

IDC PERSPECTIVE

Slack's Quest to Become an Enterprise Collaboration Platform

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EXECUTIVE SNAPSHOT

FIGURE 1

Executive Snapshot: Slack's Quest to Become an Enterprise Collaboration Platform

This IDC Perspective examines Slack's value to enterprises that want to accelerate digital transformation (DX). It focuses on Slack's operations in Europe. Slack has gained much media attention of late as enterprises evaluate new collaborative and distributed methods of working resulting from the COVID-19 pandemic. COVID-19 has accelerated the growth curve for enterprise adoption of Slack-like products by between two to four years.

Key Takeaways

- Slack's wants to be the modern collaboration and communications platform for large enterprises in Europe, and the arrival of COVID-19 has accelerated Slack's market opportunity to achieve this goal.
- Slack's value for remote and distributed work is in facilitating alignment between internal colleagues and increasingly their external ecosystems.
- Employee experiences and engagement are enhanced by using Slack's tools, improving personal productivity, innovation, and enterprise business performance.

Recommended Actions

- Evaluate Slack as a method of integrating and removing digital "islands of innovation," which are common outcomes from tactical DX projects.
- Consider Slack as a potential enterprise collaboration platform that can be easily integrated with legacy systems to improve user experiences.
- Take advantage of Slack's commercial terms. Slack's usage-based pricing policies are designed to encourage enterprises to trial Slack at minimal cost and commercial risk to test the hype and user experience before making a full commitment.

Source: IDC, 2020

SITUATION OVERVIEW

The Enterprise Problem that Slack Addresses

Slack often quotes Gallup's 2016 study that says aligned companies produce 4.4 times more profit, 2.9 times revenues, and 40% lower staff turnover than unaligned companies. Outside research shows that 50% of employee working time is used in meetings, many of which have little or no value to the attendee. This time is mostly wasted, causing work inefficiencies. The other key culprit holding back enterprise business performance, Slack believes, is email.

Email often gets lost in transit; it is also ad hoc and exclusive. Email, like traditional mail, is personalized and fragmented – not ideal for group transparency and collaboration. Many messages on email trails have different versions of "the truth." Email used for collaborative group communications and processes is really a misnomer – email is a point-to-point solution. Slack reduces email by moving email into collaborative interactive channels where the history of all transactions is a "single version of truth" and is transparent and visible to all.

Slack addresses what it calls "apps sprawl." Slack believes that the average enterprise has 1,071 apps and aims to act as a connective tissue between these applications to enable collaboration and innovation. Slack seeks to enable greater coordination and alignment around enterprise purpose, mission, vision, and values. Slack helps organizations join up their business units, departments, and geographic locations so everybody can work together as one team – but more likely in a collection of smaller project-based teams. Increasingly, these teams include external business partners (such as agencies and contractors). Slack facilitates internal and external communications, which now extends to up to 20 organizations in a channel with the recent announcement of Slack Connect.

Stewart Butterfield, the charismatic CEO of Slack, is a Steve Jobs-type character – laser-focused on superior product development, with a compelling vision and strong ethical values. For example, he was not afraid to discuss his opinions on the contentious issue of "Black Lives Matter" on the 1Q20 earnings call, which was the catalyst for many other tech leaders, including Apple's Tim Cook, to speak out. Stewart describes the Slack brand as "human, simple, and customer centric." Stewart's ambitious goal is to "change how the world works" and "make work simpler, more pleasant, and more productive."

What Differentiates Slack from Other Vendors?

Slack likes to contrast its approach with that of legacy vendors such as Cisco, Oracle, SAP, and Microsoft. According to Slack, the enterprise applications of such companies are "structured command-and-control applications." Essentially, their applications are a manifestation of "best practice" bundled into a prescriptive application. From a user perspective, the key question when using these applications is, "Does the application do what I want it to do, and if so, how?"

Slack's approach is different: it offers a modern Lego-like toolset that enables users to build applications in the way they want them. Hence, the question for Slack users is, "What do I need to do?" The latter approach enables enterprise-specific innovation and competitive differentiation using Slack as a platform; the former means that legacy vendor clients do the same type of work in a virtually identical manner.

Slack has always positioned itself as a collaborative platform – not only due to the nature of the product itself, but also due to its ease of integration with other software vendors' products. Slack claims that it makes the parent legacy software more valuable through increasing its visibility outside of the core user base. Slack is a horizontal tool that integrates with Salesforce, Trello, G Suite (including Gmail), Jira, Asana, HubSpot, Facebook, Zendesk, and many others. Slack

positions itself as the digital "glue" that binds together and augments enterprise applications – it does not seek to replace and author applications as other enterprise applications vendors do.

Slack's Target Markets and Customer Needs

Slack is primarily of interest to companies that want to move fast and scale. Hence, its client roster includes tech companies such as SAP, Oracle, IBM, and Intuit. In Europe, Slack's core markets are financial services – it is the standard deployment in fintech companies – manufacturing, retail, media, and the public sector.

At the outset, Slack was interesting to organizational departments that needed to collaborate to execute their work. Discrete manufacturing and engineering companies were particularly keen, especially in new product development and customer service departments (for customer problem resolution). The IT department also uses Slack to manage agile development programs and projects. Given the viral and easy-to-use nature of the product, other departments soon started to use Slack, especially for software development, and it "bled" into other parts of the organization. Knowledge workers are the key target audience for Slack.

Slack clients typically seek cultural change and want to operate in a more contemporary, modern way that reflects the working practice aspirations of Gen Y and Gen Z staff. Slack clients understand that to attract and retain the best staff, they need to do things in a more interesting, dynamic, and vibrant way than traditional 20th-century companies.

Slack particularly suits companies with similar open cultures to Slack – the kind of companies that prefer the more maverick Apple approach to the more corporate Microsoft approach. Open collaboration and employee engagement are the goals – although Slack recognizes this might not suit all enterprises, this approach is increasingly becoming a business imperative in today's fast-moving world.

Key Product Attributes

Slack provides workflows, integrations, and "channels," which are workgroups that are created in Slack. The idea is to increase employee engagement through collaboration, transparency, and connections. Successful implementations bring employees closer to executives – which traditional organizations may find challenging. Slack encourages users to develop their most important channels to involve everybody – including senior executives.

This sense of inclusion seems to work – average paid users are connected to Slack for nine hours per day and use the application for 90 minutes per day. In 1Q20, these figures jumped to 10 hours per day and 120 minutes per day. Use of Slack has skyrocketed in response to the new way of working brought about by COVID-19, which IDC believes is likely to become "the next normal." There is no doubt that Slack is highly addictive and "sticky" – one Slack customer said, "once you have Slack, you can't live without it." Another said, "Slack flattens the hierarchy."

Slack's large enterprise accounts wanted an industrial-strength collaboration tool that was highly scalable and that enabled accelerated user adoption. This has been a key tenet in Slack's product development strategy. The launch of "Grid" in January 2017 accelerated large enterprise adoption – Grid was a new product request from Slack's large customers that wanted to connect different teams across their organizations. An extension of this strategy was the launch of shared channels in September 2019, which enables external ecosystems and supply chains to be connected.

In March 2020, Slack announced the significant improvements to its user interface to enable greater ease of use, while the mobile update followed in May 2020. The recent announcement of Slack Connect in June 2020 enables secure, channel-based messaging for up to 20 different enterprises in a channel.

Competition

The key competitor for Slack is Microsoft Teams, but Slack executives believe that if the two companies are competing for a deal, "one of us is in the wrong place." They believe that Microsoft Teams is mainly a teleconferencing and document management solution, whereas Slack is a true collaborative platform.

However, the Microsoft stack is ubiquitous in the enterprise. With Teams being free or close to free, there is considerable inertia to adopt Teams for continuity and cost reasons. However, this is like comparing a Tesla (Slack) with a Ford (Teams) – they are both cars, but the experience is very different. Those that value the employee experience will more likely adopt Slack. Other Slack competitors include Workplace from Facebook, Cisco, and Google.

Slack's battle with Microsoft has also taken on a new dimension through Slack's recent announcement of a strategic partnership with Amazon Web Services (AWS) to provide enterprises with additional security reliability, and flexibility. AWS matches the might of Microsoft in the marketplace, and this partnership may also result in an additional 850,000 users of Slack in an Amazon-wide rollout. Amazon will be both a weighty customer and strategic partner for Slack.

Go-to-Market Approach

Slack encourages its customers to "self-serve" – to learn to love Slack by using it. Hence, Slack is free to download and its commercial model is payment for active users, rather than "seats" or registered users. This means that commercial friction is minimized as enterprises can scale up organically without licensing and cost limitations. Larger organizations are served by direct sales.

Slack's customer experience team supports users of free and paid versions of Slack. Educational offerings include free, web-based classes and tutorials, including how to integrate third-party applications and build custom workflows and new Slack applications. Slack's customer success team supports larger organizations particularly with tailored professional services based in European offices in London, Munich, Paris, and Dublin. Slack Customer Services averages first-call resolutions (FCRs) within 48 mins of enquiry receipt, which is quite a feat.

Slack partners most closely with smaller innovative software companies with similar bargaining power and complementary products such as Okta, Box, Atlassian, Zoom, and Dropbox. Slack also has a strong Salesforce partnership especially in supporting Sales Cloud and Service Cloud. In the future, Slack plans to work more collaboratively with management consultants such as Accenture and EY as part of its go-to-market model for large enterprises in Europe.

Slack in Europe

Slack has always done well in penetrating large customer accounts. Slack's European enterprise customers include Vodafone, Jägermeister, PwC, and Criteo. New customer wins include the Man Group, the world's largest publicly traded hedge fund company, which sought a strategic response to the new home-working environment created by the COVID-19 pandemic. Customers are vocal about their support for Slack and the product's value to their businesses:

- Advertising and design agency R/GA claims to have increased its decision-making speed by 30% to 40% by adopting Slack.
- PhotoBox's 366 applications are integrated with Slack as a foundational platform.
- Man Group claims that Slack is now its "central mechanism for coordinating a lot of the interactions that used to be email-driven."
- SoftBank claims that its IT department has become a "strategic asset" to the business due to its use of Slack.

- Kiwi.com describes Slack as "a fast and full context communications system that acts as Kiwi.com's automation platform."

Customized bots for different functions are a favorite with Slack's European customers; they perform everyday activities include securing parking spaces, joining sports activities, and booking local restaurants. Tasks can be made simple and fast by using Slack tools to develop applications. Directory applications and workflow applications are common Slack use cases.

In Europe, the Nordic countries (especially Sweden) were the early adopters. Slack's software is engineered in a way that reflects Sweden's cultural values of organic collaboration and transparency. Slack has now also gained similar success in the U.K., Germany, France, and Benelux. Manufacturing companies in Germany and France have recently been keen to engage with Slack.

COVID-19 has acted as a catalyst for manufacturers to change their business models, and highly affected industries such automotive have been quick to see Slack's potential impact in changing working methods. Southern European countries such as Spain are now also showing an appetite for Slack. This is accelerating Slack's European growth.

ADVICE FOR THE TECHNOLOGY BUYER

Consider Slack as a mechanism to accelerate internal and external collaboration as part of your DX efforts. CEOs whose vision is to have a single unified company that is modern, agile, fast, and highly empowered will be attracted to Slack's value proposition. Industries that have many youthful knowledge workers, such as media, will also be attracted to Slack's "cool" brand power. Using Slack is an indicator to young talent that a company is progressive and forward thinking and that it values its employees.

COVID-19 has massively accelerated the adoption of "Future of Work" concepts in large enterprises. In particular, the move toward decentralization and front-line empowerment has been a boon for Slack. COVID-19 has brought communications platforms such as Slack from relative enterprise obscurity to executive "front of mind," mission-critical seriousness and urgency. Enterprises are rethinking business travel and work-from-home policies. They are also thinking about operating model transformations in earnest. These are fundamental changes to how enterprises work.

Slack's adoption by large global enterprise accounts should allay any concerns of Slack's technical scalability, security, and ability to integrate with other enterprise applications platforms. The main challenge for customers is to monitor and manage the platform, guarantee inclusion, and ensure that Slack does not become a fragmented confusion of channels. Prioritization, focus, and activation of core enterprise use cases using channels are key management considerations.

Slack's commercial model makes it easy to develop usage in an organic, bottoms-up manner at low risk, but this approach will take time. For enterprises that want to make broad changes to the way they work, an enterprisewide top-down vision is required. The key question is probably not, "Is Slack ready for you?" but rather, "Are you ready for Slack?"

LEARN MORE

Related Research

- *Slack Targets Email; Grows Intercompany Collaboration Capabilities* (IDC #IcUS46645820, June 2020)

- *Slack and AWS Create Partnership; Hint at the Future* (IDC #lcUS46529520, June 2020)
- *Slack Simplifies Desktop, Mobile Interfaces for Every User* (IDC #lcUS46399420, May 2020)
- *IT Suppliers, COVID-19, and CX: Use Empathy to Help Clients Rebalance Their CX* (IDC #EUR246172220, April 2020)
- *Social Media, Communities, and Collaboration: The Rise of the Social Enterprise* (IDC #US44662419, September 2019)

Synopsis

This IDC Perspective describes the business value of Slack. It is important that executives see the wider enterprise vision for adopting Slack, to frame a deployment strategy that will deliver an accelerated change in working practices. Before COVID-19, a study by PwC showed that business leaders estimate that, five years from now, their companies will need to operate a third faster than they do today to remain competitive. Slack potentially provides a means to keep pace with the speed of change required.

"Businesses in a post-COVID-19 world will above all treasure business resilience to withstand marketplace shocks and the agility to adapt to every-changing customer and employee experience requirements innovatively. Slack is a tool that can assist in achieving these strategic goals, while also providing significant short-term business benefits," said Gerry Brown, IDC's European CX research director.

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