Have you Gone Google?

An analysis of market penetration for the Google Apps in the US Market, Q1 2010

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Introduction

Have you Gone Google?

Since its launch almost 5 years ago as a basic email service, a number of companies have made the switch to use the product suite known as Google Apps. There have been some notable examples, particularly in the Education and Public sector, but it has been unclear exactly how many enterprises have adopted Google Apps, and to what degree they are using it. This paper examines these questions and shows that Google has made significant inroads into large companies, penetrating 1 in 5 organizations and setting itself up for continued expansion into the enterprise market.

The Evolution of Apps

Google Apps is a service from Google that gives companies the ability to customize a selection of Google products under their own domain name. It features several Web applications with similar functionality to traditional office suites, including: Gmail, Google Groups, Google Calendar, Talk, Docs and Sites.

Google Apps is currently made available in 3 key versions:

- The basic 'Google Apps' product which is free and primarily targets individuals.

- The 'Google Apps for Business' product, which offers additional data storage and enhanced functionally. It targets business users and is available for an annual fee.

- The 'Google Apps for Education' product, which is free and targets educational institutions, combining features from the Standard and Premier editions.

Google Apps for Non Profits and Google Apps for Partners are two additional versions for niche segments of the market.

The Google Apps product suite was originally launched in February 2006 as an invite-only beta product providing Gmail for a company domain. In recent years however, it has evolved into a fully functional suite of messaging and productivity tools that has been seen by some companies as a viable alternative to traditional on-premise messaging and collaboration products such Microsoft Exchange and Lotus Notes.

Going Google?

The Google Apps product suite was originally positioned to smaller companies, but increasingly Google appears to be promoting the success of larger organizations that have made the move.

There have been a number of notable companies that have 'Gone Google', particularly in the Education and Public sector.

In two of the more well known cases, the city of Los Angeles, California awarded Google in 2009 a five-year contract to provide Google Apps services to 34,000 employees. Shortly after that in early 2010, the U.S. Department of Energy's Lawrence Berkeley National Laboratory shifted 5,000 email accounts to Google Apps.

In the private sector, Google's website lists a range of companies who have made the switch including Genentech, Johnson Diversey, Virgin America and National Geographic. But other than anecdotal case studies, information about Google Apps' market share has been hard to come by. A Google blog post in March 2010 claimed that 25 million people had "switched to Google Apps"[1]. Shortly after, in May 2010 Dave Girouard, president of Google's enterprise division commented that "more than 3,000 businesses sign up every day"[2]. More recently, the webpage for Google Apps suggests that "more than 3 million businesses run Google Apps (and thousands more sign up every day)"[3].

Other than these isolated data points however, very limited information exists to tell us how successful the product has been, which industries are using it, and which of the Google Apps products they are using.

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[1] http://googleblog.blogspot.com/2010/03/25-million-people-have-gone-google.html

[2] http://www.pcworld.com/article/196390/microsofts_too_late_to_reach_cloud_google_says.html

[3] http://www.google.com/apps/intl/en/business/index.html

Polling the Nation

In an attempt to shed light on these questions, White Stratus, a Google Apps Authorized Reseller based in New York, has undertaken a comprehensive analysis of adoption rates of Google Apps in the US market.

A cross industry sample of 2000 companies in the US with greater than 250 employees were surveyed for deployment of the Google Apps product as well as usage patterns.

The survey found that across the entire sample, an average of 19.5% of companies had deployed[4] some form of Google Apps product.

Companies that have Deployed Google Apps
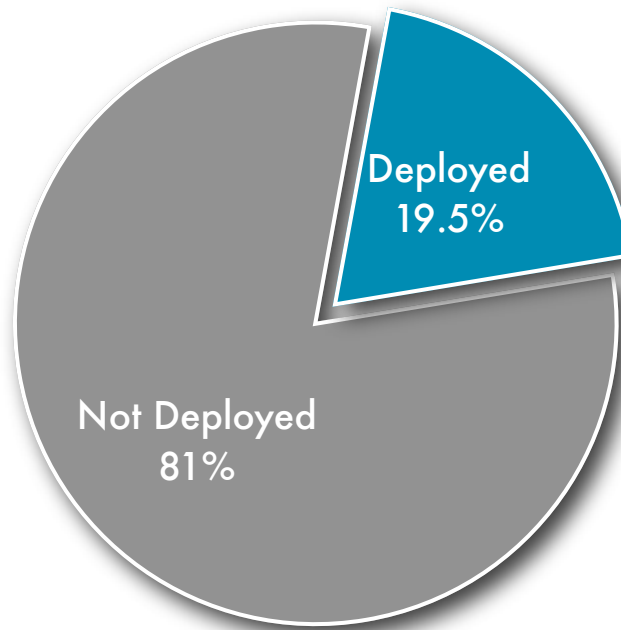
At face value, this number would suggest that Google has made significant inroads into the enterprise market - a traditional stronghold of incumbent Microsoft - penetrating almost 1 in 5 organizations.

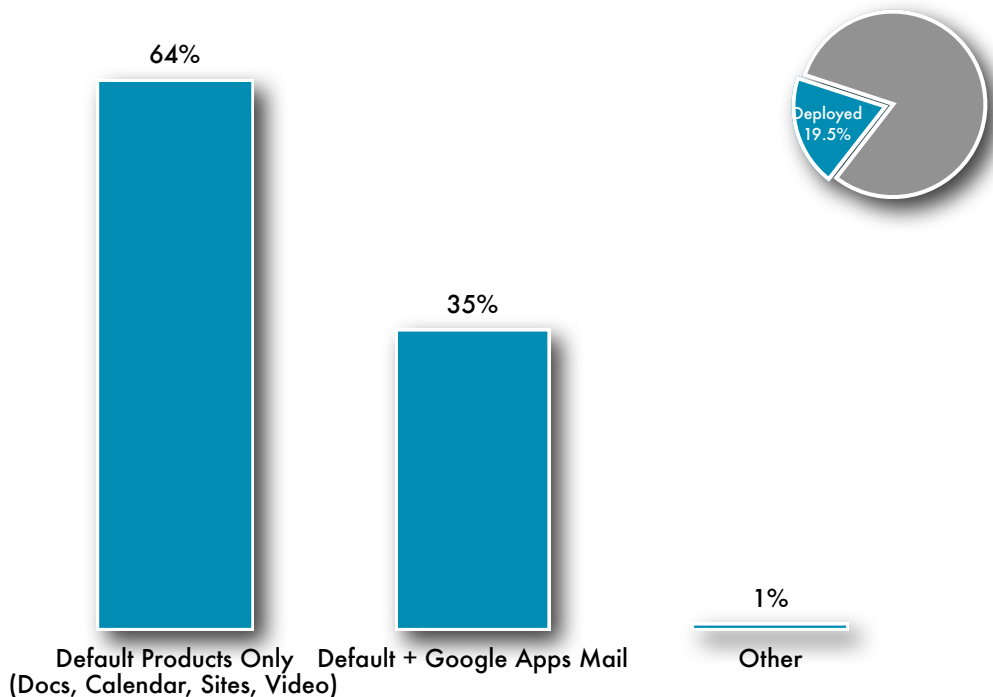[4] "Deployment" and "Penetration" is defined as having set up a Google Apps domain

Going….Going….Gone.

It is noted that deploying some form of Google Apps does not necessarily mean that the entire product suite has been adopted, or that all employees are using it. A company may have simply deployed Google Docs for a select group of employees, or implemented an internal Google Site for a project team.

In order to shed light on usage patterns within organizations, the study next analyzed how pervasive different Google Apps products were in each company.

The results showed that many companies who had deployed Google Apps were not necessarily using the full product suite, but rather a subset of one or more products. Products that are activated by default - Docs, Sites, Calendar and Video - were most commonly deployed (64% of cases) probably due to the ease of set-up of these products.

Google Apps Deployment Profile

64%

Deployed
19.5%

35%

1%

Default Products Only   Default + Google Apps Mail   Other
(Docs, Calendar, Sites, Video)

Rowan McCann, CTO of White Stratus explains: "*Products like Google Docs are automatically enabled when a Google Apps domain is set up. It is likely in some cases that these products could be set up by an individual employee without the knowledge of IT, making the barrier to adopt extremely low*".

Other products, like Google Apps Mail (35% of deployments) were less frequently deployed by companies surveyed. This lower penetration rate is likely to be related to the technical and organizational complexity of deploying a new email system in an organization. A Google Apps Mail deployment requires re-configuration of mail servers, data migration from the existing mail system, and a commitment to train employees onto the new Google Apps Mail system. While this is not complex, it does require corporations to commit to the move and invest time in change management, communications planning and training initiatives.

"We made the transition to Google late last year and while there were some challenges moving data and people to the new environment, we are now starting to see efficiency gains as teams adopt new collaborative working styles".

Rachel Rothman, Associate at Vision Financial Markets
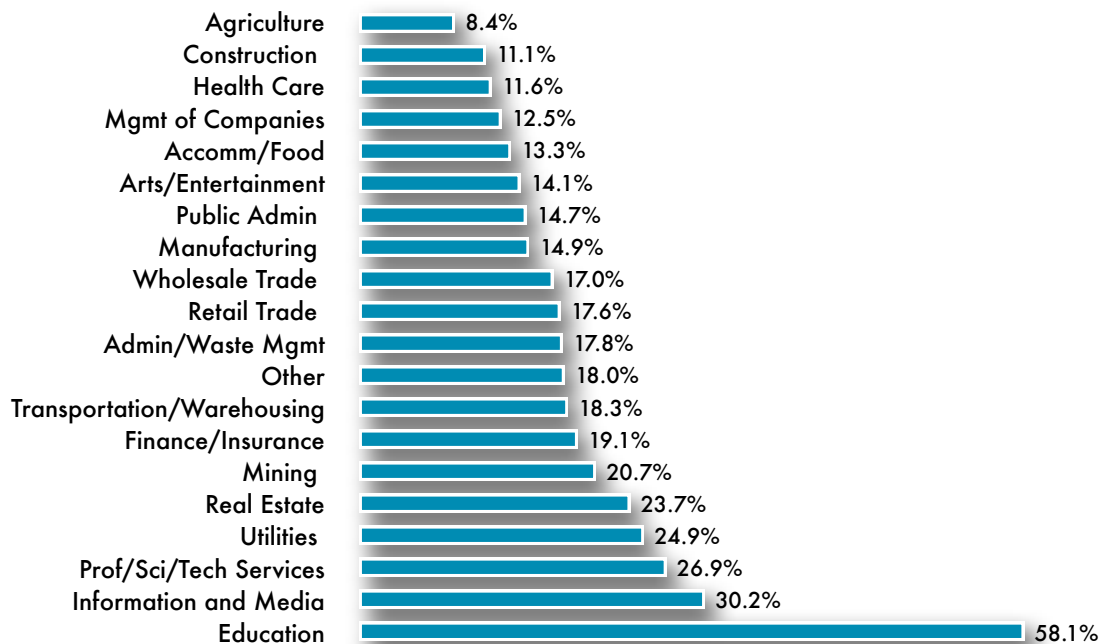
Industry Trends

Not surprisingly, significant differences were observed in take-up of Google Apps across different industries.

The education sector was the leading adopter of Google Apps, where more than 58% of organizations had deployed solutions - almost three times the average penetration rate. This suggests that Google's long-term strategy of targeting educational institutions, combined with the free pricing of Google Apps for Education, has proved to be a huge hit with educational institutions in a short time period.

Google Apps Penetration by Industry

Industry	Penetration
Agriculture	8.4%
Construction	11.1%
Health Care	11.6%
Mgmt of Companies	12.5%
Accomm/Food	13.3%
Arts/Entertainment	14.1%
Public Admin	14.7%
Manufacturing	14.9%
Wholesale Trade	17.0%
Retail Trade	17.6%
Admin/Waste Mgmt	17.8%
Other	18.0%
Transportation/Warehousing	18.3%
Finance/Insurance	19.1%
Mining	20.7%
Real Estate	23.7%
Utilities	24.9%
Prof/Sci/Tech Services	26.9%
Information and Media	30.2%
Education	58.1%

Other key industries leading the switch to Google solutions were utilities (24.9%), real estate (23.7%) and professional services (26.9%), reflecting perhaps the high degrees of mobility in the real estate sector, white collar, professional and information technology organizations.

Industries that have been slower to adopt a Google-based solution include manufacturing (14.9%) and healthcare industries (11.6%).   Lower IT investment levels may be a factor in adoption for industries like manufacturing, while perceptions about privacy, as well as regulatory constraints could be causing industries such as healthcare, where the handling of Protected Health Information (PHI) is restricted.

Too Big for Google?

There were some differences in the take-up of Google Apps dependent on company size, but the results were not in the direction that was expected.

A commonly-held view is that Google Apps is a solution that targets, and is more likely to be adopted by, small businesses rather than their enterprise counterparts. The study however, showed that the opposite is true.
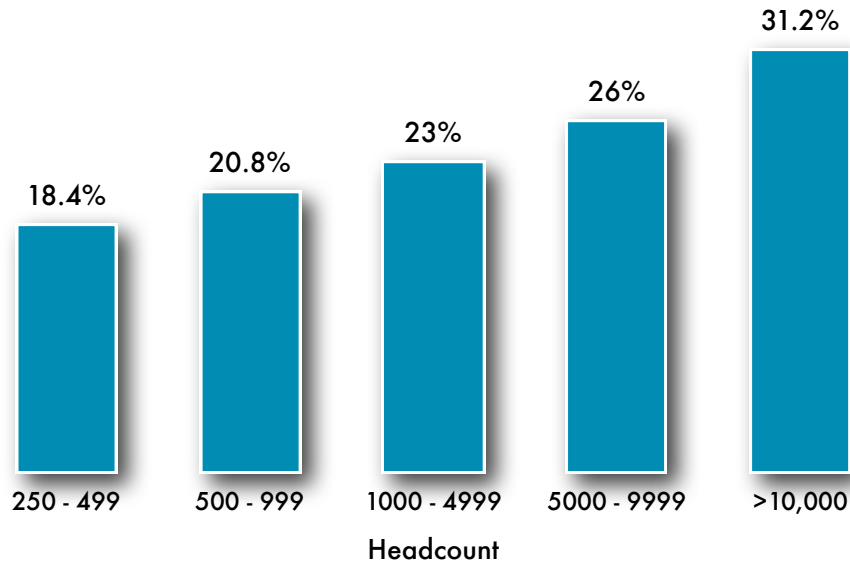
Propensity to take up Google Apps in fact increased with the size of the organization, where the largest penetration rate of over 31% was seen in organizations with more than 10,000 employees. The lowest penetration of 18.4% was in the smallest organization category of 250-499 employees.

Google Apps Penetration by Organization Size

It is believed that the wider adoption of Google Apps among larger organizations related to the greater likelihood that they will be aware of the technology, and have the resources to try a deployment of some kind. Small companies with small IT departments typically have less capacity to invest in new technologies. Furthermore, small IT departments may have completely outsourced provision of basic IT infrastructure like email and collaboration to third-party providers who have little interest in moving their clients to lower cost (and therefore lower profit for the outsourcer) solutions.

How Far will you Go?

The study so far has examined the issue of whether companies have deployed one or more of the Google Apps products.

It is important to note that deploying Google Apps does not necessarily mean that a company is still actively using it, or indeed that they have ever actually used it in any meaningful way. In some cases, a rogue member of IT may have set up an experimental Google Apps account to trial aspects of its functionality, and done nothing more. According to Tim Drury, CEO of White Stratus, *"the ease of deployment of Google Apps is a double-edged sword. It makes trying out the product extremely simple, but does lead to some organizations deploying the solution on a whim, and not committing resources to training employees and encouraging enterprise-wide usage".*

Usage Profile of Companies that have Deployed Google Apps

- ■ Not aware / Not Using
- ■ Pilot
- ■ Used by Entire Org
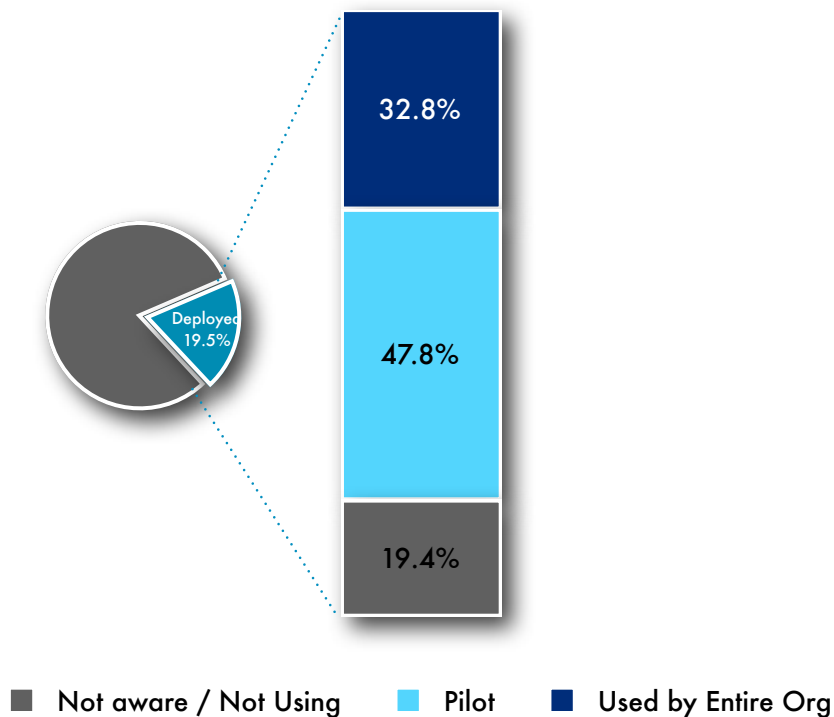
In order to understand the extent to which companies that have deployed Google Apps are actually using it, the survey further polled the heads of IT departments to understand more about internal adoption.

The results showed that of the 1 in 5 companies that had deployed Google Apps, there were indeed some (19.4%) that were no longer using it or in some cases were not even aware that it had been deployed.

The remainder however, were actively using Google Apps either as a pilot (47.8%) or throughout their entire organizations (32.8%).

The authors note that the proportion of enterprises piloting Google Apps is relatively high and a key factor that will impact future marketshare of Google Apps is the extent to which these companies will move to an enterprise wide rollout. The nascent state of the market today makes this question difficult to answer, but future editions of this report will attempt to model this aspect of Google Apps take up.

Conclusion

This study suggests that the Google Apps product suite has made significant inroads into the enterprise market since its launch.

One in five companies have deployed some form of Google Apps product and more than 80% of those are either piloting or actively using it. Certain industries such as education, professional services and real estate have been aggressive in deploying Google Solutions, and larger organizations, perhaps in contrast to traditional views, are also more likely to adopt Google products.

Although in some cases only a subset of the Google Apps product suite may have been adopted by the organization, the findings suggest that Google has a toehold in a large share of the enterprise market in the US, and is well-positioned to expand its presence, at the expense of Microsoft, in the coming years.

About White Stratus

White Stratus (http://www.whitestratus.com) is a leading provider of software development, system integration and business consulting services to help enterprises realize the benefits of cloud computing. White Stratus products and services are used by over 1000 enterprise customers globally. White Stratus is a Google Authorized Reseller and has offices in New York, London and Sydney.

About the Methodology

The White Stratus Google Apps market share analysis was done by randomly selecting companies operating in the US based on NAICS codes. In order to avoid significantly skewing the results towards small businesses - commonly seen as heavy users of the Google Apps product suite - only companies with more than 250 employees were included in the analysis.

Companies (n = 2030) were polled to determine whether they had a valid Google Apps domain. Companies which had a valid Google Apps domain were defined as having 'deployed' Google Apps, and considered 'penetrated' from a market share perspective.

Companies were also polled to asses which Google Apps products had been deployed.

For a random subset of companies (n = 263) in total, senior members of the IT team were surveyed by phone and asked about how they were using Google Apps products in their organization.

The survey was completed between January 7th and Feb 15th, 2011.

The study can be accessed at: http://www.whitestratus.com/articles/have-you-gone-google