

# **Software 2008: The Convergence of Open Source & SaaS**

---

**Presented by,**

**Jeff Kaplan**

**Managing Director**

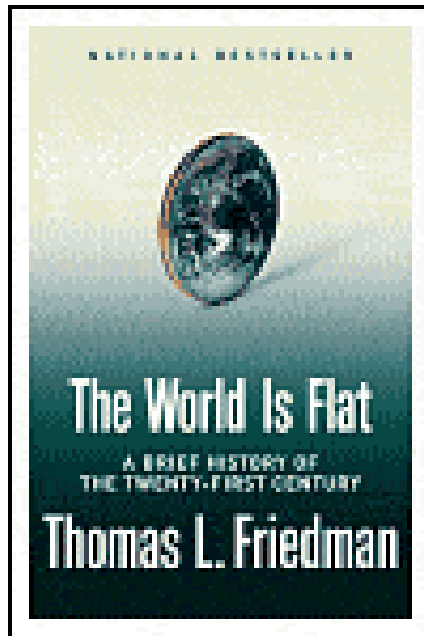
**THINKstrategies**

**[jkaplan@thinkstrategies.com](mailto:jkaplan@thinkstrategies.com)**

**781-431-2690**

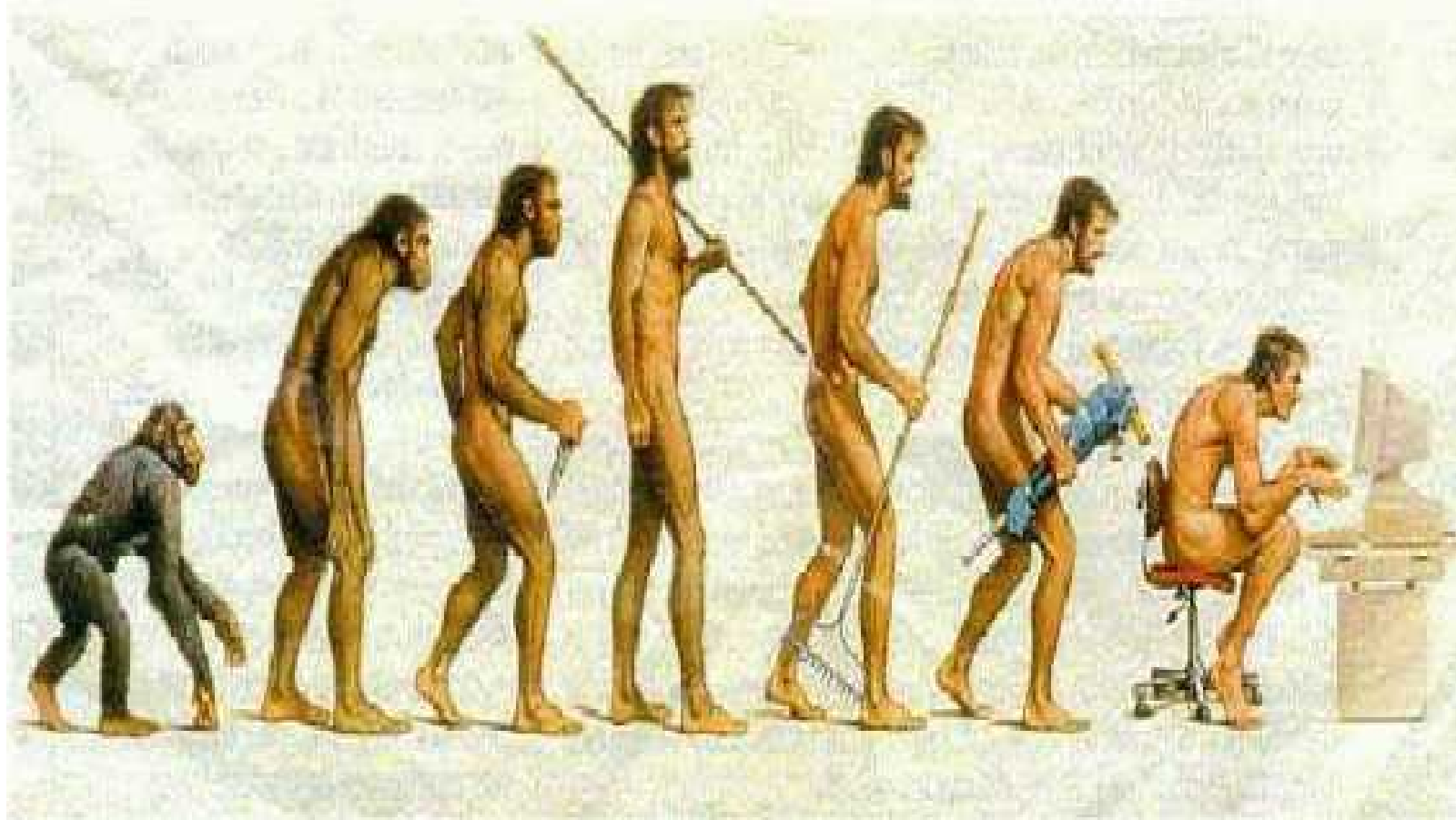


# The World Is Changing



- Changing Competitive Environment
- Changing Workers/Work Environment
- Changing Economic Climate/Pressures
- Changing Technology Environment

# Business Can No Longer Be A Slave To Technology





# The Shortcomings of Legacy, On-Premise Apps

## ■ Deployment Challenges

- 31.1% of SW projects cancelled before completed.
- 52.7% of projects cost nearly 190% of original estimates.
- 30-50% of SW costs spent on integration.

## ■ Operational Costs

- Maintenance & management costs >10x original license fee.
- Escalating hardware & staff support costs.
- Over provisioning and under-utilization of SW licenses

## ■ Economic/Budgetary Pressures

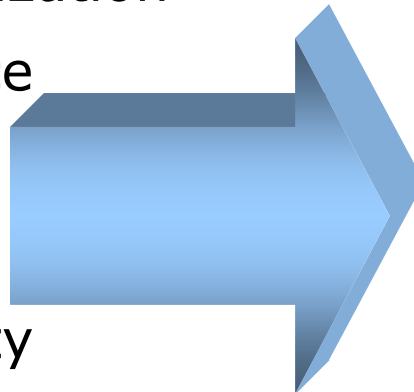
- Need to reduce IT costs and increase business benefits.
- Need to increase utilization to gain greater ROI.



# Changing Customer Expectations

## **Old,**

- Capital Investment
- Complexity, Customization
- Reactive Maintenance
- Response Time
- Customer Support
- Limited Responsibility
- Outsourcing Alternatives



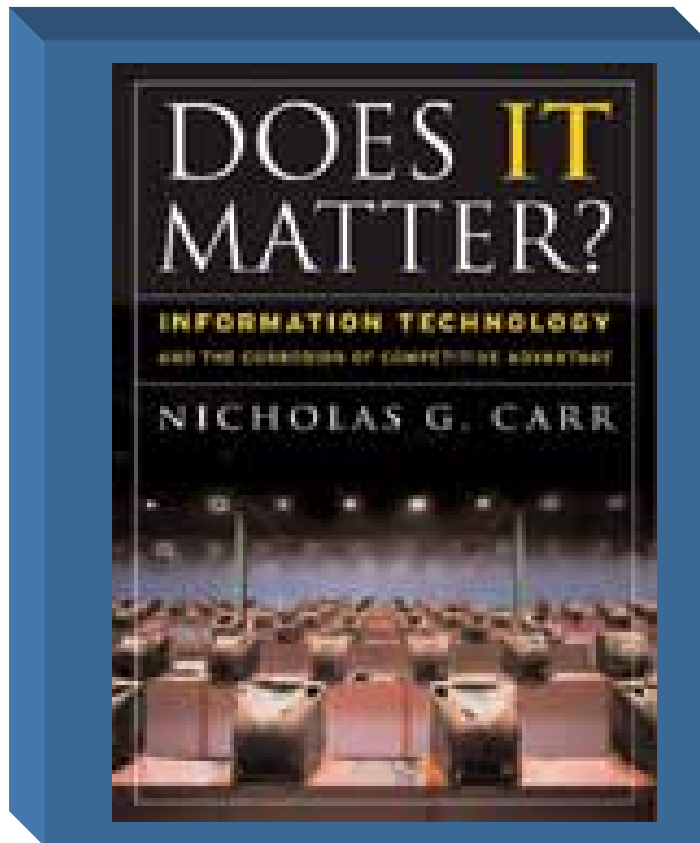
## **New,**

- Operating Expense
- Simplicity, Utilization
- Proactive Management
- Ongoing Monitoring
- Automated Delivery
- Higher Accountability
- Out-Tasking Options

*Enterprises Seeking to Generate Greater ROI at Lower TCO.*



# The Nicholas Carr Affect



**"...Imagine what future generations will see when they look back at the current time...won't the way corporate computing is practiced today appear fundamentally illogical -- and inherently doomed?"**

*"The End of Corporate Computing"  
Nicholas Carr, The MIT Sloan  
Management Review, Spring 2005.*



# Converting Software Products Into Services



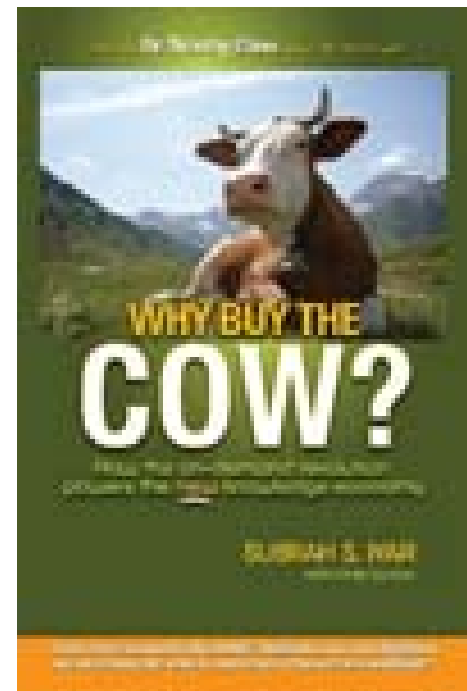
*"A hundred years ago, companies stopped generating their own power with steam engines and dynamos and plugged into the newly built electric grid... Today, a similar revolution is under way."*

- Nicholas Carr



# The Shift from Outsourcing to Out-Tasking

- Businesses seeking functionality, not technology.
- IT outsourcing deals have failed.
- Selective outsourcing, or 'out-tasking' gaining attention.
- SaaS is a form of out-tasking.





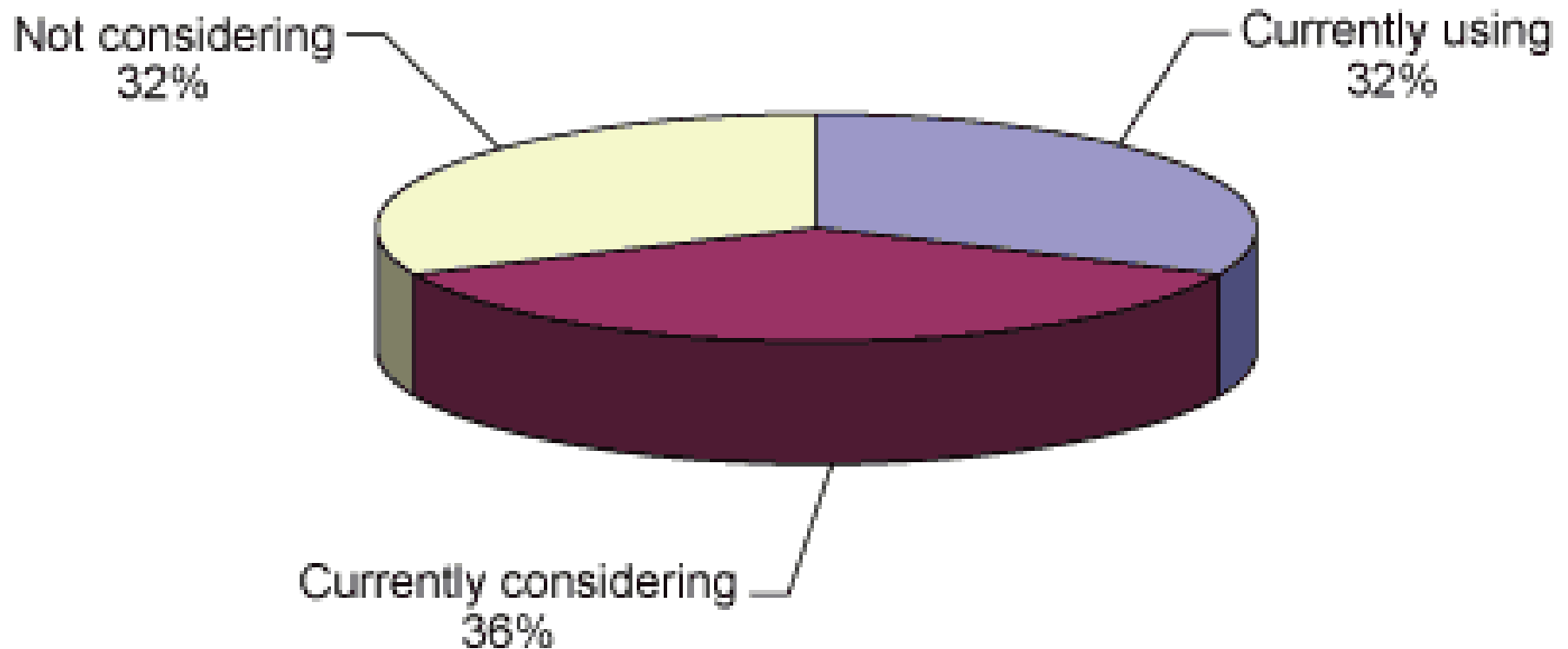
# Software-as-a-Service (SaaS) Defined

- ✓ One-to-many SW distribution model delivered and managed by a vendor/service provider.
- ✓ Delivered to customers via a network, typically the Internet.
- ✓ Customers acquire SW on a pay-as-you-go basis.
- ✓ Also referred to as "ASP", "On-Demand", "Hosted", "Managed Services", etc.





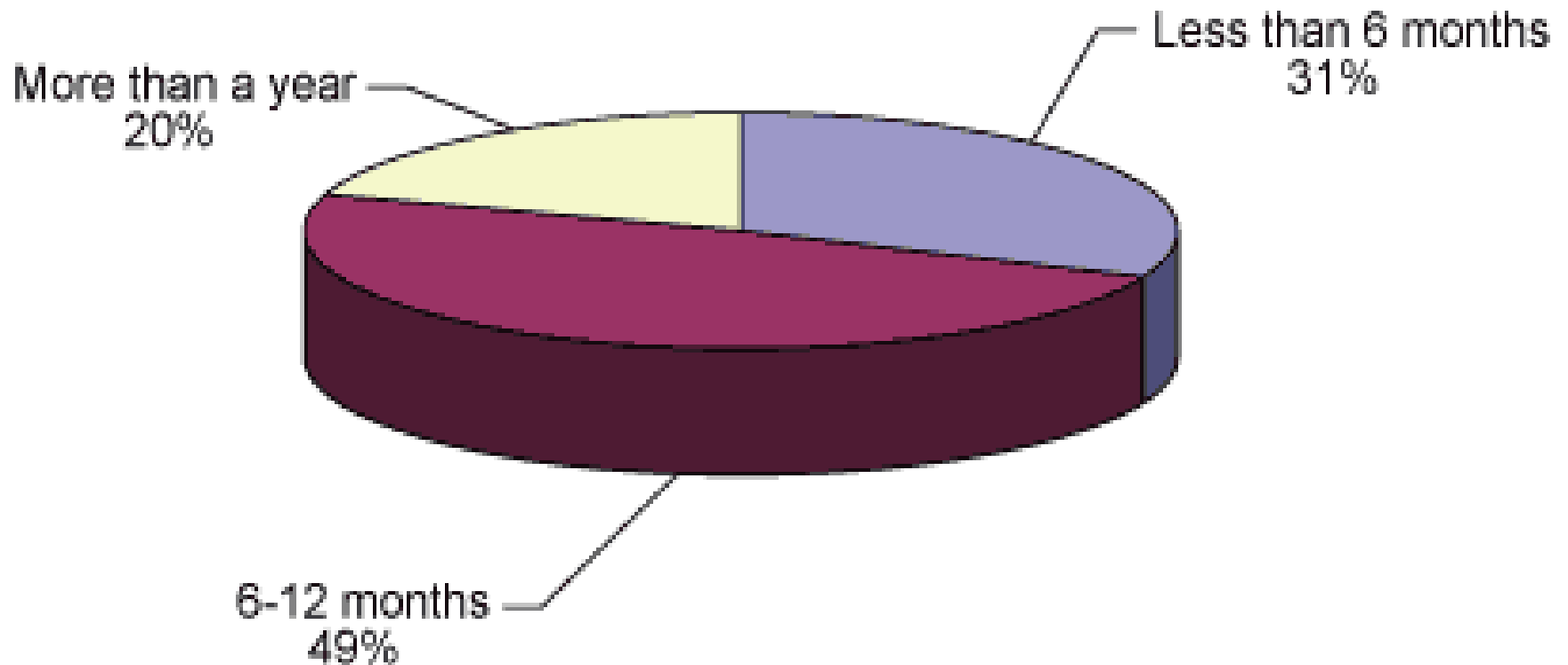
# SaaS Adoption Today



**Source:** THINKstrategies/Cutter Consortium © 2007



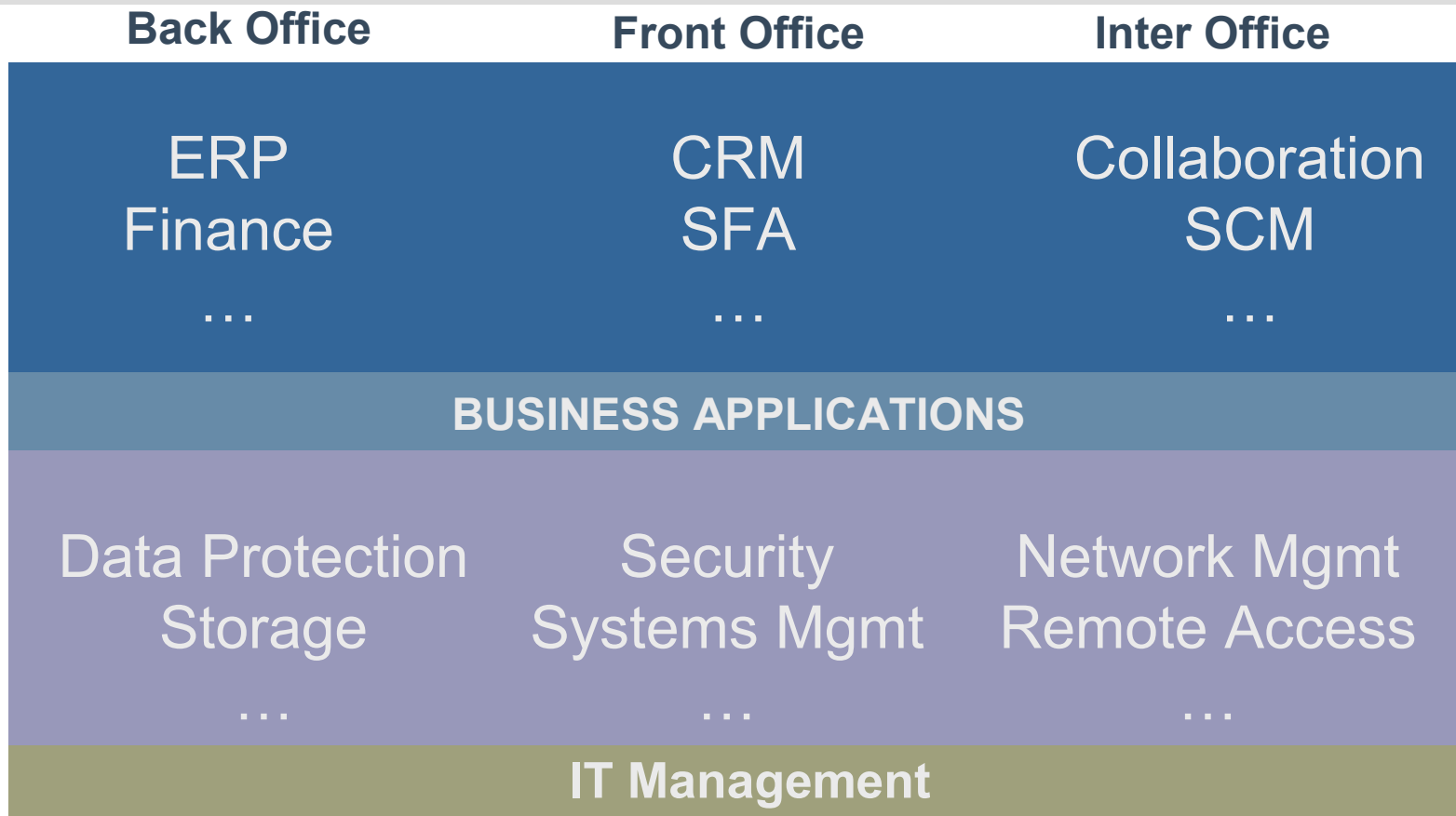
# SaaS Deployment Plans



Source: THINKstrategies/Cutter Consortium © 2007

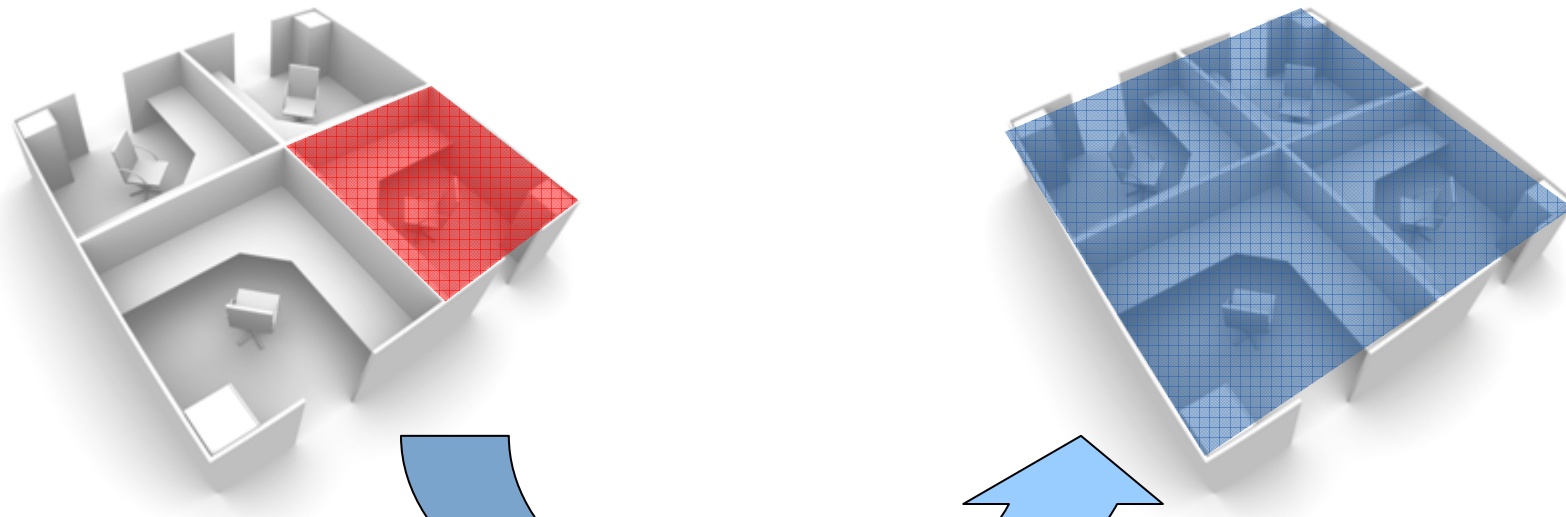


# SaaS Expands from Business Apps to IT Management





# Shifting Adoption Patterns



**Unilateral End-User,  
SBU Adoption of  
SaaS Solutions**

**Enterprise-Wide  
Acceptance and  
Adoption of SaaS**



# SaaS Evolution

## SaaS 1.0

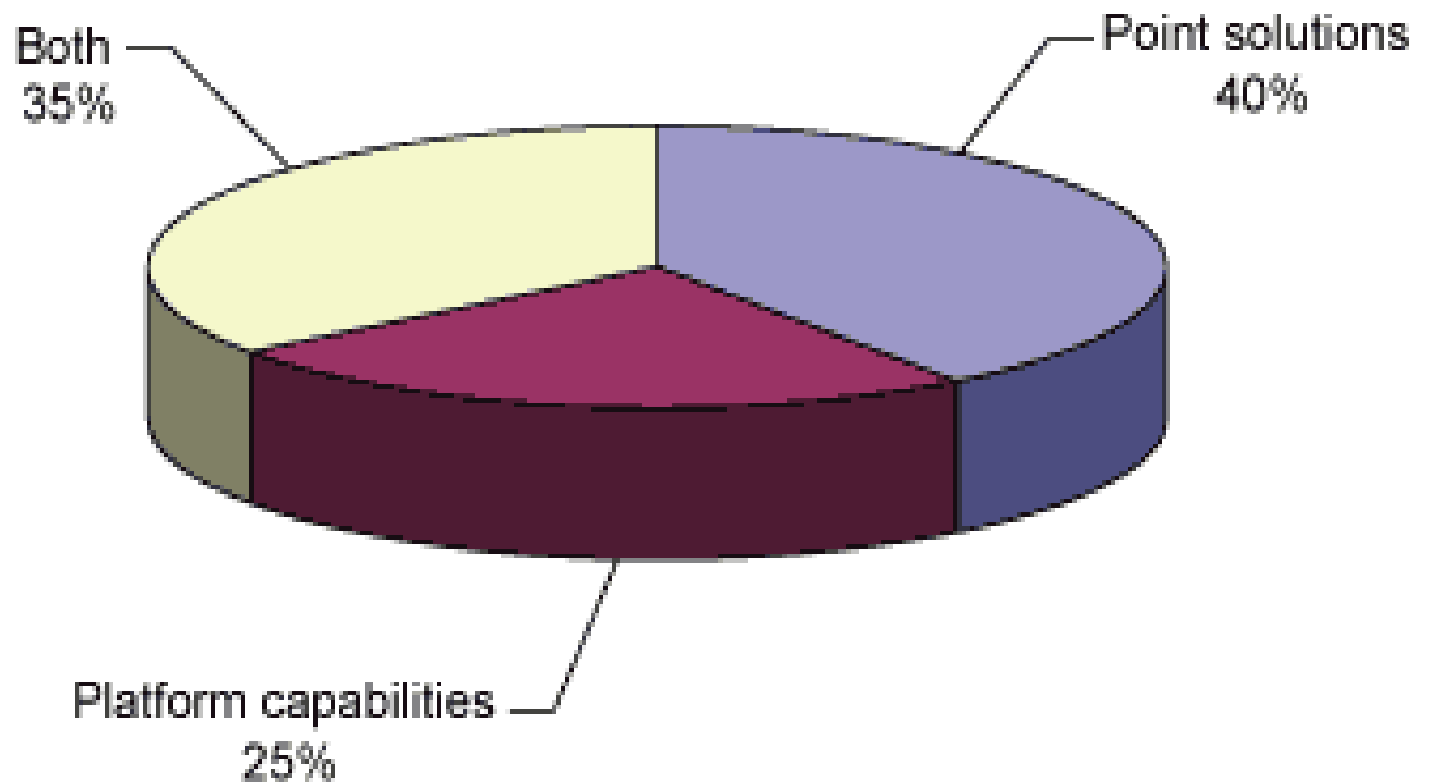
- Standalone apps
- Horizontal applications
- Focus on ease of use/price
- One size fits all, minimal customization
- Limited interoperability
- Emphasis on lower TCO

## SaaS 2.0

- Multidimensional platforms
- Vertical market solutions
- Focus on new functionality
- Flexible configurations, greater versatility
- Easier integration
- Emphasis on higher ROI



# Point Solutions vs. Platforms



**Source:** THINKstrategies/Cutter Consortium © 2007



# Competition and Validation

Google™

amazon.com™

IBM®



Microsoft®

ORACLE®

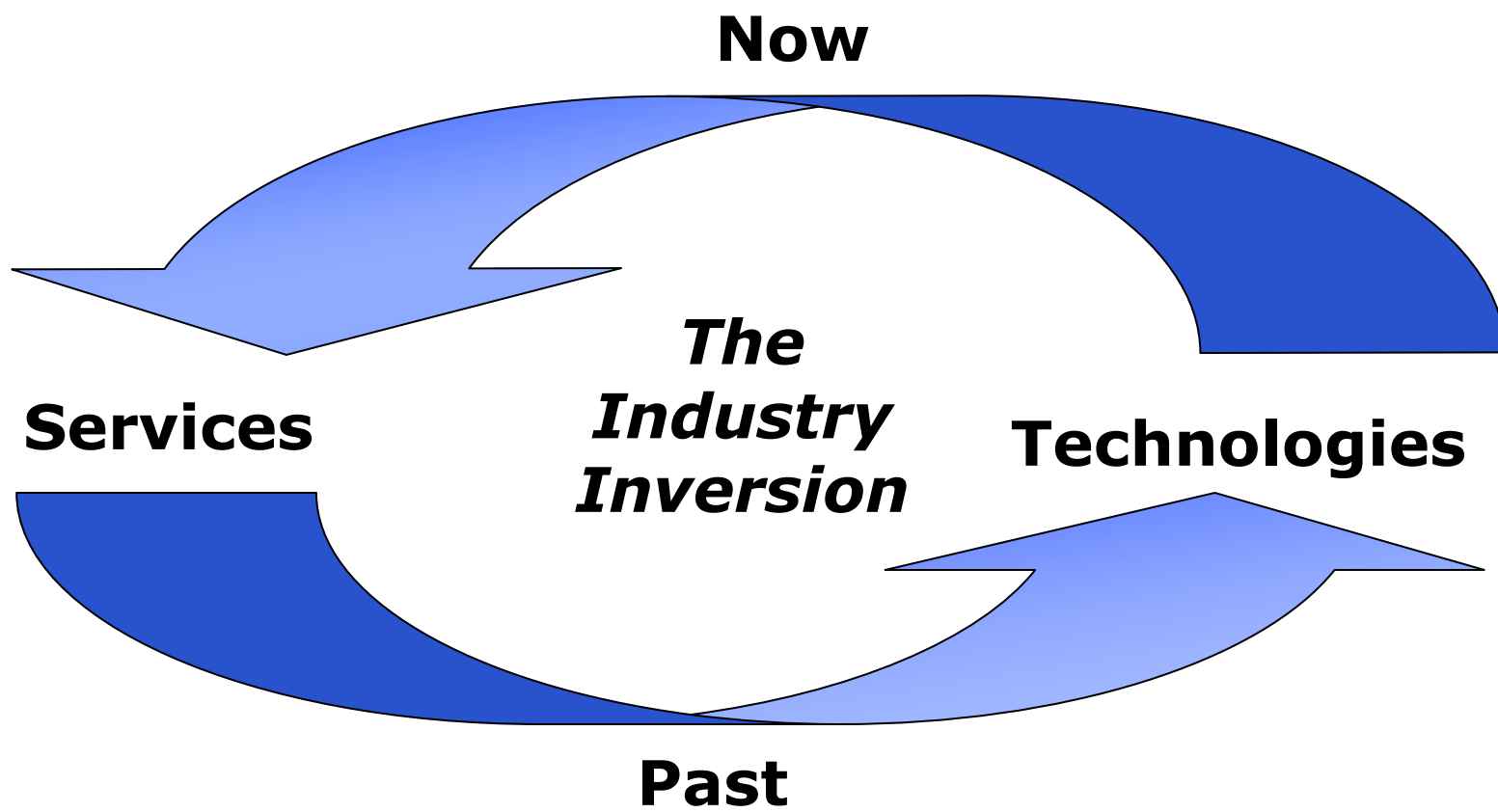
DELL™

SAP®

EMC<sup>2</sup>  
where information lives®

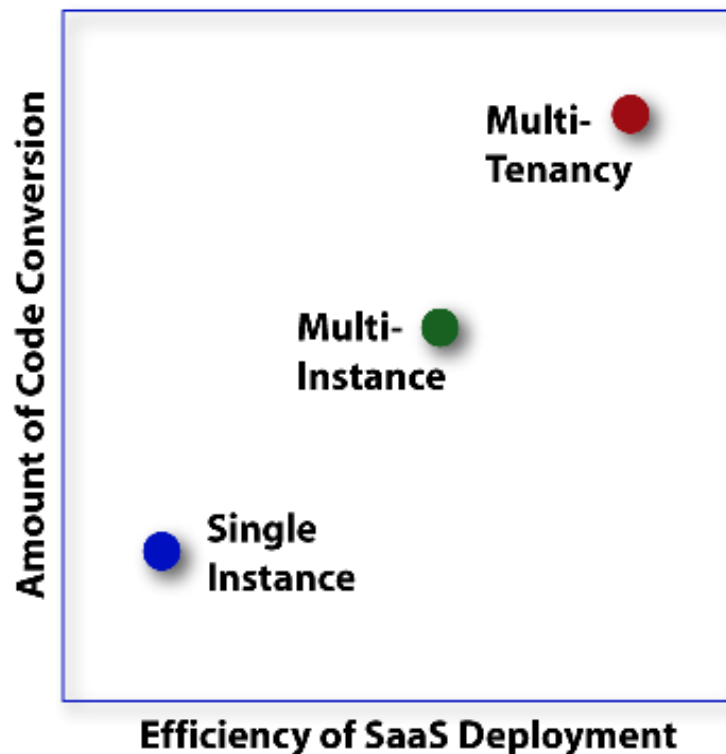


# On-Demand Services & The IT Industry Inversion





# Key Challenges Facing Established ISVs



- Re-architecting applications
- Recasting revenue models
- Repositioning solutions
- Re-orienting sales
- Restructuring channels
- Re-defining support
- Reducing operating costs

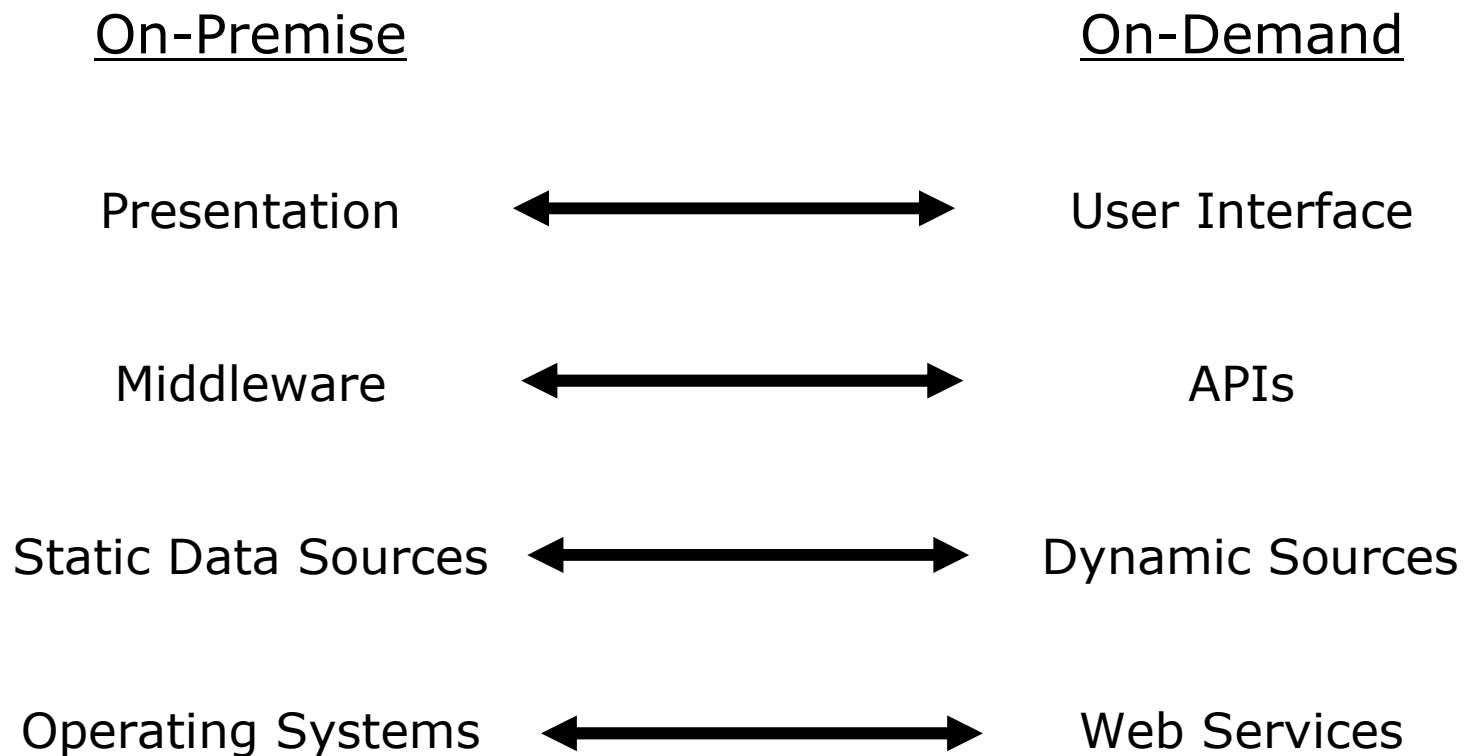


# Implications of Inversion

- *R&D* focus on service delivery methodologies rather than product features.
- *Marketing* focus on packaging and pricing services/solutions, not technology/products.
- *Sales* focus on selling economic business value not product features.
- *Customer support* focus on provisioning, billing and automated, remote management.



# Multiple Layers to the Integration Challenge

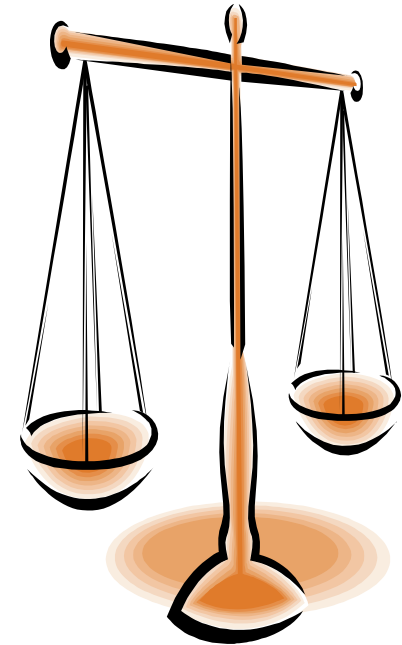


*And, across multiple SaaS platforms and services.*



# Living in a Hybrid World

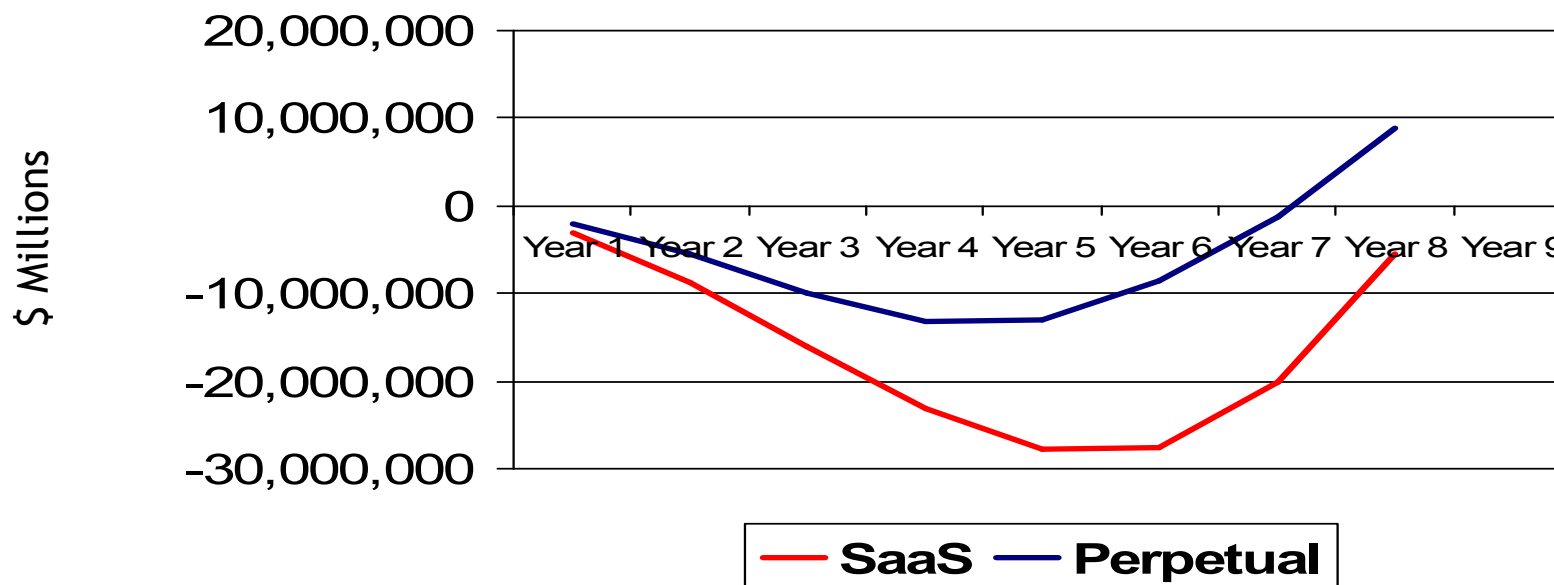
- Most enterprises will seek mix of on-premise & on-demand solutions.
- 'Applets', Appliances, etc. will permit on-demand/on-premise integration.
- Adobe AIR, Microsoft Silverlight





# Cash Difference: SaaS vs. Perpetual Models

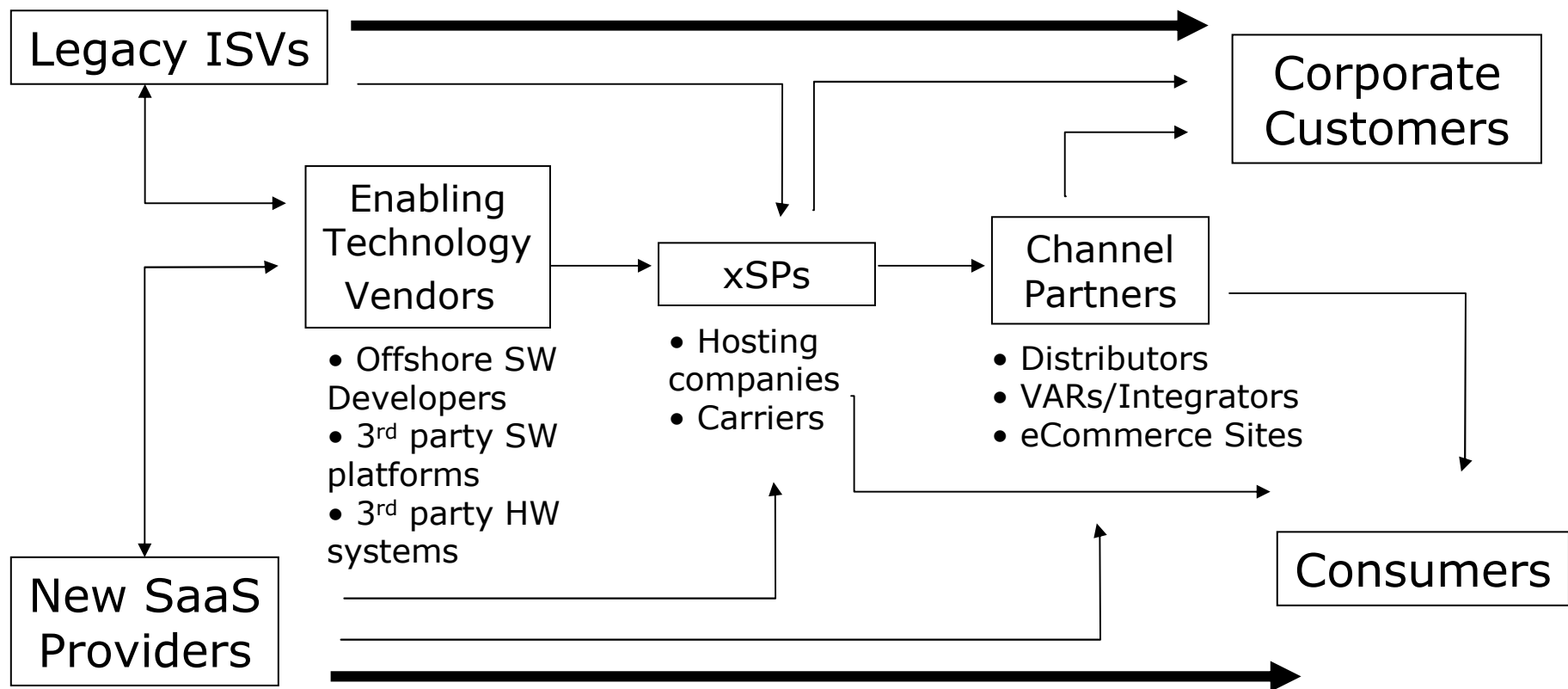
## Cumulative Cash Burn



Monthly payments instead of up-front license fees increase the capital required to build a software company by 50% to 100%



# Channel/Supply Chain Opportunities





# New Channels to Market?

- Financial Services
- Insurance Companies
- Retailers
- Web companies
- Professional Service Firms





# SaaS Ecosystems – The New Channel

the **A**ppexchange



**PROGRESS**  
SOFTWARE

**webex**™

**SQLFUSION**

 **OpSource**™  
The SaaS Experts

 **SUGAR EXCHANGE**™  
THE SUGARCRM™ MARKETPLACE

**STRIKE**  **IRON**

Web Services Business Network™  
Your Trusted Web Services Marketplace™



# What SaaS Vendors Have Learned from Open Source

Linux<sup>TM</sup>





# SaaS Building Blocks

**Community Building/Tool Sharing**

**Service Provisioning**

**Web Services & SOA**

**Virtualization**

**Blade Technology**

**Grid Computing**

**Broadband Networks**

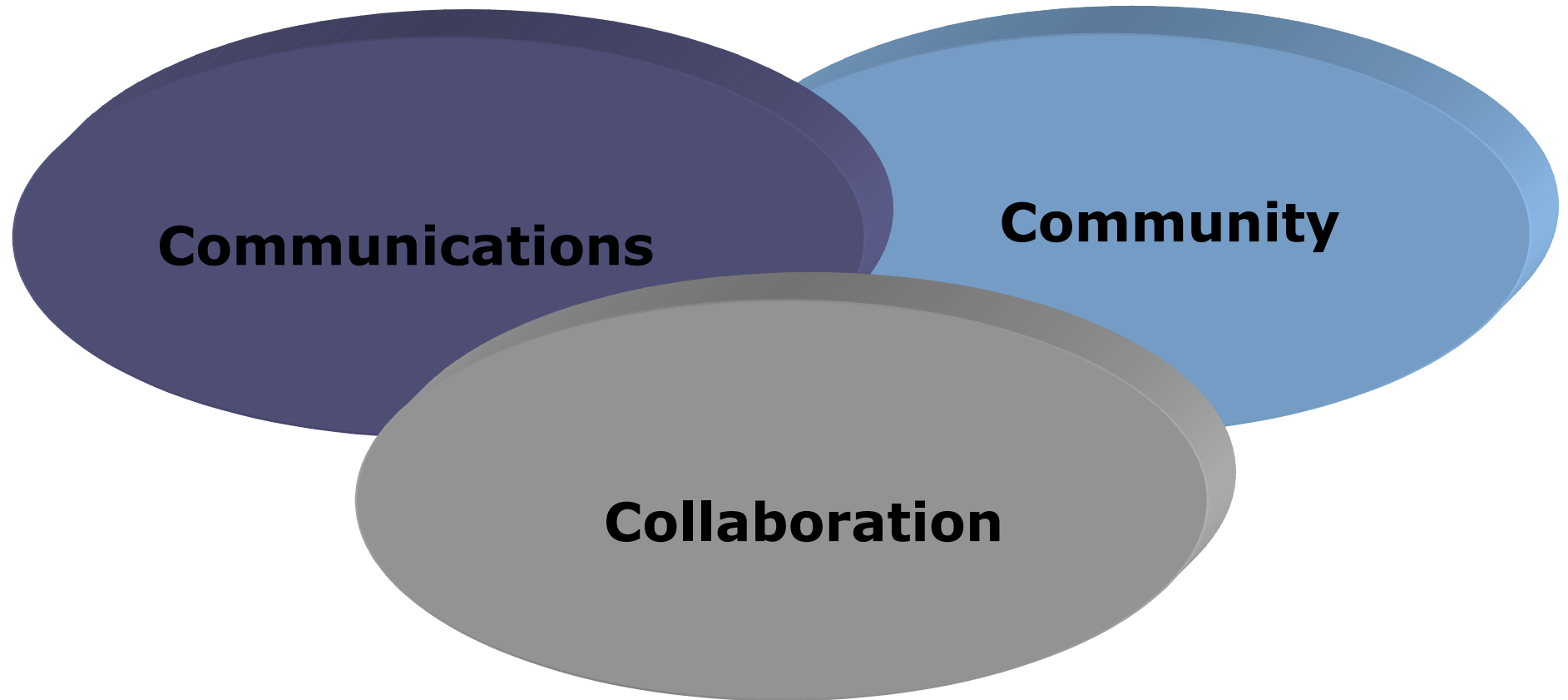


# Open Source Principles

- Low cost development tools/infrastructure
- Agile development techniques
- Integrity of the masses
- Tiered packaging/pricing
- Value-added support
- Community-based best practices



# The Cornerstones of SaaS





# The Value-Add of SaaS Communities

- Real-time, aggregated data
- Meaningful benchmark studies
- Practical best practices forums
- Continuous updates, new ideas
- Dynamic toolkit clearinghouse



# Conclusions: SaaS & Open Source

- Gaining broad-based acceptance.
- Customers demanding greater functionality and flexibility.
- Market attracting more players and competition is driving down prices.
- SaaS providers must reduce costs and create new value.
- Open source world creating new tools, techniques, best practices and opportunities.



***For More Information...***

SaaS Showplace

The Software-as-a-Service Resource Center

[www.SaaS-Showplace.com](http://www.SaaS-Showplace.com)

[www.thinkstrategies.com](http://www.thinkstrategies.com)

[jkaplan@thinkstrategies.com](mailto:jkaplan@thinkstrategies.com)