

Enterprise Applications Offer a Glimpse of Google's Ambitions

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Google will introduce communications applications intended for use within enterprises. Service-level agreements, security and support will determine whether these applications will catch on within their target market.

Event

On 28 August 2006, Google announced that it will release a package of hosted applications, Google Apps for Your Domain, targeted at enterprises. Included initially will be e-mail, calendaring, voice over IP (VoIP) and Web page authoring capabilities. Google said that it will eventually offer customized versions of its applications. For now, users can choose between two types of service: A standard edition, available as a beta product, and a premium version still in development for organizations with more advanced needs. The standard version is available without cost to domain administrators or end users.

Analysis

This announcement offers a glimpse of the scope of Google's ambition of generating significant revenue from the enterprise sector to avoid relying solely on the consumer market. Its plan to provide applications such as e-mail, calendaring, instant messaging and voice chatting is a logical next step in the progression of deepening its relationship with users. Increasingly, Google has been placing its products and services directly in front of end users, without the intercession of IT departments (though its enterprise search appliance does require the IT department's involvement).

Along with AOL, MSN and Yahoo, Google has been an innovator in delivering a broad mix of collaboration services and has taken tentative steps at delivering these applications to enterprises. (Microsoft has an e-mail offering for universities, AOL has a commercial version of AIM developed with Webex, and Google has offered own-domain e-mail services to the .edu community.) We believe that Google has elected to offer communications applications first mainly because of their popularity. Also, Google's move will allow time for productivity applications based on word processors and spreadsheets to mature.

We expect these services initially will be adopted by enterprises that have less-demanding feature needs and are extremely sensitive to prices. Some enterprises will wait for a no-advertising version to become available for formal fees. Google intends to offer for-pay subscription versions in the near future, possibly as early as 2007. The way in which Google chooses to address service-level agreements (SLAs), security, technical support and integration with existing applications will be critical to Google Apps' destiny.

We believe Microsoft is likely to respond aggressively. The rivalry between Google and other vendors like Microsoft will probably confuse the market by producing overlapping business models and unintegrated, competing products, but could benefit users of both product lines by invigorating competition.

Recommendations

- **All prospects:** Evaluate these new applications with extreme care and thoroughness, as you would any such offering from a vendor that lacks a track record with enterprise applications. Like any such vendor, Google will need to accompany the release of its products with, at minimum, light SLAs covering availability.
- **Small and midsize businesses:** If you are considering or currently using application service providers (ASPs) with light SLAs, consider evaluating Google applications after they emerge from beta status.

- **Large enterprises:** If you are considering or currently using ASPs, evaluate Google's SLAs carefully before seriously considering Google applications. Be sure to factor in the cost of integrating with existing business applications using Google's intended representational state transfer (REST) application programming interfaces (APIs).

Analytical Sources: Whit Andrews, David Gootzit and Gene Phifer, Gartner

RECOMMENDED READING

- "Will Google Make Web 2.0 Real for the Workplace?" — Google appears ready to deliver workplace applications — and a Web 2.0 workplace suite — in the near future. **By James Lundy and others**
- "Deciphering the Enigma of Google's IT Intentions" — Google's potential impact on the IT market is enormous, but good advertising alone will not enable it to unseat leading software vendors. **By Whit Andrews**

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