

## Google goes down a new channel – Jan 2009

By Bob Tarzey, Service Director, Quocirca Ltd

The fact that the majority of businesses use Microsoft Office as their main user productivity tool is in part testament to the strength of the relationship Microsoft has with the IT sales channel. For years Microsoft products have been sold exclusively via the channel, and in return for the reassurance that it will not pursue their customers directly the channel has stuck with Microsoft.

The vendor Microsoft now sees as its chief nemesis – Google – started to target the user productivity market in 2007 with the release of its cloud-based office suite – Google Apps – which includes Google Docs, Gmail and so on. Google claims around 3,000 sign-ups a day for the suite, the majority of these being for the free version, which is OK if you don't mind putting up with the adverts that help fund it. Many of these users will, at least initially, be evaluating Google Apps alongside their existing Microsoft Office products.

Google wants those that are serious to commit and pay for its Premier Edition for a fee of £25 per user per year - as well as no ads this buys them a range of other features and the free version is now limited to 50 users per company anyway. To prove it is a serious rival to Microsoft in the office tools market Google knows it must persuade a lot more paying customers to sign up and for this to happen it needs the reach that Microsoft has through the channel.

So this week Google is launching its Google Apps Reseller Programme. The programme will offer resellers 20 per cent of the annuity revenue from subscriptions, so for instance if a business has 100 users, its annual subscription would be £2,500 and the resellers would take £500 of this. On subscriptions alone it would take a lot of sales to make it a viable product line for a reseller compared to selling Microsoft Office Small Office Edition, for which the undiscounted price of a desktop licence is £399 per user.

So will it be possible to motivate the channel to sell Google Apps for such a low fee? Google thinks so, believing that the focus of the resellers will be on fees for services as much as the annuity revenue. These services will be about integrating Google Apps with other applications, including Microsoft Office itself, as no organisation of any size is likely to go for wholesale change overnight when it has hundreds of Microsoft Office licences already paid for.

Resellers may not want to see the revenue from selling Microsoft Office eroded by selling much cheaper Google Apps subscriptions, but in the end they may not have much choice. There is a growing inevitability around the take up of cloud-based services and many resellers will hedge their bets and make sure they are able to offer their customers a choice of both on-premise and on-demand products.

Even if resellers don't fancy working with Google, sticking with Microsoft is likely to drag them into the cloud anyway. Microsoft has been announcing more and more cloud based services including its Business Productivity Online Suite (BPOS) which provides resellers a cloud-based platform for Microsoft collaborative products. At the moment this does not include basic office tools like Word and Excel, but Microsoft has pledged that future versions of Office will be more cloud-friendly and anyway documents can already be stored and shared online using Office Live Workspace.

Perhaps the most telling thing about Microsoft moving more and more online is that, although BPOS can be implemented by partners on their own infrastructure, Microsoft also hosts its own version which it will encourage resellers to sell, but also allows users to sign up to directly. This may prove to be another chink in Microsoft's armour as anything that serves to undermine its long-term relationship with the channel will

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undermine confidence and encourage resellers to consider competitive offerings.

If, after years of Microsoft domination of the user productivity market, Google's channel initiative helps to ensure true competition it will be to the long term benefit of all information workers.

### About Quocirca

Quocirca is a primary research and analysis company specialising in the business impact of information technology and communications (ITC). With world-wide, native language reach, Quocirca provides in-depth insights into the views of buyers and influencers in large, mid-sized and small organisations. Its analyst team is made up of real-world practitioners with first hand experience of ITC delivery who continuously research and track the industry and its real usage in the markets.

Through researching perceptions, Quocirca uncovers the real hurdles to technology adoption – the personal and political aspects of an organisation's environment and the pressures of the need for demonstrable business value in any implementation. This capability to uncover and report back on the end-user perceptions in the market enables Quocirca to advise on the realities of technology adoption, not the promises.

Quocirca research is always pragmatic, business orientated and conducted in the context of the bigger picture. ITC has the ability to transform businesses and the processes that drive them, but often fails to do so. Quocirca's mission is to help organisations improve their success rate in process enablement through better levels of understanding and the adoption of the correct technologies at the correct time.

Quocirca has a pro-active primary research programme, regularly surveying users, purchasers and resellers of ITC products and services on emerging, evolving and maturing technologies. Over time, Quocirca has built a picture of long term investment trends, providing invaluable information for the whole of the ITC community.

Quocirca works with global and local providers of ITC products and services to help them deliver on the promise that ITC holds for business. Quocirca's clients include Oracle, Microsoft, IBM, O2, T-Mobile, HP, Xerox, EMC, Symantec and Cisco, along with other large and medium sized vendors, service providers and more specialist firms.

Details of Quocirca's work and the services it offers can be found at <http://www.quocirca.com>