

Software Consolidates as a Service



By Sandra Sieber, IESE professor

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If the theme of last summer was financial instability, this summer's theme could easily go down in history as being that of the great - and long-awaited- change in the software industry. What a month! Microsoft launches Bing, Google responds with Google Wave. Google announces Chrome OS, Microsoft presents a free online version of Office. Fine, it will take some time for us to see all of these products on the market (with the exception of Bing, which still needs some major touching up), but rarely has there been such a wave of major news at one time with so many cover stories depicting IT bigwigs presenting all sorts of new products.

Still, it is a good idea not to lose perspective. The media tend to present this cascade of announcements as the result of a "war of titans", and it is true that the main protagonists are two giants. However, this battle would never have occurred if the entire information technology ecosystem were not clamoring for change. The fact is that the integrated software model, begun decades ago, has demonstrated beyond a doubt that it is an increasing burden for the same corporate clients that brought it to the forefront.

When the big companies were asking for platforms that allowed them to integrate all kinds of solutions, Microsoft was deft enough to satisfy the demand. Other players, such as SAP, achieved similar success following the same strategy. However, this model presents certain inconveniences. The first and most important is that companies have become very dependant on one single provider that has the power to dictate prices and determine functionalities. This model is

feasible as long as cost savings are not high on the list of priorities, as they are currently. In addition, up to now Microsoft has been able take advantage of a certain amount of technological ignorance on the part of company leaders as well as a lack of coordination between executives and technical staff when it comes to making important IT decisions. As such, product innovation has been fast enough to make most companies constantly focus on automating their business processes.

That era has come to an end. The critical need to control costs is driving the demand for technological innovation in the emerging world of virtual and collaborative work. Initially, collaborative work, virtualization and emerging connections were not as important to the business world, but they have grown in significance among end consumers, especially young people who were precisely the ones that needed to use technologies but were unable to spend the kind of money that companies could. It was the world of Internet that finally gave birth to the concept of the "Fremium", the model loathed by the big developers. "Download the basic version for free and pay for the Premium" has become a viable business model for many newly arrived players, including Google, but not for the consolidated league of large manufacturers that played by different rules. Those rules are no longer applicable.

At this point, now that Microsoft has declared that it will begin moving towards the Fremium model, we should thank all those who contributed to making this step a reality. The news of the last few weeks comes as a result of a joint effort on the part of many small (and a few large) companies that have believed for many years that another philosophy regarding software is possible. With a free operating system like Linux, with free software components like Sun's Java, with a more open architecture like Oracle, this is now true. We are now entering a landscape of "Try it for free or pay for using it" (a formula that leads to the model of software as a service) or "Somebody will pay for you" (advertisers that show us something while we use the product).

Of course, while we are thanking people, we should not forget those who helped accustom users to a new way of thinking and working. These include music pioneers such as SlicethePie and Spotify, telecommunications pioneers such as those who brought us the entire iPhone applications ecosystem, or the Finnish operator, DNA, who introduced the voucher via telephone paid for by advertisements. And these are just a few of the companies presently found in CrunchBase.

Last summer I was not anxious to hear news about the evolution of the financial world. This summer, however, I am dying to hear news from the world of technology.