

# Google's operating system escalates Microsoft duel (Update)

July 8 2009, By MICHAEL LIEDTKE , AP Technology Writer

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In this April 17, 2007 file photo, exhibitors work on laptop computers in front of an illuminated sign of the Google logo at the industrial fair Hannover Messe in Hanover, Germany. Google Inc. on Tuesday, July 7, 2009 announced it is working on a new operating system for inexpensive computers in a daring attempt to diminish Microsoft Corp.'s longstanding control over people's computer experience. (AP Photo/Jens Meyer, file)

(AP) -- Google Inc. is hoping to gain greater control over how personal computers work with its plans to develop a free operating system that will attack Microsoft Corp.'s golden goose - its long-dominant Windows franchise.

The new [operating system](#) will be based on Google's 9-month-old Web browser, Chrome. [Google](#) intends to rely on help from the community of open-source programmers to develop the Chrome operating system,

which is expected to begin running computers in the second half of 2010.

The early versions of the Chrome operating system will be tailored for "netbooks," a breed of low-cost, less powerful laptop computers that are becoming increasingly popular among budget-conscious consumers primarily interested in surfing the Web.

That is a direct challenge to [Microsoft](#), whose next operating system, Windows 7, is being geared for netbooks as well as larger computers.

The vast majority of netbooks already run on Windows, and that is unlikely to change unless Google can demonstrate the Chrome operating system is a significant improvement, said Forrester Research analyst Paul Jackson. He pointed out that many customers had returned the original netbooks that used open-source alternatives to Windows.

"It was not what people expected," he said. "People wanted Windows because they knew how to use it and knew how applications worked."

Google struck a confident tone in a blog posting late Tuesday night announcing its operating system. The Mountain View, Calif.-based company believes it can streamline the operating system to improve speed and reduce security threats.

"We hear a lot from our users and their message is clear - computers need to get better," wrote Sundar Pichai, Google's vice president of product management and Linus Upson, Google's engineering director.

Microsoft hadn't responded to requests for comment through Wednesday.

Investors seemed to be betting on Google Wednesday as its shares rose

\$6.82, or 1.7 percent, to \$403.45 in afternoon trading while shares in Redmond, Wash.-based Microsoft fell 29 cents, or 1.3 percent, to \$22.24.

The success of the Chrome operating system will likely hinge on its acceptance among computer manufacturers that have been loyal Windows customers for years, said Matt Rosoff, an analyst for the research group Directions on Microsoft. "Most people, when they get a new operating system, they get it with their PC," he said. "I don't think most people think much about their operating systems."

If enough computer manufacturers embrace the Chrome operating system, it could weaken Microsoft while opening up new avenues for Google to persuade consumers and businesses to use its suite of online applications and other Internet services, generating more opportunities for Google to sell lucrative Internet ads.

Getting consumers and businesses to switch to computers powered by a new operating system won't be easy, as Google has learned from the introduction of Chrome. Google says about 30 million people are using Chrome, a small fraction of the Web surfers who rely on Microsoft's market-leading Internet Explorer.

Microsoft's Windows operating system has been even more dominant for a longer period time despite challenges from Apple Inc. and various systems based on Linux, the same type of open-source software that Google plans to use.

"It's going to be tough," Standard & Poor's equity analyst Scott Kessler said of Google's foray into PC operating systems. "The reality is that as the importance of a device or task increases, people have a much lower inclination to consider a change."

Businesses will be especially reluctant to abandon Windows because, on average, about 70 percent of their applications are designed to run on that, said Gartner Inc. analyst Michael Silver.

"This is going to generate a lot of hype, but it will probably be three to five years before it has any noticeable impact on the market," Silver said.

Consumers are likely to be more tempted to experiment with the Chrome operating system because it probably will decrease netbook prices even further. Microsoft's operating system typically adds \$50 to \$100 to a computer's price, Silver said.

Google has already introduced an operating system for smart phones and other mobile devices, called Android, that vies against various other systems, including ones made by Microsoft and Apple Inc.

The Android system worked well enough to entice some computer makers to begin developing netbooks that will run on it. Acer Inc., the world's third-largest PC maker, said last month it would drop Windows netbooks, saying Android would cut costs and likely help computers start up more quickly.

Google, though, apparently believes a Chrome-based system will be better suited for netbooks.

The duel between Google and Microsoft has been steadily escalating in recent years as Google's dominance of the Internet's lucrative [search market](#) has given it the means to threaten Microsoft in ways that few other companies can.

Google already has rankled Microsoft by luring some of its top employees and developing an online package of computer programs that

provide an alternative to Microsoft's top-selling word processing, spreadsheet and calendar applications.

Meanwhile, Microsoft has been trying to thwart Google by investing billions of dollars to improve its own [Internet search](#) and advertising systems - to little avail so far. In the past month or so, though, Microsoft has been winning positive reviews and picking up more users with its search upgrade, Bing.

Now Google is aiming for Microsoft's financial jugular with the Chrome operating system.

Microsoft has drawn much of its power - and profits - from the Windows operating system that has steered most personal computers for the past two decades.

Google's chief executive, Eric Schmidt, and its co-founders, Larry Page and Sergey Brin, have not concealed their disdain for Windows.

Schmidt maintains Microsoft sometimes unfairly rigs its operating system to limit consumer choices - something that Microsoft has consistently denied doing. Google fears Microsoft could limit access to its search engine and other products if Windows is set up to favor Microsoft products.

Schmidt and Brin are expected to discuss Google's new operating system this week when they appear at a media conference hosted by Allen & Co. at the Sun Valley resort in Idaho. They had not arrived at the conference as other participants sat down to lunch Wednesday.

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