



Microsoft to offer Web-streamed Office, combating Google Apps

Enlisting partner army to fight Office 2.0 threat

By Eric Lai

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Computerworld - Worried by the small but growing number of small businesses and consumers switching from Office to less expensive or free online alternatives, such as Google Apps, Microsoft Corp. to arm a key cohort of its formidable legion of business partners to help fight the threat posed by so-called Office 2.0 technologies.

Microsoft plans to conduct a yearlong test of a change to a key part of its license for Office 2007 that will, according to multiple sources, enable Web hosting service providers to offer the Office suite via an emerging technology called application streaming.

The sources said Microsoft will make the announcement early next week during its Microsoft Management Summit in Las Vegas.

If successful, the company will likely overcome its long-held fears about hurting its hugely profitable Office business and make the change permanent.

Microsoft "has been sensitive to whether it would cannibalize its own application business," said Neil Gardner, a vice president of marketing at application-streaming software vendor Endeavors Technologies. "They were also sensitive to the piracy side of it, of losing control over distribution."

Such a change could mean that Microsoft, with the huge data centers it is building, will start to stream Office directly to its customers, too.

It will be the second announcement by Microsoft this month that showcases its determination to fight growing competition from Google Docs, Yahoo's Zimbra, Zoho Office, ThinkFree and similar services.

Last week, Microsoft confirmed that it is beta-testing a low-end Office bundle, code-named Albany, that it will offer on a subscription basis.

Microsoft did not respond to a request for comment.

Talk is cheap; is the service?

News of the license change had already leaked out among members of Microsoft's hosting partner community, which had been campaigning for it for the past several years.

"What was frustrating for us was that Microsoft allowed Terminal Services for Office but explicitly disallowed application streaming," said Gardner, whose company is trumpeting the news on its Web site.

But others warned that Microsoft will have to price streaming Office low enough to make it competitive with the paid Enterprise version of Google Apps, which offers technical support for \$50 per user per year, and competitive too with the free offerings.

"Why would a [small business] go out and pay an arm and a leg when they can get Google Docs or OpenOffice for free?" said Ty Schwab, CEO of Blackhawk Technology Consulting LLC, a Eugene, Ore., reseller of application streaming software. The price "has got to be close if Microsoft wants to make itself a force to be reckoned with."

Fording the streaming

Office 2007 as a streamed application is more similar technically to Google Apps than Albany, though all three share a subscription model.

While some of Albany's components, such as the Office Live Workspace file storage service and the Windows Live OneCare security service, are delivered through the Web, the core Office 2007 software will still be installed locally on users' PCs.

By contrast, a streamed version of Office would be stored on a server at a hosting provider or enterprise but delivered bit by bit to users on demand through a local network or the Internet, just as streamed music and video are.

The software code will be stored on the local PC and persist even after a user logs off. That means that while opening Office for the first time may take 4 minutes or more, subsequent start-ups should take only 10 to 20 seconds, Gardner said.

It also "preserves the value of desktop apps and the value of the fat desktop PC, which is very important to Microsoft," said Paul DeGroot, an analyst at independent firm Directions On Microsoft Inc.

Application streaming is similar to desktop virtualization, also known as virtual desktop infrastructure (VDI), except that in the latter, an entire application stack — including the operating system and desktop interface — is streamed down to

the user. That requires more network bandwidth, and more storage and processing power on the server side.

Application streaming also differs from Terminal Services, a hosted delivery method that Microsoft has long supported. In Terminal Services, the application is entirely stored on the server. All data and application code is accessed through the Internet, in a manner roughly similar to a software-as-a-service app, except not through a Web browser.

Some types of application streaming delivery technology, such as Endeavors' Application Jukebox, can also be set to automatically download the necessary code so that users can run Office completely offline, such as when they are on an airplane, Gardner said.

Face to face with Redmond reps

Vendors have been preparing for application streaming for the past several years. Microsoft has been pushing its Softgrid application streaming technology at enterprise customers for the past year. VMware Inc. bought an application streaming firm called Thinstall in January, while Symantec Corp. acquired AppStream Inc. two weeks ago.

That, along with the Google threat, may have helped convince Microsoft's information worker unit (which oversees Office) and its worldwide licensing and pricing group to approve the 12-month pilot of the change to its service provider licensing agreement, or SPLA.

Starting in June, hosting providers that pass a face-to-face interview with Microsoft representatives will be able to offer Office Standard and Office Professional Plus. Microsoft's partners say they have been itching to offer streaming Office for years, only to be thwarted by a combination of Microsoft's onerous licensing terms and its rough treatment of violators, essentially treating them as software pirates.

But Microsoft's attitude was already softening when a British Web hosting firm Fasthosts began streaming Office to its customers in February for £4.99 (about \$10 U.S.) a month per user.

Microsoft talked tough — an antipiracy executive told ZDNet U.K. that streaming "infringes our license regulations" — but then failed to crack down on Fasthosts, which continues to advertise the service on its Web site.

Is \$10 a month — roughly equivalent to a \$300 copy of Office depreciated over three years — cheap enough to pull customers away from Google Apps, which costs a little more than \$4 a month?

Not according to Schwab, who believes Microsoft needs to price streamed Office so that hosting providers can resell it for no more than \$5 a month.

DeGroot agrees. "Microsoft can't be complacent. They've got to be willing to be aggressive on price," he said. If it is, "I see the market shifting towards app streaming, though we're in the very early stages of that."