

INSIGHT

The Future's in Sight: IBM Leaps Forward with Enhancements and Partnerships for Lotus Sametime

Robert P. Mahowald

Mark Levitt

IDC OPINION

IBM's Lotus Sametime, the stalwart crossover player in both the enterprise instant messaging (EIM) and Web conferencing markets, seemed to stall over the last two to three years as an IBM branding effort took the popular application through a name change nobody recognized; a seeming de-emphasis in favor of IBM's portal-based products; and marketing clashes with IBM's newer, but in many ways similar, Workplace Collaboration line. But announcements at IBM's 2006 Lotusphere event underscore that there is new strength and fresh thinking at IBM about collaboration in general and Sametime in particular, and give great optimism about how IBM can convince buyers that it has a revitalized agenda and innovative products for enterprise collaboration that are just as strong as those from archrival Microsoft, with a few extra tricks to spare:

- ☒ Interoperability with AOL, Yahoo!, and Google Talk public IM networks, with no additional license cost, effectively gives Sametime users access to approximately 65–70% of the worldwide business and consumer IM communities and vaults IBM further than any other business vendor into the effort to link consumer and business IM systems.
- ☒ New features in Sametime — point-point click-to-talk VoIP service, audio/video integration with multiple end-point vendors, easier and more intuitive content uploading, and a new "communities" paradigm of at-work social networking, among others — push Sametime up to par with other Web conferencing products and could drive greater reliance on Sametime overall, an important shift among large IBM customers where several conferencing products are probably in use alongside Sametime.
- ☒ A new architecture based on Eclipse, an open source development platform and application framework for building extensible software, will help underscore the vibrant developer community for Sametime and other IBM products.

IN THIS INSIGHT

This IDC Insight discusses recent announcements from IBM's annual Lotusphere event regarding advancements in the vendor's Sametime product. We also provide an analysis of how this news might shape the market for both EIM and Web conferencing products in the coming year as well as IBM's prospects for capturing market momentum from Microsoft and others.

SITUATION OVERVIEW

IBM's Lotus Sametime has been providing customers — mostly large, IBM Lotus Notes/Domino enterprises — with enterprise instant messaging since 1998, long before the term EIM existed, while the products of its current rivals in the EIM market, Microsoft (with its Live Communications Server [LCS]) and Jabber (with Jabber Instant Messenger or JCP) were still baking in the oven. Sametime is also unusual in that its broad functionality places it in two closely related but separate markets — EIM and Web conferencing — markets that heretofore have had very distinct products, competitors, user bases, and deployment patterns within customers.

Sametime is a key product in both markets. For example, although the revenue leader in the Web conferencing market, WebEx, made more money in 2005 from its suite of collaboration, sales effectiveness, hosting, and meeting services, IBM's product is in daily use by nearly twice the number of business workers who access a WebEx port paid for by their company. This multiple is accurate even when the numbers are reduced to account for the fairly high percentage (60–65%) of workers who use Sametime solely for an instant messaging product. Further, while Microsoft made slightly more money in 2005 from its EIM product (LCS), Sametime, with its 10 years of customer history (and the fact that instant messaging capabilities are provided free of charge to Notes/Domino shops as part of an IBM entitlement), was in use on nearly four times as many desktops as LCS in 2005. Sametime also has a notable presence in key vertical markets for EIM (chiefly in financial services, retail, and pharmaceutical firms) and claims the eight of the top 10 firms in each of these markets as customers.

But its broad market share and loyal base have not always translated into market leadership for Sametime. For example, IBM has in recent years given guidance that its goals in pushing Sametime are not directly related to server revenue, but rather to an overall boost in market share, an increase in enterprise maintenance revenue, and, most important, an increased emphasis on making IBM's (WebSphere) portal and Workplace product lines more healthy. Further, there were technological challenges: Sametime didn't talk well to Workplace Collaboration, it had tepid support for H.323 and H.264 IP voice and video, and the interface never seemed to embrace the best new features of either market it played in. Although IBM has clearly made Sametime missteps in recent years, its core appeal as a durable, scalable product, well integrated into Domino's directory and file structure, has endured even among rapid changes in the collaboration markets and a changing roster of competitors. As a result, over the past three years, while the Web conferencing market has matured and the larger EIM market has been built (most vocally by Microsoft and Jabber), many IBM customers have remained loyal to Sametime, even though product innovation did not always keep pace with the competition.

But announcements at IBM's 2006 Lotusphere show in late January underscore that there is new strength and fresh thinking at IBM about collaboration in general and Sametime in particular and give optimism about how IBM can convince buyers that it has new market momentum. While the good news at Lotusphere came from several product groups within IBM and its Lotus Software brand, its Sametime announcements were among the most dramatic.

Sametime v7.5

Slated for summer 2006 release, 7.5 will bring key new functionality and innovations. Highlights include:

- ☒ New architecture based on Eclipse, an open source development platform and application framework for building extensible software (IBM previewed a social networking application with context-sensitive chat rooms and the storage of ad hoc information that can be searched for future reference.)
- ☒ Interoperability with AOL, Yahoo!, and Google Talk public IM networks, with no additional license cost, effectively giving Sametime users access to approximately 65–70% of the worldwide business and consumer IM communities
- ☒ Point-point click-to-talk VoIP service (called VoiceJam in the prerelease form) from the Sametime client and audio/video integration with multiple end-point vendors (including with Avaya, Polycom, Nortel, Siemens, and Tandberg)
- ☒ Client support for Windows, Mac, and Linux platforms, with both the Java and full versions of the Sametime client
- ☒ New ties to Google desktop search, including Notes email and Sametime chat records, as well as the potential for customized capabilities like a Google Maps mash-up with "Where Are They?" user location details
- ☒ SIP-based enterprise-to-enterprise, protocol-to-protocol connectivity via a new advanced, multiprotocol real-time collaboration gateway to allow for enterprise-to-enterprise and enterprise-to-public network connections
- ☒ Greatly improved mobile device support for push email, and some select Domino applications, via partnerships with Good Technologies, RIM, and Nokia/Intellisync

FUTURE OUTLOOK

How Can a Revitalized Sametime Impact the Growing EIM Market?

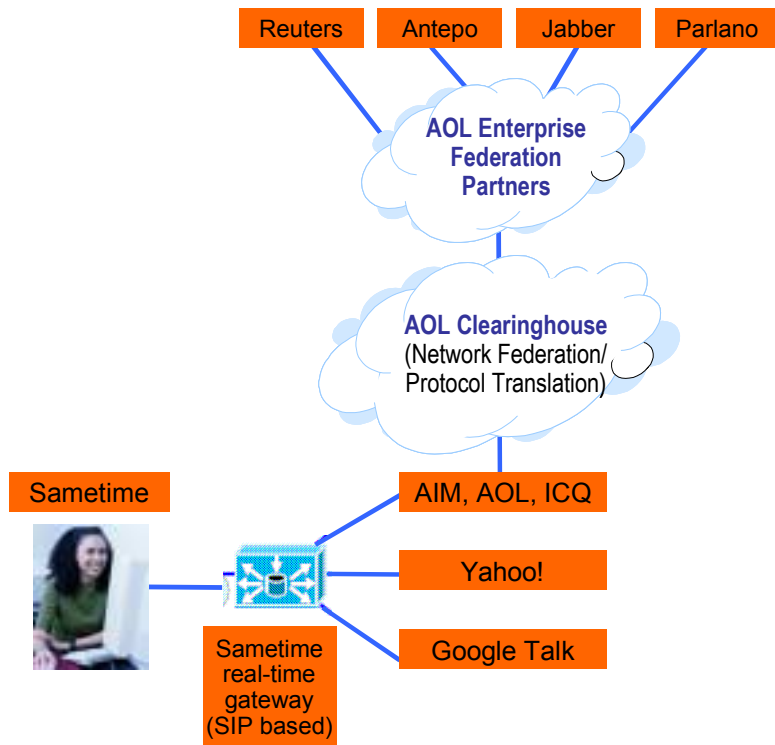
- ☒ **IBM will play a leadership position in EIM network connectivity.** Foremost, IBM's new role in brokering a protocol translation gateway deal with AOL, Yahoo!, and Google gives Sametime huge credibility. Although we're still nowhere near true "network interoperability," selective connectivity, with access to nearly 70% of the world's IM users, demonstrates the business efficacy of moving forward with linking networks for the benefit of users, while still holding fast on the issue of varying protocols. In putting forth its own multiprotocol gateway and supporting expanded reach within AOL's clearinghouse, IBM helps to speed us closer to interoperability, even if it is largely on AOL's terms.

- ☒ **Sametime users will gain expanded reach.** In hitching its wagon to AOL, IBM's Sametime users gain a great deal. Part of the bargain is federated access to nearly 90 million AIM, AOL Proprietary, and ICQ users (approximately 15 million of these are "corporate consumers" — at-work users of consumer IM services). But via AOL's Enterprise Federation Partner (EFP) (aka clearinghouse) program for linking communities of at-work instant messaging users, Sametime users will gain access to AOL's partners, Jabber, Antepo, Reuters, and Parlano, as well as Netscape IM and Apple's iChat users. Via this clearinghouse, Sametime users can also interact with LCS users, though the absence of Microsoft's MSN community from the offer is conspicuous. Under the terms of AOL's EFP program, each company's enterprise IM solution is provided with certified connectivity to the AOL federation gateway, which will handle the routing and translation of traffic between SIP/SIMPLE, XMPP, and AOL's proprietary messaging system (based on OSCAR and TOC). Add to this the connectivity Sametime will offer to Yahoo!'s roughly 50 million accounts (about 10 million of which are at work) and Google's XMPP-based users, and you have an assemblage of IM communities that can bring Sametime users in touch with roughly 70% of the worldwide corporate consumer base (see Figure 1).

- ☒ **IBM will earn competitive advantage.** In lining up partners like AOL, Yahoo!, and Google, IBM improves upon Microsoft's Public IM Connectivity (PIC) initiative by allowing broader access than Microsoft's program would allow, and at far better terms: While Microsoft charges \$9–10 per user and passes the majority of that on to AOL and Yahoo! in the form of royalties, IBM has either negotiated better terms or simply absorbed the cost elsewhere — its connection to these networks comes free of charge. This has the potential of vaulting IBM into a linchpin role of providing the broadest possible access at the best possible price, a tough act to follow.

FIGURE 1

The Expanded Reach of IBM Lotus Sametime v7.5 Users



Source: IDC, 2006

How Will IBM's New Focus Impact the Maturing Web Conferencing Market?

- ☒ **Better functionality will get the attention of Sametime IM users.** It's not uncommon to find organizations where every user has Sametime on the desktop, but they're still funding one, two, even three other Web conferencing products. IDC estimates that 60–70% of Sametime users set aside the meeting and document-sharing capability entirely and focus on instant messaging. New features in Sametime — the ability to upload presentations while the session is running as opposed to having to preload content, easier and more intuitive content uploading, a new "communities" paradigm of at-work social networking, a terrific screen-capture feature (as in Microsoft's undersung OneNote application), rich-text formatting (with emoticon support), and a better layout featuring photo business cards — bring Sametime up to par with other Web conferencing products and could drive greater reliance on Sametime overall.
- ☒ **In the long run, extensibility may change EIM usage patterns.** One new Sametime innovation didn't get much attention but, given the large size and tech savvy of many IBM customers, could drive greater use of Sametime as a jumping-off point for related services. The Sametime 7.5 interface has "tabs" for user firms (or integrators) to build new application modules (voice, video, Google

search, location search, links to CRM, etc.) using the application's Eclipse framework. In the EIM and Web conferencing market, the name of the game is maximizing the time users spend in the interface, and the limited real estate it occupies, to route them to other services, features, and so forth — a real-time proxy for the inbox. Driving the development of modules or "widgets" (as from Konfabulator or Apple's OS) — modular Web services launched from Sametime — can refocus users' limited attention and time on Sametime.

- ☒ **Serious telephony support brings IBM in line with the current direction of the collaboration markets.** In embracing SIP as a transport protocol, courting telephony vendors for PBX integration, and building a desktop VoIP service into Sametime, IBM demonstrates to customers that it takes computer-telephony integration (CTI) seriously and sees that it can transform the lives of users (and the fixed telephony costs of IT departments).

How Will Sametime 7.5 Affect IBM's Competitive Position in the Enterprise Collaboration Market?

- ☒ **It highlights that IBM is aware of and understands the world most users live in.** Many business workers have cell phones, PIMs, and mobile email devices. They use Google to search the Web to find information, maps, and location-based services. They use consumer IM networks. They've tried VoIP services. Some have used videoconferencing and are growing comfortable with it. They've heard the buzz about Microsoft's LCS and Windows Communicator products and are curious about IP call control. But in recent years, Sametime developers have resisted enhancing the client experience, and users have seen little change in functionality and look/feel. New features in this version of Sametime show that IBM has refocused itself to address these new realities about how users work in its approach to building collaboration software.
- ☒ **Sametime 7.5 boosts IBM's competitive position in enterprise collaboration.** Perhaps most important, from the perspective of IBM's role as a long-term competitive leader and shaper of business collaboration, Sametime 7.5 brings the worlds of EIM, Web conferencing, business process collaboration, and mobility together in ways customers have been hearing other competitors (Microsoft, followed by Cisco, Avaya, WebEx, Siemens, and many others) talk about for a few years now. Sametime was a pioneer in demonstrating that presence and status information can be extremely useful as a basis for workplace collaboration and should therefore be looked upon as a foundation for Web conferencing, online team and group collaboration, enterprise VoIP, and even multipoint IP audio conferencing.

Challenges

In the collaborative applications market, IBM faces competitive and strategic challenges, including:

- ☒ Microsoft's organized and expansive assault on IBM's base of Notes/Domino customers, and Microsoft's own well-integrated line of collaboration products,

may threaten a core IBM competitive notion, that of large IBM "shops" that value its broad portfolio of nested database, portal, storage, management, and collaboration products. As both competitors seek stronger ties between their collaboration products and databases and portals, for example, winning or losing customers can mean winning or losing buyers of a whole host of products, not just point collaboration SKU products.

- ☒ While IBM has effectively squashed the price debate by offering free IM linkage and bundling Sametime with Notes/Domino, left unanswered is the question of whether Sametime will become part of the shared code between Notes/Domino and IBM Workplace in the future. IBM cannot afford to have Sametime stand out like a sore thumb and not be part of a coordinated, converging road map for its customers' enterprise collaboration and must balance its desire to provide customer choice with its need to keep even its most popular products integrated into its overall base of applications.

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