E-Mail and Groupware — All Change, Again

The enterprise and Internet mail markets for e-mail are converging, providing economical options for enterprises seeking higher reliability and scalability than can be provided by vendors traditionally targeting enterprise use.

E-mail has become ubiquitous in the enterprise and widely used even in the consumer environment. The market for e-mail products continues to evolve and is about to go through another major transition — merging the "enterprise" and "Internet mail" markets.

Market Convergence

Enterprises are looking for less-expensive seats, and service providers are looking to increase their revenue by offering additional services. These two pressures are moving the enterprise and Internet mail markets together into a single messaging server market. These two markets have been converging. There is now a single, e-mail market worldwide, serving enterprises, extended enterprises, extranets and service providers with standards-based messaging, decoupled from other collaboration support functions, which need no longer complicate the choice of an e-mail product.

Team collaboration support products may be added, where needed, as components assembled according to the buyer's requirements, and presented as integrated to the user, often through a Web browser interface or a wireless device menu. Gartner’s 2002 Messaging Servers Magic Quadrant represents the emergence of this new market (see "Magic Quadrant for Messaging Servers, 2002").

The Origins of the Market Structure

In its early days, e-mail evolved largely independently in two environments: as an Internet service in the academic community, and with proprietary products for commercial use. The commercial products followed the transition from mainframe to minicomputer to PC-LAN networks. Each generation of
commercial products produced new market leaders. In the PC-LAN era, Lotus, Microsoft and Novell became paramount (earlier successes, such as products from Wang, Digital Equipment and Data General, disappeared completely). Vendors targeting commercial enterprises typically offered more than just e-mail. Calendaring and scheduling became an expected feature, together with directory services. Lotus' Domino, Novell's GroupWise and Microsoft's Exchange became comprehensive suites, which Gartner termed "electronic workplace framework" products.

In 1995, we predicted "the great train wreck," as Internet protocols entered the commercial domain and the framework that had been established to serve the internal processes of the enterprise was suddenly opened to interenterprise requirements. Netscape was the prime mover in this, but, unlike earlier generations where newcomers vanquished the incumbents, Microsoft and Lotus, in particular, invested heavily in supporting the "new" Internet standards and retained the dominant market position.

In recent years, the battle between Microsoft and Lotus for e-mail seats (with Novell a distant third) has become "trench warfare," with little dramatic shift in market share or product features. Since 1999, the market for messaging products in the enterprise has stagnated. This is due, in part, to: 1) saturation of the traditional user base; and 2) the difficulty in satisfying demands for greater functionality within the framework of traditional enterprise messaging products, which bundled other collaboration support within a proprietary framework. Sales have come mostly from adding seats into established accounts or, in some cases, conversion from one product to another, typically following company mergers.

Another Major Transition Ahead

This world order is on the brink of another major transition. The category of electronic workplace framework products — with its bundling of groupware functionality — is no longer relevant to the market. Pieces are peeling off. Directories have been detached and migrated to become part of the network infrastructure level (see "1H02 Directory Service Market and Magic Quadrant"). Team collaboration support products have also spun off as a more-flexible framework, better suited to working on the Web (see "Team Collaboration Support: What Does It Take?" and "Magic Quadrant: Team Collaboration Support").

E-mail can now re-emerge as an independent product category. It continues to bring calendaring as its partner, not for any reasons of technical interdependence but simply because one
without the other is of no value in most enterprises (see "Calendaring Can Be Independent of E-Mail"; note that Steltor has become part of Oracle, see "Oracle's Purchase of Steltor Will Benefit Customers").

Beyond the machinations of product architects, there is another clear driver of this change. Most of the growth in e-mail is in three fast-growing areas:

- Serving the rest of the enterprise
- Building the extranet
- Selling to service providers

Enterprises are increasingly unwilling to accept the total cost of ownership (TCO) profile associated with traditional products for what has become a commodity service.

Enterprises are looking to implement messaging not only for traditional, office-bound knowledge workers, but also for the wider workforce. People whose primary jobs are dominated not by information management and manipulation, but, rather, by manufacturing or other production tasks, increasingly need to be connected to the digital information flows within the rest of the enterprise.

The extranet is the band of services around the outside of the enterprise, supporting collaboration with business partners, agents, dealers and suppliers. These people are not full-time employees of the enterprise, but they are critically important to its success. Five or 10 years ago, the enterprise might have shipped them a terminal and given them an account and password on the internal system. Today, it is possible to serve these people externally, leveraging the fact that in nearly all cases they have an e-mail account somewhere, plus a browser and Internet connection.

Service providers need to buy products that give them excellent price/performance characteristics — very-high uptime, high scalability and low cost of installation, configuration and management. If the service provider can only get $9.95 per month for its service, then the cost of providing that mailbox and staffing the operation needs to be as low as possible.

The "Internet Mail" Market

Although the conventional enterprise market is static or declining, the market for these "unconventional" uses and users is nearly doubling each year. Products for small businesses, service providers and corporate extranets have been growing in scalability and reliability, competing on price/performance. By
keeping the messaging server components focused on standards-based functionality, these products are generally simpler to install and operate than their electronic workplace counterparts.

Companion technologies, such as calendars, are often available from the same vendor, with integration on the desktop. Popular client interfaces, such as Outlook, Eudora and Netscape, are fully supported. Webmail and wireless support are provided in the base product or with a companion component. Note that we are not talking about e-mail sold as an outsourced service competing with e-mail run internally. We are talking about the vendor that historically sold to the Internet service providers (ISPs) now selling its product for internal enterprise use. In 1999, the primary market for Internet mail was ISPs. In 2002, these vendors have been selling both to service providers and to enterprises, providing lower-cost seats for the extended workforce and the extranet and positioning themselves as an alternative, even for the information workers.

**Bottom Line:** The old view of electronic workplace frameworks and groupware is no longer relevant. Traditional bundled products are limited to expansion in established accounts. The growth, worldwide, is in the new messaging server market and the team collaboration support market. These products, built around Internet standards, assume that people need to communicate and collaborate globally, whether they are consumers or work for small businesses, international corporations or government agencies. Enterprises needing better price/performance and reliability in their messaging and greater flexibility in team support should consider products that focus on these principles.

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**Recommended Reading and Related Research**

- "IEW Framework Vendor Ratings are Changing Again"
- "1999 Messaging Servers Magic Quadrants: Enterprise and ISP"
- "E-Mail: Is it Infrastructure or Groupware?"
- "Electronic Workplace Framework Market Is Maturing"
- "The First Wave of Smart Enterprise Suites"