Global Headquarters: 5 Speen Street Framingham, MA 01701 USA P.508.872.8200 F.508.935.4015 www.idc.com

COMPETITIVE ANALYSIS

Worldwide Integrated Collaborative Environments 2004 Vendor Shares: Warm Spots Found on the Expanse of ICE

Mark Levitt Robert P. Mahowald

IDC OPINION

Beating the odds and our forecasts, worldwide integrated collaborative environments (ICEs) revenue grew to $1.9 billion in 2004, up 12.8% from the prior year. One explanation for such surprisingly healthy growth in a mature market points to the dominant ICE vendors' aggressive and successful targeting of both existing and new customers looking to stay on the cutting edge of ICE. A second explanation is that as much as 5% of the growth is directly attributable to currency exchange rates involving the weak U.S. dollar in a market where the majority of ICE revenue comes from outside the United States, where business is typically done in local currencies and then converted to dollars. Opportunities for squeezing revenue streams out of blocks of ICE include the following strategies:

- Keeping ICE fresh for existing customers who buy maintenance contracts or pay for upgrades to keep users up to date with the latest user interfaces, related features, performance, third-party add-ons, and integration — all of which can often require the latest ICE version
- Maximizing revenue from customers by raising prices for additional server or client access licenses (CALs) or maintenance contracts, made possible by the near duopoly (top 2 vendors represented 91% of 2004 revenue) and high switching costs in this market
- Tapping sales opportunities among small and medium-sized businesses with software and hosted services specifically designed for SMBs to make ICE easier to deploy and manage

Filing Information: June 2005, IDC #33604, Volume: 1, Tab: Vendors

IN THIS STUDY

This IDC study examines the integrated collaborative environments market for the 2002–2004 period and includes worldwide market size by region and operating environment and market trends in 2004. This study also provides 2004 market shares and short profiles for leading vendors and identifies the characteristics that vendors will need to be successful in the future.

The vendor shares and competitive analysis presented here update those found in *Worldwide Integrated Collaborative Environments 2003 Vendor Analysis: How to Keep Moving When Surrounded by ICE* (IDC #31625, July 2004). In addition, the 2004 market sizing presented here updates data in *Worldwide Integrated Collaborative Environments 2005–2009 Forecast: Finding Opportunities in Cracks in the Ceiling of the ICE Market* (IDC #33278, April 2005).

Methodology

See the Learn More section for a description of the data collection and analysis methodology employed in this study.

ICE Market Definition

ICEs provide a framework for electronic collaboration, typically within an organization, based on shared directory and messaging platforms. The core integrated-functionality areas are email, group calendaring and scheduling, shared folders/databases, threaded discussions, and custom application development. Administration and customization is generally performed by centralized IT staff. Representative products in this market include HandySoft BizFlow Groupware, IBM Lotus Domino/Notes, Microsoft Exchange/Outlook, Novell GroupWise, and Oracle Collaboration Suite.

Standalone email applications are not included here but are covered in the messaging applications market.

SITUATION OVERVIEW

The ICE Market in 2004

We present here our 2004 vendor revenue and market share estimates for the largest ICE vendors worldwide and by region and operating environment (see Table 1 and Figures 1–3).

TABLE 1

Worldwide Integrated Collaborative Environments Revenue by Vendor, 2002–2004 ($M)

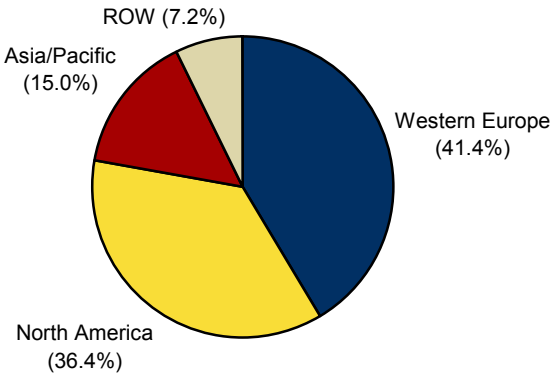
	2002	2003	2004	2004 Share (%)	2003–2004 Growth (%)
Microsoft	725	770	950	51.2	23.4
IBM	735	709	745	40.1	5.1
Novell	115	116	111	6.0	-4.6
HandySoft	6	14	16	0.9	10.7
Hitachi	8	14	13	0.7	-6.0
Fujitsu	10	10	11	0.6	12.8
Oracle	1	3	5	0.3	66.7
Other	37	10	6	0.3	-43.6
Total	1,636	1,646	1,856	100.0	12.8

Note: Data does not include revenue for products under $5 million in 2004 worldwide or for licenses to service providers for hosted standalone email.

Source: IDC, June 2005

FIGURE 1

Worldwide Integrated Collaborative Environments Revenue Share by Region, 2004

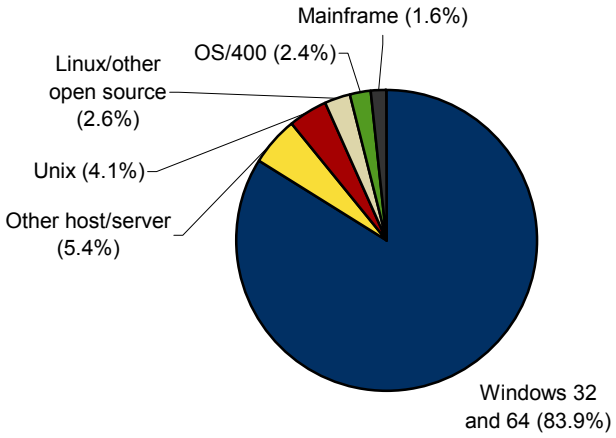


Total = $1.856B

Source: IDC, June 2005

FIGURE 2

Worldwide Integrated Collaborative Environments Revenue Share by Operating Environment, 2004

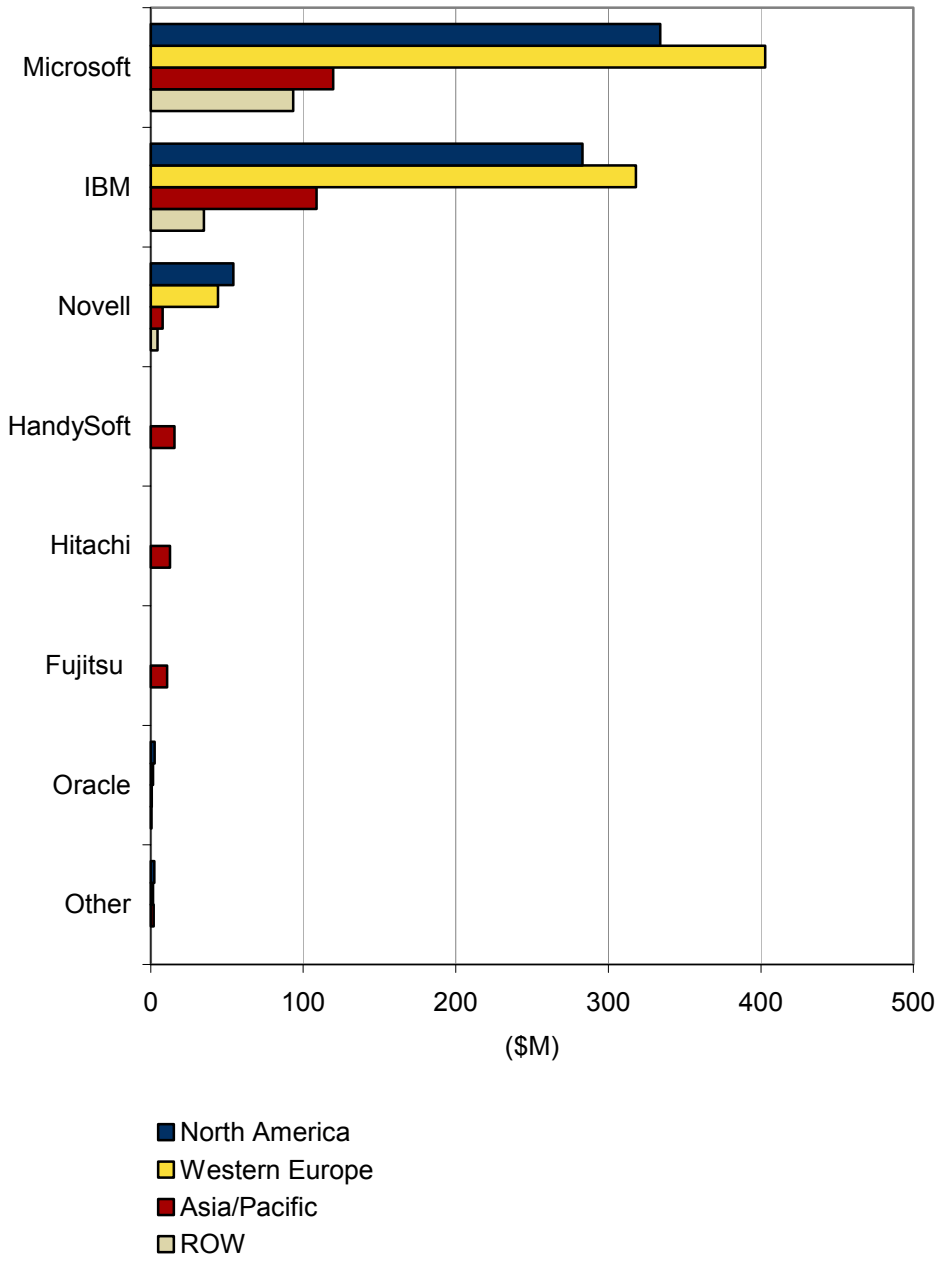


Total = $1.856B

Source: IDC, June 2005

FIGURE 3

Worldwide Integrated Collaborative Environments Revenue by Vendor and Region, 2004



Note: This does not include revenue for products under $5 million in 2004 worldwide or for licenses to service providers for hosted standalone email.

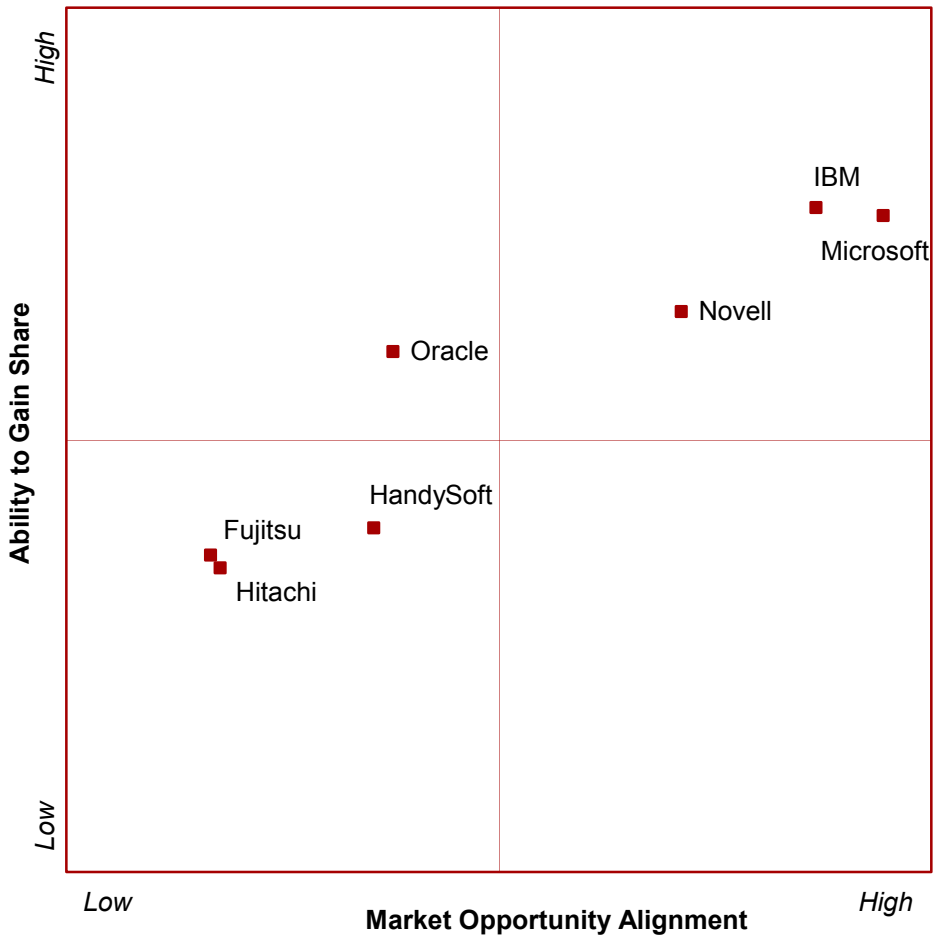
Source: IDC, June 2005

Vendor Profiles

The following profiles of ICE vendors present our analysis of vendor differentiators and challenges that explain past performance and are expected to influence future performance. This analysis is reflected in the IDC Leadership Grid, which presents our view of the relative market positioning of ICE vendors. This positioning was developed by plotting the average scores for the two types of factors on which the vendors are rated on a scale of 1–10, where 1 = very poor and 10 = excellent (see Figure 4A). The detailed analysis of how the vendors compare for each of the two types of factors separately is also shown (see Figures 4B and 4C). For a detailed description of the IDC Leadership Grid methodology, see the Learn More section of this document.

FIGURE 4A

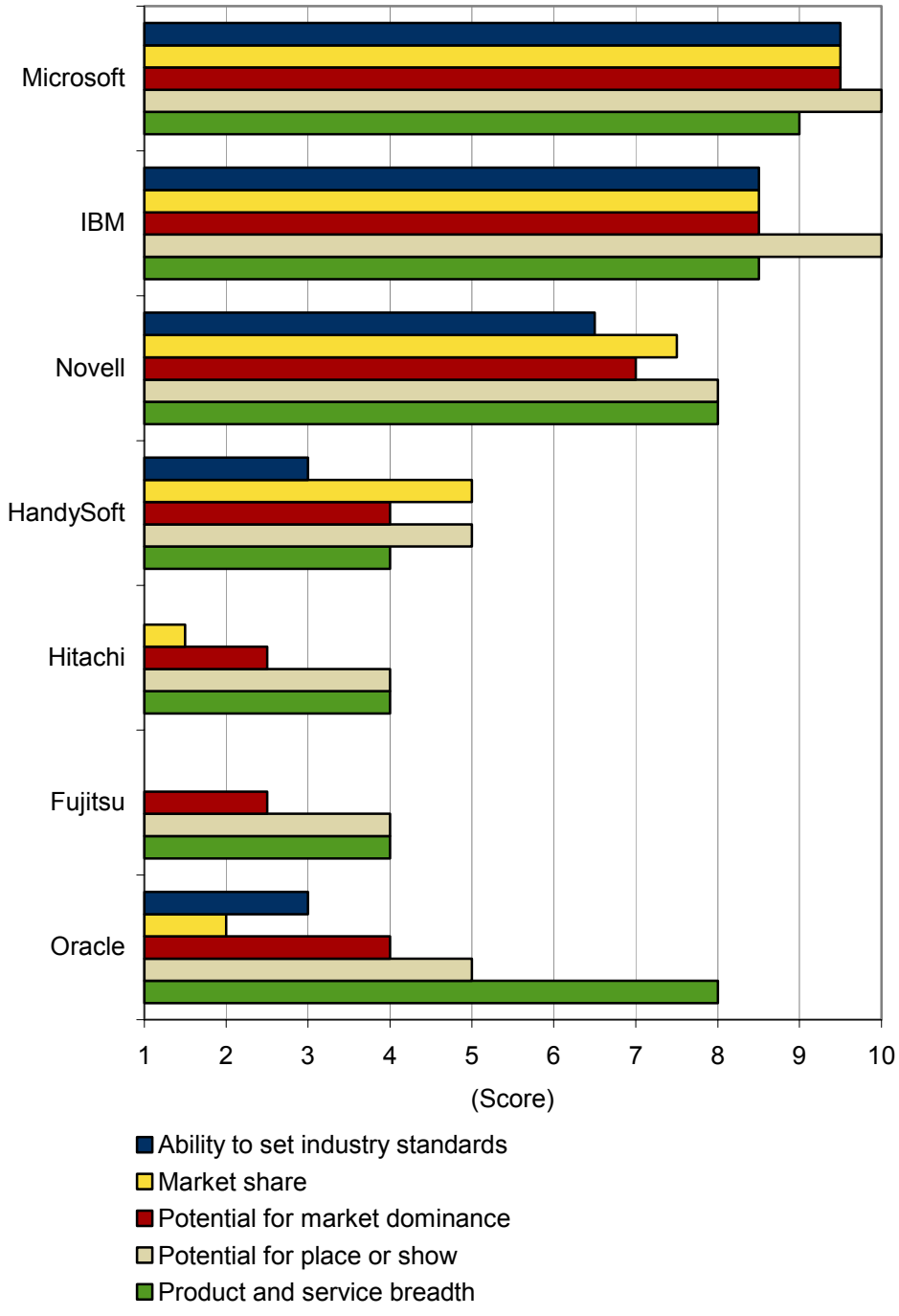
IDC Leadership Grid: Worldwide Integrated Collaborative Environments Vendors, 2005



Source: IDC, June 2005

FIGURE 4B

IDC Leadership Grid of the Worldwide Integrated Collaborative Environments: Vendor Ratings for Market Opportunity Alignment (X-Axis) Attributes, 2005

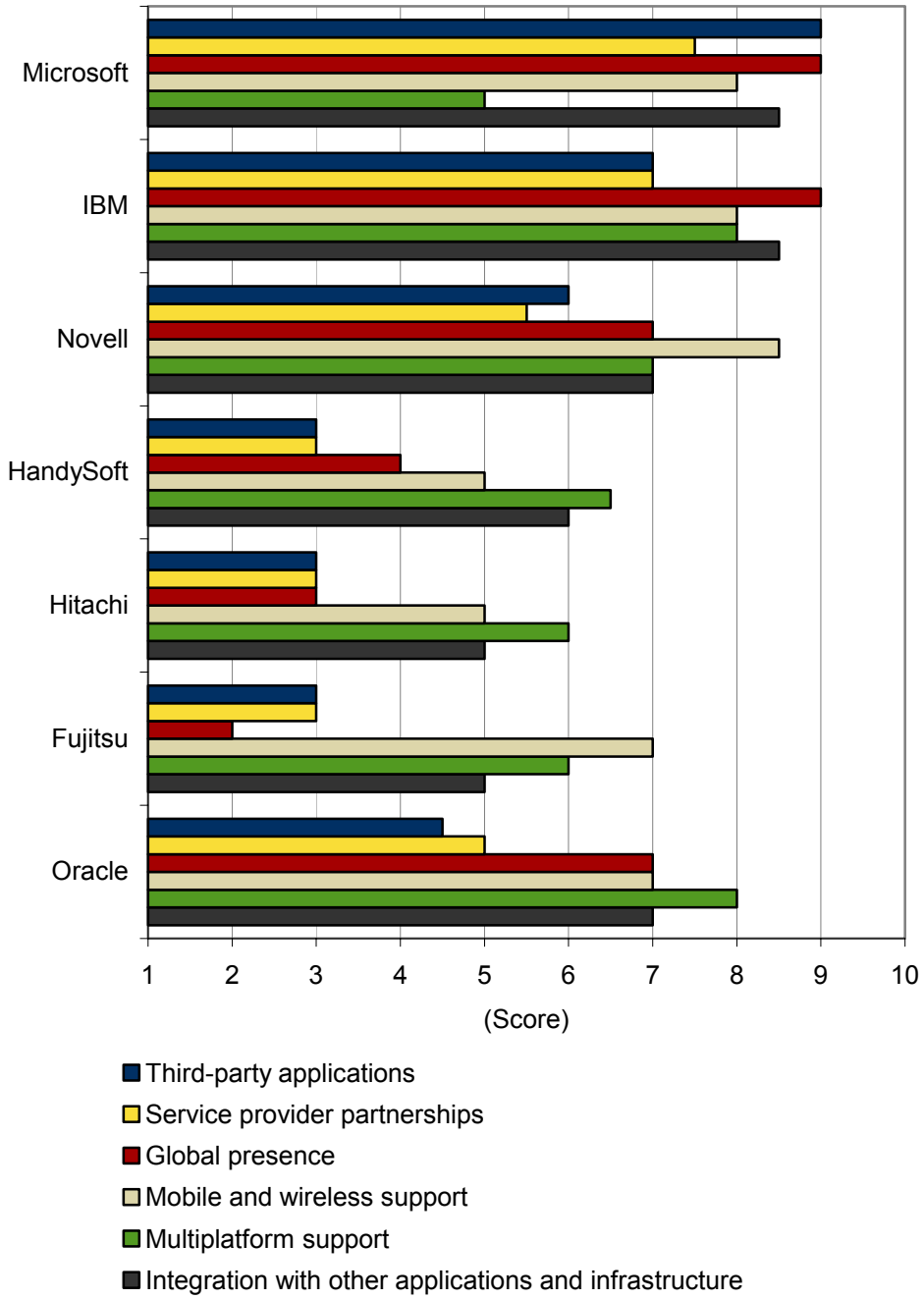


Note: The scores are based on a scale of 1–10 (1 = very poor, 10 = excellent).

Source: IDC, June 2005

FIGURE 4C

IDC Leadership Grid of the Worldwide Integrated Collaborative Environments: Vendor Ratings for Ability to Gain Share (Y-Axis) Attributes, 2005



Note: The scores are based on a scale of 1–10 (1 = very poor, 10 = excellent).

Source: IDC, June 2005

Microsoft

Differentiators

- Microsoft Exchange Server's inclusion in Microsoft's Small Business Server (SBS) 2003 and prior versions enables Microsoft to target smaller organizations with a relatively low-cost ICE solution with simpler installation and configuration than the standalone Exchange Server 2003 product. Healthy triple-digit growth in SBS revenue in 2004 points to Microsoft's ability to leverage growing acceptance by smaller firms of Windows 2003 and Active Directory to expand Exchange 2003 downmarket and achieve double-digit revenue growth overall for Exchange despite high ICE saturation levels in midsize to large organizations.

- Microsoft has the ability to harvest the considerable Exchange 5.5 user base (that we estimate to be 40 million worldwide at the end of 2004) with the help of software assurance maintenance contracts, which reduce the costs of upgrading to the latest version of Exchange. By ending support for Exchange 5.5 now that firms have had time to grow more comfortable with Active Directory, Microsoft provides a strong encouragement for Exchange 5.5 customers to trade up and benefit from the server consolidation, higher scalability and performance, and lower administrative requirements, as well as improved virus API and basic spam filtering capabilities of Exchange 2003.

- Microsoft Exchange 12, due to ship in 2006, is expected to provide easier installation and configuration of Exchange servers for midsize organizations and role-specific configurations of Exchange servers for larger organizations for improved performance and security.

- Microsoft Exchange customers have access to real-time collaboration (instant messaging, presence, point-to-point Web, and audio conferencing) as the result of Office Live Communications Server licenses being available to all Exchange 5.5/2000/2003 customers as part of maintenance contracts.

- Microsoft's "new world of work" presents customers with a vision for the future that includes Exchange and Outlook at or near the center.

Challenges

- Microsoft's rejection of open source software and all server and nearly all client operating environments other than Windows creates obstacles in certain government agencies and commercial firms that value openness and choice. However, the number of firms embracing open source and Linux platforms remains small, which limits the downside to Microsoft's approach.

- Microsoft's remaining Exchange 5.5 customers are at risk of being poached by competitors who can offer multiplatform support and functionality not found in Exchange.

- As Microsoft continues to add new functionality to Exchange, Outlook, and Windows products, such as team collaboration, antispam and antivirus protection, email archiving, and unified messaging, Microsoft shrinks the opportunities for third-party vendors whose add-ons may be perceived as being

less worthy of separate investment, at least for customers whose needs can be satisfied by basic capabilities or whose budgets cannot afford more.

IBM

Differentiators

- IBM's commitment to both support and merge Lotus Domino/Notes and the IBM Workplace products, the latter of which offers portal-oriented collaboration on top of a WebSphere platform, enables the company to reassure customers that they have the choice of keeping collaboration and application development on ICE or transitioning to WebSphere over the next several years. A reinvigorated reseller/partner base was behind the double-digit growth in Domino/Notes revenue worldwide in 4Q04 and 1Q05.

- In Lotus Domino/Notes 7, IBM will finally replace its database-oriented Notes interface for an innovative, flexible, contextual user experience that integrates collaboration with other business content and processes with a goal of helping users get work done.

- IBM's ability to sell combinations of Domino/Notes, Workplace, WebSphere (Web application development and portals), Tivoli (system management and storage), and DB2 (database and content management), along with its hardware and professional services, enables IBM to act as a one-stop shop for complex computing environments in which collaboration adds one key element — the human element.

Challenges

- IBM will need to continue to tread carefully in pursuing its vision of a portal-oriented collaboration, brought to life in the IBM Workplace products, which are starting to see initial deployments. Otherwise, a portion of existing Domino/Notes customers anticipating making changes to their ICE infrastructure could be tempted to switch to a competing ICE product.

- As long as Windows remains the preferred platform for most ICE customers, IBM faces an uphill battle to persuade companies to avoid the tendency to standardize on Microsoft Windows as well as Outlook because of the multiproduct integration and licensing available from Microsoft, whose Windows server and client products incorporate more collaborative functionality than ever before.

- IBM WebSphere offers customers an alternative platform for developing a wide range of applications accessible through the Web and intranets without the need for an IBM Lotus Domino/Notes infrastructure.

Novell

Differentiators

- GroupWise 7 will provide a more flexible and customizable user interface and support for Web services applications and synchronization with a wide variety of smart handheld computers.

- Novell's acquisition of SUSE LINUX and its commitment to supporting Linux on the server and the desktop will lend GroupWise credibility as a powerful ICE offering for Linux environments. By offering GroupWise clients for Linux and Mac OS, Novell will be able to support end users who are often left out in the cold unless they embrace Windows.

- Novell's NetMail standalone email product, with calendaring/scheduling, whose code has been released to the open source community through the "Hula" project, will offer customers the ability to address the needs of deskless workers or workers for whom full-blown ICE is inappropriate.

Challenges

- Despite a stable third-place market share and more aggressive marketing, Novell will continue to fight the common perception that the ICE market is a two-horse race that does not include Novell.

- In remaining focused on the midmarket, Novell will continue to keep itself out of the running for supplying larger organizations and service providers requiring high scalability, reliability, and performance.

- For most of Novell and its customers, GroupWise will remain a solid product that lives in the shadow of Novell's resource, identity, and access management products. GroupWise will even need to compete with Novell's SUSE LINUX Openexchange server and Evolution client that can deliver collaboration with GroupWise or competing products.

Oracle

Differentiators

- Oracle redefines ICE by including in its Collaboration Suite not only email and group calendaring/scheduling but also universal search, file management, Web conferencing, instant messaging, team workspaces, and content management within a unified user experience running on top of a shared Oracle infrastructure.

- Oracle can leverage its database, portal, and business application customer base to sell its ICE offering as a natural extension to an Oracle infrastructure that can be managed by the same administrators who manage the rest of the Oracle infrastructure. For firms committed to Oracle as the center of their IT universe, the Collaboration Suite looks like a very natural fit.

- Reliance on Oracle's relational database platform enables customers to achieve high levels of scalability to help consolidate the number of existing email/ICE servers needed and to leverage existing Oracle database administration (DBA) staff expertise in managing corporate email and collaboration along with other mission-critical business applications running on Oracle databases.

Challenges

- Oracle will need to prove itself as a viable competitor in the ICE market in light of past entries into the high-end email market (with minimal success) and its

relatively recent and slow entry into a mature ICE market heavily dominated by very established competitors also pursuing scalability and email server consolidation in the most recent versions of their ICE products.

Other ICE Vendors

Other notable vendors with products that meet all or most of the requirements for ICEs include the following:

- **HandySoft** BizFlow Groupware features Korean-language email, bulletin boards, schedule management, approval workflow, registration of shared resources, contact/business card management, log and statistics, and electronic meetings. It is written in Java and based on a relational Java database and electronic forms. An English-language version of the BizFlow Workflow product is the only HandySoft product that is actively marketed in North America (**corona.handysoft.co.kr**).

- **Hitachi** Groupmax features Japanese- and Korean-language email, bulletin boards, address books, document management, workflow, agents, electronic forms, and calendaring/scheduling management. It uses Sendmail as the SMTP email server. It is sold in Japan as well as in Korea through its partner, Samsung (**www.hitachi.co.jp**).

- **Fujitsu** Teamware Office features Windows and Linux support and has a market presence in Japan and Western Europe (**www.teamware.com**).

FUTURE OUTLOOK

An updated forecast for the ICE market will follow in a separate document. The forecast will reflect higher-than-expected 2004 revenue growth.

ESSENTIAL GUIDANCE

- Keep ICE fresh for existing customers who buy maintenance contracts or pay for upgrades to keep users up to date with the latest user interfaces, related features, performance, third-party add-ons, and integration, all of which often require the latest ICE version. Customers will spend money on existing infrastructure as long as they see value in doing so.

- Maximize revenue from customers by raising prices for additional server or client access licenses (CALs) or maintenance contracts made possible by the near duopoly (top 2 vendors represented 91% of 2004 revenue) and high switching costs in this market. Each ICE vendor keeps a list of competitive wins to demonstrate the superiority of its product over the competition's. However, the vast majority of ICE customers aren't expected to replace an ICE deployment due to the specific technical expertise and application integration work that contribute to the high costs of switching between ICE products. This means that most ICE revenue will come from current customers upgrading or adding capacity to existing ICE deployments.

- Tap sales opportunities among small and medium-sized businesses with software and hosted services specifically designed for SMBs to make ICE easier to deploy and manage. ICE products have a well-earned reputation for requiring lots of IT expertise and time to install, configure, and administer. To satisfy larger firms looking to reduce costs and to attract smaller firms with limited IT resources, ICE vendors must go further in reducing the complexity of ICE for customers of all sizes.

LEARN MORE

Related Research

- *Worldwide Integrated Collaborative Environments 2005–2009 Forecast: Finding Opportunities in Cracks in the Ceiling of the ICE Market* (IDC #33278, April 2005)
- *Novell Rising: Linux and Identity-Driven Computing Help Open Doors to Solving Corporate Identity Challenges* (IDC #33229, April 2005)
- *Worldwide Conferencing Applications 2005–2009 Forecast: A First Look at 2004 Performance and Key Tre*nds (IDC #33150, March 2005)
- *Worldwide Team Collaborative Applications 2005–2009 Forecast: Just Scratch the Surface to Find Team Tools* (IDC #33105, March 2005)
- *Collaboration in the Enterprise Workplace: Will It Change the Way We Work Together?* (IDC #33093, March 2005)
- *IDC's Software Taxonomy, 2005* (IDC #32884, February 2005)
- *Microsoft Exchange Votes to Expand Server Roles After Voting to Reduce Server Numbers: A Positive Flip for Customers but a Potential Flop for Partner*s (IDC #32830, January 2005)
- *Worldwide Email Archiving Applications 2004–2008 Forecast and 2003 Vendor Shares: To Be Dedicated Solutions or Not to Be — That Is the Question for the Forecast Scenarios* (IDC #32639, December 2004)
- *Worldwide Standalone Email Applications 2004–2008 Forecast and 2003 Vendor Analysis: Security, Mobility, and Regional Segmentation Drive New Sales* (IDC #32615, December 2004)
- *Worldwide Email Usage 2004–2008 Forecast: Spam Today, Other Content Tomorro*w (IDC #31782, August 2004)
- *Worldwide Integrated Collaborative Environments 2003 Vendor Analysis: How to Keep Moving When Surrounded by ICE* (IDC #31625, July 2004)

Methodology

The IDC software market sizing and forecasts are presented in terms of "packaged software revenue." Packaged software is defined as programs or codesets of any type commercially available through sale, lease, or rental, or as a service. Packaged software revenue typically includes fees for initial and continued right-to-use packaged software licenses. These fees may include, as part of the license contract, access to product support and/or other services that are inseparable from the right-to-use license fee structure, or this support may be priced separately as software maintenance. Upgrades may be included in the continuing right of use or may be priced separately.

Packaged software revenue *excludes* service revenue derived from training, consulting, and system integration that is separate (or unbundled) from the right-to-use license but *includes* the implicit value of software included in a service that offers software functionality by a different pricing scheme (e.g., the implicit or stated value of software included in an application service provider's [ASP's] or other hosted software arrangement). It is the total packaged software revenue that is further allocated to markets, geographic areas, and operating environments.

The market forecast and analysis methodology incorporates information from five different but interrelated sources, as follows:

- **Reported and observed trends and financial activity.** This study incorporates reported and observed trends and financial activity in 2004 as of the end of April 2005, including reported revenue data for public companies trading on North American stock exchanges (CY 1Q04–4Q04 in nearly all cases).

- **IDC's *Software Census* interviews.** IDC interviews all significant market participants to determine product revenue, revenue demographics, pricing, and other relevant information.

- **Product briefings, press releases, and other publicly available information.** IDC's software analysts around the world meet with hundreds of software vendors each year. These briefings provide an opportunity to review current and future business and product strategies, revenue, shipments, customer bases, target markets, and other key product and competitive information.

- **Vendor financial statements and related filings.** Although many software vendors are privately held and choose to limit financial disclosures, information from publicly held companies provides a significant benchmark for assessing informal market estimates from private companies. IDC also builds detailed information related to private companies through in-depth analyst relationships and maintains an extensive library of financial and corporate information focused on the IT industry. We further maintain detailed revenue by product area models on more than 1,000 worldwide vendors.

- **IDC demand-side research.** This includes thousands of interviews with business users of software solutions annually and provides a powerful fifth perspective for assessing competitive performance and market dynamics. IDC's

user strategy databases offer a compelling and consistent time-series view of industry trends and developments. Direct conversations with technology buyers provide an invaluable complement to the broader survey-based results.

Ultimately, the data presented in this study represents IDC's best estimates based on the above data sources as well as reported and observed activity by vendors and further modeling of data that we believe to be true to fill in any information gaps.

In addition, please note the following:

- The information contained in this study was derived from the IDC Software Market Forecaster database as of May 31, 2005.
- All numbers in this document may not be exact due to rounding.

For more information on IDC's software definitions and methodology, see *IDC's Software Taxonomy, 2005* (IDC #32884, February 2005).

Methodology for the IDC Leadership Grid

The IDC Leadership Grid is a tool that graphically depicts the leadership potential of various vendors by assessing two major competitive factors with specific inputs:

- **Market opportunity alignment.** This term defines a vendor's ability to meet current market demands. Factors evaluated include:
  - Ability to set industry standards
  - Market share (revenue, customers, and users)
  - Potential for market dominance (ranking first)
  - Potential for place or show (ranking second or third)
  - Product and service breadth (across and beyond collaborative applications)
- **Ability to gain share.** This term defines a vendor's ability to gain market share in the future. Factors evaluated include:
  - Third-party applications (document management, workflow, unified messaging, antivirus, antispam, email archiving, CRM, SFA, and HR)
  - Service provider partnerships (hosted, managed, and professional services)
  - Global presence (sales and support offices, customers, and resellers)
  - Mobile and wireless support (handheld and telephone device access)
  - Multiplatform support (server, desktop, and handheld operating environments)
  - Integration with other applications and infrastructure

IDC selects the vendors to rate based on current market share, mindshare (name recognition and familiarity among customers, prospects, and industry observers), and customers (number and diversity). Other companies for which information is not available or whose market presence and opportunity are limited are not selected due to the limited value and accuracy of any ratings that would be done for them.

For each vendor, IDC rates each input on a scale of 1–10, where 1 = very poor and 10 = excellent. The average scores for the market opportunity alignment and ability to gain share inputs for each vendor are then plotted on the x-axis and the y-axis, respectively, of the IDC Leadership Grid.

Vendor placement in the four quadrants of the IDC Leadership Grid should be understood as follows:

- **Upper-right quadrant.** This is most desirable for vendors that are pursuing maximum revenue and the broadest market reach. It reflects very successful past performance and points to a promising future.

- **Upper-left quadrant.** This is desirable for vendors focused on becoming leaders in specific target markets. It reflects poorly on moderately successful past performance and points to a promising future.

- **Lower-right quadrant.** This is somewhat less desirable for vendors. Although it reflects very successful past performance, it points to a less promising future unless changes are made.

- **Lower-left quadrant.** This is least desirable for vendors. It reflects poorly to moderately successful past performance (possibly due to recent market entrance) and points to a less promising or an uncertain future.

Published Under Services: Collaborative Computing