



Market dominance through standardisation

Business Commentary

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Abstract

Companies that achieve standardisation are in a position to achieve market dominance and eventually a monopoly. Within the software world, Microsoft has successfully achieved this for desktop operating systems and business applications. Microsoft's success with the desktop is seeing standardisation of other enterprise applications. The shift from desktop computing to marketplace computing that the Internet is bringing, creates new business opportunities and the for standardisation at the marketplace level.

1 Benefits of s standardisation

The benefits of business standardisation have been seen across the world. Whether it is the guaranteed service delivery of the McDonald's franchise or the manufacture of aeroplanes, standardisation is seen. From uniformity of brand through to market dominance, benefits of standardisation include:

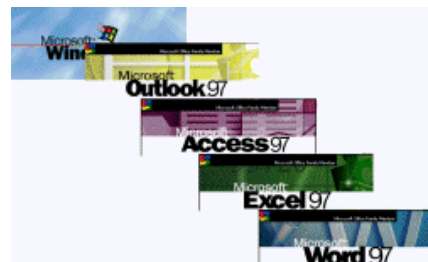
- Guarantee delivery of service;
- Ease of operation;
- Lower cost;
- Competitive advantage;
- Market dominance;
- Alliance enhancement;
- Business diversification;
- Dominance in markets.



2 Market dominance

Whether it is the fast food industry, the manufacturing of automobiles or the production of wine, standardisation has been successful in achieving market dominance. Once standardisation is achieved, competitors struggle to compete and unless they also standardise their operations and provide alternative products, they may be unable to compete.

One of the leaders in standardisation and one of its principal beneficiaries has been Microsoft. Businesses across the world have benefited from Microsoft's tightly integrated and standardised applications and this has led to an almost total monopoly of the desktop operating system (Windows) and business applications (Office).



The Microsoft story is a text book study of standardisation and market dominance. A series of tightly integrated and standardised applications were developed and sold as bundled solutions. These applications gained favour from the users and the market share developed. This resource base was used to standardise and integrate other applications, which led to increasing market share for both the Microsoft Office products and the related applications. Competitors could not produce a







better alternative to the Microsoft products and with time these rivals declined. Eventually, the applications became a defacto standard¹ and people used them because every one else did.

So successful has Microsoft's integration and standardisation been that once great software products and companies have declined. Microsoft Word has replaced a variety of word processors (Wordperfect and Wordstar). Excel has standardised spreadsheets (Lotus 123 and Visicalc) and more. Use of market share and its existing resource base has seen Microsoft displace Novel's networking products through the tightly integrated Microsoft Networking products. By integrating its Web browser in with its operating system and applications, Microsoft's Internet Explorer has become the leading Web browser, replacing that of Netscape.

3 Business monopoly

Whilst the business activities of Microsoft have come under scrutiny and the ability of Microsoft to achieve such a monopoly has been questioned, it is the principals of standardisation and tight integration that have been recognised by Microsoft and has given it the ability to create monopolies. The fact that rivals to Microsoft have not done this and have not been able to provide an alternative to Microsoft is significant.

With a monopoly of the desktop operating system and related killer applications, Microsoft has been able to leverage that for other areas of business software, e.g. databases and development tools, its Enterprise Software. Whilst Microsoft has not yet achieved standardisation of the Enterprise software, it is well on the way.

		Standardized
 Windows	Desktop O/S	✓
 Office	Desktop killer applications	✓
 Enterprise Software from Microsoft	Enterprise killer applications	?
 Microsoft Marketplace	Marketplace O/S and killer applications	✗

With the Internet and the need to standardise operations across marketplaces, e.g. banking or insurance, comes a need for an operating system and killer applications at the marketplace level (marketplace computing).

Since businesses will need to function within marketplaces, anyone not in that marketplace and not using the same tools as its competitors will be at a disadvantage (Who does not use Microsoft

¹ Business and society has benefited significantly from having a defacto standard and it is interesting to note that a much needed standard arose and was supported by the power of "use" rather than by committee.



Office?). Anyone who can achieve market dominance in the provision of operating systems and killer applications for marketplace computing is in the envious position of potentially creating a total business monopoly.

4 Marketplace computing

With a recognition of the importance of marketplace computing in the future and a realisation that marketplace computing will be accessed from multiple devices (mobile phones, hand held devices) and not just through the desktop on the corporate network, the question becomes how would one go about standardising marketplace computing?

One might use the following approach:

- Leverage the existing resource base and market share to integrate and standardise other applications;
- Bundle products within and between applications;
- Align with a leading provider of professional services, e.g. Accenture, to determine the requirements for marketplace applications;
- Develop an operating system and related killer applications for marketplace computing that are tightly integrated and standardised;
- Develop tools for the use of XML² and to standardise the transfer of information with the ability to charge on a transaction basis;
- Use your XML tools to integrate existing but rival applications, like SAP and Seible, and make them dependent upon you;
- Align with hardware providers to ensure optimisation of the hardware to meet the needs of your software and ensure the distribution of your operating system and applications with the hardware (computers, PDAs, phones etc.);
- Use a Web browser to provide a common interface for accessing marketplace computing on any device;
- Use a leading provider of professional services, e.g. Accenture, to implement marketplace standardisation and to provide the information required for ongoing developments;
- Make applications available across the Internet using an ASP (hosting model) where users pay by the transaction or for the download of the software and data (like the models used for electricity and phone calls).

This series of steps for achieving market dominance in marketplace computing may seem obvious and all too familiar to those who closely follows the trends in the IT industry. Once again, Microsoft has had the vision to gain a competitive advantage over its rivals and is currently leading the marketplace computing race.

5 Achieving marketplace dominance

Achieving market dominance in marketplace computing will require staying power and will take time to achieve. One of the most important relationships to develop will be that with telecommunications companies (Telcos).

² XML is eXtensible Markup Language – a self describing format for the structuring of information.



The success of all Internet based applications and services is ultimately dependent upon bandwidth and that is provided by Telcos. With the provision of software and services through the ASP model and communication between applications via the Internet, the role of the Telcos becomes critical. Once a marketplace and its applications are aligned with the required Telcos, who can compete outside of that market?

One other way of achieving market dominance is through the storage of information in consolidated repositories. The current trend of storing information locally on PCs is making access to information difficult and is increasing hidden costs. Through having information stored in consolidated repositories and properly managed, the sharing of knowledge and collaboration is facilitated. Access to shared knowledge is key to the success of marketplace computing. Success in addressing the consolidated storage of data and work-flow will see favour from the users and lead to market dominance.

An additional key to achieving market dominance is the management of relationships between information/data. Even when information is managed and accessible, the need to share knowledge (information in context) still exists. Corporate IP is a most valued corporate asset but much of this is trapped in the heads of staff. At the fundamental level, corporate IP is the relationships between pieces of information, e.g. a guest likes red roses in their room when they arrive. This is useful information but unless the relationships between them are trapped, the two pieces of information exist in isolation and neither the guest, the hotel, or the house cleaner can benefit from this. Trapping the relationships between information (metadata) is key to trapping corporate IP and the sharing of knowledge.

6 Developing opportunities

The development of desktop computing saw new businesses developed, new markets came into existence and new opportunities created. The same will occur with marketplace computing. Just as it took a few years for desktop computing to develop and then a few years for standardisation to occur, the same is likely with marketplace computing. Those companies that may flourish now in the desktop world may cease to exist when standardisation of marketplace computing occurs. Companies aligned with the dominant players in the marketplace computing will have a competitive advantage.

7 Conclusion

The Internet and the benefits of standardisation are creating a shift from desktop computing to marketplace computing. The operating systems and killer applications that form marketplace computing will be accessed from any device and be made available through an ASP model. To remain competitive, businesses will need to operate within marketplaces using common tools and shared information. Should a company achieve market dominance in, or a monopoly of, marketplace computing, like that has been achieved with the desktop, then the potential for a total business monopoly exists.

