Microsoft may have exited gadget show prematurely

MICHAEL LIEDTKE - AP Business Writers - Associated Press

Microsoft may have relinquished its starring role in America's gaudiest gadget show a year too early.

After 13 straight years in the spotlight, Microsoft's decision to scale back its presence at this week's International CES deprived the software maker of a prime opportunity to explain and promote a new generation of redesigned computers running its radically remade Windows operating system.

The missed chance comes at a time when Microsoft Corp. could use a bully pulpit to counter perceptions that Windows 8 isn't compelling enough to turn the technological tide away from smartphones and tablets running software made by Apple Inc. and Google Inc.

"They needed to be at this show in a very big way to show the progress they have made and what is it about 2013 that is going to make consumers really gravitate toward a Windows 8 machine," said technology industry analyst Patrick Moorhead.

Since Windows 8 went on sale in late October, there has been little evidence to suggest the operating system will lift the personal computer industry out of a deepening downturn. Worldwide PC shipments during the final three months of last year dropped 6 percent from the same period in 2011, according to the research firm International Data Corp. The dip occurred despite the bevy of Windows 8 laptops and desktop machines that were on sale during the holiday shopping season.

Microsoft, though, insists things worked out at just fine during CES, even though it didn't have a booth and only had a smattering of executives at the sprawling trade show, which drew some 156,000 people to Las Vegas.

The company, which is based in Redmond, Wash., decided it no longer makes sense to invest as much time and money in CES as it once did. The company says the show's early January slot doesn't mesh with the timing of its major product releases. Windows 8, for instance, was still more than nine months away from hitting the market when Microsoft CEO Steve Ballmer kicked off last year's CES with a keynote address that was billed as the company's swan song at the show.

"We are very comfortable with our decision," Microsoft spokesman Frank Shaw said. "It has been a productive show for us this year."

Microsoft's retreat from CES puzzled some attendees curious about Windows 8. For instance, when Michael Sullivan showed up at computer maker Asus' booth, which

was stocked with Windows 8 computers, there was no one around to discuss the machines or the software.

"This is unusual," said Sullivan, CEO of computer sales firm Spec 4 International Inc. "I don't understand why a successful company isn't bringing executives here."

Asus invited some CES attendees to learn more about Windows 8 at a nearby hotel, away from the show's main trade show. Asus has left its booth unmanned in previous years at CES, but the void wasn't as noticeable when Microsoft's own representatives were canvassing the floor.

NPD DisplaySearch analyst Richard Shim thought Microsoft should have had more people helping to staff its partners' booths because, he said, no one understands how Windows 8 works better than the company that made it.

"Whenever you have a new product rolling out, it's always helpful to communicate your message directly as opposed to counting on your partners," Shim said.

Microsoft elected to curtail its CES presence largely because the show's marketing value has diminished. In recent years, companies such as Apple and Google have shown that they can command more attention by holding their own exclusive events to unveil products just before they go on sale. Neither Apple nor Google had a major presence at CES.

In a sign that it is embracing its rivals' strategy, Microsoft staged separate events last year in Los Angeles and New York to unveil Surface, a Windows-powered tablet computer, and Windows 8.

Nevertheless, both Shim and Moorhead believe would have been better off waiting until after this year's CES to surrender its top billing on the marquee. That way, Ballmer could have used this year's opening CES keynote to talk about Windows 8's advantages as a finished product.

"Ballmer could have talked about the operating system more completely and built more hype around it, especially since Microsoft has been getting beaten up so far over Windows 8's performance," Shim said.

When Ballmer ended Microsoft's 13-year streak of kicking off CES, he was only able to provide a peek at a makeover of the operating system that was still months away from being completed.

Microsoft touts Windows 8 as a breakthrough that will enable people to straddle the divide between personal computers and tablets. The revamped operating system is built to respond to the touch of a finger so it can work on tablet computers while still retaining the ability to respond to commands from keyboards and mice on laptop and desktop machines. To take advantage of Windows 8's versatility, many PC makers are building convertible devices that can work as a tablet or a laptop.

But reviews of the new operating system have been lukewarm. Critics have been

panning it as too confusing and cumbersome.

Microsoft used part of a CES technology forum presented by J.P. Morgan to try to build more enthusiasm. The company revealed that 60 million copies of Windows 8 have been sold so far, putting it on the same pace as the previous version — Windows 7 — at the same juncture of its release. But it's unclear how many of those Windows 8 licenses are installed on computers that are still sitting in stores or warehouses.

Investors have been so unimpressed with the reception to the new Windows products that Microsoft's stock price has slipped 4 percent since the operating system's Oct. 26 release. Meanwhile, the bellwether Standard & Poor's 500 index has gained 4 percent. Microsoft's stock closed Friday at $26.83, up 37 cents.

A clearer picture of the early reception to Windows 8 may emerge Jan. 24 when Microsoft is scheduled to report its earnings for the three months spanning the holiday shopping season.

Although he wasn't the main attraction, Ballmer made a cameo appearance during Qualcomm Inc. CEO Paul Jacobs' opening address at this year's show.

Ballmer's acceptance of Qualcomm's invitation to join Jacobs on stage surprised some people because Qualcomm has emerged as a threat to Intel Corp., a longtime Microsoft ally that makes most of the processors in Windows computers. Instead of touting Windows 8, Ballmer spent his time hailing a streamlined version of the operating system, dubbed Windows RT, which runs on tablets using processors that rely on technology designed by ARM, another Intel rival.

Microsoft's top executive in charge of technical strategy appeared on stage at Samsung Electronics' invitation to reveal a Windows phone featuring a flexible color display. The electronics of the phone are in a little box, and the thin, bendable screen is attached to it, looking much like a piece of paper.

That left Intel and other Microsoft partners, including PC makers Samsung, Sony, Asus, Acer and Hewlett-Packard Co., to do most of the boasting about Windows 8 at their own CES booths.

"Our partners are doing that very effectively," Shaw said. "You couldn't walk through the (CES) floor without seeing people doing really interesting things with Windows 8."

But there were other times when it appeared Microsoft's partners could have used some help.

Sony exhibitor John Guzman, for instance, seemed stumped when an Associated Press reporter visited the company's CES booth and asked whether a machine running Windows 8 or the more advanced Windows 8 Pro would be a better fit for journalistic work.

"That is more of a Microsoft question," Guzman said, adding that no Microsoft representatives were around.

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Liedtke reported from San Francisco. AP Technology Writer Peter Svensson contributed to this story.

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