

Sun's New Pricing Model Will Attract Attention

Daryl C. Plummer, Yefim V. Natis

Sun Microsystems has consolidated its software products into the Java Software System (JSS). The success of this strategy will depend on customer confidence.

NEWS ANALYSIS

Event

On 16 September 2003, Sun announced several new products encompassing a suite of application and network platform technologies, and a new software pricing model. JSS is priced to entice customers to try Sun products and to drive system sales by reducing system software cost and complexity. Sun will now use subscription-based (per-employee) pricing, which will allow unlimited product use for Internet and intranet deployments.

Analysis

Sun has completed the process of consolidating its network software offering. Sun has officially released the project code-named as the Java Enterprise System (JES), an extended application platform suite priced at \$100 per employee. JES includes Sun's application server, integration server, portal server and other technologies, such as directory, calendaring and e-mail — a full smart enterprise suite and identity management.

The announcement centers on Sun's innovative new pricing strategy for Sun software products. Sun's new pricing encompasses the entire JSS. In addition to JES, Sun provides pricing for the Java Desktop System (formerly MadHatter) at \$50 per employee, the Java Development Studio at \$5 per employee and N1. Sun will release the Java mobility and Card systems later, also at a per-employee price. Pricing per employee will compare favorably to the traditional per-server pricing method in industries where few employees serve many customers. Businesses that are more employee-intensive may pay more for their software. Sun has implemented a cap on pricing at 120,000 employees, but Sun runs little risk with this cap since software sales don't account for the bulk of Sun revenue. Sun does offer the traditional per-processor pricing for these situations.

Sun wants to convey the message that enterprises buying its entire suite of platform solutions will save money. Sun wants to establish a reliable foothold in the software infrastructure market and make Sun's hardware and software a universal offering. If it succeeds, this effort will force competitors such as Microsoft and IBM to evaluate support for similar comprehensive pricing. Although this type of pricing is not new, it requires significant effort to create support features, such as single-product stock-keeping units and unified release schedules.

Bottom Line: The new pricing model will attract interest, but enterprise commitment to the JSS will not necessarily follow. Sun will still have to build customer confidence and JSS sales. Evaluate Sun's new pricing model by comparing it with the single-product pricing models of Sun's competitors to see where savings thresholds appear.

Analytical Sources: Daryl Plummer and Yefim Natis, Gartner Research

Recommended Reading and Related Research

- "Joy's Exit Hurts Sun's Reputation, Not Execution" — The departure of Sun co-founder and chief scientist Bill Joy won't affect Sun's corporate strategy. **By Daryl Plummer, Mark Driver and Yefim Natis**
- "Magic Quadrant for Application Platform Suites, 2Q03" — The tension between software infrastructure generalist vendors and specialists will determine the future of the application platform suite market. **By Yefim Natis and others**

(You may need to sign in or be a Gartner client to access all of this content.)

REGIONAL HEADQUARTERS

Corporate Headquarters

56 Top Gallant Road
Stamford, CT 06902-7700
U.S.A.
+1 203 964 0096

European Headquarters

Tamesis
The Glanty
Egham
Surrey, TW20 9AW
UNITED KINGDOM
+44 1784 431611

Asia/Pacific Headquarters

Gartner Australasia Pty. Ltd.
Level 9, 141 Walker Street
North Sydney
New South Wales 2060
AUSTRALIA
+61 2 9459 4600

Japan Headquarters

Gartner Japan Ltd.
Aobadai Hills, 6F
7-7, Aobadai, 4-chome
Meguro-ku, Tokyo 153-0042
JAPAN
+81 3 3481 3670

Latin America Headquarters

Gartner do Brazil
Av. das Nações Unidas, 12551
9º andar—World Trade Center
04578-903—São Paulo SP
BRAZIL
+55 11 3443 1509