

Google, Microsoft battle for cloud-computing customers

October 6 2011, By Mike Swift

The pitched battle between Google and Microsoft to sell software applications that run on the Internet "cloud" is escalating.

The tech giants have already engaged in a public war of words this year as they vied to sign up businesses, government agencies and universities for their competing versions of cloud-based productivity software.

Now [Microsoft](#) has cut its prices to small and mid-sized businesses for its Office 365 software, and [Google](#) is putting out the word for the first time that the rate of small companies signing up for cloud-based services like [Gmail](#) and Documents has doubled in the past six months.

That suggests the competition to sell cloud-based apps to small and medium-sized (or "SMB") businesses is only growing more intense, said Matt Cain, an analyst with [Gartner](#).

Microsoft's small-business offer "is a good deal, maybe even a great deal," Cain said. "So Google now faces a very aggressive Microsoft in the race for SMB business, and the search giant is trying to get a leg up on Microsoft via a press campaign."

For Google, its four-year old apps business is a chance to diversify from its heavy dependence on advertising for its revenue. For Microsoft, the competition is about retaining its lucrative core business of selling Office productivity software like Word, PowerPoint and Excel.

Google Executive Chairman [Eric Schmidt](#) said in a speech last month that there are now 40 million users of Google Apps, including 4 million businesses, up from 3 million less than a year ago.

Microsoft says that within two weeks of the launch of Office 365 in June, more than 50,000 businesses, schools and nonprofit organizations had signed up to try the cloud services, the most recent numbers that company has disclosed.

The intense competition between Google and Microsoft to sign up schools and [nonprofit groups](#) (Google recently bagged the University of Connecticut and Yale University; Microsoft got the American Red Cross), government agencies (Google got the cities of Los Angeles and Pittsburgh; Microsoft got New York City and San Francisco) and businesses (Google netted hotel giant InterContinental Hotels Group; Microsoft got McDonald's and Starbucks) has even spilled into the courts.

Google says it is particularly strong in Silicon Valley. Amit Singh, Google vice president for enterprise, said in an interview this week that Google has completed a study of recently launched startups in Silicon Valley and the U.S., as listed by technology websites, and found that at least 80 percent, and in some cases up to 97 percent, of those startups were using Google Apps.

Among the recent converts - TripIt, a San Francisco startup that allows people to build and organize their travel itineraries online.

"It turns out that generally speaking, smaller companies - which are really the life blood of the business economy; they add the most employees - have found Google Apps," Singh said. "If you look at how big cloud computing has gotten, we are one of the players in that."

Google says about 5,000 businesses a day are joining, up from about 3,000 a day less than a year ago.

But Gartner's Cain said Microsoft's strategy to offer small businesses its cloud-based Office 365 software, which includes online versions of its popular Word, Excel and PowerPoint software, at just \$6 a month per user puts pressure on Google to tell its story.

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