

# Microsoft has solid lead in race for state e-mail contracts

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Microsoft Corp. has won a series of high-profile contracts to provide e-mail services to government workers in three states, giving it a major boost in its ongoing battle with technology rival Google Inc.

The Redmond, Wash., software giant won contracts last week in California and New York that would cover hundreds of thousands of state and city employees. Two weeks earlier, Microsoft secured a similar deal with Minnesota.

The tech titans are fighting over an estimated \$20 billion market to provide e-mail and office software to governments, businesses and consumers.

As services like word processing, spreadsheets and e-mail increasingly move to the Internet, both competitors are touting new "cloud"-based products, in which customers' e-mail and documents are stored in remote data centers, rather than on office computers. The cloud approach allows businesses to save money by jettisoning their own in-house e-mail servers.

The California contract will cover close to 200,000 state employees and was the subject of a hard fight between [Google](#) and Microsoft, with Google crying foul at what it called pro-Microsoft bias by state officials. Google opted not to submit an official bid.

In New York last week, Mayor Michael Bloomberg announced a tryout

of Microsoft's cloud software by nearly one third of the 100,000 city employees.

The series of wins stood in stark contrast to October 2009, when Google dealt the first major body blow to its rival by winning a bid to run the Los Angeles city government e-mail system.

But Google is still struggling to move Los Angeles employees onto the system. Although the contract was approved a year ago, the company has moved slightly more than half of the city's 30,000 employees into the cloud, with no definite timeline for the remainder. Strict security requirements from the Los Angeles Police Department have prevented nearly all of the city's 16,000 law enforcement personnel from moving to Google's Gmail system.

Google has for years championed its cloud-based products, like [Gmail](#) and Google Docs, as cheaper, more secure alternatives to Microsoft's Outlook and Word programs, which generally must be installed on individual computers and updated frequently to address security issues.

But Microsoft, loath to allow a newcomer to encroach on its largest business, has invested heavily in building and marketing cloud services of its own.

"What Microsoft is not going to do is stand on the sidelines and watch all of its customers defect to Google," said Ted Schadler, an analyst at Forrester Research, a technology research firm. "They've really cranked up the engines, and they're going to get more and more wins over time."

Last week, the company also announced its upcoming Office 365 service, an online version of its popular Microsoft Office software. Prime-time television commercials advertising Microsoft products carried a new Microsoft slogan: "to the cloud."

"I'm really excited about the momentum -- we've come a long way," said Gail Thomas-Flynn, Microsoft's vice president of state and local government, who added that Microsoft had won back some Google cloud customers who said they "were not getting the robust capabilities of an enterprise-level service."

For its part, Google counters that Microsoft's recent successes were essentially contract renewals, rather than victories in an open bidding process. Google has won several such bids recently, including providing e-mail for 10,000 state employees in Wyoming and a county government in Colorado.

"We're disappointed we didn't have an opportunity to compete for the business of Minnesota or New York City," Google spokesman Andrew Kovacs said. "When there is a competitive bid process -- like Los Angeles, Colorado and Wyoming -- the majority of customers choose Google."

Those who choose otherwise, he said, end up getting a better deal because of the bidding process.

Google has said that 3 million businesses now use its e-mail system, as well as 10 million university students, and that demand is still high.

Schadler, the Forrester Research analyst, said Microsoft's recent successes do not necessarily signal a loss of momentum for Google. "In the next four years, a lot of companies will be looking at running e-mail in the cloud," he said. "That means plenty of competition."

Still, Google's slow rollout in Los Angeles may not be helping its case. The company missed a deadline to complete the switchover earlier this year. When Google and city officials told City Council members that the switch would be finished by "the beginning of November," the council

voted to allow the project to continue.

But on Monday a Google spokesman said that only a fraction of LAPD personnel had moved to the new system for a test run, and that because of additional city requirements, "it's too early to tell definitively when the migration will be complete."

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