Microsoft Assault on Google Shows Industry Shift

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SAN FRANCISCO (AP) — Microsoft [1] is skewering Google again with ads and regulatory bashing that say as much about the dramatic shift in the technology industry's competitive landscape as they do about the animosity between the two rivals.

The ads that began Tuesday mark the third phase in a 5-month-old marketing campaign that Microsoft Corp. derisively calls "Scroogled." The ads, which have appeared online, on television and in print, depict Google as a duplicitous company more interested in increasing profits and power than protecting people's privacy and providing unbiased search results.

This time, Microsoft is vilifying Google Inc. for sharing some of the personal information that it gathers about people who buy applications designed to run on smartphones and tablet computers powered by Google's Android software. Earlier ads have ripped Google's long-running practice of electronically scanning the contents of people's Gmail accounts to help sell ads. Other ads attacked a recently introduced policy that requires retailers to pay to appear in the shopping section of Google's dominant search engine.

"We think we have a better alternative that doesn't do these kinds of nefarious things," said Greg Sullivan, Microsoft's senior manager for Windows Phone, the business taking aim at Google's distribution of personal information about buyers of Android apps.

As Microsoft attacked Google in the United States, a group led by Microsoft asked European authorities to investigate whether Google has been using its free Android operating system to stifle competition from other mobile services besides its own. One such rival is Microsoft's Windows Phone system.

The barbs on both sides of the Atlantic could backfire. Even as they help draw attention to Google practices that may prod some consumers to try different services, they also serve as a reminder of Microsoft's mostly futile — and costly — attempts to trump its rival with more compelling technology.

"It's always the underdog that does negative advertising like this, and there is no doubt that Microsoft is now the underdog," said Jonathan Weber, who has been following Microsoft's "Scroogled" campaign at search consulting firm LunaMetrics.

On the flip side, Google has evolved from an endearing Internet startup to an imposing giant running Web and mobile services that vacuum intimate details about people's lives. Despite repeated management assurances about respecting personal privacy, Google has experienced several lapses that have resulted in regulatory fines, settlements and scorn around the world.

Beyond privacy, Google has been portrayed as an abusive bully in various complaints about its business practices.

On Tuesday, the Microsoft-led FairSearch [2] group complained that Google has acted unfairly by requiring device makers relying on its Android software to install an entire suite of Google's mobile services, even if they just wanted one or two apps, such as Google Maps or YouTube. That still hasn't prevented device makers from redesigning Android to suit their own purposes. Amazon.com Inc., with its Kindle Fire, and Barnes & Noble Inc., with its Nook tablets, are among the companies selling Android products that don't feature Google services.

Microsoft's latest ads revolve around concerns already raised by privacy watchdogs. Critics argue that Google hasn't adequately disclosed that customers' names, email addresses and neighborhood locations are routinely sent to the makers of apps sold in Google's online Play store.

At least one group, Consumer Watchdog, has complained to the Federal Trade Commission that Google's apps practices represent an "egregious privacy violation." Citing agency policy, FTC spokesman Jay Mayfield declined to comment on whether the complaint has triggered a formal investigation.

"What Google is doing is a big problem, so I am glad Microsoft is helping to bring it to light," said John Simpson, Consumer Watchdog's privacy project director. "But Microsoft has its own problems. I certainly don't think they are doing this for altruistic reasons. They are clearly doing this for their own competitive purposes."

Google says it shares a limited amount of personal information about Android apps customers to ensure they get better service and faster responses if any problems arise. The company says the practice is allowed under its terms of service — a document that most people rarely read in its entirety.

Microsoft says it doesn't pass along personal details about customers buying apps for devices running its Windows Phone software. But there aren't as many Windows Phone users or apps for that system as there are for Android.

The notion of Microsoft being well behind Google once seemed inconceivable.

A decade ago, Microsoft was the world's most powerful technology company, with

its Windows operating system and Office productivity software pervasive on personal computers.

Microsoft's dominance had grown so extensive that U.S. and European antitrust regulators spent years trying to rein in the Redmond, Wash., software company.

Although Google was growing rapidly at the time, Microsoft CEO Steve Ballmer and other skeptics dismissed the company as a "one-trick pony" that hadn't proven adept at doing anything besides searching the Web and selling ads next to the results.

Google, which is based in Mountain View, Calif., has since morphed into a multi-faceted juggernaut relentlessly trying to muscle into new markets. The company now runs the world's most watched online video service in YouTube, the largest email service in Gmail and the most widely used operating system for mobile devices in Android. All of those services provide more opportunities to show the ads that generate the bulk of Google's revenue. Google is now the company facing the scrutiny of regulators — and Microsoft has been active in making those complaints, including the one announced Tuesday.

"Google is certainly the biggest challenge that Microsoft has ever had to deal with," said Michael Cusumano, a professor at the Massachusetts Institute of Technology's Sloan School of Management and author of several books about Microsoft.

Microsoft has tried to thwart Google by investing heavily in online services, to little avail. Since Google went public in August 2004, Microsoft's online division has accumulated more than $17.5 billion in operating losses. The losses include an accounting charge of more than $6 billion for Microsoft's acquisition of aQuantive, an online advertising service that didn't pan out.

Google, meanwhile, has been steadily increasing profits and share of the Internet search market. Google processes about two out of every three search requests in the U.S. and handles an even larger percentage of queries in many parts of Europe.

Although Microsoft has remained profitable companywide, the Windows franchise that provides its financial backbone has been weakening as a growing preference for smartphones and tablet computers undercuts sales of desktop and laptop computers. Besides doing damage with Android, Google is also trying to dent Microsoft by selling a less expensive, Internet-based alternative to Microsoft's Office suite. Google also is pushing a laptop operating system built on its popular Chrome Web browser in an attempt to divert even more sales away from Windows machines.

Microsoft has countered with a dramatic overhaul of the Windows operating system, one designed to bring tablet features such as touch screens to desktops and laptops. But Windows 8 has gotten off to a tepid start since its October release.

The changing fortunes of Microsoft and Google have been reflected in the stock market's appraisal of the two companies.

Google's market value has soared from nearly $25 billion at the time of its initial public offering in 2004 to nearly $260 billion. Microsoft's market value has fallen by about 17 percent during the same period, declining from nearly $300 billion at the time of Google's IPO to $249 billion today. Apple Inc., a rival of both Google and Microsoft, is the only technology company worth more than Google, with a market value hovering around $400 billion.

Microsoft's stock gained $1.02, or 3.6 percent, to close Tuesday at $29.61, while Google's added $2.80, or 0.4 percent, to $777.65.

Microsoft developed its anti-Google ad campaign shortly after hiring former political operative Mark Penn in August as a corporate strategist who reports directly to Ballmer. Penn is best known as a former pollster for President Bill Clinton and a campaign strategist for Hillary Clinton's unsuccessful bid for president in 2008. Penn left his job as CEO of public relations firm Burson-Marsteller to help Microsoft generate more usage of its Bing search engine and other online services.

Microsoft isn't saying how much it is spending on the ad campaign beyond saying the amount will run in the "multimillions" of dollars.

Although there isn't any evidence that the ads have hurt Google yet, Sullivan said Microsoft is pleased with the response. The company says about 117,000 people have signed Microsoft's online petition protesting Gmail's ad-driving scanning of content. That's a sliver of the more than 425 million Gmail accounts worldwide. Microsoft says about 4 million people have visited Scroogled.com, the website that serves as the hub of the company's anti-Google campaign.

Although the attack ads are something new for Microsoft, denigrating the competition isn't. Most notably, Microsoft tried to undermine Web browser pioneer Netscape Communications beginning in the mid-1990s. Most of that sniping remained behind the scenes until a U.S. Department of Justice investigation into Microsoft's business practices exposed the cut-throat tactics deployed to overcome Netscape's early lead in the Web browser market.

Given that history, Microsoft's marketing assault on Google isn't that surprising, said Cusumano, who has been following the company for 20 years.

"Nothing is below Microsoft," Cusumano said. "They have been playing dirty for a long time. In this instance, they probably sincerely believe this can give them a little marketing edge and help them capitalize on the growing discomfort with the size and influence of Google."

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Online:

Microsoft campaign: http://www.scroogled.com [1]

FairSearch: http://fairsearch.org [2]

Source URL (retrieved on *09/16/2014 - 7:42am*):
http://www.wirelessdesignmag.com/news/2013/04/microsoft-assault-google-shows-industry-shift

Links:
[1] http://www.scroogled.com
[2] http://fairsearch.org