

# CityNext: Microsoft's Future City Market Proposition

## Driving a "people-first" approach with the right technology

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## SUMMARY

### Catalyst

Both the UK and the EC recently launched their "smart city" strategies. It is therefore excellent news for the future city market that Microsoft has launched CityNext, its future city value proposition. Microsoft has been criticized for being slow to appreciate market changes and having to play catch-up on search, gaming, tablets, phones, and the cloud, but its success with Xbox, Windows Phones, Office365, and Azure, for example, demonstrates what it is capable of when it focuses its efforts. It has recognized that the future city market has passed the inflection point between vision and reality, and despite its recent challenges it is still a powerhouse and should not be underestimated. Laura Ipsen, the corporate vice president for Microsoft's Public Sector organization, has stated: "We have a strong platform and the power of more than 400,000 technology experts from the vast and diverse Microsoft Partner Network to support us."

### Ovum view

Ovum has been analyzing the rhetoric and the reality of the smart city market for some time. The market is only just beginning to move forward because it requires more than one company, and indeed more than one vertical, to do so. Ovum has published other reports about the need for a wider partner ecosystem beyond IT. However, it is clear that IT enables the "smart" in future cities, and the demand side is now maturing, creating future city strategies that can be matched by vendors' value propositions.

Microsoft's commercial approach is predominantly through and with partners, and this puts it in an excellent position to create a competitive partner ecosystem. This ecosystem is, in turn, well positioned to reflect the current preoccupation of government with bringing SMEs into public sector procurement. Microsoft can also leverage the ubiquity of Office in the public sector. It has built its value proposition around a "people-first" approach, and it is now building its social engagement programs, such as BizSpark and Partners in Learning, into its offering.

## Key messages

- Cities are first and foremost about people, so people must be fully engaged in defining what smart city success looks like.
- A successful city strategy is driven by and drives collaboration, and mobile is an integral part of this.
- IT is the critical enabler of collaboration, so ubiquitous connectivity is a must-have.
- The optimal partner system goes beyond IT, and includes financial services, utilities, telecoms, and developers.

## THE THREE PILLARS OF THE CITYNEXT VALUE PROPOSITION

### Drive a people-first approach by leveraging the right technology

Ovum recently published *2013 ICT Enterprise Insights in the Government Technology Industry* and *2014 Trends to Watch: Government Technology*. The first highlights how the top spending initiatives in the government sector are focused on achieving a single view of the customer and citizen self-service. The second points to smart cities' common operating platform approach as a strategic method with which to enhance citizen engagement.

Microsoft is in a very good position to facilitate a people-first approach with its global partner model, using its comprehensive software suite and its new emphasis on devices and services capabilities, which dovetails with both citizens' consumer demands city operations' enterprise demands. Few companies, if any, offer a value proposition that delivers such a broad portfolio of familiar software, devices, and services, which is complemented by solutions being built on the Microsoft stack by a network of partners worldwide. The company has a relationship with most cities around the globe either directly or through its partner channel, and it is working to launch its partnership programs, particularly those for education and training on its CityNext proposition.

### CityNext's three pillars: operations, people, and innovation

In essence, Microsoft's CityNext proposition has three pillars.

- **Transform operations and infrastructure.** Drive value from Big Data that can be accessed through enterprise-ready devices and applications, by using the cloud and leveraging innovative partner solutions.
- **Concentrate on a people-first approach.** This will be achieved through two-way, realtime engagement with citizens and businesses, via personalized services and apps that are user-friendly, leverage social media, and promote personalized services that are interoperable and built on open standards.
- **Accelerate innovation.** Like many global companies, Microsoft has a host of global social engagement programs, which it can provide as an adjunct to its core offering. For CityNext, it is particularly promoting its global YouthSpark initiative, which is aimed at improving the

professional and social skills of young people while encouraging innovative SME business development. Microsoft has stated: "Through a people-first approach and strategic partnerships, cities can enable sustainable cycles of innovation, opportunity, and progress for years to come."

## CITYNEXT'S "ONE CITY" APPROACH ACROSS EIGHT CRITICAL FUNCTIONS

### Doing "New with less"

Although the meaning of Microsoft's CityNext strapline "New with less" is not immediately clear, it does correctly reflect the market. Cuts in government budgets have led to a dearth in capex, but enterprises can still support an opex revenue model, which means that CIOs and transformation leaders in the public sector must find new ways to deliver services with less money. The smart city approach is an overarching strategy with two core propositions: a single view of the customer across siloed departments and a concomitant single view of government for the citizen. The smart city approach facilitates citizen engagement, channel shift, and revenue generation.

Microsoft's CityNext proposition is designed to enable cities to operate as "one city" across eight critical functions: energy and water; buildings, infrastructure, and planning; transportation; public safety and justice; tourism, recreation, and culture; education; health and social services; and government administration. There is a great deal of discussion about what functions fall within the scope of smart cities and how they should be described, and Ovum believes that Microsoft is correct to identify these eight. However, experience suggests that there may be an ideal roadmap to follow, which begins with transport and public safety services.

### Defining the "new": cloud, mobility, social, and Big Data

As an IT company, Microsoft views smart cities from a technology perspective, and it is pitting the "new" technologies against the challenges it sees in the market. It is therefore targeting the cloud, mobile collaboration, social media, and Big Data.

- **Cloud.** It is not the technology aspect of the cloud as much as the fact that it can enable scalable, pay-per-use transactional government services that puts it firmly in the smart city arena. Microsoft has recognized the importance of the cloud in the smart city story, and CityNext will allow cities to choose public, private, or hybrid clouds that it claims protect data sources with the privacy, security, and control required for effective cross-departmental collaboration and sharing of resources. For example, Transport for Greater Manchester is using Windows Azure and Visual Studio to store and access the city region's transport data and create a single data model. More than 100 developers have already developed apps using this data.
- **Mobility.** Microsoft has correctly identified mobility as another significant area of city activity, and one that dovetails with its devices and services ambitions. Mobility, collaboration, security,

"bring your own device" (BYOD), and asset management are all interrelated and drive remote working and realtime engagement. Microsoft has stated that "with mobile devices such as sensors, smartphones, and tablets, cities can reach citizens anywhere, on any screen through the device of their choice." This allows for greater engagement and is one of the key enablers of channel shift. Microsoft is working with the city of Barcelona to develop an enhanced virtual desktop infrastructure for field employees, and Office 365 has been deployed for use by the city's police and firefighters. Microsoft is also part of the OpenData BCN, which uses Windows Server 2008 R2 and SQL Server 2012.

- **Social.** In the Ovum report *Trust and the City: Technology's Role in Engendering Trust in Government*, we argued that levels of trust in society are decreasing. This is inhibiting citizen adherence to newly formed policy, decreasing voter turnout, increasing law and order issues, discouraging organic civic engagement, increasing the size of black markets, enabling corruption, and reducing tax revenue collected by the city. Technology is a double-edged sword, both fostering and hindering trust in city government. Social media, connection technologies, Big Data, monitoring technologies, and shifting interfaces between the individual and the city all contribute to technology's influence on institutional and interpersonal trust. CityNext will use social media such as Twitter, Facebook, Skype, and Yammer to enable cities to have dialogues with citizens and businesses to better understand their needs.
- **Big Data.** In the Ovum report *Deriving Insight from Data for Smarter Urban Operations* we support the idea that Big Data is a smart city driver. The reasons behind the "data rich, information poor" nature of today's cities are myriad, including issues with data collection, standalone systems, human capital/analytic know-how, local politics, agency culture, and budget. Although technology is clearly not the solution to all aspects of this problem, it can serve as the major catalyst. Ovum sees tools surrounding data integration, master data management (MDM), data quality, business intelligence (BI), advanced analytics, and visualization as key to the progression toward smarter municipalities characterized by operational systems that provide rapid insights for more informed, transparent decision-making

## "New" needs to include a fresh look at the partner ecosystem

Ovum continues to emphasize the need for the formation of a partner model that reflects the complex requirements of the smart city market. In the past, there has been criticism about the way in which different verticals, such as IT, telecoms, utilities, and construction, approach the smart city market from their own comfort zones. Utilities say that the market is about energy, IT companies do not go beyond IT, and telcos push solely for connectivity, when in reality the market needs many verticals to work together. However, more work may be required to inculcate IT as part of the smart city story with developers, and clients also want to see local SMEs as part of any successful bid.

## RECOMMENDATIONS

### Recommendations for enterprises

To synthesize its CityNext offering, Microsoft has built on its earlier strategic value propositions in the public sector, such as Digital Town Hall, Citizen Service Platform, and Connected Government Framework. CityNext has therefore been a long time in the making, but Microsoft has been listening to its customers, and CityNext is well worth considering.

### Recommendations for vendors

Smart city IT vendors may feel threatened by Microsoft's move into the smart city market, but they should be pleased. Ovum has identified the smart city market as a key one to watch in 2014 partly due to the sheer number of companies in different verticals targeting the space. The fact that the mainstream media is now discussing smart cities is further indication of the market's momentum, with CNN, the BBC, the *Financial Times*, and the *Economist* among those covering it. The market has the potential to be enormous, and the more players involved, the faster it will grow.

## APPENDIX

### Further reading

- 2013 ICT Enterprise Insights in the Government Technology Industry*, IT007-000723 (October 2013)
- "UK government launches a smart city industry strategy," IT007-000726 (October 2013)
- Deriving Insight from Data for Smarter Urban Operations*, IT007-000705 (July 2013)
- Trust and the City: Technology's Role in Engendering Trust in Government*, IT007-000579 (May 2013)
- Opportunity and Innovation in Smart Cities*, IT005-000182 (May 2012)
- "London City Airport gets smart and shows channel development flightpath," IT007-000691 (April 2013)
- Smart Planning for a Smart City Infrastructure*, IT002-000214 (February 2012)
- "Fast cars, clever trolleys, and the battle for lamp posts: M2M is coming of age" IT007-000624 (July 2012)

### Methodology

- Primary research/vendor briefings – ongoing meetings with government technology vendors and IT decision-makers in government agencies.
- Secondary research – industry publications, broker and analyst reports, academic research, and data from public databases.

- Business trends and technology trends surveys – interviews with businesses and decision-makers globally on IT priorities, budget outlooks, vendor and purchasing preferences, plans for specific investments, and key horizontal IT issues affecting organizations.

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## Ovum Consulting

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