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## Is It Time to Dump Your Desktop?

*Web-based software claims to do everything*

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**T**here's a revolution brewing on your desktop.

For years, software makers and Web boosters have been forecasting that the Internet would break Microsoft Corp.'s stranglehold over business software. Instead of buying a copy of, say, Microsoft Word and installing it on your computer, you would travel to a Web site, type and edit your document there and store it online. The fee would be tiny compared with the cost of buying Microsoft's software, and you wouldn't have to pay anyone to troubleshoot the program or update it.

Now a host of small software companies—and some Internet giants like Google—are bringing that vision closer to reality. A quick search online will yield a host of inexpensive—or free—online alternatives to Microsoft's widely used software. With names like Writely, ThinkFree and AjaxWrite, these offerings cover the gamut of standard desktop applications—from word processors to spreadsheets to email.

But that raises a big question. Should your business make the switch?

The answer: It depends on the size of your organization, and your needs.

The appeal of these programs is simple. They're much less expensive than Microsoft's offerings, and since they're based online, you can use them anywhere you can access the Web. In addition, since you're storing your data online, it's much easier to share with colleagues, customers and suppliers. People can simply travel to a central Web page and see the information they need.

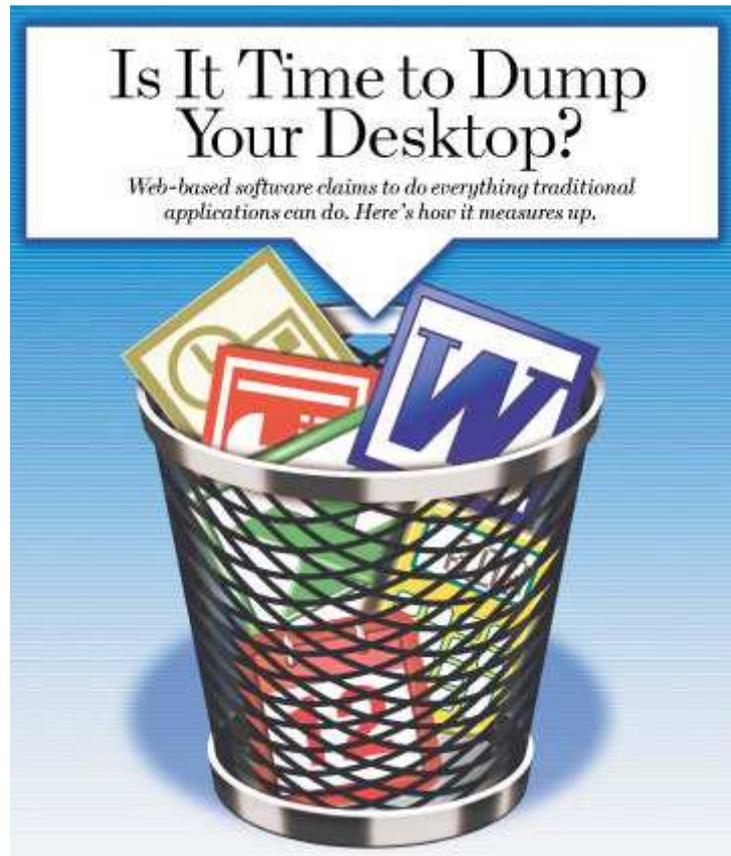
But those benefits come at a price. These programs are basically stripped-down copies of Microsoft's offerings. The interfaces look and feel similar in some instances, but the programs often have very skimpy features. The online word processors can do basic functions such as cut and paste and spell check, but forget about things like the fancy formatting tools you'll find in Word.

If you can live with that, these programs are worth checking out. The early adopters of online software are mostly small companies that want simpler, less-costly applications than they can get from Microsoft. Many are start-ups with limited budgets, while others are divisions or branch offices of larger companies that don't want all the functions packed into Microsoft's Office suite. They are also willing to overlook some of the shortcomings of the online programs—such as a lack of full compatibility with Office—and trust that the service providers are securing their sensitive data.

"Our current desktop tools have become almost too powerful for the average desktop users," says Melissa Webster, an analyst at research firm IDC. "There's a point where the online tools get good enough for some significant percentage of users."

For instance, Ted Hughes spent about two months last year trying to use a Microsoft program called Access to create a database for his industrial-supply company, SoluChem LLC of Austin, Texas. But he found the complex program daunting to use. And he knew that when he was done with the database, he would face another challenge—figuring out how to let his suppliers and co-workers tap into the information over the Web.

Then Mr. Hughes discovered Zoho Creator. This free Web-based software handled the job—but without the bells and whistles of Access that had baffled him. And since the program stored his data on the Web, his colleagues could tap into it easily with a browser. "To me it was like a god-send," says Mr. Hughes, operations manager at SoluChem. "It did everything I wanted without the learning process."



But this software may not work for larger organizations. Businesses already running Office on thousands of PCs probably need the benefits of a mature product like Office and a big backer like Microsoft. For their money—which can be \$400 per user—Office customers get support, bug fixes and peace of mind that their supplier will be around for years to come. The software giant also has deep resources to invest in new functions for its products, such as forthcoming additions that let workers manage phone calls and instant messages from Office applications.

Jeff Raikes, president of Microsoft's Business Division, downplays the knockoffs as narrowly focused and "simpler in form" than Office. "Most companies want one set of office tools that can meet the broad range of needs in the organization," Mr. Raikes says. "It's simpler, easier to use and manage, and everybody can share their content."

At this point, it's unclear what effect these new programs will have on Microsoft's commanding position in business software. Even if lots of small businesses migrate to these online offerings—which is no sure thing—Microsoft will likely hold on to big corporate customers for some time. Large businesses generally need more feature-full software than small ones, such as the advanced number-crunching options that Excel offers. And many large businesses, for security and competitive reasons, are loath to entrust their computer systems to other companies and so likely won't move to applications hosted by a third party anytime soon.

Still, some businesses say they'd be prepared to abandon Microsoft if and when the alternatives grow sophisticated enough. That's the view at Interim HealthCare Inc., a home health-care provider with tens of thousands of PCs spread across the U.S. Satish Movva, Interim's chief information officer, says his company has tested many Office alternatives over the years but has yet to find a solid replacement. The alternatives still can't handle documents created in Office well enough for his needs and aren't as "polished" as Office, he says.

But moving from Office to a cheaper alternative remains a goal. "Realistically, we want that day to come," Mr. Movva says. If another program can let Interim open a huge Excel spreadsheet without a hitch, "I think I can make a business case for moving to it," Mr. Movva says.

There are signs that Microsoft is watching its back. The software giant is taking a page from its online competitors and rolling out its own Web applications under a service it calls Office Live. Now being tested by about 100,000 people—mostly in small businesses—the service is designed to coexist with Microsoft's Office software. One selling point: Users will be able to collaborate over the Web more easily and access their documents anywhere.

Here's a look at the state of play in online software—some of the best offerings out there, and what users have to say about them.

## SUITES

In the 1990s, Microsoft bundled a host of programs into one suite of software called Office—a tactic that won a commanding share of the market. But over the years, Office has drawn lots of fire. Beyond the price, businesses grumble about the pressure to upgrade. The next update, expected early in 2007, will feature radical changes to the product's interface that could make it easier to use but will force users to relearn many of its features.

Now businesses can choose from a host of Office knockoffs that combine word processors, spreadsheets and other software. One of the most full-featured offerings comes from ThinkFree Corp., of San Jose, Calif. The company originally sold the suite as conventional desktop software, but it didn't catch on. So, in April, ThinkFree recast it as an online offering that includes the ThinkFree Write word processor, ThinkFree Calc spreadsheet and ThinkFree Show presentation software. The suite is currently free, but ThinkFree is prepping another version that will carry a subscription charge. The company hasn't set a price.

The big knock on ThinkFree's suite was compatibility: Users complained that the software had problems handling Office documents. Since so many businesses use the Microsoft suite, a company using an alternative is sure to receive Office files from other companies. Any alternative program must be able to, for instance, open a Word file without disturbing the document's formatting.

Jonathan Crow, ThinkFree's director of marketing, acknowledges that the suite doesn't support some features in Office, such as macros, which are shortcuts for automating frequently done tasks. But he says that the company has addressed many of the compatibility concerns, and that about 85% of Office users shouldn't have any problems opening their documents with ThinkFree.

One of ThinkFree's big competitors is AdventNet's Zoho line, which SoluChem's Mr. Hughes tapped. The programs, including Zoho Writer and Zoho Sheet, are available free on AdventNet's Web site. In addition to the Zoho line, the company makes a range of software for businesses.

Tim Lauer, principal of Meriwether Lewis Elementary School, in Portland, Ore., uses the Zoho suite. He uses Zoho Creator, for instance, to make a form on the Web to collect student information from his teachers. On the plus side, he says, Zoho is online and as such it allows him and his staff to share documents more easily. But the software's Web interface is also a drawback, he says. There may be times, such as while traveling, that his staff wants to work on the spreadsheet but doesn't have an Internet connection.

## SPREADSHEETS

Over the years, Microsoft's Excel has grown into a powerful piece of software, able to handle high-level data analysis for Wall Street firms and other numbers-intensive businesses. For some companies, however, the program has become too complex for their needs. Now a host of upstarts are offering simpler spreadsheets, with names like WikiCalc, Num Sum and iRows. Though few can handle the heavy load of number crunching that Excel can, some of these new offerings are exploiting the strengths of being online services, such as making it easier for multiple employees to share their work in a single spreadsheet. Others are more specialized spreadsheets and online databases that command higher annual subscriptions.

Healthways Inc., a health-care support provider in Nashville, Tenn., used to merge Excel spreadsheets from across the company during the annual budgeting period. Financial analysts had the unenviable task of combining 100 different Excel files, says Ian Miller, senior director at the company. One problem, he says, was that a change in one spreadsheet wouldn't automatically "cascade" into others, meaning that an analyst would have to manually enter the change into different spreadsheets.

So, last year, Healthways signed up for an \$800-per-user annual subscription to an online budgeting spreadsheet from **Adaptive Planning** Inc., of Mountain View, Calif. Each Healthways unit can enter its data directly into a central service that runs remotely on Adaptive Planning's computers, eliminating the need to merge the different units' data after the fact.

The service is far pricier than Excel, but Mr. Miller says it's worth it because Healthways' analysts now spend more time on their jobs—analyzing information. "We focus less on data entry than on analysis," Mr. Miller says.

Still, Healthways isn't done with Excel entirely. The company still uses the program as a "supplemental tool" for tasks such as creating a quick report before a management meeting, Mr. Miller says.

## WORD PROCESSING

Google Inc. in March raised awareness of online word processors when it bought Upstartle LLC, maker of Writely.com. The program has a simple editor and spell checker for creating and altering documents. At Meriwether Lewis Elementary School, Mr. Lauer says his teaching staff uses Writely to share meeting notes. It's free and the school doesn't have to worry about installing upgrades on all its PCs, he says. As with other Web applications, features and improvements are added incrementally over the Web. Others in the same field are AjaxWrite, a free service from Ajax 13 Inc., a San Diego-based company building an online suite, and gOffice from Silveroffice Inc. of San Francisco.

Still, the offerings are "nothing like a full-featured text editor," says Bruce Byfield, a reviewer for NewsForge, a Web site that tracks open-source software. One problem is that while many office workers use only, say, 10% of the features of an Office application such as Word, "not everyone uses the same 10%." So, many users are likely to find their favorite feature stripped out of an online word processor.

The larger question is whether Google will add Writely to its hosted services, a package of services that it sells by subscription to businesses. Expanding on those services would put Google more directly on Microsoft's turf. Along with Google Spreadsheets, the company has Gmail and a calendar program that could be combined into a suite of hosted offerings. "When we feel like we have a product that is appealing to the end user, then we take it into the business world," says Google General Manager Dave Girouard.

## EMAIL

Consumers in recent years have flocked to Google's Gmail, Microsoft's Hotmail, Yahoo! Mail and other Web-based email services. The approach is now catching on at small businesses, schools and branch offices of larger companies that don't have the money or expertise to run their own email systems. Yahoo Inc. is offering email as part of a package of online offerings that starts at about \$9 a month and includes a customized email address and tools to set up a Web site. Many of its customers are small e-commerce sites. Yahoo's latest version of the software looks a lot like Outlook and has many of the same features, such as a calendar and functions like spell-checking.

Late last year, San Jose City College, a community college in Silicon Valley, didn't have an email system for its students nor the money to set one up itself. In December it cut a deal with Google for a hosted version of Gmail. In February, the school turned on the email system for its 11,000 students, giving each two gigabytes of storage and an address with the ending "@jaguar.sjcc.edu." Michael John Renzi, director of finance and administration at the college, wouldn't disclose the financial arrangements with Google.

The goal was to provide a service to students in the most cost-effective way, Mr. Renzi says. "This email service does that," he says. "I've been getting calls from around the world interested in this solution."