

Microsoft's Next-Generation Platform Will Move Beyond the Desktop

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Office Live and Windows Live offer important statements regarding Microsoft's corporate strategy. They target consumers and very small businesses with online services that will change the company's business model.

NEWS ANALYSIS

Event

On 1 November 2005, Microsoft announced Office Live and Windows Live, online services that provide a glimpse into the company's emerging next-generation platform strategy. Microsoft plans to use a combination of business models to sell the new offerings.

Analysis

These Microsoft initiatives should be viewed as the beginning of "Microsoft Live," a next-generation platform strategy that builds on and extends the vision offered by .NET. Although this new platform still lacks a formal name, it will emphasize the delivery of software as a service. This concept is touted by many vendors, but Microsoft's strategy differs in its leverage of desktop-rich clients, a market that the company dominates. In making this announcement, Microsoft has two purposes:

- To compete against companies like Google and Yahoo! (as well as Web 2.0 startups, such as www.writely.com). These companies have been expanding their offerings by means of Google's and others' use of "Ajax" ("Asynchronous JavaScript + XML") technology, which is enabling functionality that approaches what is offered by rich clients
- To accustom users to paying a monthly fee to Microsoft for services.

Windows Live is not an operating system, having mostly originated from the MSN group's work. Rather, Windows Live is a set of services, many of which will initially be targeted at consumers. These services will include calendar management, real-time communications and information management. Though the new model resembles Microsoft's 2000 initiative, code-named Hailstorm, it does not place Microsoft in a role that would raise a public reaction to privacy issues — which was Hailstorm's undoing.

Since 2000, Microsoft has been trying to provide online services to small businesses. The other part of the initiative, Office Live, is the company's latest attempt, involving services that are solutions implemented on Windows SharePoint Services. In implementing this strategy, Microsoft will face the challenge of evolving its business model to one that uses advertising, subscriptions and transaction fees (as well as licensing) in various ways for different products and constituencies. Also, the catalysts cited by Microsoft for these initiatives conflict with the way corporate IT acts and thinks today. Most IT organizations are wary of accepting software automatically downloaded from the Internet or using advertising-supported software, and may not be comfortable with Microsoft assuming the role of their systems integrator. We believe these prejudices are short-sighted and will inhibit enterprises from benefiting from software delivered as services.

Not highlighted within Microsoft's "Live" announcements — though of far more strategic significance — is the evolution of the company's broader platform strategy beyond Windows. Though Microsoft has offered mixed messages on this subject, its manner of addressing the issue of Ajax and its Windows (and future Windows Vista) client technologies may clarify its intentions. Gartner believes Ajax is moving the Web toward a richer model, leaving other rich-client approaches (such as Windows) to focus on their true value: offline capabilities and access to desktop resources.

Recommendations: Recognize that Microsoft's announcement is an important statement regarding the direction its corporate strategy will take. Though its first target will be consumers and very small businesses, other constituents should not ignore it. The "consumerization" of IT

and the continued impact of Internet technologies ensure that these offerings will eventually affect all enterprises.

Analytical Sources: David Mitchell Smith, David Cearley, Simon Hayward, Tom Austin, Thomas Bittman, Daryl Plummer, Michael Silver and Allen Weiner, Gartner Research

Recommended Reading and Related Research

- "Microsoft Restructures for Emergence of Internet Platforms" — By restructuring, Microsoft shows it is preparing for the "second Internet revolution" and for new releases of virtually all of its products. **By David Mitchell Smith**
- "Whatever Happened to .NET?" — Although use of the ".NET" name seems to be lessening at Microsoft, the technologies are still alive as ever. **By David Mitchell Smith and Daryl Plummer**

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