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Why Microsoft is Failing with RT (and what it can do about it)

Rumor has it that Microsoft is thinking about dramatically reducing prices on Windows RT tablets to stimulate sales. Considering the fact that RT hasn't sold well against the competition, this is not surprising. But I believe this is a wrong approach for Microsoft to pursue for longer term success in tablets.

Microsoft has lost its focus in tablets. Why does it think it can “dumb down” its OS to please users who have grown accustomed to the features and functions of a full Windows OS experience? If Microsoft believes its OS is not competitive with iOS or Android, it should do something about that directly. And it can't compete on a direct cost basis with Android at the low end, nor should it try.

The way Microsoft wins is to be seen as a premium brand (like Apple) not a cut rate low cost solution. It needs to pick a set of features that everyone wants/needs in a tablet. Make sure they work exceedingly well in full Windows 8, including full app support/compatibility (giving away a reduced Office app and limiting backwards compatibility hasn't been a successful strategy). Create a user experience that no one can fault as being too difficult and/or unfriendly. And build a strong brand that appeals to users in the consumer space.

So how should Microsoft do this? Stay with ONE OS and get rid of RT altogether. Put all your efforts into making the Windows Pro experience what users want (OK, have a tablet version of Windows Home if you must, but keep it fully compatible). Work with Intel and OEMs to make the Windows 8 tablet price competitive with Android (not at the low end, but at the mid to high market). Build incentives for OEMs, as you've done in the past with PCs. This will leverage the innovation in the marketplace. And most importantly, build incentives and community for users with a fast, fully compatible, attractive and well priced device. Surface (not Surface RT) should be the flagship, but it was priced too high and wasn't clearly defined as to why it was different. It can be the flagship, but it can't carry the entire market.

Let's be honest. RT is a reaction, not an innovation. Give users an innovative experience they like and they will come. React to others by incapacitating your experience and they won't. If Microsoft really believes that Windows 8 is the way of the future, then they need to stay the course. If they don't, they need to re-architect and/or redo the OS and move on. The compromises in RT to protect its installed base made no sense. Microsoft, you are at a major decision point. Where you go is up to you. You still have a lot of good will and users that want you to succeed. Listen to your users, innovate and move forward.

Microsoft can still win a significant share of the tablet market, particularly as it's still early in the game. But it needs to better define why users want to buy a Windows tablet. It needs to stay true to its vision of one OS (not a complete OS and a badly disabled one). And it needs to work with partners to make the vision real. Intel now has chips that are competitive on battery life and performance. And at price points that are finally aggressively priced against ARM based chips (Intel's latest Bay Trail chip based tablets should be \$199 according to Intel execs). And OEMs are seizing on that opportunity to build competitive and innovative products. But you're not helping with your mixed messages to the marketplace.

So here's the bottom line. Microsoft, you don't really need an ARM based tablet now that Intel has competitive (battery and cost) chips available and frankly few users care about the chip inside anyway. You need to innovate and supplement. But not by being the "Yugo" of the tablet market with crippled products. A smaller share of higher end and higher quality products is better than a bunch of disillusioned and unhappy users not understanding why some of their apps won't run. Android will own the high volume but barely profitable low end of the market. Microsoft, you should focus on the rest.

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