquisitions including Nokia of which some were not highly successful. Recently, it acquired LinkedIn which proved a profitable acquisition allowing it to connect with a larger customer base and linking it to new advertising opportunities. Such acquisitions and partnerships would allow Microsoft to develop its market and grow faster. Microsoft is also financially strong enough and is able to make more selective acquisitions in the near future as such acquisitions can help Microsoft enhance its competitive advantage in the fast-paced technology environment.

### Threats

Some of the threats that Microsoft will face are legal issues and poor regulatory environment, along with high competition.

The legal and regulatory environment has become more complex globally, that even businesses in US report of a weak and outdated regulatory environment that obstructs international expansion and faster growth. In addition, after the Facebook data scandal, the technology industry has been seen more concerns regarding the safety and privacy. Microsoft itself has incurred severe fines from EU in 2015. Hence, data related regulations are creating more pressure on businesses in the IT industry such as Microsoft.

Despite its large range of products and services, Microsoft can still expect heavy competition due to the increase in technology trends. We are in the digital age, and thus the technology industry has fierce competition, which leads to rising pressure on Microsoft. Some competitors are Amazon, IBM, and Oracle.

## Cost Drivers of Microsoft Value Chain Analysis

### Timing of market entry

Microsoft was introduced to the market on 4 April 1975. Given that, the company has been in the market for 47 years, Microsoft has incurred lower of establishing and maintaining a brand name. For example, in 2021, Microsoft’s global brand value exceed 410 billion U.S. dollars (Statista Research Departmnet, 2021). Therefore, this shows that the cost of value activity often reflect timing.

### Economies of scale

Microsoft is able to amortize the cost of intangibles such as advertising and R&D over greater sales volume. They invested 20.7 billion U.S. dollars (Vailshery, 2022) in R&D and 1.5 billion U.S. dollars in advertising (Vailshery, 2022) in 2021 fiscal year. Furthermore, the company is able to perform activities differently and more efficiently at larger volume.

### Linkage among activities

The cost of an activity is frequently linked by how other activities are performed. Microsoft uses automation for managing their inventory for materials used in maintaining its online systems (Smithson, 2017). Therefore, this shows that Microsoft has good coordination with their linked activities such as procurement.

# Situation Analysis – Portfolio Analysis

## BCG Model

### Introduction to Microsoft Surface

“Microsoft Surface touchscreen laptops and 2-in-1s empower you to create however you want, wherever you are.” ([Microsoft Official Website](https://www.microsoft.com/en-sg/surface#DeviceShowcase_1)). Microsoft offers Surface tablets such as Surface Pro 8, Surface Pro X, Surface Pro 7+, Surface Go 3.

### Surface Pro 8

Surface Pro 8 is advertised to combine “the power of a laptop with the flexibility of a tablet, and every angle in between, with the iconic Kickstand and larger 13’ touchscreen.” ([Microsoft Surface Pro 8 website](https://www.microsoft.com/en-sg/d/surface-pro-8/8qwcrtq8v8xg?activetab=pivot%3aoverviewtab)). This device is also pre-installed with Windows 11 and priced at SG$1,649.00. Some of its functions include All-day battery, with 16 hours of battery life and fast charging, High-speed connections with two Thunderbolt 4 ports and lightweight, starting at 891 grams. They also have student price available and bundles too.

Surface Pro 8 was released on 22 September 2021, with a sale volume of 90 units, as of 10/6/2022 in [Amazon](https://www.amazon.sg/Microsoft-Surface-Pro-8-13-Touchscreen/dp/B09DKHYLSH/ref=sr_1_5?crid=YMTTL1XG3URC&keywords=surface+pro+8&qid=1654583137&sprefix=surface+pro+8%2Caps%2C286&sr=8-5), and 5 units in [Lazada](https://www.lazada.sg/products/laptop-microsoft-surface-pro-8-black-i7-16gb-ram-256gb-ssd-new-i2169431191-s12379808588.html?freeshipping=1&search=1&spm=a2o42.searchlist.list.2). In addition, for customer reviews, Surface Pro 8 has achieved a 4.0 / 5.0 (Buzzi, 2021) ranking.

The BCG Growth-Share Matrix of Surface Pro 8 is **stars**, which means it has high growth and high market share. Given that Surface Pro 8 was released on 22 September 2021 and available in Amazon since, it has been in the market for about 9 months. Despite being a relatively new product, it has a customer rating of 4.0 / 5.0 and sold for 90 units in Amazon and 5 units in Lazada. With a high rating of 4.5 out of 5 stars in Amazon and a price of SG$1,649.00, Microsoft should significantly invest in Surface Pro 8, as shown by the market share in Amazon and good customer reviews. Therefore, the product has a high chance to morphed into a “cash cows” in the future.

### Surface Go 3

Surface Go 3 is advertised to be “the most portable Surface touchscreen 2-in-1, Surface Go 3 is perfect for your everyday tasks, homework, and play.” ([Microsoft Surface Go 3 website](https://www.microsoft.com/en-sg/d/surface-go-3/904H27D0CBWN?ef_id=EAIaIQobChMIyuPsq-qS-AIVN5RmAh1y5w5eEAAYAiAAEgL8TPD_BwE%3aG%3as&s_kwcid=AL!4249!3!548082287200!e!!g!!microsoft+surface+go+3&OCID=AID2200083_SEM_EAIaIQobChMIyuPsq-qS-AIVN5RmAh1y5w5eEAAYAiAAEgL8TPD_BwE%3aG%3as&gclid=EAIaIQobChMIyuPsq-qS-AIVN5RmAh1y5w5eEAAYAiAAEgL8TPD_BwE&activetab=pivot%3aoverviewtab)) It is available with optional LTE Advanced. Surface Go 3 is priced at SG$599.00 and pre-installed with Windows 11. Some of its function includes 11 hours of battery life with fast charging, 1080p front-and-rear cameras, plus dual Studio Mics, and LTE Advanced. They also have bundles available, starting at SG$817.40.

Surface Go 3 was released on 5 October 2021 and it not found in [Amazon](https://www.amazon.sg/s?k=Microsoft+surface+go+3&crid=1RZ62DS759FJA&sprefix=microsoft%2Caps%2C369&ref=nb_sb_noss_2), but has a sale volume of 25 units in [Lazada](https://www.lazada.sg/products/tablet-microsoft-surface-go-3-new-model-i1988035158.html), as of 10/6/2022. In addition, for customer reviews, Surface Go 3 has achieved a 3.5 / 5.0 (Brant, 2021) ranking.

The BCG Growth-Share Matrix of Surface Go 3 is **Question Marks**, which means it has high growth but low market share. Given that Surface Go 3 released on 5 October 2021, it is still not available in Amazon but is in Lazada, hence it has been in the market for about 8 months. Despite a new product, it has a customer rating of 3.5 / 5.0 and sold 25 units in Lazada. With a high rating of 4.8 out of 5 stars and a price of SG$817.40, it is safe to say that it has a relatively high growth but low market share as it is still not available on Amazon, a giant e-commerce company.

## Product Life Cycle

## Surface Pro 8

Surface Pro 8 is in the Growth stage in the product life cycle as their sales start to grow quickly. Sales volume of the product increases significantly, with 90 units sold in Amazon and has a high selling price of SGD $1,649.00. The product also faces an increasing number of competitors such as Apple iPad Air and Samsung tablets.

## Surface Go 3

Surface Go 3 is in the Introduction stage in the product life cycle as they have a slow sales volume, with 25 units sold in Lazada and little to no profit. The tablet is also priced at a moderate selling price of SG$817.40. Therefore, the product needs more awareness and demand.

# Recommendations

## Surface Pro 8

With a growth matrix of **Stars**, Microsoft can either build on Surface Pro 8 or maintain.

However, it is recommended that Microsoft should invest in the product to increase their market share so that they will morph into a “Cash Cows” in the future. This is because the product has good customer reviews, along with a high-ranking in-Amazon market within 9 months in the market. Therefore, Surface Pro 8 is a viable product for continued investment.

## Surface Go 3

With a growth matrix of **Question Marks**, Microsoft has three ways: build on, harvest, or divest.

It is recommended that Microsoft should harvest on the product to maximize short-term cash generation, even if it reduces the market share. The product itself has good customer reviews and it is not bad overall. However, there are stronger competitors such as Apple iPads and Samsung tablets that would negatively impact on the product’s market share in a long run. Therefore, the recommended way is to maximize their profits for future investments. Hence, Surface Go 3 is a viable product for divestiture.

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# Appendices

## Appendix A

Table

Description automatically generated

Figure 1 - https://www.idc.com/getdoc.jsp?containerId=prUS47423721

## Appendix B

A picture containing graphical user interface

Description automatically generated

Figure 2 - https://gs.statcounter.com/vendor-market-share/tablet/worldwide/#monthly-201208-202105

Chart

Description automatically generated

Figure 3 - https://gs.statcounter.com/vendor-market-share/tablet/worldwide/#monthly-201208-202105

## Appendix C

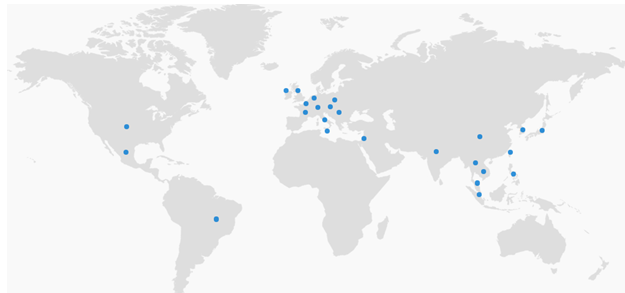


Figure 4 - https://research-methodology.net/microsoft-value-chain-analysis-2-2/