COMPETITIVE ANALYSIS

Worldwide Integrated Collaborative Environments 2006 Vendor Shares: New Opportunities Are Shaking the ICE

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IDC OPINION

Worldwide revenue generated by sales of integrated collaborative environments (ICEs) grew by 11.8% to $2.351 billion in 2006, slightly slower than the prior year's growth. Vendors looking to sustain this growth in the future should consider the key lessons learned in 2006, including:

☑ Start-ups can successfully enter a mature market dominated by a handful of large players if they offer customers something truly new. Zimbra proved this by launching a collaboration server suite that runs on Linux and features an innovative extensible user interface, generating tens of millions of dollars in revenue in its first year on the market.

☑ Dominant vendors can generate significant revenue from maintenance contracts and competitive wins leading to migrations, as well as outsourced ICE services, despite high saturation levels for ICE.

☑ ICE and other email solutions provide the ties that bind collaboration tools available in a variety of flavors (real-time, team, Web 2.0, etc.), which must integrate with rather than attempt to replace email to reach the widest range of potential users.

IN THIS STUDY

This IDC study examines the ICE market for the period from 2002 to 2006. Overall market size and leading vendor market shares based on worldwide revenue are provided for 2002–2006. Also provided are total market revenue estimates by region (Americas; Europe, the Middle East, and Africa [EMEA]; and Asia/Pacific).

The vendor shares contained herein update those found in *Worldwide Integrated Collaborative Environments 2006–2010 Forecast and 2005 Vendor Shares: No Sign of Global Warming Affecting the ICE Market* (IDC #202617, July 2006).

Methodology

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

In addition, please note the following:

- ☑ The information contained in this study was derived from the IDC Software Market Forecaster (SMF) database as of May 31, 2007.

- ☑ 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, 2007* (IDC #205437, February 2007).

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 are generally performed by centralized IT staff. Representative products in this market include IBM Lotus Domino/Notes, Microsoft Exchange/Outlook, Novell GroupWise, and Zimbra Collaboration Suite.

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

SITUATION OVERVIEW

We present here our 2006 vendor market share estimates based on revenue for ICE vendors by region plus 2002–2005 historical vendor shares for comparison purposes (see Table 1 and Figures 1 and 2).

TABLE 1

Worldwide Integrated Collaborative Environments Revenue by Vendor, 2002–2006 ($M)

|	2002	2003	2004	2005	2006	2006 Share (%)	2005–2006 Growth (%)
Microsoft	725.0	770.0	950.0	1,109.3	1,209.1	51.4	9.0
IBM	735.0	709.1	745.0	825.0	940.0	40.0	13.9
Novell	115.0	116.0	110.7	99.0	95.0	4.0	-4.0
Zimbra	–	–	–	–	35.0	1.5	NA
NEC	18.2	18.6	19.5	20.1	21.1	0.9	5.0
Handysoft	6.0	14.3	14.1	11.4	12.8	0.5	12.3
Hitachi	8.0	13.5	12.7	13.2	13.1	0.6	-0.8
Fujitsu	10.0	9.7	10.9	11.3	10.9	0.5	-3.5
Oracle	1.0	3.0	5.0	5.0	5.4	0.2	8.0
Other	17.4	7.1	8.6	9.6	9.1	0.4	-5.4
Total	1,635.6	1,661.3	1,876.6	2,103.9	2,351.5	100.0	11.8

Notes:

Values do not include revenue for products under $5 million in 2006 worldwide or for licenses sold to service providers for hosted standalone email.

Values reflect updated historical estimates for Handysoft's Groupware product for the Korean market.
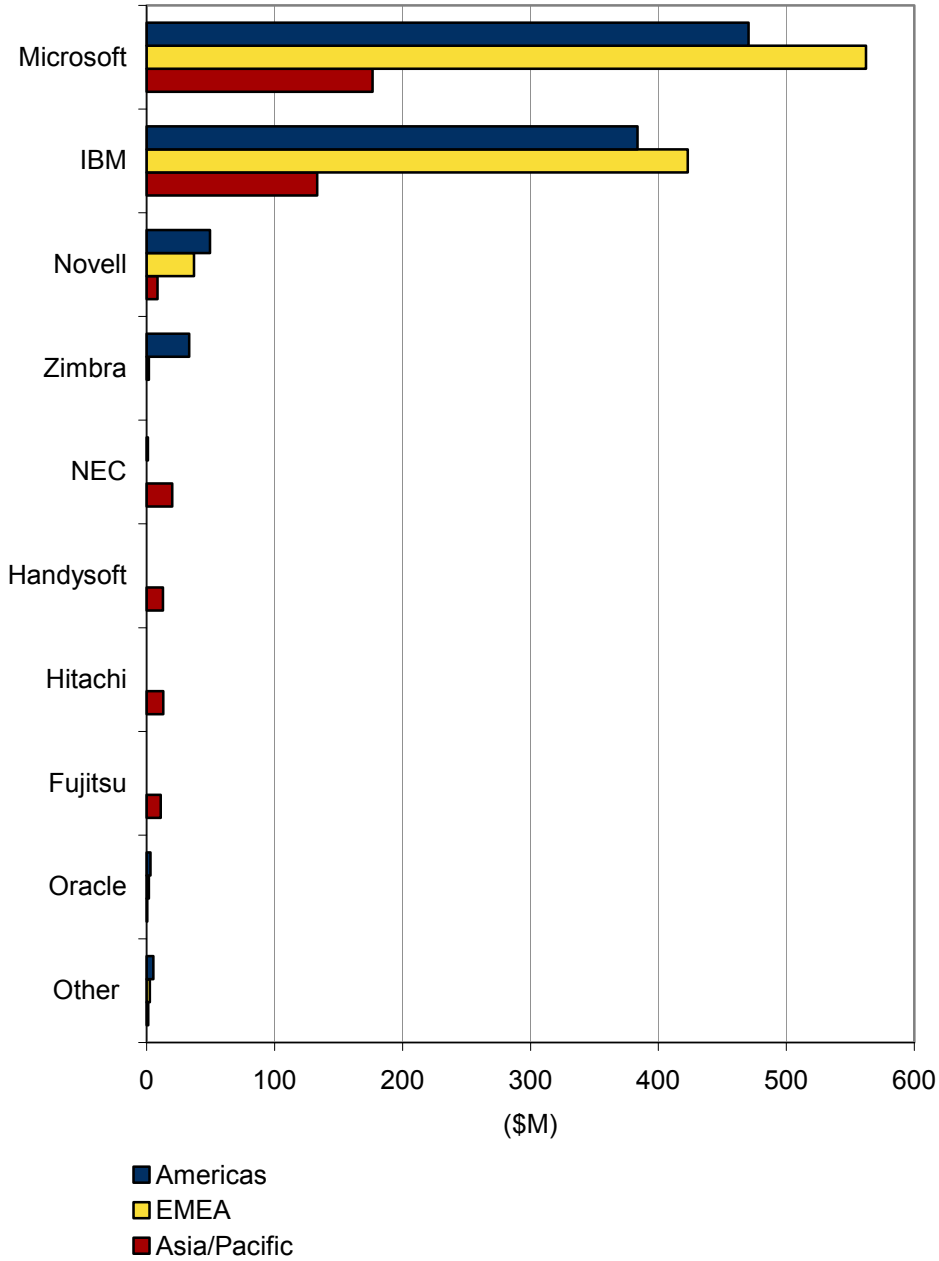
Source: IDC, July 2007

Worldwide Integrated Collaborative Environments Revenue by
Region, 2002–2006
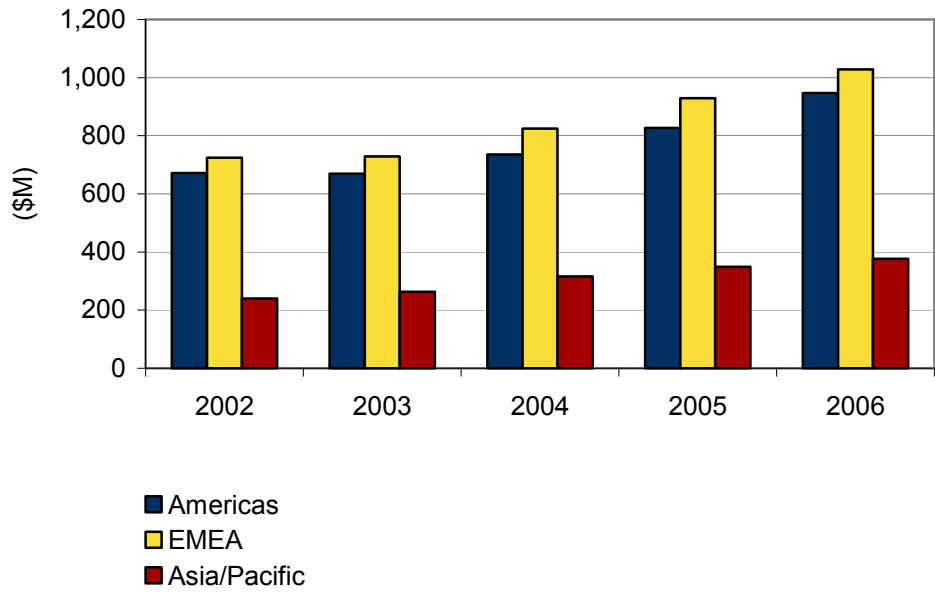
Source: IDC, July 2007

FIGURE 2

Worldwide Integrated Collaborative Environments Revenue by Vendor and Region, 2006

Notes:

Values do not include revenue for products under $5 million in 2006 worldwide or for licenses sold to service providers for hosted standalone email.

Values reflect updated historical estimates for Handysoft's Groupware product for the Korean market.

Source: IDC, July 2007

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FUTURE OUTLOOK

A separate study will update the initial ICE forecast published in March 2007.

ESSENTIAL GUIDANCE

Vendors looking to sustain growth in the future should consider the key lessons learned in 2006, including:

- ☑ **Start-ups can successfully enter a mature market dominated by a handful of large players if they offer customers something truly new.** Zimbra proved this by launching a collaboration server suite that runs on Linux and features an innovative extensible user interface, generating tens of millions of dollars in revenue in its first year on the market. By focusing its efforts on building a better mousetrap that provides IT with support for open standards and open source code and provides users with a new user experience, Zimbra has been able to attract a lot of attention and sales. Other start-ups looking to follow Zimbra's example will need to offer their own unique ICE mousetraps that are different enough to attract attention from both IT and users.

- ☑ **Dominant vendors can generate significant revenue from maintenance contracts and competitive wins leading to migrations, as well as outsourced ICE services, despite high saturation levels for ICE.** Aggressively selling ICE licenses to new customers, licenses to new users within existing customers, and upgrades, add-ons, and maintenance agreements to existing customers is necessary to sustain growth in this mature market. Large and midsize ICE customers that have grown tired of the ongoing investments in staff and network and server infrastructure needed to keep ICE flowing smoothly, as well as smaller firms that have lacked the IT resources for ICE, can turn to a variety of managed and hosted service providers (such as Apptix, AT&T/USi, Azaleos, HP, IBM, Intermedia, Unisys) with growing lists of customers choosing outsourced ICE operations.

- ☑ **ICE and other email solutions provide the ties that bind collaboration tools available in a variety of flavors (real-time, team, Web 2.0, etc.), which must integrate with rather than attempt to replace email to reach the widest range of potential users.** Only user-driven tools such as instant messaging have succeeded on their own without having to tie back into the email system (but integration with email benefits users). Most other collaboration tools are heavily dependent on email for alerts, scheduling of meetings, and capturing and distributing content to people who may choose not to or who may be unable to use the user interface/client designed specifically for those collaboration tools. As unified communications offer a better alternative to having separate environments for messaging and real-time communication/collaboration, ICE will likely provide the mailbox and repository for email, fax, and voice messages (unified messaging), as well as calendaring, contacts, tasks, simple workflows, and familiar, ubiquitous user interfaces to which real-time communications (instant messaging; presence; Web, audio-, and videoconferencing; IP telephony/voice over IP) can be added.

LEARN MORE

Related Research

- ☑ *Worldwide Collaborative Applications 2007–2011 Forecast: A First Look at the Numbers* (IDC #206167, March 2007)

- ☑ *Worldwide Email Usage 2007–2011 Forecast: Resurgence of Spam Takes Its Toll* (IDC #206038, March 2007)

- ☑ *IDC's Software Taxonomy, 2007* (IDC #205437, February 2007)

- ☑ *Worldwide Standalone Email Applications 2006–2010 Forecast and 2005 Vendor Shares: Enterprise Email ICEs Up and Service Provider Email Heats Up* (IDC #204588, December 2006)

- ☑ *Worldwide Enterprise Instant Messaging Applications and Management Products 2006–2010 Forecast and 2005 Vendor Shares: IM Is on Its Way into the Workplace* (IDC #203848, October 2006)

- ☑ *Worldwide Integrated Collaborative Environments 2006–2010 Forecast and 2005 Vendor Shares: No Sign of Global Warming Affecting the ICE Market* (IDC #202617, July 2006)

- ☑ *Collaborative Apps on Linux Servers, Please — Hold the Clients* (IDC #202555, July 2006)

- ☑ *Worldwide Unified Messaging Applications for Enterprises 2006–2010 Forecast and 2005 Vendor Shares: The Road to Unified Communications* (IDC #202525, July 2006)

Methodology

The IDC software market sizing and forecasts are presented in terms of packaged software revenue. IDC uses the term *packaged software* to distinguish commercially available software from "custom" software, not to imply that the software must be shrink-wrapped or otherwise provided via physical media. Packaged software is programs or code sets 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. Upgrades may be included in the continuing right of use or may be priced separately. All of the above are counted by IDC as packaged software revenue.

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 does include the implicit value of software included in a service that offers software functionality by a different pricing scheme. 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 2006 as of the end of April 2007, including reported revenue data for public companies trading on North American stock exchanges (CY 1Q06–4Q06 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.

The data in this study is derived from all the above sources and entered into the Software Market Forecaster (SMF) database, which is then updated on a continuous basis as new information regarding software vendor revenue becomes available. For this reason, the reader should note carefully the "as of" date in the Methodology discussion within the In This Study section, near the beginning of this study, whenever making comparisons between the data in this study and the data in any other software revenue study.

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