Google vs. Microsoft: The Battle for Future Dominance … and Apple's Sneak Attack

David Mitchell Smith
Tom Austin
Welcome!
Thank you for joining us on today’s Gartner webinar.
Google vs. Microsoft: The Battle for Future Dominance ... and Apple's Sneak Attack

David Mitchell Smith
Tom Austin
Poll: Why are you listening today? (pick one)

- We are considering an investment in one or more of these vendors’ cloud offerings
- We have decided to invest in their cloud offerings
- We have invested in their cloud offerings and are looking for factors we should have known about when we decided
- We are doing due diligence or staying informed on the segment
Introducing the Competitors

Google Cowboys
- Democratize information
- Capture the next 2 billion users (not enterprise-focused)
- Deny anyone the opportunity to control their destiny
  - Pipes
  - RIA
  - OS
- Radical innovation
- Cloud
- Asymmetric warfare

Microsoft Stewards
- Democratize technology
- Orderly enterprise growth
- Define and deliver the programming platforms for the next generation of applications
- Dramatically expand revenue base
  - Entertainment (games)
  - Search revenue
- Cloud and on-premises
- Persistence
## Key Issues

1. **Where do Microsoft, Google and Apple stand today?**

2. **What will be the effect on markets as a result of Microsoft/Google/Apple competition?**

3. **How will enterprise IT decisions be affected by the battles between Microsoft, Google and Apple?**
Microsoft's Business Segments

Source: Microsoft U.S. SEC 10K report for quarter ending 30 June 2010
($16,039 million total revenue, $5,930 profit after $1,095 corporate overhead not charged above)
Microsoft Overall

• Searching for growth, but no longer a "growth company"
• Solid financials, cash flow
• Fragmented marketing messages
• Enterprise strength
• Mobile re-launch
• Microsoft's Cloud Strategy is the most ambitious
  - Many dimensions, much misunderstood
  - On-premises, off-premises and third-party hosted
  - Rich client, RIA, browser, mobile, CE
  - Consumer and enterprise
  - Software licensing, subscriptions, ad-based
  - Development and deployment (via modeling)
Platform Focus and Competition Drive an Evolving Strategy
Google Business Segments

1Q10 Total Revenue: $6.775 billion, Net Income: 29% (after tax)


- Google Network Ads: 30%
- Google Website Ads: 66%
- Other: 4.0%
- GAPE: 0.3%

Source: Gartner Estimate

Source: finance.yahoo.com
Mission: Organize the World's Information — Make It Universally Accessible and Useful

Strong Cash Engine
Self-service, full-service advertising company

Focus
Search is the center of the solar system
How big is the universe?

The Next Major Growth Business?

Putative Cloud Computing Leader
(Self-Proclaimed)

Google's Teraplex
http://www.youtube.com/watch?v=zRwPSFpLX8I&feature=player_embedded
What Could Google Know and Do?

What Does Google Know?

**Tools**
- Chrome
- Check-out
- Analytics
- Toolbar
- YouTube
- Search
- Gmail
- Mobile maps
- DoubleClick
- Android
- …Buzz

**Data**
- IP addresses
- Location
- Search history
- Websites visited
- E-mail contents
- Videos watched, uploaded
- Videos commented on
- Tweets (real time search)
- Telephony
- Timing
- Connections in Buzz

**Inferences**
- Social and demographic trends
- Behavioral targeting
- Implicit social profiles
- Personal preferences
- Creepy details

Monetizing *Democratization of Information* as a new business model?
Apple — Business Segments

2Q10 Revenue — $15.7 billion
Up 61% Year-Over-Year Total

Note: Pie chart slice size corresponds to revenue segment size.
Text in pie slices corresponds to year-over-year revenue change.
Apple – The Growth Company
Apple

- Design for consumers, let consumerization happen, limited tweaks for enterprise
- Focus on design, integration, and ease of use
- Building large cloud data center
- iOS and OS X (Mac)
- "Curated" (App Store) and "open" (HTML5) platforms on iOS
- Advertising push
Poll
Vendor Leaning – which supplier are you most likely to spend the most (for cloud services) in the next 3 years?

- Microsoft
- Google
- IBM
- Amazon
- Other
1. Where do Microsoft, Google and Apple stand today?

2. What will be the effect on markets as a result of Microsoft/Google/Apple competition?

3. How will enterprise IT decisions be affected by the battles between Microsoft, Google and Apple?
## Enterprise Perceptions

<table>
<thead>
<tr>
<th></th>
<th>Apple</th>
<th>Microsoft</th>
<th>Google</th>
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</thead>
<tbody>
<tr>
<td><strong>Focus</strong></td>
<td>Consumer</td>
<td>Enterprise</td>
<td>Consumer</td>
</tr>
<tr>
<td><strong>Cost</strong></td>
<td>Expensive</td>
<td>Inexpensive</td>
<td>Free</td>
</tr>
<tr>
<td><strong>Coolness</strong></td>
<td>Coolest</td>
<td>Chilly-corporate</td>
<td>Cool-aid</td>
</tr>
<tr>
<td><strong>Consumer-</strong></td>
<td>Partner with</td>
<td>Control and Web</td>
<td>Enterprises will come</td>
</tr>
<tr>
<td><strong>-</strong></td>
<td>others (MSFT?)</td>
<td>2.0</td>
<td>around</td>
</tr>
<tr>
<td><strong>Openness</strong></td>
<td>Tight control</td>
<td>Control</td>
<td>Aggressive</td>
</tr>
<tr>
<td><strong>Innovation</strong></td>
<td>Savvy elegance</td>
<td>Detailed follower</td>
<td>Geeky</td>
</tr>
<tr>
<td><strong>Cloud</strong></td>
<td>Investing</td>
<td>Empire striking back</td>
<td>Putative leader</td>
</tr>
<tr>
<td><strong>Emerging</strong></td>
<td>iPad</td>
<td>TBD</td>
<td>Chrome-based devices</td>
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<tr>
<td><strong>device</strong></td>
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</table>
# Diverse Battlegrounds

<table>
<thead>
<tr>
<th></th>
<th>Apple</th>
<th>Microsoft</th>
<th>Google</th>
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</thead>
<tbody>
<tr>
<td>Community/social</td>
<td>&quot;There's an app for that&quot; Ping</td>
<td>Spaces, Xbox Live, Facebook Partnership</td>
<td>Buzz, Blogger, Orkut, OpenSocial…</td>
</tr>
<tr>
<td>Search and adverts</td>
<td>iAds</td>
<td>Bing as challenger, Adcenter</td>
<td>Leader, Adsense</td>
</tr>
<tr>
<td>E-mail</td>
<td>Microsoft ActiveSync</td>
<td>Leader, Outlook, Exchange, Exchange Online Services</td>
<td>Gmail/GAPE</td>
</tr>
<tr>
<td>Collaboration/portal</td>
<td>iChat, iCal, Wiki, …OS X Server</td>
<td>BPOS, SharePoint, OneNote and Office 2010</td>
<td>Google Sites, Docs, iGoogle personal portal</td>
</tr>
<tr>
<td>Web platforms/ APIs</td>
<td>WebObjects</td>
<td>Azure, traditional developer strength</td>
<td>Google App Engine, Gdata, Gadgets Plus Developer Push</td>
</tr>
<tr>
<td>Enterprise</td>
<td>Indirect</td>
<td>Large Focus and Experience</td>
<td>&quot;Grand challenge&quot;</td>
</tr>
<tr>
<td>Office productivity</td>
<td>Office for Mac, Web, iWork</td>
<td>Office, Office Web Apps</td>
<td>Google Apps</td>
</tr>
<tr>
<td>Consumerization</td>
<td>No hesitation</td>
<td>Opportunity, but…</td>
<td>No hesitation</td>
</tr>
<tr>
<td>Rich Internet apps (RIA)</td>
<td>Native, HTML5</td>
<td>Silverlight, HTML5, Native</td>
<td>HTML5, Native (mobile), Flash</td>
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</tbody>
</table>
Client-Side Technology

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<tr>
<th></th>
<th>Apple</th>
<th>Microsoft</th>
<th>Google</th>
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<tbody>
<tr>
<td>Phone</td>
<td><img src="image" alt="iPhone" /></td>
<td><img src="image" alt="Windows Phone" /></td>
<td><img src="image" alt="Android" /></td>
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<tr>
<td>Tablet</td>
<td><img src="image" alt="iPad" /></td>
<td><img src="image" alt="Windows 8 Tablet" /></td>
<td><img src="image" alt="Android TV" /></td>
</tr>
<tr>
<td>TV</td>
<td><img src="image" alt="Apple TV" /></td>
<td><img src="image" alt="Windows Media Center" /></td>
<td><img src="image" alt="Google TV" /></td>
</tr>
<tr>
<td>Desktop</td>
<td><img src="image" alt="Mac OS X" /></td>
<td><img src="image" alt="Windows 7" /></td>
<td><img src="image" alt="Chrome OS" /></td>
</tr>
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Mobile Web Will Be a Key Battleground for Google, Microsoft and Apple

Strategic Planning Assumption: By 2015, mobile Web technologies will have advanced sufficiently, such that half of the applications that today would be written as native applications will be, instead, delivered as Web applications.

Supporting the SPA

- HTML5 and other technologies comprising the "modern Web" will be good enough
- Mobile native platform fragmentation will drive the need for a portability solution before it is needed on the desktop
- Probability 0.7

Alternate Position to the SPA

- "HTML Hell 2.0" will fragment mobile Web offerings
- HTML5 will not be formally complete for many years
- Vendors will promote proprietary native solutions
- Probability 0.3

The Web marches on. Mobile Web use will exceed desktop use and will drive modern Web technologies.
Apps Will Always Matter, But Less — Don't Give Up on the Mobile Web

Percent of apps not developed for native platform

50%

Milestones

- HTML5 working subset stable
- Web appstores
- 4G connectivity
- Other powerful platforms and browsers (e.g., Android)

HTML5 capabilities: Canvas, offline Web apps and storage, video
Battle in the Clouds: A Taxonomy

The Cloud Ecosystem

Users

Business & Information Services

Application Services (SaaS)

Application Infrastructure Services ("PaaS")

System Infrastructure Services (IaaS)

Developers
Battle in the Clouds

Apple

Microsoft

Google

Business & Information Services

SaaS

"PaaS"

IaaS

Apple

Microsoft

Google

iAd

adCenter

Google AdSense

Mobile Advertising

bing

App Engine

Microsoft Dynamics CRM Online

Windows Live

Google Docs

Office SharePoint Online

Microsoft Azure Platform

Windows Azure

Google

??

??
Media Cloud Provider Competition
Key Issues

1. Where do Microsoft, Google and Apple stand today?

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Cloud E-mail and Collaboration Market

Penetration/Diffusion Model

% penetration

2007 2012 2017 2022

Adoption by Industry

• Earlier
  - Higher Education
  - Manufacturing
  - Retail
  - Hospitality
• …
• Later
  - Healthcare Providers
  - Financial Services
  - Defense
  - Intelligence

Early running: Microsoft leads (but BPOS-D limited)
Google is No. 2, with IBM and Cisco in the wings
Microsoft's advantage: Installed base and minimal change for users.

Graphic Source: The Cloud E-Mail and Collaboration Services Market, G00205184 (23 July 2010)
Google Apps — Shallow and Broad Suite at Lowest Cost

Improving

Positive Indicators
- Correct industry profile
- No Microsoft Enterprise Agreement
- High proportion of users not needing Office
- Not heavily invested in SharePoint
- No hybrid on-premises need

Cautions
- Enterprise trust
- Business model
- Beware of "head fakes"

Google Docs
Not Aiming for Parity
Functionality, Extensibility and Fidelity Limits

Cost Positioning
- Higher cost
  - Microsoft Online (Various), IBM
- Lower cost
  - GAPE
  - Microsoft Deskless Worker Option
  - IBM LotusLive iNotes…
## Notable Positives

<table>
<thead>
<tr>
<th>Apple</th>
<th>Microsoft</th>
<th>Google</th>
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<tbody>
<tr>
<td>• Passed Microsoft in market value</td>
<td>• Office Web Apps</td>
<td>• Gmail user base growth</td>
</tr>
<tr>
<td>• Entering Ad space</td>
<td>• Windows 7</td>
<td>• GAPE features</td>
</tr>
<tr>
<td>• Retail success story</td>
<td>• Aggressive Promotion</td>
<td>• Beta label gone (improving enterprise sensitivity)</td>
</tr>
<tr>
<td>• Category creator</td>
<td>• Bing</td>
<td>• Android explosion</td>
</tr>
<tr>
<td>• Pricing power</td>
<td>• Azure</td>
<td>• Chrome now shining</td>
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<tr>
<td>• iPower (iPod, iPhone, iPad)</td>
<td>• BPOS and SharePoint</td>
<td>• Pushing the Web envelope</td>
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<tr>
<td>• Share growth in desktop</td>
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# Threats and Nightmares

<table>
<thead>
<tr>
<th>Apple</th>
<th>Microsoft</th>
<th>Google</th>
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<tbody>
<tr>
<td>• Loss of Steve Jobs</td>
<td>• Internal leadership</td>
<td>• Sources of growth</td>
</tr>
<tr>
<td>• Loss of Control</td>
<td>• Sources of growth and sustained progress in search and advertising</td>
<td>• Privacy and trust</td>
</tr>
<tr>
<td>• Google Android</td>
<td>• Revenue squeeze (limits to tax, declining price points, saturation)</td>
<td>• Social out sticks search (e.g., Facebook, …)</td>
</tr>
<tr>
<td>• Enterprise Requirements</td>
<td>• HTML5 Web Apps</td>
<td>• Slowing and enemies</td>
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<tr>
<td>• Act 4</td>
<td>• Mobile</td>
<td>• Government interference</td>
</tr>
<tr>
<td>• Backlash against control/open models win</td>
<td></td>
<td>• &quot;The Google Way&quot;</td>
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<tr>
<td></td>
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<td>• Closed model wins</td>
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Trends, Implications and Next Steps

Next Steps

CIOs and enterprise architects should…

✔ Today
  – Recognize that we are approaching a strategy junction: Web versions of some software are becoming "good enough" and, in some ways, better.

✔ Near Future (the Next 12 Months)
  – Experiment with Web-based offerings from Google, Microsoft and others.
  – Segment users.

✔ Longer Term (Through 2015)
  – Expect changes in all major vendors strategies:
    • Product (faster updates, different deliveries and monetization)
    • Avoid early lock-in wherever possible and appropriate
Related Gartner Research

- **Vendor Rating: Microsoft**, Neil MacDonald, et al (G00166708)
- **The Cloud E-Mail and Collaboration Services Market**, Tom Austin (G00205184)
- **Exploit the Differing Business Models of Google and Microsoft for Cloud Office, E-Mail and Collaboration Services**, Tom Austin (G00205778)
- **Microsoft Showcases Mobile and IE9 at MIX10**, David Mitchell Smith, et al (G00200277)
- **The Next Big Impact of Consumerization Will be Consumer Editions of Windows**, Mike Silver and David Mitchell Smith (G00173791)

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