

Office Supplies Contention

First the July raid of the Hungarian Competition Authority, then two barren votes in the Hungarian Standards Institution: tensions surface among the players of the Hungarian office suite market.



Balázs Pozsony, Microsoft Hungary

Since the first appearance of personal computers, it is the office packages, the word processor, the spreadsheet, the power point, the task organizer or the mailer that have become the most widely used services. Almost all company computers have some kind of Office suite, and some of them have several; either because the earlier license has not yet been removed from the PC, or because different programs are used for different purposes.

According to *Balázs Pozsony*, business unit manager at Microsoft Hungary responsible for, among others, Office, the majority of small and medium size businesses purchase the Office license with the computer itself. Office 97, 2000 and 2003—programs that have a marked presence in domestic statistics especially in micro businesses and small size enterprises—are therefore practically as old as the computers they run on. Balázs Pozsony, however, finds it quite possible that part of these licenses belong to computers that are not (any more) used for business purposes.

Ten years is tremendously long time in information technology. In the development of the office suites of Microsoft, however, it was precisely Office 97 that brought about a breakthrough in quality—a breakthrough that, many claim, has not been matched except by recently launched Office 2007. However, some of the innovations of the suite—ones like groupware or internal correspondence—are in demand only beyond a certain scale of business. Microsoft has come up with a license that redresses even this problem: after a trial period of 60 days, the customer may purchase an activation key for the components of the package. Thus, customers only pay for the services they surely need for their endeavors.

This license policy does not only act in the interest of the customers and in the spirit of the age (or rather, that of EU competition regulations), but also reflects the current market position of the software giant. About 23 to 28 percent of the almost 200,000 domestic enterprises that have PC's in the segment of small-scale businesses run Office XP; 30 to 36 percent of them run Office 2003, and the remaining 9 to 15 percent uses suites from other manufacturers. In order to boost its sales of Office 2007, therefore, Microsoft has to mobilize, most of all, its own users.

And yet, Microsoft's competitors—having prompted the Hungarian Competition Authority (GVH) to conduct an investigation for charges of abuse of economic power and loyalty discounts given to distributors ("business, 7 August 2007)—claim that the Hungarian subsidiary of the software giant is just about to shut all the doors on them.

A Playground for All

The Open SKM Agency had a great deal of confidence in business plans based on the multinational background of Sun Microsystems, on overall localization, on the local support of the software, on the maintenance support available, on Office-compatibility, and on the software's price and wide range of functionality. The target audience, that is, those small and medium size businesses that cut their costs of IT investments at the expense of software licenses, is defined through the following motto: "Cost-efficient solution for the legalization of your office software."

It was not big businesses that they had on mind—big businesses constantly in the spotlight, quite meticulous when it comes to the legality of their software, and supporting the integration of Office and business management systems anyway. Rather, Microsoft targeted those small-scale enterprises that have to face the painful reality that, in the end, legal antivirus software, firewalls, an office suite and other applications cost just as much as the hardware, says *László Kürti*, founder and executive officer.

Although they thought they had found a niche market, in 2006, the year StarOffice 8 was launched, only 2500 licenses were sold in a domestic market with a capacity of 150-200 thousand. *László Kürti* believes that the launch of StarOffice 8 much resembled that of earlier open source code software: it was really up to system integrators, wholesale traders and distributors whether the product would reach the target customers through retailers and local stores.

To facilitate the smoother introduction of a new product in a competitive market, they worked out a business model that aimed to reduce risk: the software was available on consignment, and Open SKM Agency contributed to its promotion.

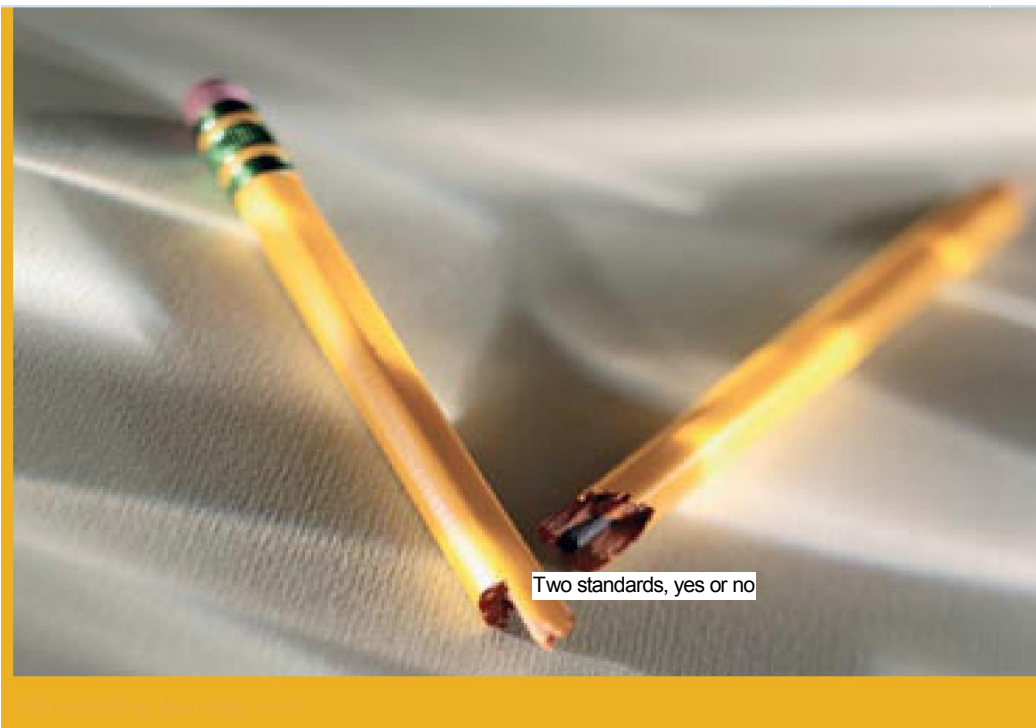
Sales, however, did not fulfill their expectations. StarOffice 8, offered at about one third of the price of Microsoft Office suites, did not make it to those channels of wholesale trade that supply small and medium size businesses with IT services and solutions. *Kürti* says they were like a little boy whom his mates warn with good intentions: don't you dare go to the playground, or you'll be bullied. *László Kürti* finds it only cold comfort that Tesco's office software did not make its debut in Hungary, either.

But even if each player plays the rules of the game, *Kürti* suggests, heavy weight Microsoft still has a paralyzing effect on competition; so much so that the

and if schools were teaching word processing and spreadsheet use instead of teaching Microsoft Office. In fact, MagyarOffice, developed through industrial and academic cooperation on the basis of OpenOffice.org, could very well thank its quick initial success to equal opportunity governmental procurement programs. Since it became multilingual, it is called EuroOffice in its latest versions.

Discrimination in Public Procurement?

Miklós Banai, executive of Multiráció Ltd. responsible for further developing open source program packages, only watches



Two standards, yes or no

emerging economic dictatorship calls for governmental intervention. "We have got used to making choices, to being able to buy this car or toothbrush, or the other. Why should it be any different with software?" *Kürti* says.

Speaking of the state, *Kürti* adds: it is in the very best interest of administrative and governmental institutions to reduce the risk of dependence and defenselessness. We namely cannot afford not to be able to trace back documents because of closed source code programs that are not supported and developed any more. Not to speak of the fact, he adds, that contrary to popular belief, billions of dollars could be saved by using open source code software in governance all over the world,

the GVH investigation from a distance. He thinks, however, that the beyond-the-scene operations will not leave them unaffected.

The breaking point is clear: it was when the company could not manage to make their product compete under the same conditions as the market leader did in the centralized procurement process. "It seems to me, says *Miklós Banai*, that the support of the domestic industry remains just a promise in the area of software in general, and that of office software in particular." At the same time, however, several ministries have showed considerable interest in certain services of the suite, such as the map chart making component.

The procurement, at least as the executive of Multiráció sees it, failed because of the resistance of system administrators, who were rather adamant about the establishment of a homogeneous Microsoft environment. It thus once happened that in one of the ministries, regional data was presented with the help of scissors and the Xerox machine in the absence of the right software.

An oft-cited argument for open source code software is security. "A virus attack usually targets the software, not the user" says Lt. Colonel Dezső Juhász.

It was precisely for this reason that some departments of the Hungarian Defense Forces adopted the more macro-virus resistant MagyarOffice, and they did so not only in their own offices, but in those of the military attachés as well. The software was only adopted after a nine-month-long trial period. Ever since, many computers have switched to its "successor" EuroOffice, but MagyarOffice remains in use, too.

Besides Microsoft Office compatibility, the Defense Forces also appreciate the built-in dictionary, and considers the Calc spreadsheet as improved by Multiráció somewhat better than that of OpenOffice.org. Dezső Juhász claims that there are no issues of compatibility above version 2, and especially in case of overall adoption. Problems occur, if any, in case of external correspondence with governmental institutions; indeed, in order to match the original design, conversions of both directions require some fidgeting around with formatting. In certain offices OpenOffice.org is used for its similarity with Microsoft Word.

Web Offices

At first, the monopoly emerging in the area of PC's and operating systems was no doubt based on technological advantage; now that this technological advantage is over, it is only a matter of time that more flexible solutions would undermine the monopoly—envisions the future Miklós Banai, inspired by

historical parallels.

This vision of the future does allow for open source code software, but web offices building on unlimited web access may also become big players. It is very well possible that their popularity will dramatically alter habits of use of IT services; in case of business use, however, experts find that the online Google office (Docs & Spreadsheets), already available in Hungarian, leaves much to be desired in terms of data security and protection.

Trust is the biggest issue here, concludes *Gábor Dombi*, secretary of Inforum. It is not quite without reason that personal documents are believed to be accessed and stolen more easily through giant search programs than through company computers. At the same time, parallel, group work-like document processing on the web may prove a real alternative to office software packages for smaller groups or micro businesses.

By making every user open documents in the same application, Google solves the problem of conversion between document formats within a heartbeat—says *Gábor Szentiványi*, executive of ULX. Ltd. representing Redhat.

According to Miklós Banai, the web-based model would prevent attacks by viruses hidden in Word and Excel documents through the close observation of user habits and the security gaps on the Windows operating system. Besides, it can be easily transferred to a closed corporate environment, to client-server architectures.

Although the 2007 version of Microsoft Outlook does offer web publishing opportunities (we can share, for example, our calendar notes with authorized individuals), Microsoft reacted to the challenges posed by the online office somewhat sluggishly. Sources closely affiliated to the company suggest that the online version of Office may be expected to be finalized in three years. Its users will be able to share their documents and tables created in Microsoft programs.

Distribution of Office stock

	1-4 PC's	5-9 PC's	10-15 PC's	16-24 PC's
Office 2000	12295	25995	32 583	46 532
Office 2003	22687	36663	50 777	66628
Office 97	4741	7057	10999	9 262
Office XP	14362	31040	34596	54195
OpenOffice	7333	15 547	14583	13 177
MagyarOffice	1737	4135	4604	3 584
Altogether	63154	120437	148141	193377

MManagerManager

Without any doubt is Microsoft Office that is in greatest demand—confirms the statistics *Imre Pál*, the commercial director of BSC, and he adds: although the company is an official OEM distributor, it also distributes products of software companies not represented in Hungary. If needed, it offers open source code software to its customers, let them be private entrepreneurs, system integrators or retailer chains.

As far as StarOffice 8 is concerned, its distribution was decided upon after considering market potential and the pace of the sales of packages received on consignment. Beyond a certain volume, says *Imre Pál*, it is not worth dedicating a product manager to a certain product.

Four hundred IT teachers and system administrators participated in the fourteenth teacher training course organized by Microsoft this August. The topics of the three-day-long free training focused on the novelties of Windows Vista and Office 2007, on computer security and management, and on teaching secondary school programming. The Microsoft Partners in Learning program attracted millions of teachers and students in 101 countries during the last four years, says *Teo Milev*, manager of the Central and Eastern European program.

The Battle of the Ballot

Although the end is not yet in sight, it is quite certain that the format war between the open format document promoted by Google, and the one introduced with Microsoft Office 2007 has more than one front. A small battle of that war was fought in the end of August in Budapest.

It must be noted as an antecedent that, back in 2004, the European Union and other organizations ordered the suppliers of office software to standardize their file formats, arguing that the standardized formats will ensure that the documents will be readable in years, and even decades from now. From among the two organizations that responded, the International Organization for Standardization (ISO) accepted the plan proposed by Oasis after several years of work. Microsoft started to standardize XML introduced in Office 2007, first by ECMA, the European Computer Manufacturers Association. There is certainly a lot at stake for the Redmond-based company: will the Office product group, a 15-billion-dollar business of the company's 51.12-billion-dollar yearly revenue, remain competitive in governmental tenders? Furthermore, it also has to prove the European Union that it allows its competitors to use the technologies in Office.

After the study and the discussion of the proposal the ISO member organizations, that is, the national standardization authorities were requested to cast their votes at the Geneva seat of ISO until the 2nd of September. Like in several other countries, however, the vote in Hungary bore no results, although the question was basically the following: should there be one or two standards for the same purpose, and the participants should be responsible for translation between formats.

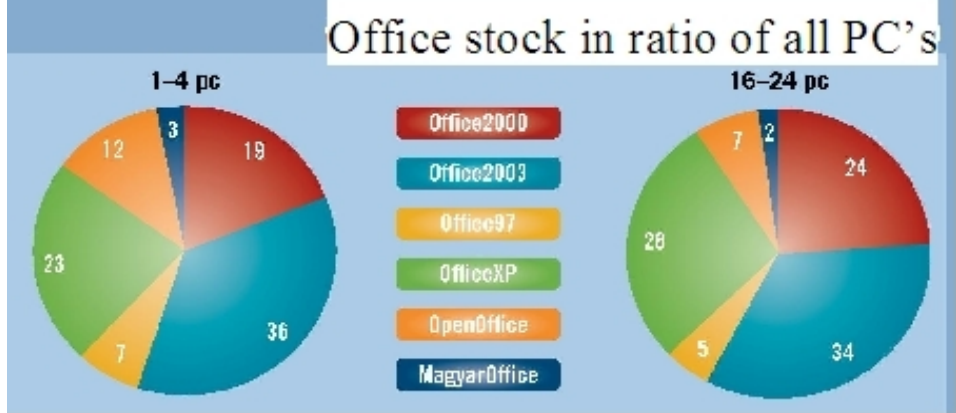
Proponents of open source code software argue that the standardization of Microsoft's XML seems all the more problematic because of a 6500-page-long documentation whose volume is beyond precedent, and which contains internal references and Microsoft patents. For the latter reason, it is only Microsoft that can make full use of the formats.

Microsoft, on the other hand, cites the simplification of the integration of information. The management argues that the ISO standardization of the format enables competitors to participate, and enhances competition and innovation. Besides, in case ISO



László Kürti, Open SKM Agency

Gábor Szentiványi, ULX



adopts it, its maintenance and development would take place under the surveillance of ISO and its national member organizations.

The vote was held on the 25 June meeting of the committee of the Hungarian Standards Institution. After some professional considerations the 11 committee members present voted 8 against 3 in favor of the Hungarian support of the ISO adoption of the standard proposal used in Microsoft Office. The committee also ordered its secretary to forward the results of the vote to Geneva, to the ISO.

No Vote

On the 20th of July, however, IBM Hungary Ltd.—the very same company that called for the meeting—submitted a formal complaint stating that the members had not been informed about the vote in time. When the Hungarian Standards Institution dismissed the complaint citing lack of jurisdiction, IBM turned to the Ministry of Economy, which supervises the Hungarian Standards Institution.

In an effort to facilitate the establishment of a Hungarian standpoint, János Kóka, Minister of Economy, reminded the participants

of calling a meeting once again in an orderly manner. In case of a consensus, the vote could have been valid. But yet again there emerged a formal complaint, and thus there is no Hungarian standpoint in the matter. Since Hungary is not a full member of the organization, only its refusal would have been considered. This way, however, it does not have a say in ISO standardization processes whatsoever.

ISO sets namely three categories: yes, no and abstention. In case of acceptance, no technical comments may be made on the standards. In case of refusal, solutions need be listed for each problem, then the voting country has to verify the correction of the problems; thus, if the corrections work out well, the vote can be changed for acceptance. The third possibility is abstention.

Péter Kelenhegyi