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Microsoft Office XP Migration Planning

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Giga Position

Microsoft's most recent iteration of its popular Office suite, Office XP, is set to ship in the next few months. This means that IT managers will once again be faced with the decision of whether or not to upgrade their Office platform to the latest offering. Giga recommends that IT managers examine the following criteria: (1) OS platform, (2) Office platform, (3) business needs and (4) miscellaneous factors to determine whether or not Office XP is a positive move for their organization. Based on this analysis, Giga believes that more than 50 percent of existing Office customers should migrate to Office XP.

Proof/Notes

Before examining the criteria involved in making a decision whether to upgrade to Office XP or not, it is worthwhile to spend some time examining the history of Office as a platform and its current position in the market. Office began almost a decade ago by combining popular stand-alone programs, such as Word, Excel and PowerPoint, into a single package at a lower price point. Initially, there was very little integration between the applications, and add-on productivity tools were scarce. Office began to mature through the 4.x and 95 versions, but it was not until Office 97 that it enjoyed outstanding success in the enterprise, capturing more than 90 percent of the market. Today, Office 95 accounts for between 5 percent and 10 percent market share, almost universally with consumers who are using the application at home for simple tasks and who see little desire to upgrade. Office 97 still retains the largest market share, between 50 percent and 55 percent. These installations are the remainder of the Office 97 success. For many enterprises, Office 97 is still the standard, although for some organizations, older hardware and aging installations have kept them running this version.

Office 2000 has now reached almost 40 percent market share in the last two years since its release. While roughly 10 percent to 15 percent of Office 2000 installations were upgrades from Office 97, most installations were upgrades from the smaller deployed base of Office 95 users who chose to skip the Office 97 upgrade. This cycle of upgrades tends to create a phenomenon where organizations skip a generation of Office upgrades. Microsoft averages a new version of Office almost every two years, but organizations tend to want to stretch PC life cycles to three or four years, thus creating the generation gap. Until Office 2000, upgrading to a new Office platform was very time and resource intensive, an investment that organizations were not willing to make every two years. Although the installation tools have improved since Office 2000, Giga expects this generation gap to continue with Office deployments for the foreseeable future.

However, simply skipping a generation of a product may not always be in the organization's best interest. Therefore, Giga provides the following criteria that organizations can use to determine whether or not to upgrade to the next version of Office.

OS Platform

The days of accessing Office from any device using any OS or any browser are not yet upon us, and may never be, depending on how Microsoft's new .NET initiative proceeds. Therefore, the current operating system platform can often dictate which version of Office is deployed. Office XP will not run on Windows 95, and organizations that still remain on Windows 95 will not be able to upgrade to Office XP without an OS upgrade as well. Windows 98, ME, 2000 and XP users will all be able to upgrade to Office XP. In the same way that Office XP is likely to receive an increase in deployments because of Office 97 users migrating to the newest platform, Office XP will also benefit from Windows 98/NT users who will be migrating to Windows XP in the next year. Office XP running on Windows XP will make better use of XML/SOAP features that are built into both products and will become part of the .NET strategy moving forward. Office XP is likely to ride the wave of OS upgrades in the next year, because a joint upgrade process will ease the upgrade burden and lower upgrade costs when Office XP and Windows XP are bundled together.

Office Platform

In many ways, the organization's existing Office platform may dictate whether or not to upgrade to Office XP. As previously mentioned, few organizations remain on Office 95 or prior Office platforms. Those that do are likely to be running hardware and software that will not allow them to upgrade to Office XP without replacing entire systems. Those organizations that remain in this category and have been contemplating an upgrade would be best served to upgrade to a Windows/Office XP combination when available. Organizations that are content with their older platforms are not likely to upgrade to Office XP or a new OS until forced to do so. The lack of support for Office 95 may be of little concern to this minority.

Office 97 comprises the largest segment of Office installations. Many of these installations occurred when organizations were moving to a Windows NT 4 or Windows 95/98 platform. Installations across the enterprise were often difficult and very time consuming. As such, many Office 97 deployments chose to skip Office 2000 when it became available two years ago. However, Office 97 users lack the new features of Office 2000, such as Web integration, and face the dilemma of bypassing the new functionality in Office XP.

Support for Office 97 applications and productivity applications built on top of Office 97 will continue to dwindle. Microsoft's official policy on Windows support can be found at www.microsoft.com/windows/lifecycle.asp and organizations can expect that Microsoft will support Office under similar terms. Organizations concerned with the support and maintenance of their Office platform will find the security provided by upgrading to Office XP compelling. There are several Giga clients that have been deploying Office 97 on newer hardware and OS platforms only to find that they must maintain a number of configurations to support older software on the new platforms. For organizations in this category, a joint Windows/Office XP upgrade will be the favored solution.

Office 2000 did not meet with the immediate success of Office 97, causing some pundits to label Office 2000 as a failure. As described earlier, Office 2000 was the victim of both Office 97's success and the tendency to skip generations in Office deployments. Giga does not anticipate that many organizations with Office 2000 deployed will immediately move to Office XP. In fact, unless there is a compelling business reason to migrate to Office XP, Office 2000 clients are better off remaining on Office 2000. These organizations should work on stabilizing any Office-related issues and maximizing their investment in Office 2000. Since most Office 2000 deployments have occurred in the last year, it is simply too soon to ask these customers to launch another upgrade. Giga estimates that only 20 percent of existing Office 2000 customers will find a compelling need to migrate to Office XP in the next two years. Organizations using Office 2000 that purchased a Technology Guarantee from Microsoft may be eligible for a free upgrade to Office XP. The Technology Guarantee covered any new Office products available within 24 months of the launch of Office 2000. Office XP will launch 23 months after Office 2000. Giga clients that believe they may be eligible for the free upgrade should consult with their local Microsoft representative to obtain additional information on the Technology Guarantee.

Organizations not currently using Microsoft's Office platform will find less incentive to switch to Office XP. Previously, Microsoft had offered competitive upgrade packages with Office 2000. When Office XP ships, non-Microsoft customers can either purchase a new license for Office XP or buy a competitive upgrade for Office 2000 until May 31, 2001. Once on Office 2000, these new customers would then need to purchase an Office XP upgrade, the sum of which will exceed the cost of a new Office XP license. Non-Microsoft customers considering a switch to the Microsoft Office platform are advised to simply purchase a new Office XP license. Given Microsoft's dominant market share in Office applications and the recent failures of competing programs, such as Star Office, Giga does not anticipate that many competitive upgrades would have occurred had Microsoft offered them for Office XP. The number of competitive upgrades for Office 2000 was very small, less than 1 percent of the installed Office 2000 base. With **Corel** (Corel's Word Perfect Office suite, with less than 5 percent market share, is Microsoft Office's largest competitor) announcing support for Microsoft's .NET platform initiative, competitive upgrades have become a thing of the past.

Business Needs

For many organizations, the determination of whether or not to upgrade to Office XP will hinge on an examination of the business needs behind the upgrade. While these needs are going to vary from organization to organization, Giga believes that the following examples provide insight into some of the reasons why clients may wish to upgrade to Office XP.

Collaboration

If there is one set of features in Office XP that will drive additional adoption, it will mostly likely be the collaboration features added to the platform. Two of these collaborative features stand out as features that will satisfy important business needs. The first is Sharepoint Team Services (STS), which allow teams to come together to work on project-related tasks and share information in a collaborative workspace with greater ease than previously available. In the past, either IT staff or a local departmental power user had to establish a collaborative workspace and spend a fair amount of time managing the services for the team. Sharepoint Team Services install quickly and allow each team member to share information collaboratively and work on

common tasks. Faced with a potential wildfire spread of collaborative pockets, Microsoft's own IT group established a centrally supported STS environment, where teams throughout the organization can set up and manage their own team sites, which have the benefit of back-end IT support when necessary. Clearly, this will not be the case in all clients, and STS has the potential to spread across an enterprise in a grassroots effort and consume potentially valuable server resources. Giga clients should avoid the wildfire approach and establish STS policies and centralized support combined with decentralized local management.

The second feature is the ability to use Outlook to share Office documents for revision and revision control. While Office XP should not be confused with a robust document management system, the task of reviewing documents has become significantly easier, thereby creating potential time savings for the enterprise. As an example, an Office XP user could use Outlook to send a Word document to five individuals. These individuals could be on Office 97, Office 2000 or Office XP; only the originator must be on Office XP to enable the automatic revision process. The recipients will make their changes and additions to the document and return the document to the originator. Outlook in Office XP will automatically assemble the five different returned versions into a master document for the originator to review, significantly reducing the amount of time that was previously spent manually compiling the revision changes. Giga anticipates that when the time savings are calculated across the enterprise, these new collaborative features will provide a compelling business reason to migrate to the Office XP platform.

Smart Tags
Microsoft has added a new feature into Office XP called Smart Tags. These tags are similar to hyperlinks, but they can provide a series of options to users that improve the integration between Office applications and help users access features more easily. Smart Tags can also be "extended" to provide other functionality. As an example, this document is being created in Office XP using Word. If the abbreviation **IBM** is typed, Word recognizes it as a financial symbol and offers the user the choice to get a stock quote, company report or recent news from MSN Money Central. Microsoft is working with a number of third-party providers to develop Smart Tags for particular industries. An Office XP user might type a tracking number into a document, and Word would automatically recognize it and allow any viewer of the document to track the package if he or she is using Office XP and has the appropriate tags installed. Organizations can develop tags to pull up specific information from enterprise data sources and then distribute those tags to Office XP users in the enterprise or within a specific group. Smart Tags that ship with Office XP will allow users to add names and addresses automatically from a Word document into their contacts in Outlook without having to cut and paste or switch between applications.

Initially, Smart Tags may not provide a compelling reason to move to Office XP, but if the availability of Smart Tags increases, the flexibility and time savings potential that Smart Tags offer may become a more compelling reason to migrate to Office XP. Organizations that are familiar with developing for the Office platform and have the expertise to develop Smart Tags quickly will find this new functionality more compelling than organizations that do not build on their Office platform.

Knowledge Worker Productivity
Office XP contains a number of features designed to improve the efficiency of knowledge workers in creating content, harnessing and reusing information, communicating and managing

themselves and others. Taken as a whole, these improvements may help to make workers more productive; however, gauging just how much more productive will be difficult if an organization has not already established a baseline for its current Office platform. Productivity gains will vary between different organization types, thereby making comparisons between organizations that have deployed different Office platforms difficult at best. Giga believes that organizations that do not find compelling solutions for business needs in other Office XP improvements are better suited to taking a more cautious approach and waiting to upgrade after Office XP has been deployed in similar organizations and productivity information or Total Economic Impact™ (TEI) studies have been completed. Armed with this type of information, organizations that are focusing primarily on productivity gains as the driver for deploying Office XP will likely be able to make better decisions regarding whether or not to upgrade to the XP platform.

Miscellaneous

There are also a number of miscellaneous factors that will impact the decision-making process regarding whether or not to deploy Office XP. Any one of these factors could be a "make or break" decision point for an organization and, at the very least, should be considered in the overall migration planning.

IT budget reduction: With the tightening economy, IT budgets are likely to be reduced. Deployment of widespread projects may be postponed by some organizations that believe they will be better able to accomplish an OS or Office migration at some point in the future. However, there are a number of organizations whose 2001 budget was established last year before the economy tightened and may wish to use the existing budget to update their Office platform for fear that next year the budget will not allow for this. Organizations that are deployed on Office 95 or Office 97 are more likely candidates for the latter, and Office 2000 customers are more likely to be in the first category. Office XP will have a small license fee increase over Office 2000. Although incrementally small, the overall impact to IT budgets will still remain substantial. If organizations that purchased Office 2000 did not purchase the upgrade protection, there is little reason to believe that they will upgrade to Office XP at this time.

.NET promises: For several months now, Microsoft has been showcasing its .NET strategy. While the overall strategy may sound promising, very little of the .NET framework is available today. Organizations that purchase Office XP will receive the promise that Office XP will integrate with the .NET framework, but what this means will not be discovered for at least a few years. It is reasonably safe to assume, however, that the support for the .NET framework will be better in Office XP than it is in Office 95 or Office 97, but by no means is it a guarantee that Office XP will be able to take advantage of all that .NET offers. Organizations should not deploy Office XP at this time simply to prepare themselves for .NET, but they should see this as a tangential benefit of an Office XP deployment.

Upgrade Advantage (UA): Organizations looking to "future-proof" their desktops may wish to pay the relatively small price differential and purchase Office XP with the Upgrade Advantage that entitles them to receive any new Office platforms free for two years. Similar to the Technology Guarantee offered in Office 2000, which would allow those Office 2000 customers to deploy Office XP free of charge, UA provides a measure of upgrade security for organizations that were not offered this type of protection with Office 95 or Office 97. On the other hand,

organizations that were late adopters of Office 2000 are not likely to deploy Office XP simply because they have a Technology Guarantee. Organizations with Office 2000 deployments under way are more likely to skip Office XP, unless a midstream transition can be undertaken without disruptive results. Giga estimates that less than 5 percent of current Office 2000 deployments would fit into this category. Upgrade Advantage for Office XP makes the most sense where an organization is on an older platform and is planning to upgrade within the first six to 12 months of the Office XP release. For these customers, UA may actually accelerate Office XP adoption among current Office 95/97 customers.

Deployment and security benefits: Office XP offers considerably better deployment and recovery tools for IT administrators than were available for Office 95/97, building on the tools first offered in Office 2000. Likewise, Office XP offers better protection against losing valuable information due to a system crash while the user is working in an Office application. Security measures are also enhanced to help protect against the spread of harmful programs like the "ILOVEYOU" virus. Organizations that spent a great deal of time cleaning up the messes left behind by the "ILOVEYOU" virus or "Melissa" will welcome the changes in Office XP. IT administrators that struggled with Office 97 deployments and user data restoration will also benefit from the improvements found in Office XP. Office XP licenses also include Microsoft Press Step-By-Step guides which some organizations have found beneficial in educating their user population with regard to Office applications. Taken as a whole, these benefits are not likely to drive an Office XP deployment themselves, but they will likely add to the reasons why an organization will move to Office XP.

When the above factors are considered, Giga believes that the number of organizations that will begin upgrades to Office XP in the first year will exceed 50 percent of the current installed Office base. Estimates for the upgrade life cycle can be found in the following table. The percentages are depicted in terms of percentages of the remaining installed base. For example, if the number of Office 97 installations is 100, then approximately 40 installations will begin a migration in the first year. In the second year, 45 percent of the remaining 60 installations, or 27 more customers, will begin Office XP installations, for a total in the first two years of 67 out of 100, or roughly two-thirds of all Office 97 installations will begin migrations to Office XP within the first two years.

Office XP Migration Percent Forecast

Category	Current Office Platform	Percentages*
Percent likely to begin upgrade in first year	95	3%
	97	40%
	2000	8%
Percent likely to begin upgrade in second year	95	1%
	97	45%
	2000	12%
Percent likely to begin upgrade after second year	95	Less than 1%
	97	50%
	2000	15%
* Percentages are of those remaining on the platform, thus a decreasing total over time.		

Source: Giga Information Group

Alternative View

Despite Office XP's favorable position in the OS and Office upgrade cycles, its adoption rate will be 10 percent to 15 percent less than predicted because of extenuating market circumstances. Slowing PC sales, coupled with a slowing economy and reduced IT budgets, will combine to bring Office XP deployments down below the 50 percent mark. This may give rise to departmental installations on a smaller scale as opposed to corporate wide deployments. Office 2000 users will stay on Office 2000, foregoing any compelling business needs to upgrade and despite the ability of some to upgrade for free. Although the favored approach to an Office XP upgrade would have been in combination with a hardware or OS upgrade, some Office customers will choose to upgrade only the OS and forego the Office upgrade to minimize the impact to IT budgets. Some organizations are likely to view the collaborative features as not significant enough to upgrade during economic hard times and will not conduct the necessary cost/benefit or TEI studies necessary to justify Office deployments. If the economy takes longer than anticipated to rebound, the balance of Office installations may end up becoming Office 2000 and the version beyond Office XP in the long run. Even in the worst-case scenarios, however, Office XP adoption rates should exceed Office 2000.

Findings & Recommendations

Giga clients should examine their existing OS and Office platform migration strategies to determine whether or not to migrate to Office XP. Organizations that remain on Office 97 and older OS platforms are the most likely candidates for an upgrade to Office XP. For some organizations, Office XP's ability to satisfy compelling business needs will be the driver behind an upgrade, such as the following:

- Operating systems — Organizations undergoing an OS migration in the next six to 12 months should combine that OS migration with an Office XP migration wherever possible to reduce deployment costs and incompatibilities. Organizations that remain on Windows 95 will not be able to deploy Office XP or future Office versions and are strongly encouraged to upgrade to Windows 2000 or Windows XP wherever possible.

- Office platforms — Office XP stands to make substantial gains as organizations that have remained on Office 97 will look to upgrade in the next 12 to 24 months. Less than 10 percent of organizations remain on Office 95. The majority (50 percent to 55 percent) are on Office 97, with approximately 40 percent on Office 2000. Office 2000 customers may be eligible for free upgrades to Office XP if they purchased a Technology Guarantee. While Office 97 customers are advised to upgrade to Office XP, Office 2000 customers should not incur the upgrade costs unless there is a compelling business need to make use of the new features provided in Office XP.

- Business needs — Office XP addresses several business needs, focusing on collaboration and productivity features. Microsoft also introduces Smart Tags to provide an easy means to access information outside of the Office platform. Organizations without collaborative tools are prime candidates for Office XP and should consider upgrading within the first year to maximize the potential that Office XP offers. Third-party support for Smart Tags and the ease of internal development efforts will dictate whether or not they provide the benefits promised.

- Miscellaneous — A number of miscellaneous factors will also affect the evaluation to determine whether or not to deploy Office XP. The economy may dictate that some customers postpone Office XP migrations, while at the same time dictating that organizations with large IT budgets this year upgrade their OS and Office platforms this year for fear of not being able to do so in the near future. Microsoft's .NET framework is incomplete at this time and will only have a minor

impact as to whether or not an organization will upgrade to Office XP. Microsoft will offer an Upgrade Advantage package for Office XP that will appeal to organizations that wish to future-proof their Office platforms during their next migration. Security, installation and administration benefits of Office XP will also appeal to a large percentage of the installed Office base and, in some instances, will help drive additional migrations to Office XP.

Giga makes the following recommendations:

- If organizations are using Office 95 or Office 97, then we recommend an upgrade to Office XP as part of a refresh wherever possible. The upgrade should reduce support burdens and take advantage of new collaborative features found in Office XP.

- If Office 2000 is currently deployed, then organizations should only migrate to Office XP if the new features satisfy enough compelling business needs to warrant the costs involved in upgrading to a new platform.

- If Office 2000 customers are currently deploying Office 2000, then we recommend completing the Office migrations before evaluating whether or not to move to Office XP. In rare circumstances, customers deploying Office 2000 may be able to switch to Office XP midstream for specific parts of the organization to realize the benefits Office XP provides. However, this should be done with extreme caution since maintaining multiple Office platforms within an organization is not preferred from a maintenance and support standpoint.

When the criteria in this Planning Assumption are applied to existing Office installations, Giga has determined that more than 50 percent of existing Office installations are candidates for upgrades to Office XP within the first two years

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