

Microsoft to Cut Up to 5,000 Jobs.

By Nick Wingfield
The Wall Street Journal

Software Maker's Quarterly Profit Falls 11% Amid Weakening Demand

Microsoft Corp. posted an unexpected 11% drop in quarterly profit and disclosed plans to slash 5,000 jobs, the latest sign that companies dependent on commodity-style businesses such as personal computers are suffering the most in the global slowdown.

Microsoft stunned investors and employees with the news early Thursday, hours earlier than it was scheduled to report results and while its Redmond, Wash., headquarters was largely asleep. Microsoft shares tumbled 12% to their lowest level in a decade, leading a selloff in the broader stock market.

The gloomy news from Microsoft came the same day cellphone giant Nokia Corp. reported a 46% dive in earnings and Sony Corp., the biggest name in the hard-hit consumer-electronics sector, warned of a \$2.9 billion operating loss. On Wednesday, PC chipmaker Intel Corp. said it would close several factories, displacing 5,000 to 6,000 workers.

Microsoft Chief Executive Steve Ballmer, in an email to employees Thursday laying out his plans to cut jobs, described the current economic environment as the "worst recession in two generations."

Yet the pain is not being shared equally in techland, as some companies benefit from healthy niches or use strong competitive positions to expand their market share. Internet giant Google Inc. Thursday reported strong advertising sales lifted quarterly revenue 18%.

On Wednesday, Apple Inc. said strong sales of its Macintosh computers and iPhones powered higher profit and sales. Both products have exploited attractive designs to perform relatively well during the downturn, despite pressures that have hurt other makers of PCs and cellphones.

Meanwhile, International Business Machines Corp. Tuesday reported strong financial results and issued an upbeat outlook, thanks in large part to shift over the last several years out of commodity hardware products such as PCs and disk drives into corporate software and services.

The services business is a bright spot in the industry, because many troubled companies are concluding they can cut costs by outsourcing operations to companies like IBM and Accenture Ltd., which reported strong results in December.

In an interview, Microsoft Chief Financial Officer Chris Liddell said the company is bullish that the PC market will again be a growth business. "In the short term, we're very conservative," he said. "Over the medium- to longer-term, there are still five billion people without a PC."

Pip Coburn, president of Coburn Ventures, a New York-based hedge fund focused on technology, said it's far easier in this economic climate for businesses to defer spending on new computers for workers than it is for them to resist pitches to cut technology spending through outsourcing deals.

Microsoft Chief Executive Steve Ballmer, in an email to employees Thursday laying out his plans to cut jobs, described the current economic environment as the "worst recession in two generations."

But some players are doing much better than others. Hewlett-Packard Co., for example, expanded its PC unit shipments by 3.1% in the fourth quarter, research firm IDC estimated. Rival Dell Inc., meanwhile, experienced a 6.3% decline.

Steve Baker, an analyst with NPD Group, says H-P has a wide range of consumer PCs on store shelves and a relatively low cost



structure that allows it to engage in price wars and still make a profit. "H-P is not shy about using price as a lever," he said.

Dell has been trying to avoid dropping prices since it reported shrinking profits last summer. It also generates roughly 80% of its sales from businesses, which were quick to defer plans to upgrade PCs as the economy slowed.

The drop in PC pricing has even spread to portable computers, the industry's hottest segment over the past few years. One factor has been the rise of small, low-cost laptops called netbooks, which are typically priced at \$300 to \$500 and have put pressure on companies to reduce prices on other models.

Although Microsoft has diversified its business to include everything from videogames to Internet search, its bottom line is still tightly coupled to the PC business. Between 80% and 90% of its profit comes from two divisions: its "client" division, which includes sales of the Windows operating system, and its business division, which includes its flagship Office software. Both are highly sensitive to fluctuations in unit sales of PCs.

Netbooks could hurt Microsoft's Windows business, at least in cases where customers choose one of the low-priced portables over a more expensive one. Most netbooks come with Windows XP, an older version; some analysts estimate the company receives about \$20 per copy for XP, compared with \$50 to \$60 per copy for the newer Windows Vista.

Microsoft said revenue from its client business declined 8% to \$3.98 billion in the fiscal second quarter from a year ago while business division revenue grew 1% to \$4.88 billion.

Within Microsoft, the best performing groups were those that have little to do with the PC market. Revenue from its server and tools division, rose 15%. Sales in the company's entertainment and devices divisions, dominated by its Xbox 360 videogame console, rose 3%.

Even with the difficulties in PCs, Microsoft remains hugely profitable, with net income of \$4.17 billion, or 47 cents a share, in the fiscal second quarter, down from \$4.71 billion, or 50 cents a share, a year ago.

Total revenue rose 2% to \$16.63 billion from \$16.37 billion a year ago. The company, in a departure, didn't provide revenue and earnings forecasts because of the uncertainty of the economic climate.

Microsoft's results fell well short of its own forecasts for the quarter. "This is not a company that's in big trouble, but they're too big to be immune to what's going on," says Bill Whyman, an analyst at ISI Group Inc.

Indeed, the company took unprecedented steps to reduce expenses. The 5,000 jobs set to be cut over the next 18 months represent about 5% of its work force of roughly 96,000 people. Mr. Ballmer noted in his email to employees that the company intends to continue hiring in key areas during that period, including workers for its Internet search business that is battling Google.

[Learn more about Search Engine Optimization, the most effective form of online advertising.](#)

Search Engine Marketing is the fastest growing advertising medium in the world, projected to become 10x more powerful and influential than traditional media outlets such as: network television, cable television, local television, network radio, local radio, satellite radio, national newspapers, local newspapers, magazines, billboards, direct mail, telemarketing and more.

Discover the most powerful and effective form of advertising, Search Engine Optimization.

An aside for consideration are the the distinct segments within the field of Search Engine Optimization. Clarification and separation are required in terms of paid search marketing, sponsored search advertising, pay per click, email marketing (spam), and the foundation of strategic internet marketing: Organic Search Engine Optimization (Organic SEO) are also referred to as Natural Search Engine Optimization (Natural SEO).

Key Organic Search Engine Optimization Facts:

- Keyword search is the 2nd most popular online activity, rapidly approaching the popularity of email retrieval.
- 90% of all new website visitors are delivered by a major search engine and/or directory.
- 98% of all keyword search activity results are powered by the big 4 search engines: Google, Yahoo, MSN and AOL.
- Keyword search results on Google, Yahoo, MSN and AOL are determined by search engine spiders and/or robot crawlers.

- Recent internet marketing studies confirm that keyword searchers prefer the organic results at a 6 to 1 ratio vs. pay-per-click sponsored search advertising listings.

Is your corporate website being found early and often on the keywords and keyword phrases that best describe your products, services and industry? Harness the power that our proven organic search engine optimization technologies provide...

Contact Peak Positions

Learn more about our client roster, one of the strongest in the SEO industry, and more importantly discover why our client-focused Organic Search Engine Optimization company maintains the highest client retention rate in the SEO industry.

*"Our year over year revenues are climbing rapidly in a timid economy.
If you are looking for an excellent SEO Company, contact Peak Positions"*

[Home](#) | [Organic Search Marketing](#) | [Organic Website Optimization Company](#) | [Natural Website Optimization](#) | [Google SEO Consulting](#)
[Organic Optimization](#) | [Organic SEO Case Study](#) | [Google Search Engine Optimization](#) | [Search Engine Placement](#)
[Organic SEO Testimonials](#) | [SEO News](#) | [Organic SEO Blog](#) | [Contact Us](#) | [SEO Site Map](#)



© 1999-2008 Organic SEO Company Peak Positions, LLC
118 A Cass Street | Mailing Address: P.O. Box 2438 | Traverse City, Michigan (MI) USA 49685-2438
Tel: 231-922-9460 | Toll: 866-536-8614 | Fax: 231-929-3398
Office Hours: M-F 8AM-9PM EST* | Email: Info@peakpositions.com