Microsoft mulls ad-supported PCs to boost adoption

Article

The news: As global PC sales decline and distributed work shifts to the cloud, **Microsoft** is faced with the challenge of innovating to drum up adoption, per The Register.

Why it's worth watching: **Microsoft Windows** is the dominant desktop operating system in the world, but the company has struggled to push adoption of the latest **Windows 11** operating system.

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- **Windows 11 runs on fewer than one in six PCs**, per StatCounter. This equates to **15.44% of all PCs** globally.

- **71.29% are still running Windows 10**, and the downward trend of new PC adoption is hurting Windows 11 transition.

- Support for Windows 10, which ends in 2025, signals that Windows 11 would be Microsoft's core OS product for the next decade. The problem is that **more than half of existing PCs can't upgrade to Windows 11**, per Lansweeper.

- Slow adoption and users retaining older PCs longer could push Microsoft to extend support for the older OS, or **the company could just ignore the older OS and let customers deal with fragmentation**.

Ad-supported Windows PCs around the corner: Microsoft has already peppered Windows 10 and Windows 11 user interfaces with a slew of ads for apps and services. The move has led to some fallout, especially for business customers.

- Microsoft is exploring cheaper, cloud-connected, and ad-subsidized PCs.

- The company is already powering **Netflix**'s ad-based subscription model.

- The shift to ad-supported PCs was alluded to by CEO **Satya Nadella** during the recent earnings call. Nadella said the company's five-year goals include focusing on moving ads through their own offerings.

What's next? Qualcomm predicted that 2024 would be the year for Windows on Arm. This could mean more-affordable PCs with all-day battery life, comparable to Chromebooks, that are ideal for consumers and the educational market.

- There may be a market for cheaper, subscription-based PCs, especially in emerging markets.

- Microsoft has already transitioned key software and services to the cloud under **Microsoft 365** subscriptions. Adding hardware and OS software to the subscription model could make sense for some institutional customers.
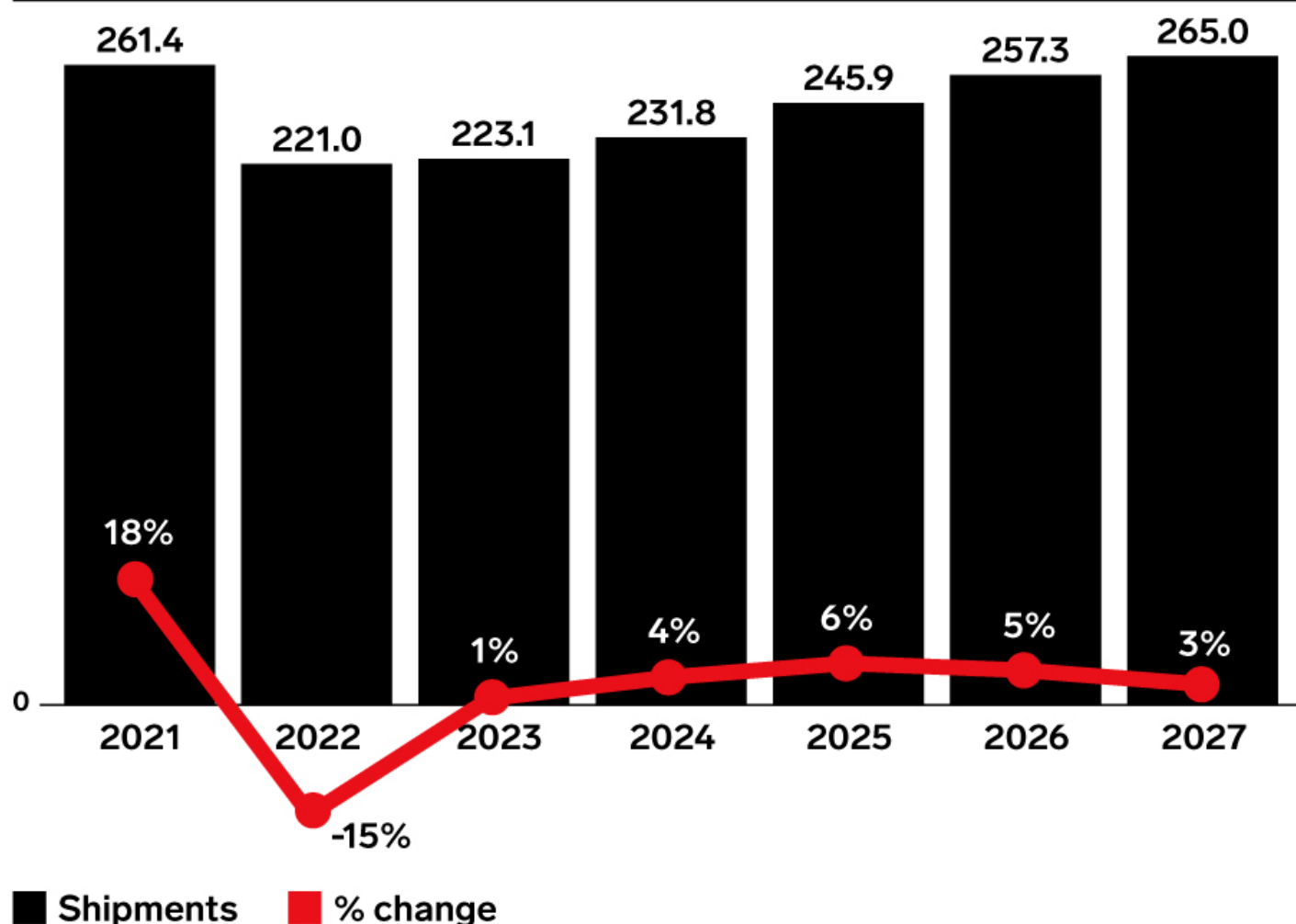
What's the catch? Ad-supported PCs aren't a good fit for the educational market or for corporate users. Given that Chromebook sales are cratering, it may not be a good market for Microsoft to expand into now.

Trendspotting: Microsoft isn't the only company considering advertising to expand revenues. **Apple** has started showing more ads in the **App Store**.

- Apple is also bringing ads to **Apple Maps, Books, and Podcasts**, and exploring launching ads on **Apple TV+**.

- **Amazon** has offered cheaper, ad-supported versions of its Kindle e-reader for years.

Notebook PC Shipments Worldwide, 2021-2027
millions and % change

Year	Shipments	% change
2021	261.4	18%
2022	221.0	-15%
2023	223.1	1%
2024	231.8	4%
2025	245.9	6%
2026	257.3	5%
2027	265.0	3%

■ Shipments ■ % change

Source: Omdia as cited in press release, July 11, 2022

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