Delegate Scott Guthrie from

**Microsoft Board of Directors**

**Overview:**

Microsoft is one of the world’s largest tech companies. However, many of the sectors Microsoft competes in, are declining in market share. Microsoft’s mobile division had almost over 2% market share since Q1 2011 however, for the first time ever in Q1 2016, Microsoft’s market share had dipped below 1%. Another division where Microsoft’s market share is declining is in PC OS market share where Apple’s OSX is gaining ground. There are bright spots in the company where Microsoft is growing in market share and revenue. Cloud computing is a sector where Microsoft is growing in market share.

**Topic One: Strategic Placement:**

Microsoft has a large presence in many large sectors however many of the sectors Microsoft is in, they are losing market share. Microsoft has around 90% market share in OS for PCs with Apple’s OSX at around 8% as the second largest. In recent years Apple, has been growing in market share and has been taking away market share from Microsoft. Microsoft has done a good job at trying to keep and grow market share of Windows by offering a free upgrade from Windows 7 and 8/8.1. Although this has costed Microsoft money by not receiving licensing fees for Windows, they are moving away from releasing large new OS’s every 3-5 years and to making small updates more frequently. This new strategy of releasing smaller updates is also part of a new way to generate more revenue by moving away from licensing fees into subscription fees. The first product of this new strategy is Microsoft Office 365. Microsoft has long made a new office every 3 years and has now made Office 365 which is a subscription fee and receives smaller updates. Microsoft office has traditionally costed around $300-500 for one key, was too pricy for many people, however Office 365 costs only $99.99 per year and comes with 5 keys. Moreover, this strategy has proven to be effective at growing revenue as Office 365 commercial revenue grew over 50% in Q2 2016 YoY. The gaming sector is a sector where Microsoft has been weak growth but, potentially strong growth in the future. The Xbox One has had terrible sales compared to its rival the PS4. The Xbox One has sold less than 10 million units compared to Sony’s 47 million units. Despite the weak sales, there is a promising future with the development of the Project Scorpio (an upgraded Xbox One). The plan with Project Scorpio is that it will deliver more graphics power than the new PS4 Pro. Furthermore, I believe that we need to target a newly emerging market of Virtual Reality (VR) and 4k console gaming with the Project Scorpio. The PS4 Pro was launched to do those two things specifically however, because of a lack graphics processing power the 4k would only be mediocre at best and because of the low-resolution screen on the PSVR, the experience will never be great and immersive. Therefore, with Project Scorpio being significantly more powerful Microsoft can also build a VR headset with a higher resolution than the PSVR, delivering a much better experience as well as a better 4k gaming experience. I believe with those factors that the future Project Scorpio will sell extremely well, bringing in significantly more revenue than the Xbox One did. The final sector where Microsoft needs to continue its growth and development is the cloud computing sector. Microsoft Azure has shown exceptional growth over the past year. Microsoft Azure revenue grew by 116% in Q3 YoY. Microsoft hopes to earn over $20 billion in revenue each quarter by 2020, currently Microsoft earns over $12 billion as Q3 2016. It is important for Microsoft to continue its investment in cloud computing as the sector is projected to have revenue exceeding $200 billion, an increase of over $16.5 billion from 2015 $175 billion.

**Conclusion:**

Microsoft needs to diversify from its PC OS sector if it hopes to continue to grow. Microsoft needs to continue its growth in the cloud computing sector as it is proving exceptional growth. Another sector that Microsoft needs to continue its effort in is console gaming. Microsoft has great potential in this sector with its upcoming Project Scorpio. In conclusion, if Microsoft can capitalize on its strengths and the cloud computing sector to achieve the growth they desire.