

Dropbox Adds More Management Features While Pursuing a New Way to Sell to Businesses

Published: 6 January 2014

Analyst(s): Jeffrey Mann

Over the past year, Dropbox has released several sets of improvements to its Dropbox for Business product aimed at small business and team use. Although it still lags behind enterprise competitors, this may not matter as Dropbox wants to open a new way to sell to businesses.

Impacts

- Dropbox's enhancements to its enterprise capabilities will make its service more acceptable to collaboration managers in some businesses, but not all.
- The growing popularity of personal cloud and bring your own device (BYOD) initiatives is prompting enterprise IT leaders to accept some individual and consumer-oriented services for business use.
- Dropbox's efforts to meet business requirements will see it pursue a new way to sell software ("Consumerization 2.0") to IT leaders, rather than traditional enterprise sales methods.

Recommendations

Enterprise workplace planners should:

- Look for enterprise products that provide a level of usability and convenience approaching that of consumer products, even if it will not be possible to match them completely.
- Anticipate users' demands for these services, which are probably already being used. Provide enterprise alternatives that meet their needs before consumer services can become established.
- Evaluate Dropbox as a consumer-oriented vendor that could be acceptable for some business use, but not as an enterprise supplier.
- Ensure collaboration and content strategies incorporate user-friendly, mobile-oriented file synchronization and sharing as basic capabilities.

Strategic Planning Assumptions

By 2015, 20% of current enterprise content management use cases will be fulfilled by cloud file synchronization and sharing services, rather than traditional tools.

By 2015, 70% of enterprises will include a cloud file sharing and synchronization capability when they are implementing or upgrading enterprise content management applications.

Analysis

(This report updates one published in March 2013. This updated version reflects recent announcements from Dropbox.)

Dropbox offers by far the most popular consumer file synchronization and sharing service on the market; it claims more than 200 million users and over 1 billion files uploaded per day.¹ Dropbox is primarily aimed at individuals who want to synchronize their pictures, documents and other files between their different devices and share them with other people. Many people use Dropbox for business purposes, with or without the knowledge or permission of their employer. Workplace planners can use this report to help decide how to position Dropbox for — or exclude it from — enterprise use.

Concerns about the control of corporate information and the suitability of Dropbox for enterprise use leads many companies to ban its use by stated policy, blocking access to the Dropbox site at the corporate firewall or scanning corporate devices for the Dropbox synchronization program (see "How to Control File Synchronization Services and Prevent Corporate Data Leakage"). Dropbox for Business, however, is a separate product aimed at business use and based on Dropbox's original technology. Dropbox is looking to augment the revenue it makes from selling to individuals by also selling services to businesses. It has progressively been adding features that businesses look for.

The need for file synchronization and sharing services with more enterprise controls and oversight has led to strong growth in the enterprise file synchronization and sharing (EFSS) market (see "MarketScope for Enterprise File Synchronization and Sharing").

Figure 1. Impacts and Top Recommendations for Enterprise Workplace Planners

Impacts	Top Recommendations
Dropbox's enhancements to its enterprise capabilities will make its service acceptable to collaboration managers in some businesses.	<ul style="list-style-type: none"> • Look for enterprise products that provide a level of usability and convenience approaching that of consumer products. • When evaluating consumer-oriented products, determine the minimal levels of security and control needed to endorse their use.
The growing popularity of personal cloud and BYOD initiatives is prompting enterprise IT leaders to accept some individual and consumer-oriented services for business use.	<ul style="list-style-type: none"> • Anticipate users' demands for these services. Provide enterprise alternatives that meet their needs. • Involve users when evaluating enterprise services.
Dropbox's efforts to meet business requirements will see it pursue a new way to sell software to IT leaders, rather than traditional enterprise sales methods.	<ul style="list-style-type: none"> • Evaluate Dropbox as a vendor that could be acceptable for some business use, but not as an enterprise supplier. • Ensure collaboration and content strategies incorporate user-friendly, mobile-oriented file synchronization and sharing as basics.

BYOD = bring your own device

Source: Gartner (January 2014)

Impacts and Recommendations

Dropbox's enhancements to its enterprise capabilities will make its service more acceptable to collaboration managers in some businesses, but not all

On 13 November 2013, Dropbox announced another set of enhancements to its Dropbox for Business product.² The first set was announced on 12 February 2013.³ While the main Dropbox service is free for individuals using up to 2 gigabytes of storage (more is available at no cost through referrals, or for a fee), Dropbox for Business is a paid service starting at \$795 per year for five users and 1 terabyte of storage.

The main change announced in November is a restructuring of the product to treat personal data and business data separately. A user can connect his or her personal Dropbox account to a Dropbox for Business account, while keeping each account clearly separate. Each account retains its own passwords and settings. This change was necessary to make it possible to build the other capabilities, which include:

- Separation of personal and business data into different accounts
- Audit logs showing who has shared what with whom
- Transfer of files between business accounts
- Remote wiping of business data from users' devices

These enhancements will roll out to Dropbox for Business customers through 1Q14.

The business-oriented features released in February 2013 include:

- A members page that shows all users under the Dropbox for Business license
- For each member, the ability for administrators to see information on devices linked, Web sessions, apps enabled and recent activities (logins and security changes). Administrators can unlink a device or end a session, or remove a user entirely.
- Reminders to add two-factor verification (password plus a security code sent to a mobile phone), and the ability to prevent users from turning it off once activated.
- Forced password resetting for all users' business accounts.
- Means of preventing all team members from sharing folders or links or joining folders outside the team.
- Management of licenses and payments.

Additionally, on 10 April 2013 Dropbox announced support for single sign-on through the Security Assertion Markup Language (SAML) protocol.

While these enhancements are certainly improvements, many enterprises will find them insufficient to enable them to adopt Dropbox enthusiastically (see "Ten Enterprise Expectations for File Sync and Share Mobile Solutions"). Some of the limitations that persist:

- Audit logs contain every change and activity for all files and users. There are very limited built-in facilities to analyze or monitor the logs. Administrators can, however, analyze downloaded log files using third-party tools such as Splunk and QlikView.
- There is no facility to require use of the built-in two-factor authentication for all users without the use of third-party single-sign-on providers.
- Administrators cannot define whether individual files or folders can be shared or with whom. Sharing is determined by each user or by the administrator for the entire account.
- There is no support for groups within a team. All changes and policies apply to everyone under the Dropbox for Business license.

While each set of enhancements adds to Dropbox's enterprise credentials, its capabilities remain well behind those of most of its EFSS competitors. These limitations mean that Dropbox for Business is primarily suitable for small and midsize businesses or teams in organizations that are

comfortable using technologies originally developed for individual use and that require basic enterprise management and security features, or for data with low levels of sensitivity.

Like most cloud service suppliers, Dropbox plans to offer more functionality every few months, so those evaluating the company should keep track of developments. With each release of new capabilities, Dropbox will become "good enough" for more businesses with more advanced requirements, even if Dropbox does not catch up completely with the leaders in this space.

Some organizations will also use third-party security or mobile device management products, such as nCrypted Cloud and AlephCloud, to improve security with Dropbox. However, this approach can add complexity and cost, which undermines two of Dropbox's main attractions.

Recommendations:

- When evaluating employees' use of consumer-oriented products, determine the minimal levels of security and control that would be needed to endorse their use.
- When banning consumer products or requiring employees to use sanctioned enterprise products, ensure that the reasons for the ban are made clear.
- Look for enterprise products that provide a level of usability and convenience approaching that of consumer products, even if it will not be possible to match them completely.

The growing popularity of personal cloud and BYOD initiatives is prompting enterprise IT leaders to accept some individual and consumer-oriented services for business use

With the rise of the personal cloud (see "The New PC Era: The Personal Cloud") and BYOD initiatives, individual users have much more influence over, and even decision-making power about, the tools they use. IT departments can no longer dictate every aspect of how employees use technology or even which technology they use. Users will exert increasing pressure on IT departments to accept or accommodate the choices they make, even if they do not understand or care about the limitations and risks.

Dropbox illustrates this trend perfectly, and can be difficult for corporate IT departments to deal with. Dropbox is successful as a consumer product because it provides a very useful and necessary service with a seductively easy-to-use interface at no initial cost. That combination is tough to compete with when IT departments offer traditional enterprise software, which is not free and is often not as easy to use due to limited functionality, outdated design, and enterprise management and security requirements.

IT departments should evaluate the capabilities of these user-driven tools, and match them against enterprise data protection and management requirements. Even if they are not suitable for all documents (including the most sensitive), specify the situations and types of data where they *can* be used. Lack of adoption is one of the leading problems with EFSS deployments. Encouraging use of enterprise versions of the tools users have demonstrated they *want* to use (when appropriate) is an excellent way to address the adoption issue.

Recommendations:

- Ensure that both managers and their employees know the policy, and the reasons behind it, regarding use of consumer services for business purposes.
- Anticipate users' demands for these services. Provide enterprise alternatives that meet their needs before consumer services can become established.
- When deploying an EFSS product, establish a process to bring corporate data from personal file shares to the enterprise version. At the very least, encourage users to move corporate data back by declaring an "amnesty" period.
- Involve users when evaluating enterprise services. If employees do not accept them, they will bypass controls and continue using consumer tools.

Dropbox's efforts to serve business requirements will drive it to pursue a new way to sell software ("Consumerization 2.0") to IT leaders, rather than traditional enterprise sales methods

Dropbox has had striking success as a consumer service. To address the business market, it has been hiring engineers and salespeople with enterprise experience. However, we do not expect Dropbox to sell to enterprises primarily by relying on the traditional methods of direct salespeople and resellers calling on IT executives. Dropbox's sales process relies primarily on individuals and administrators signing up for the service on dropbox.com. While Dropbox is increasing its efforts to accommodate enterprise concerns, it will take time to make these changes.

To some extent, Dropbox is uniquely positioned to address the enterprise market in a different way. Its widespread consumer adoption means that it can define "success" differently from other vendors trying to break into the EFSS market. Because so many individuals already use Dropbox for personal data and presumably want to use it for business purposes also (if they are not already doing so "under the radar"), the company can achieve significant revenue by reducing the number of organizations that actively block or discourage its software.

This is a much easier task than that facing Dropbox's EFSS competitors; they need to convince IT departments to adopt their products as a corporate standard. While the enhancements Dropbox has been making are not enough to challenge EFSS competitors in a head-to-head feature comparison, they are sufficient to achieve this far less ambitious goal, at least for some companies.

Once IT and security governance policy restrictions are relaxed, individual employees and teams will be free to expand their use of a service they already use in their personal lives. This way of selling can be seen as an example of "Consumerization 2.0" Where the first iteration of consumerization saw employees making secret use of consumer tools or judging enterprise tools by consumer yardsticks, "version 2.0" extends consumerization into buying patterns, with differences between consumer and enterprise tools beginning to fade away. Businesses allow or even encourage or require individual employees to use their personal services for professional purposes, with the addition of some enterprise controls.

This consumer-first approach is apparent in how Dropbox develops products. Whereas the EFSS vendors courting businesses directly try to strike a balance between ease of use on the one hand and security and manageability on the other, Dropbox takes a different approach; its first priority is usability, with support for enterprise security and manageability concerns coming a distant second, and only introduced when they do not significantly hinder usability.

Recommendations:

- Evaluate Dropbox as an individual-oriented vendor that could be acceptable for business use where individual control is sufficient, but not as an enterprise supplier.
- If there is a real need for EFSS services, evaluate the vendors that address this market.
- Establish workplace policies for the use of consumer technologies for business purposes. Regularly review these policies and ensure employees know about them.
- As Dropbox introduces more enterprise-oriented enhancements, evaluate whether it meets minimal requirements for business use.

Gartner Recommended Reading

Some documents may not be available as part of your current Gartner subscription.

"MarketScope for Enterprise File Synchronization and Sharing"

"SWOT: Dropbox, Cloud Storage and Sync Services, Worldwide"

"Ten Enterprise Expectations for File Sync and Share Mobile Solutions"

"How to Control File Synchronization Services and Prevent Corporate Data Leakage"

"The New PC Era: The Personal Cloud"

"The Roaring Return of File-Based Collaboration"

Evidence

¹ Company information: www.dropbox.com/news/company-info

² Dropbox blog post describing new features in November 2013: ["Meet the all-new Dropbox for Business"](#)

³ Dropbox blog post describing new features in February 2013: ["Introducing a new admin console and sharing controls for Teams"](#)

GARTNER HEADQUARTERS**Corporate Headquarters**

56 Top Gallant Road
Stamford, CT 06902-7700
USA
+1 203 964 0096

Regional Headquarters

AUSTRALIA
BRAZIL
JAPAN
UNITED KINGDOM

For a complete list of worldwide locations,
visit <http://www.gartner.com/technology/about.jsp>

© 2014 Gartner, Inc. and/or its affiliates. All rights reserved. Gartner is a registered trademark of Gartner, Inc. or its affiliates. This publication may not be reproduced or distributed in any form without Gartner's prior written permission. If you are authorized to access this publication, your use of it is subject to the [Usage Guidelines for Gartner Services](#) posted on gartner.com. The information contained in this publication has been obtained from sources believed to be reliable. Gartner disclaims all warranties as to the accuracy, completeness or adequacy of such information and shall have no liability for errors, omissions or inadequacies in such information. This publication consists of the opinions of Gartner's research organization and should not be construed as statements of fact. The opinions expressed herein are subject to change without notice. Although Gartner research may include a discussion of related legal issues, Gartner does not provide legal advice or services and its research should not be construed or used as such. Gartner is a public company, and its shareholders may include firms and funds that have financial interests in entities covered in Gartner research. Gartner's Board of Directors may include senior managers of these firms or funds. Gartner research is produced independently by its research organization without input or influence from these firms, funds or their managers. For further information on the independence and integrity of Gartner research, see "[Guiding Principles on Independence and Objectivity](#)."