

Topics: Content Management, Social Software**Issues:** What are the best practices for managing content across the enterprise?

Who are the social software providers and how will they navigate a crowded market?

Microsoft Buys Yammer for 1.2 Billion, Validates Race for the Social Enterprise

Summary: On June 25th, 2012, Microsoft announced it was acquiring San Francisco-based Yammer Inc. for \$1.2 billion in cash.

Event: Microsoft confirmed its \$1.2 billion acquisition of Yammer via a press release and a live conference call.

Analysis: Microsoft had some social features in SharePoint, but not enough to lock in customer interest from an enterprise social network (ESN) perspective. By buying Yammer, Microsoft not only gains a fast-growing ESN provider, they get a firm that understands how to build SaaS based cloud applications (with multiple releases a year) and how to talk to both business and IT buyers.

Aragon Research estimates that over 85% of large enterprises have Microsoft SharePoint installed (see note 1). Even with that, our opinion is that Microsoft needs Yammer to keep the interest in SharePoint vibrant and current. For example, Yammer could serve as the social workplace for SharePoint: users would work in Yammer, but their documents would still be stored in SharePoint (note: Yammer already integrates with SharePoint).

This approach will benefit enterprises too, since the number one question we see from a deployment perspective is how to link ESNs with content repositories such as SharePoint, EMC Documentum, IBM Content Manager/ Filenet and OpenText.

We do think the Microsoft Office team will have thoughts around OneDrive and the desktop sync that Yammer is integrating into its ESN. In the short term, we believe that OneDrive integration work will continue and that Yammer will make it easier for its users to access, edit and collaborate on Microsoft Office documents without leaving their Yammer ESN group.

The other area that Yammer should benefit Microsoft is with Office 365. With Yammer tied to SharePoint in the cloud, this becomes a compelling offering. There is some overlap with pricing.

Yammer's prices at \$5 or \$15 per user per month are more compelling than current Office 365 prices. Microsoft indicated that they are committed to Yammer's stand-alone product and freemium business model. Enterprises should keep a keen eye on this area, as we expect Microsoft to attempt to raise prices. Price sensitivity in this market is keen, as ESN is still relatively new and the willingness to pay a premium has not been established.

What caught Microsoft's eye was Yammer's freemium approach, along with its Premium Group offering, which has attracted a growing number of business buyers. Attracting business buyers is not area that Microsoft has excelled in, and we expect this ESN seeding approach to continue, especially because it is so similar to what Microsoft does with IT: a free offer of SharePoint Foundation to get IT people started with SharePoint.

The impact of this acquisition on the market

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and on other Tech Titans will be immense. Since Microsoft indicated that it will integrate Yammer with other Microsoft Office applications, such as Lync, Skype and Office 365, the battle for the social enterprise and overall collaboration-enabled workplace just got harder.

Large vendors like Cisco, IBM, Oracle, Polycom, Salesforce and SAP will have to work harder to counter this new social offering from Microsoft. Some will see it as a signal to look for acquisitions, including vendors such as Huddle, Jive Software, and Spigit.

Aragon Advisory

- 2012 is the year to start pilot rollouts of an enterprise social network.
- Enterprises should expect to see more mergers and acquisitions in this category.
- Enterprises should evaluate Yammer and other ESN providers who are making investments in their suites that can help enterprises make the shift to a cloud-enabled social workplace.

Bottom Line: By buying Yammer, Microsoft has given the social enterprise a big endorsement. Cloud speed benefits firms when they are getting new, innovative features in their ESN several times a year. Enterprises need to start evaluating their software providers not just on features and functions, but on how often their provider can update and refresh them.

Note 1: Microsoft has over 66,000 customers that use SharePoint, as well as 4000 partners that offer solutions using SharePoint.