

The State of Google Apps

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In this note, we explore Google's business model for Google Apps and the usage model with which it is entering enterprise operating environments. Clients should support selective experimentation by end users to better understand the implications of Google's somewhat unique approach to evolving its products, adding value to the business and possibly reducing overall operating costs. This experience will benefit enterprises as more and more vendors adopt a "continuous evolution" product model.

Key Findings

- Google Apps are not adequate substitutes for Microsoft Office (and Microsoft Office cannot substitute for some of Google Apps' collaborative functions).
- "Informally acquired" free Google Apps are creeping into enterprises as secondary tools passively tolerated by "corporate IT."
- Google Apps are not displacing Microsoft Office — they are being used as supplements.
- Google will continue to rapidly iterate and innovate, introducing wave after wave of new features, often fortnightly. Google is addressing its key functional deficiencies and adding differentiating features rapidly. (Microsoft is definitely not standing still while this happens.)
- E-mail migrations are part of a long, slow process that takes a decade or more. That is not on the cards for most enterprise clients this decade.

Recommendations

- Determine how many people are using Google Apps in any form for business purposes.
- Understand fully loaded cost structures, and integration, regulatory, security and privacy implications.
- Talk to Google (and others, such as Microsoft) about the cost of "software as a service."
- Think beyond e-mail: explore alternative use cases. For example, "Google Presentations" plus "Google Talk" can be a "free" way to do low-end Web conferencing.
- Engage users to "show and tell" where they're using various Web-based tools (like Google Apps and others' Web-based tools). Share business impact and best practices, create communities to actively support honing those internal success stories, and spread the word about what really adds value.

WHAT YOU NEED TO KNOW

Enterprise employees (and business partners) are using Google Apps (including Gmail). Often they are informally choosing to use Google Apps without formal IT approval or involvement. IT professionals must understand who is doing this and why. Study the benefits (and disadvantages) of letting this continue and explore the implications of continually changing technology for user support costs — where do they rise and where do they fall when vendors update their software frequently. In particular, follow our enclosed six-step action plan for analyzing Google Apps.

STRATEGIC PLANNING ASSUMPTION(S)

- Through YE09, at least 90% of Google Apps enterprise users will have no formal business relationship (for fee or for free) with Google.
- By YE08, Google will support Outlook via Messaging Application Program Interface (MAPI).
- By YE08, Google will provide native offline capabilities for Gmail and Google Calendar.
- By YE09, Google Apps offline capabilities will be "just good enough" to meet most users' minimum requirements.
- Through at least 2012, the primary enterprise use of Google Apps will be as supplements to (not replacements for) tools like Microsoft Office.
- By 2011, Microsoft pricing for Microsoft Office, e-mail and collaboration licensing and services will be constrained by Google Apps.
- By no later than 2011, Microsoft will deliver rich Office suite functionality via Microsoft Online that will fully support offline work as well.

ANALYSIS

Google Apps (see Note 1) are no more likely to replace Microsoft Office in the next two years than PCs running Windows 95 on NetWare LANs were likely to kill the mainframe between 1995 and 1997. Each suite has its own "sweet spot." Google is giving away what it has now (typically, as "Google Apps Approval Free" [GAAF]) to gain a foothold in the enterprise market, to establish the viability of its (informal and invisible, user-focused) distribution model, and to conduct what is essentially a five-year beta program. Gartner does not expect Google Apps to replace Microsoft Office. Instead, where they are being used, Google's products are being adopted (primarily by end users) to supplement Microsoft Office. In enterprises with 500 or more employees, we are seeing far more usage of informally-acquired GAAF (with advertising present at least in the e-mail window) than the formal editions (which allow enterprises to turn off all advertisements).

Peaceful Coexistence

Google's proclaimed strategy and products can coexist with the established, official "strategic" products previously anointed by enterprises (for example, Microsoft Office). In the short term, very few big enterprises are likely to disrupt all of this by displacing whatever they have with Google's offerings. Instead, Google Apps (particularly GAAF) will be tacitly accepted, in many enterprises, as supplements to whatever the organization officially supports.

Enterprises explicitly interested in exploiting Google Apps (those whose approach is more than blind neglect) should invest in Google Apps Premier Edition (GAPE), rather than the free versions (GAAF or Google Apps Standard Edition [GASE]). Given its security, management and administrative features, GAPE is much more "enterprise"-ready than tacitly allowing ad hoc usage of either GAAF or GASE.

Despite the advantages of GAPE, we expect that, in enterprises, GAAF will have much higher rates of adoption through YE09, since, with GAAF, in most situations, no one has to sign off on using it. There is no strategy review or budget review. Individual users just "do it." This "hands off" (passive benign neglect) approach avoids several pain points, notably, it lets the enterprise maintain its:

- Current relationships with Microsoft, IBM or other core technology providers.
- Current relationships with business application providers (whose products integrate with Microsoft, IBM and other core technology providers' technology).
- Standing operational tactics (such as system image management).

(Many organizations will not, of course, provide any support for their users on Google Apps, so the direct support cost profile for supplemental use of these applications is relatively minor, provided users' systems are properly safeguarded against malware and other security breaches, and the users behave appropriately regarding regulatory and policy-driven requirements. Counterbalancing the low direct support cost profile will be incremental security, regulatory and governance-related risks. See Note 2.)

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By 2010, the strength of Google's offerings may force enterprises to take a much more studious second look — either viewing Google Apps as an official supplement but with fuller corporate support or banning the use of Google Apps outright. (Our data on employee use of "consumer-grade" technology indicates that organizations continue to gradually loosen constraints on the use of such technologies while, at the same time, they are growing somewhat more anxious about those decisions.) In the long term (2012 and beyond), we think Google Apps and similar Web-based tools may evolve into more viable candidates as the primary (not supplementary) tool of choice, displacing more traditional tools, but we do not expect many enterprises to abandon what they already have.

Table 1 summarizes the predicted evolution — near term (2008 and 2009), medium term (2010 and 2011) and long term (2012 and beyond).

Table 1. Business Evolution of Google Apps (Including Gmail)

		Selling Pattern	
		Supplement Existing	Replace Existing
Google Apps Product Model	For-fee versions (no ads)	Short term: secondary (much smaller) opportunity for Google Medium term: Google's primary growth area	Short term: Negligible business from enterprises with 500 or more employees Medium term: Secondary business opportunity