

Desktop Productivity Software Overview

Desktop productivity software is one of the most prevalent IT Software commodities purchased across enterprises. In short, it is user facing software that helps people perform their jobs more efficiently.

Market/Product Segments

Desktop productivity software is a fairly wide category, but two of the most increasingly common market/product segments are highlighted below.

Product Category	Example(s)
Productivity Suite	Microsoft Office (Word, Excel, Power Point, Outlook, Skype, Access, Cloud products, among others)
Creativity Suite	Adobe (Acrobat, After Effects, Flash Builder, Dreamweaver, Bridge, Photoshop, other Creative Cloud products)
Other	Statistical Software (SPSS, MiniTab), Entertainment Software (QuickTime, Windows Media Player), etc.

Note: This document focuses on the Productivity and Creativity Suites.

Competitive Landscape

The competitive landscape varies for each market segment. Productivity suite is dominated by Microsoft, while Adobe leads the Creativity suite market.

Productivity Suite:

- Key players: Microsoft, Open Office, Google Apps, SoftMaker, SSuite, Word Perfect, WPS
- As of 2014, Microsoft controlled 92% of the market share
- Google Apps is the most popular alternative
- In 2014, Google Apps had twice the market share of O365 – just two years later, Microsoft's O365 is the new leader of cloud based productivity products

Creativity Suite:

- Adobe Acrobat for PDF editing is one of the flagship products of Adobe
- Key players for PDF editing: Adobe (Acrobat), Nitro Pro, Qoppa PDF Studio, PDF-Xchange Editor, PDFescape, CutePDF Professional
- The competitors to Adobe Acrobat listed above are cheaper alternatives, but may not have the breadth of features Adobe provides

- Adobe increased its stamp in the market with the release of Creative Cloud in 2015

State of Competition

Overall, given the domination by relatively few players, Microsoft's power in the productivity market is significant. For example, Microsoft O365's chief competition is Google Apps, which has not been posing a worrisome threat.

Cost is the main factor why users would choose Google Apps over Microsoft O365. However, there has been a recent trend of customers switching from Google Apps to Microsoft O365. The primary drivers of this switch are:

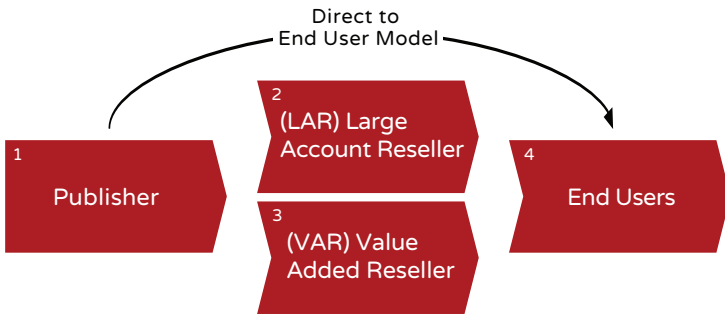
- Microsoft's Outlook integration
- Inability of Google Apps to do things Microsoft does well
- More effective usability and collaboration with Microsoft O365
- Microsoft's enterprise know-how
- Higher level of overall support from Microsoft

Businesses are finding that they should not have switched from Microsoft in the first place. All of this is positioning Microsoft as the dominant force in providing cloud for business.

Distribution Value Chain and Options for Buyers

- Buyers can consider many options when purchasing productivity software, from going direct to Publishers to going through Resellers. Value Added Resellers can provide additional services and provide more access to small businesses
- Key players in this market are the Publishers themselves or Large Account Resellers (LARs)
- Publishers generally use the Direct-to-Large Account Reseller (LAR) model when customers require minimal value added services
- The Direct-to-Value Added Reseller (VAR) model is typically used when customers desire services such as reporting, training, and migration
- Use of LAR or VAR is more dependent on the needs of the customer versus the size of the customer
- Since VARs more often tend to be small businesses, use of a VAR by a publisher may also hinge on any small business requirements of the customer

Figure 1.



Distribution Value Chain, continued

Shifts in licensing models (perpetual versus subscriptions) impact how we define the market. Previously, organizations would purchase hardware to provide the infrastructure and purchase software licenses through resellers. Now, with adoption of cloud, public organizations have less demands on their own infrastructure and purchase the software as a service.

Additionally, migrating to cloud-based solutions will alter the licensing metric. Perpetual licenses for Microsoft Office were typically counted per device in an organization. Migrating to the cloud-based O365 requires a subscription per user in the organization. This impacts how the value chain provides services and collects revenue. Instead of collecting for maintenance on a yearly basis, the provider now collects for the software as a whole, which includes, maintenance on a yearly basis. Despite having a smaller up-front payment on subscription, customers will tend to sharpen focus on demand management as access to software, not just maintenance, is being renewed annually.

Example Publishers: Microsoft, Adobe, Lotus Notes, Symantec

Example VARs: BitBang, SwordFish Inc., EMEA

Example LARs: CDWG, Emergent, Dell, GovConnection

Example End-Users: Fortune 1000, Government/ Education, Small-Medium Businesses, Personal Users

Cost Drivers

The Total Cost of Ownership (TCO) for Productivity Suite can be viewed two-fold, either with or without cloud capability.

Figure 2. TCO Non-Cloud

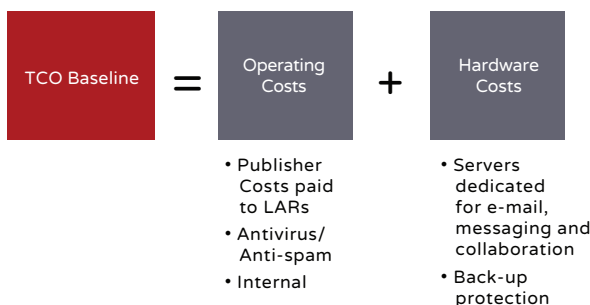
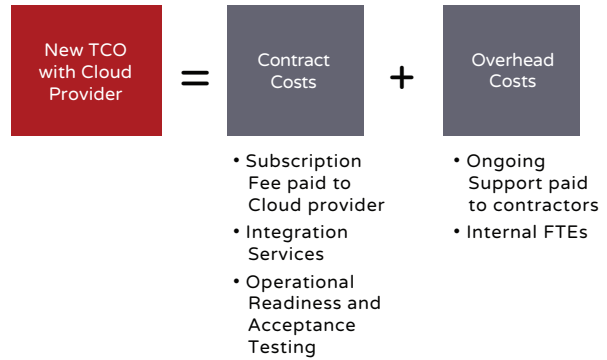


Figure 3. TCO with Cloud Provider



Switching to a cloud provider offers the ability to pay a subscription and effectively smooth out licensing costs as well as reduce spend on expensive IT hardware for the organization’s infrastructure.

Savings and Procurement Strategies

Demand management reduces costs by assessing requirements, managing demand, and distinguishing between “desired” and “needed”. In practice, this means:

- **Deployment and usage monitoring** – ensure proper tools are in place for tracking usage of licenses and value added benefits
- **Transferability** – manage license usage by allowing sub organizations to transfer ownership
- **Right-sizing the product mix** – eliminate overbuying by ensuring that users are receiving the “right” product for their business need
- **Consolidating contracts** – maximize buying power leverage and eliminating acquisition inefficiencies associated with redundant contracts

For this category, primary focus should be placed on demand management and weighing the cost-benefit of moving to cloud.

Sources: Censeo expertise; “7 Microsoft Office Alternatives”. Web. June 24, 2015, Gaskin, James; “5 cheaper alternatives to Acrobat for PDF editing”. Web. February 13, 2014, Null, Christopher; “Why companies are switching from Google Apps to Office 365”. Web. October 14, 2015, Branscombe, Mary

The insights presented within this document are not meant to be comprehensive. We recommend anyone using this information to complement with their own market intelligence. Posting of this publication to any site or community server without written permission of Public Spend Forum is forbidden. However, we encourage you to share and post links to the content with your network.

For further insights on this and other categories, visit www.censeoconsulting.com