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Hosting Partners Cast Wary Eye At Microsoft Office Live

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With Microsoft's [Office Live](#) open for business, its shadow looms large over other hosted collaboration and e-mail services for small businesses.

Many of these hosting partners had been recruited by Microsoft to offer SharePoint- and Exchange Server-based offerings. But now that Microsoft is hosting its own low-cost collaboration, Web page creation and e-mail service, what are they supposed to do?

"Forge ahead," seems to be the operative response.

Asked why a VAR or carrier targeting the SMB segment should go with an Office Live alternative, **companies like [SMBLive](#) and [InfoStreet](#) are ready with an answer: They are more channel-friendly and feature rich than Microsoft's nascent service.**

"Office Live is at heart a direct play [and] not currently available for redistribution through the channel," said Matt Howard, CEO of SMBLive, a Rockville, Md.-based e-mail and collaboration hosting specialist.

"The fact is that small businesses with limited IT expertise have a real need today for simple-to-use software applications delivered as a service. Therefore, broadband providers, VARs and hosters need to move quickly to capitalize on this demand," Howard said, adding that SMBLive's SharePoint-based services have been available for some time and were built for the channel.

Small businesses are ready to to buy mail and collaboration as a service, and the technology is good to go, according to Howard. These companies want the benefit and glitz of Web 2.0-type applications but don't want to pony up for the IT infrastructure necessary to field them.

And carriers that have tried to force-fit e-mail technology into a package palatable to small businesses are now willing to look outside for solutions that will sell better in that market. What's more, as carriers see margins on core telephony businesses erode, many see a need to get into small businesses with additional services.

British Telecom and Telus offer SMBLive's services to small businesses. Telus, a Vancouver, B.C.-based carrier, is offering SMBLive direct to customers, for the most part, but also has a group of wholesalers and ISPs reselling it as well, according to Nathan Pitka, marketing director.

Howard said many carriers already deal with hosted Exchange, SharePoint and Live Meeting, but that much of the SharePoint collaborative foundation remains unused.

That fallow SharePoint, Howard says, remains a latent asset for these carriers. If they can find a way to sell it, they could profit from it. In Howard's view, SMBLive services will that asset marketable to small businesses.

Meanwhile, Microsoft's nascent Office Live and Windows Live software-as-a-service (SaaS) platforms -- built in response to the Google threat -- have put the software giant in a position to compete with hosting partners it had formerly wooed. The

Redmond, Wash., company has for some time billed the SharePoint services that ship with Windows Server as the underpinnings for its own and third-party app development.

Marja Koopmans, Microsoft's director of partner development for [Office Live](#), said this service offering is just another choice for partners.

"They can work directly with Windows SharePoint Services or choose to go with Office Live, which kick-starts a lot of the work they might otherwise have to do themselves," Koopmans said. "Atop all that, we'll also give [Office Live] partners access to our current customer base."

Microsoft's take is that there are so many small businesses underserved -- or unserved -- by technology needed to set up Web sites, e-mail and domain names that there's enough of a market for everyone. To better attack that opportunity, Microsoft inked a pact with Best Buy for Business to push Office Live services into small companies from select Best Buy stores.

Dave Grantz, CTO of [Exchangemymail.com](#), an Albertson, N.Y.-based hosted mail provider, agreed that the SMB market is largely unsaturated. In addition, he said, Office Live is no big threat because although it's good for end users with very basic needs, it won't satisfy those used to richer mail experience, wireless connectivity and the like.

Critics say that while Office Live appears to be moving along, the same can't be said of Windows Live, Microsoft's proposed consumer-oriented service platform.

Last week, much was made of the fact that Microsoft Chief Software Architect [Ray Ozzie](#) didn't once mention Windows Live by name during a presentation at a Goldman Sachs event. Windows Live was similarly conspicuous by its absence in an analyst presentation by Microsoft evangelist Charles Fitzgerald the week before, industry sources said.

Then late last week, news surfaced that Blake Irving, corporate vice president of the Windows Live Platform Group at Microsoft, was leaving the company. No details were forthcoming, but several analysts said the Windows Live effort is struggling.

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If the number of press releases generated by hosting partners and their technology providers is any indication, the market is remains alive and well.

Last week, [SWSOft](#), Herndon, Va., announced SWSOft PEM, new software designed to make it easier for customers to set up and connect their hosted mail to wireless devices. SWSOft PEM aims to make it easy for users of a hosted service to integrate Exchange e-mail with mobile BlackBerry and Good devices, said Exchangemymail.com's Grantz.

"SWSOft's console already let them control their mailboxes, set aliases and forwarding, [and] set storage limits, but now it lets you set up and generate passwords for mobile devices, lock them or wipe them clean," Grantz said.

Such technologies will help e-mail hosters continue to build out new services ahead of large vendors like Microsoft, industry observers said.

Amir Hudda, CEO of Herndon, Va.-based [Apptix](#), said Office Live is simply not ready yet. "Office Live is Hotmail-based. At the end of the day, people are used to the rich client capabilities of Outlook, and there are many capabilities of Outlook and Exchange that you don't get with Office Live," he noted.

Clearly, carriers are one major channel for these hosted offerings from SMLive and others. But VARs and solution providers that want to offer self-branded and custom services can build atop them as well and deliver them in a self-branded manner.

[Cybertrails](#), a technology consulting and managed services company, is doing that atop SMLive, said Rick Crutchley, COO of the Phoenix-based company. Cybertrails went with SMLive before Office Live was an option but is happy with the choice.

"We love the tool. It's based on the Microsoft platform, and we needed a collaboration offering to complement some other service offerings, specifically hosted Exchange and VoIP," Crutchley said.

Cybertrails uses SMLive internally as well and is especially pleased about its document management capabilities. "We love that we can collaborate with partners and customers and share documents," he said.

Still, like other hosting partners, Cybertrails hedges its platform bets, offering Linux-based solutions along with Microsoft services. "We are tech-agnostic. It's very important for us not to be beholden to one vendor," Crutchley noted.

That principle of vendor neutrality is a common theme among the hosting players. [Apptix](#) offers hosted Exchange Server and SharePoint, but it also hosts a series of value-added options atop that, some of which are not Microsoft-based. Apptix, too, is partnering with BroadSoft on its VoIP offerings because Microsoft's proposed Office Communications Server, which melds VoIP, instant messaging etc., "doesn't cut it from a price perspective," Apptix CEO Amir Hudda said.

End-user pricing can be a la carte, with instant-messaging logging in at \$3 to \$5 per user per month, and SharePoint costing \$50 to \$200 per company per month. The VoIP stack can be an additional \$40 per user per month, Hudda said.

InfoStreet started building its hosting business more than a decade ago atop Linux.

"We're neither Java nor Microsoft. When we started in 1994, we went with Linux, and people made fun of us. Now we're ahead of the curve," said Siamak Farah, CEO of Tarzana, Calif.-based InfoStreet. "In 1997, we went with Python, and now because of Google, we've been vindicated again. The company carefully prices its offerings so that there is ample margin room for VAR partners."

InfoStreet's services also include CRM and workflow. And last week, the company launched a new central online store to enable customers to easily get their domain-name of choice and POP/IMAP mail, as well as Web site hosting, creation and maintenance. Called Instantname.com, the service results from joint work by InfoStreet and Register.com.

Beyond Microsoft: The Google Threat

While all of these hosting partners look warily at the Microsoft's Office Live effort, some concede that they had better keep an eye on Google as well.

The Web search giant is diving into the SMB business app market with fee-based [Google Apps](#). And Google, unlike Microsoft, does not have a long partner-infused legacy to consider.

"You've got to keep an eye on Microsoft, but Google's the one to watch," said Cybertrails' Crutchley.

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