

Office suite wars

Microsoft vs OSS vs SaaS

By Dale Vile, April 2007

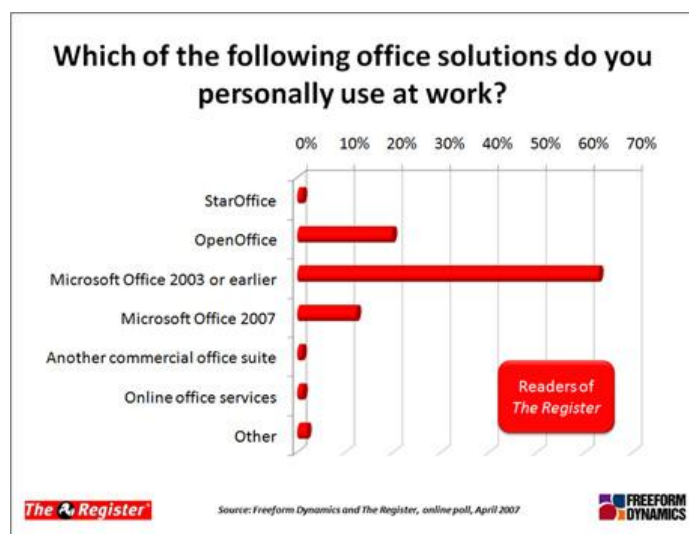
There has been a lot of speculation lately about threats to the dominance of Microsoft Office on the desktop. The argument is that the anticipated cost and disruption of upgrading to the latest Office System 2007 release will drive businesses to look at open source alternatives (e.g. OpenOffice) or give up on desktop resident software altogether in favour of software-as-a-service (SaaS) offerings (e.g. from Google).

One of the big challenges in researching this area is that there is so much emotion, religion and political advocacy tied up with it, so the truth often gets very distorted. Highly vocal open source advocates, for example, pounce on news of any organisation considering something other than a Microsoft desktop as proof of the beginning of the end of the evil empire. Then we have the hype around Web 2.0 and SaaS, within which separating fact from fiction is extremely difficult. And let's not forget Microsoft's huge and powerful marketing machine that is loud enough to make everyone else sound like they are shouting from behind a thick wooden door.

Against this background, how can we get more of a feel for what's really going on?

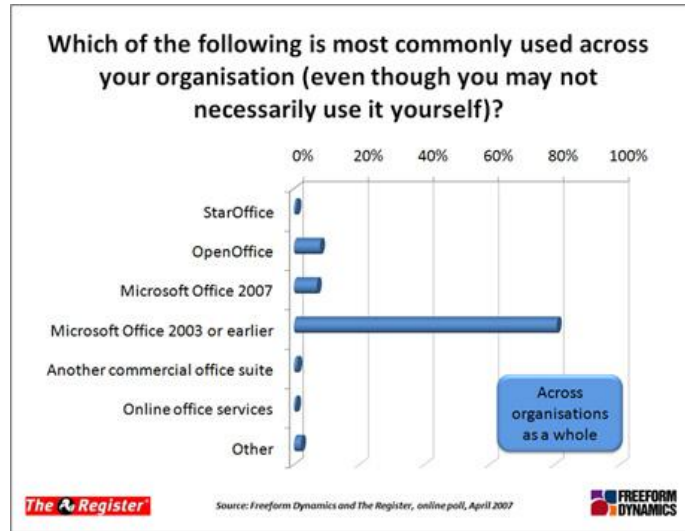
From a research perspective, the answer is numbers. If you gather feedback from a large enough sample of people, you can dampen the effect of skew from noisy minorities and form a objective view of reality. This is exactly what we did when we teamed up with one of our media partners, The Register, whose 5 million readership we at Freeform Dynamics routinely use as a "super panel" of IT professionals for research purposes. Through this route, we gathered responses on the topic of desktop deployments from close to 5,000 people.

The first thing we learned from the study was that Microsoft Office still rules the desktop when it comes to office suites, and that there are essentially no significant commercial challengers. The only competition at the moment is from open source office suites, OpenOffice in particular, which around one in five readers of The Register are personally using.

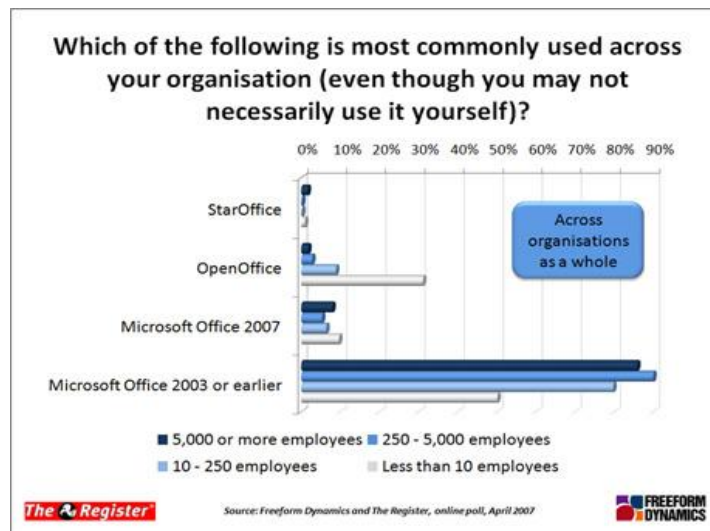


The other big news is that SaaS alternatives to desktop office suites are really nowhere at the moment in terms of penetration, at least for business use. Clearly the tales of Google already beginning to threaten Microsoft in this space are wildly exaggerated.

Something we need to be aware of when looking at the above picture, however, is that the IT pro community that was giving us feedback during the study is not necessarily fully representative of the business user population as a whole. We therefore asked respondents to tell us about what was going on across their organisation in general to get a more accurate view of the bigger picture.



We notice here that open source office suites have not penetrated as much across the broader business user community. Indeed, if we break this picture out by company size, we can see that open source solutions are not being used much at all in medium sized and larger organisations, and in fact have already been outpaced by Microsoft's Office System 2007 in this space.



The other obvious observation here, that OpenOffice appears to have gained serious traction among small businesses, is probably a bit misleading. The sample upon which this is based is known to contain a disproportionately high number of small IT services firms, resellers, independent consultants, and so on, which we know from other research are predisposed to the use of open source solutions. The suspicion would be that penetration of OpenOffice among the broader base of

less tech-savvy small businesses would probably look quite a bit different from the picture we see above.

So what can we make of all this?

To summarise the findings and our analysis:

- Microsoft Office is still completely dominant for business use, particularly among organisations with more than 10 employees, where it accounts for 90% plus of the current installed base. Anecdotal feedback (in the form of freeform comments elicited during the study) suggests people stick with Microsoft Office for reasons of functionality and compatibility.
- Businesses are generally either not aware or not interested in SaaS office solutions at the moment. Anecdotal feedback suggests that they just cannot compete with a desktop office suite in terms of convenience, functionality or compatibility right now, which makes any cost related argument somewhat irrelevant. Evolution of rich client Web 2.0 technology may go some way towards dealing with these objections in the future, but there is a huge gap to close here.
- OpenOffice is the only serious alternative Microsoft Office at the moment, though the evidence suggests that its use is currently focussed on technical enthusiasts and small organisations with a good amount of in-house technical expertise that see the open source route, rightly or wrongly, as a way of saving money on licence fees.
- Microsoft Office System 2007 looks like it is off to a slow start, but is already on a par with open source alternatives in terms of penetration. This is despite it only being in the market for a matter months, while the leading open source solution, OpenOffice, has been available for years.

And the bottom line?

Well, the only credible conclusion we can draw is that there is still no serious threat to Microsoft Office in the broader business community, certainly in Western Europe and the USA within which most of our respondents from the above study reside. The big question moving forward is therefore not how strong or otherwise the alternatives are (we do not want to discourage this discussion, we just don't think many are interested in having it), but if, or more likely, when and how, to embrace Microsoft's latest 2007 release.

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