

## Microsoft Collaboration Offering Ushers in New Era for SaaS

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Microsoft's multitenant software-as-a-service offering for Exchange, SharePoint and Office Communication Server provides a substantial new option for buying and consuming collaboration software.

### Event

On 17 November 2008, Microsoft launched its multitenant server software-as-a-service (SaaS) offering for Exchange, SharePoint and Office Communication Server. The per-user per-month license costs are:

- Exchange: \$10
- SharePoint: \$7.25
- A browser-only Exchange/SharePoint combination: \$3
- Business Productivity Online Suite (BPOS), combining e-mail, instant messaging (IM), Web conferencing and SharePoint: \$15

The Exchange/SharePoint combination and the IM component will be available in 2009; the rest is available now. Customers can get volume discounts and credit for existing licenses.

### Analysis

These offerings will appeal to enterprises seeking to cut costs or move away from on-premises deployments, particularly businesses with fewer than 1,000 employees, which can't provide BPOS internally for less than \$15 per user per month. Enterprises with 20,000 or more employees likely won't save money but may move to SaaS to:

- Shift from capital to operating expenditures
- Free IT personnel from non-value-added duties
- Avoid large-scale migrations
- Improve reliability

Microsoft's collaboration SaaS offering will compete with Google Apps, priced at \$4 per user per month. The e-mail portion of Google Apps is maturing rapidly and will likely give Microsoft significant competition over the next several years. Microsoft is also racing to deliver a SaaS version of Office before Google's personal productivity suite matures.

Gartner expects the elements of the BPOS to mature rapidly, with mainstream adoption occurring in 2010. We expect 20% of enterprise e-mail seats to use SaaS (from Microsoft and other vendors) in 2012, up from 1% in 2007. The SaaS option may appeal to enterprises thinking about generic SharePoint deployments since it eliminates cumbersome deployment and operational duties. Early adopters of Microsoft's multitenant SaaS will likely encounter challenges with stability, contracting, data migration, integration, security and legal issues.

### Recommendations

#### All enterprises:

- Wait for several quarters of successful large-volume operations before deploying these offerings.

- Calculate internal collaboration costs and uptime levels for comparison with the SaaS model.
- If pursuing Microsoft SaaS, ensure contractual protections, including uptime guarantees, data access rights and assurance of service continuity.

**Small enterprises:**

- In 2009, compare BPOS (the suite and individual services) and other SaaS collaboration programs against internal deployments. Consider migrating to the SaaS model in 2010.

**Large enterprises:**

- Establish granular evaluation criteria — incorporating security, legal, operational and integration concerns — to determine when the SaaS model can meet internal requirements and be considered an alternative to on-premises deployments.

**RECOMMENDED READING**

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- "Tactical Guideline: Minimizing Risk in E-Mail Hosting Relationships" — Despite a decade of experience with the hosted e-mail model, enterprises must address many areas of uncertainty before final contracting. **By Matthew Cain**
- "The Impact of SaaS on E-Mail Applications" — Due to the rapid expansion of SaaS within the enterprise e-mail market, organizations must consider a SaaS provisioning model in any long-term e-mail strategy planning. **By Matthew Cain**

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