

Software As A Service: Will It Work This Time?

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ONE WEEK. ONE PLACE.

Defining SaaS

Software,

- Designed to leverage the web.
- Delivered as a service.
- Managed by the vendor.
- Priced on a subscription basis.
- Also referred to as ASP, hosting, managed services, etc.



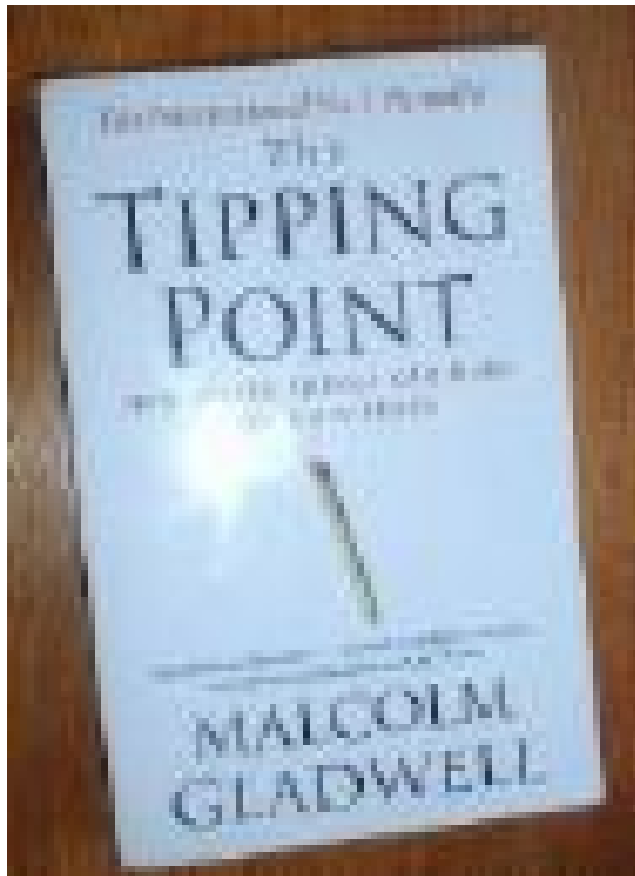
Why is the time right for SaaS?



Common Myths About SaaS

- Just another over-hyped trend
- Just another version of ASP
- Just for SMBs
- Just for novice users
- Just for standalone or front-office applications
- Just for 'greenfield' situations

The Tipping Point

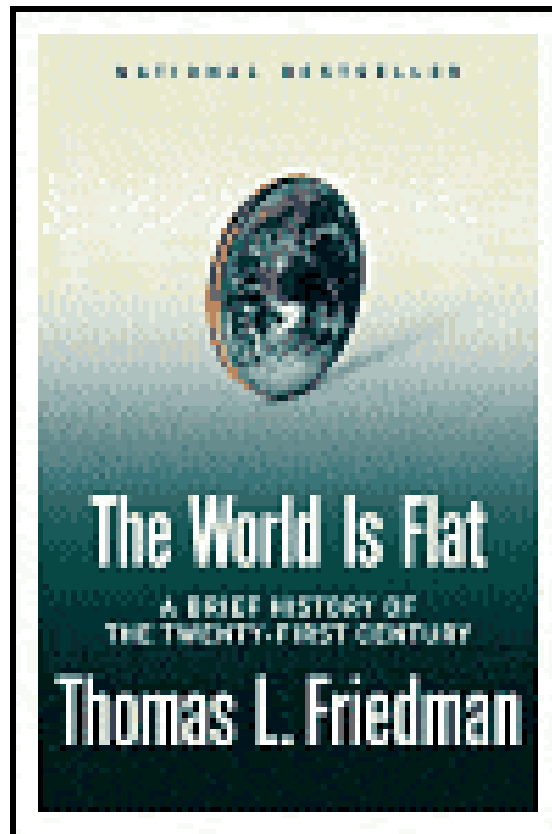


“The moment of critical mass, the threshold, the boiling point, a place where the unexpected becomes expected, where radical change is more than possibility.”

Top Ten SaaS Market Drivers

1. **Globalization**
2. **Commoditization**
3. **Mobility & Worker Dispersion**
4. **Consumerism**
5. **Web 2.0**
6. **Security & Storage**
7. **Broadband**
8. **Compliance**
9. **Operational Efficiency**
10. **Out-tasking**

Globalization



Commoditization



Mobility & Worker Dispersion



On-Demand



Reliability/Security

- **Reliability Challenges**
 - Congestion Issues
 - Technology Failures
 - Skills Limitations
 - Natural Disasters

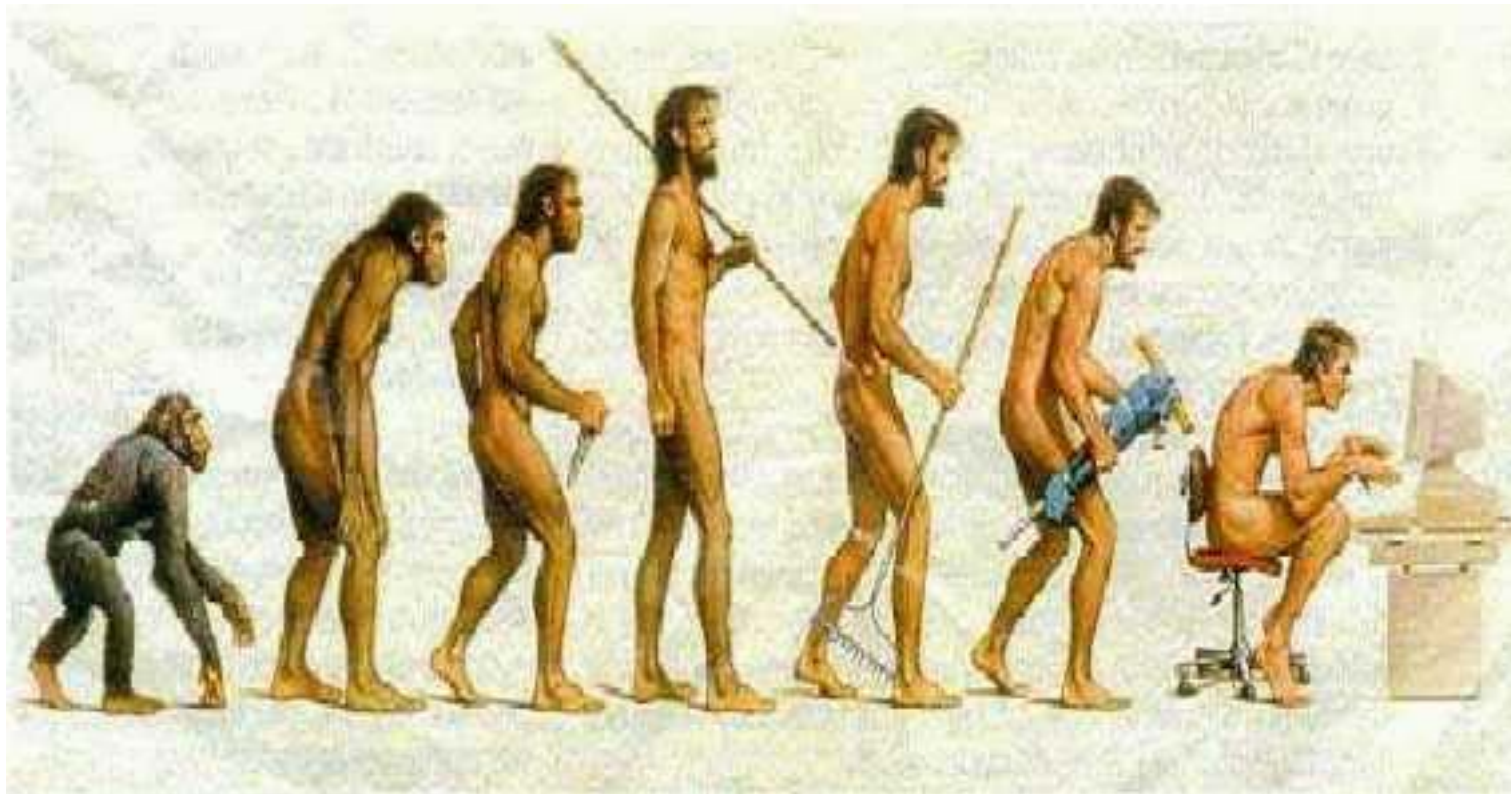


- **Security**
 - Viruses
 - Privacy
 - Back-up
 - Compliance

Operational Efficiency



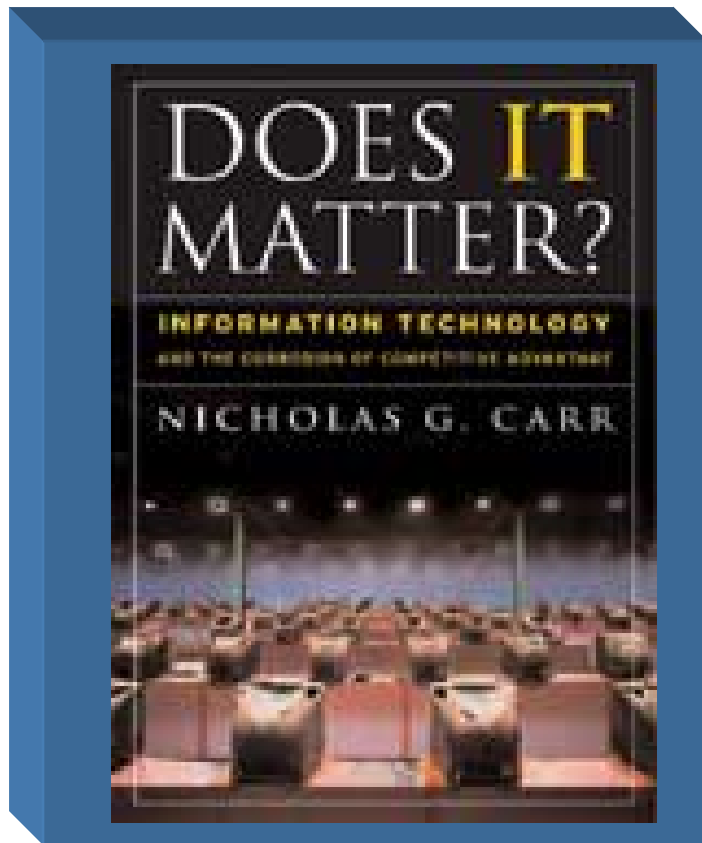
The Evolution of Man



Shortcomings of Traditional Software

- **Deployment Challenges**
 - 31.1% of SW projects cancelled before completed.
 - 52.7% of projects cost nearly 190% of original estimates.
- **Operational Costs**
 - Maintenance & management costs >10x original license fee.
 - Plus, escalating hardware & staff support costs.
- **Poor Utilization Rates**
 - SW often over-provisioned and under-utilized.
 - Result is less ROI and higher TCO than anticipated.

The Nicholas Carr Affect



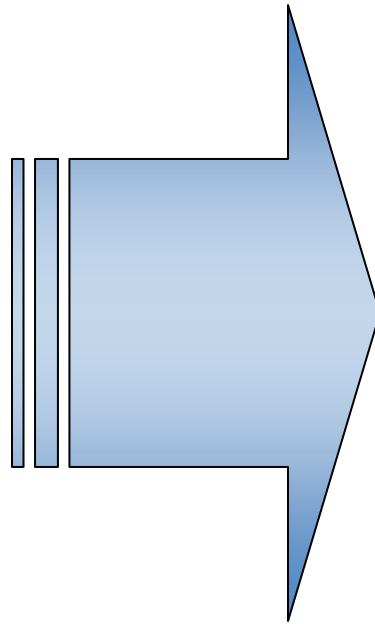
"...Imagine what future generations will see when they look back at the current time...won't the way corporate computing is practiced today appear fundamentally illogical -- and inherently doomed?"

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

Changing Customer Expectations

Old,

- Reactive Maintenance
- Response Time
- Labor Intensive
- Limited Interaction



New,

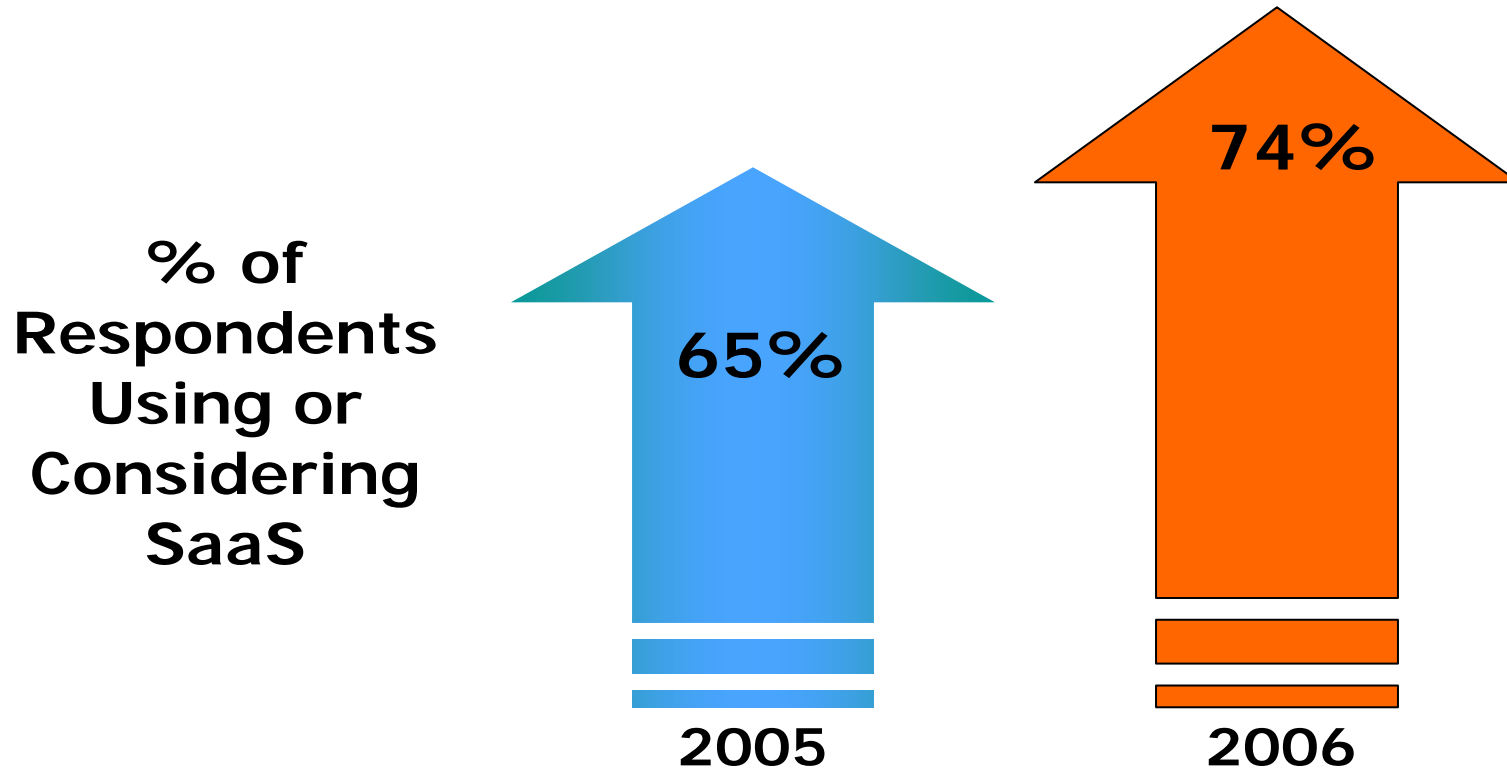
- Proactive Management
- Ongoing Monitoring
- Automated Delivery
- Higher Accountability

Enterprises Seeking to Generate Greater Economic Value with Fewer Dedicated Resources from IT/Network Investments

The Shift to Out-Tasking

- Poor track record of success of traditional outsourcing contracts.
- Preference toward smaller, more manageable outsourcing arrangements.
- Process of evaluating various tasks on a 'build vs. buy' basis.
- Availability of wider array of 'selective outsourcing' alternatives.

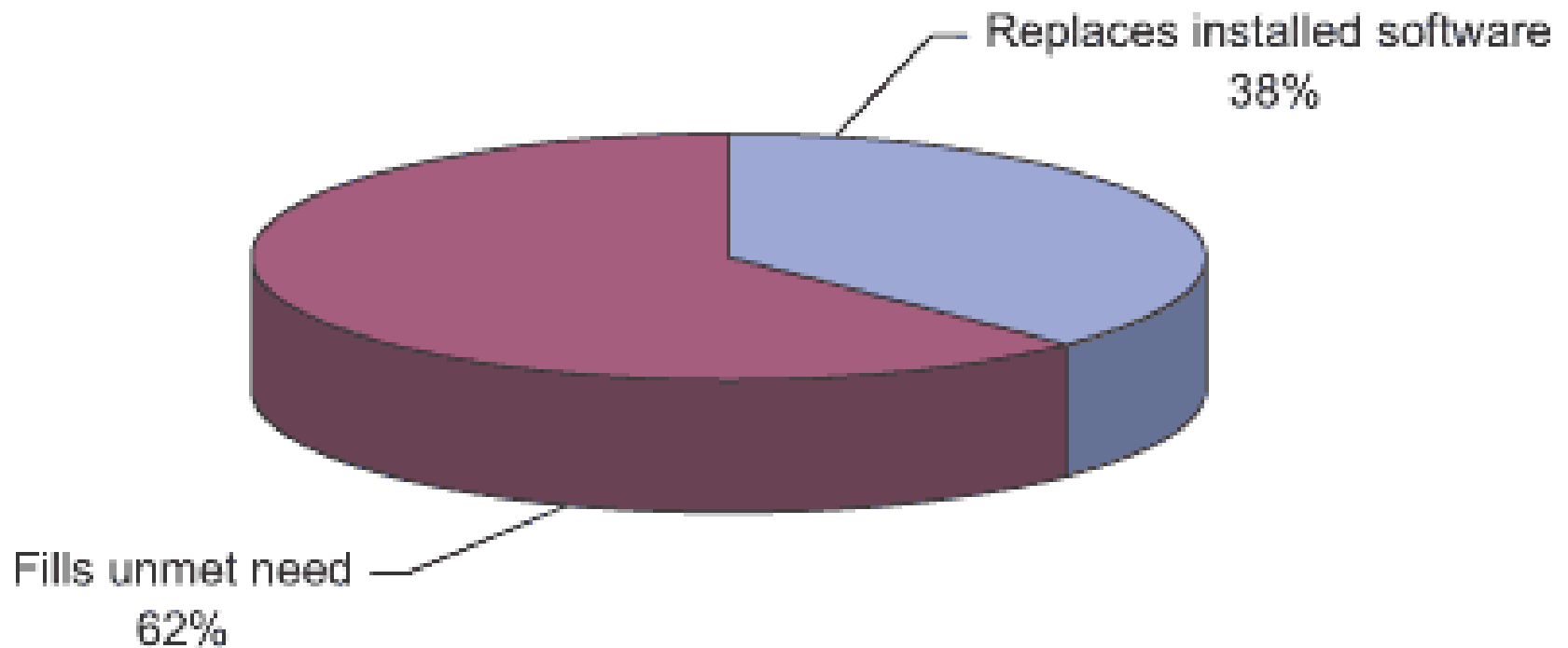
Interest in SaaS Growing



Over 80% of current customers are satisfied, plan to expand SaaS use and would recommend SaaS to others.

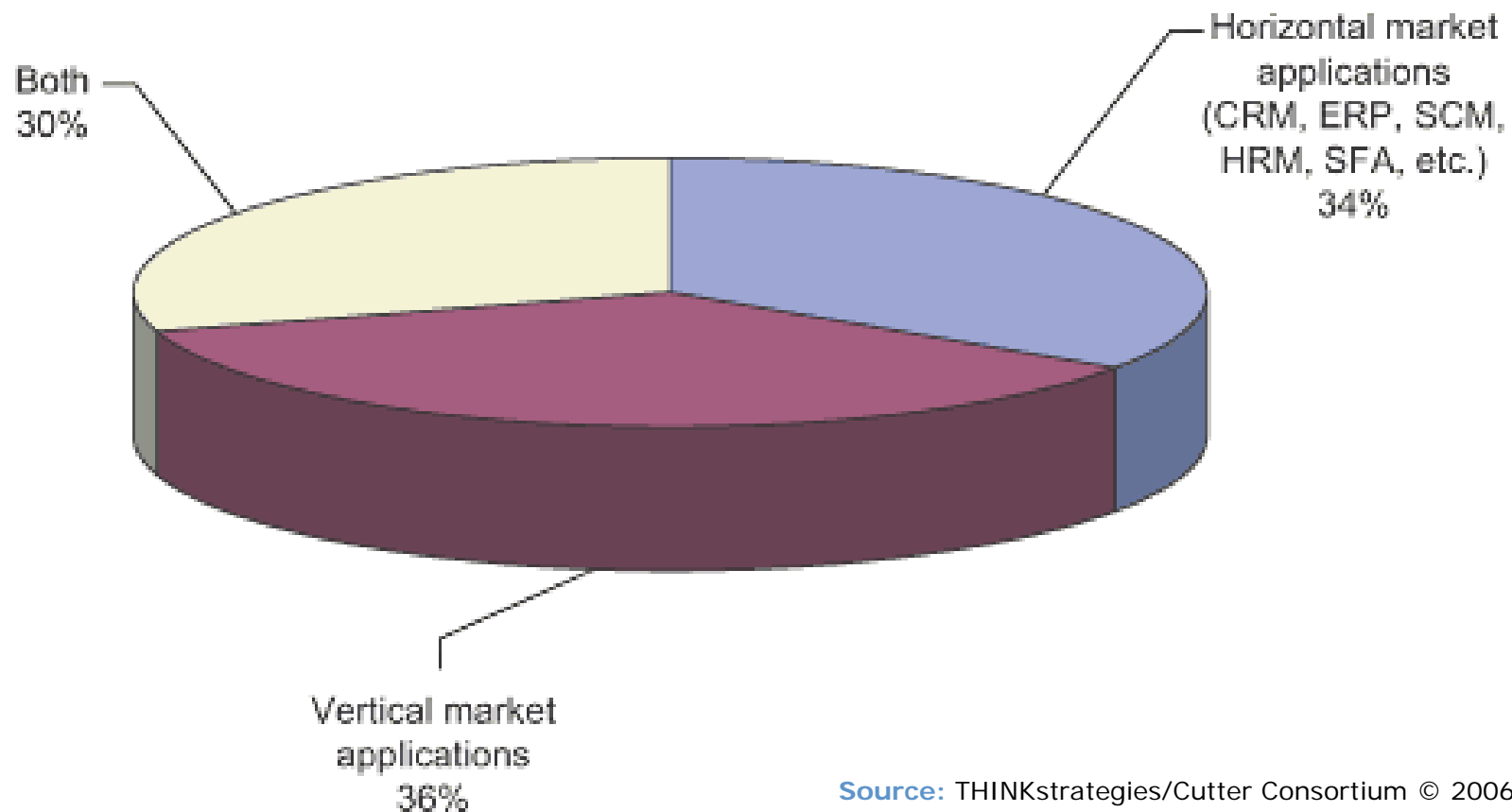
Source: THINKstrategies/Cutter Consortium © 2006

SaaS Replacing Legacy Apps and Filling Unmet Needs



Source: THINKstrategies/Cutter Consortium © 2006

SaaS Spreading from Horizontal to Vertical Markets



Source: THINKstrategies/Cutter Consortium © 2006

One Man's View of the Future

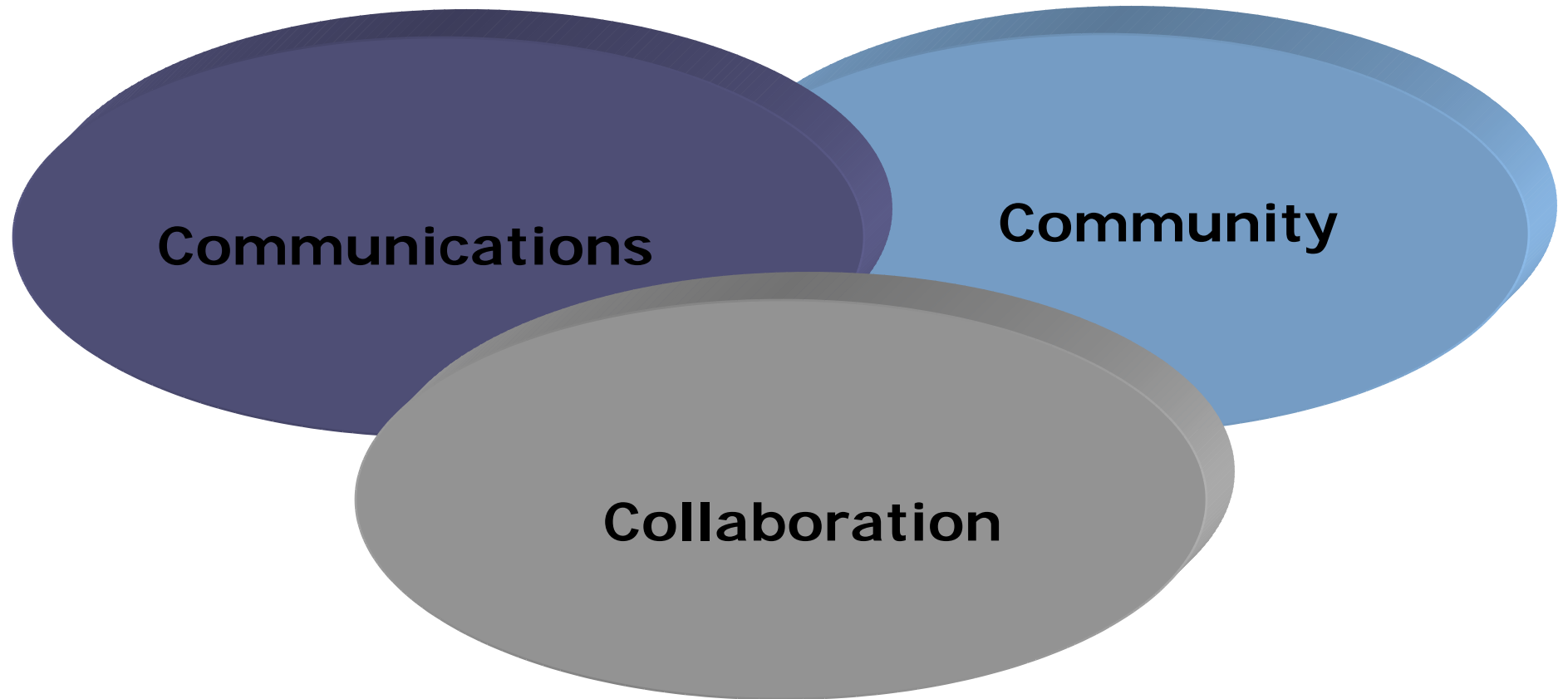
“Ten years from now, 80% of users in this room will be running software with an outside service provider.”

Steve Ballmer, speaking to government officials at the Microsoft Public Sector CIO Summit, 3/07.

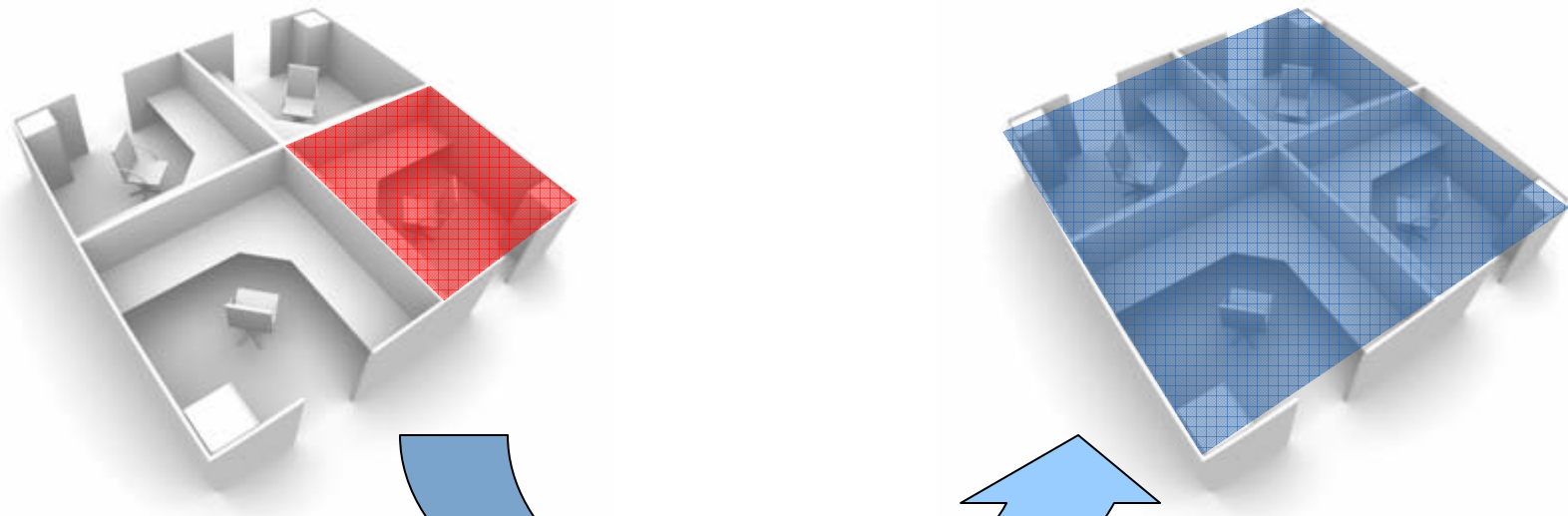
SaaS Evolution

SaaS 1.0	SaaS 2.0
<ul style="list-style-type: none">• Standalone apps• Focus on ease of use/price• One size fits all, minimal customization• Limited interoperability• Emphasis on lower TCO	<ul style="list-style-type: none">• Multidimensional platforms• Focus on added functionality• Multiple configurations, greater versatility• Easier integration• Emphasis on higher ROI

The Cornerstones of SaaS



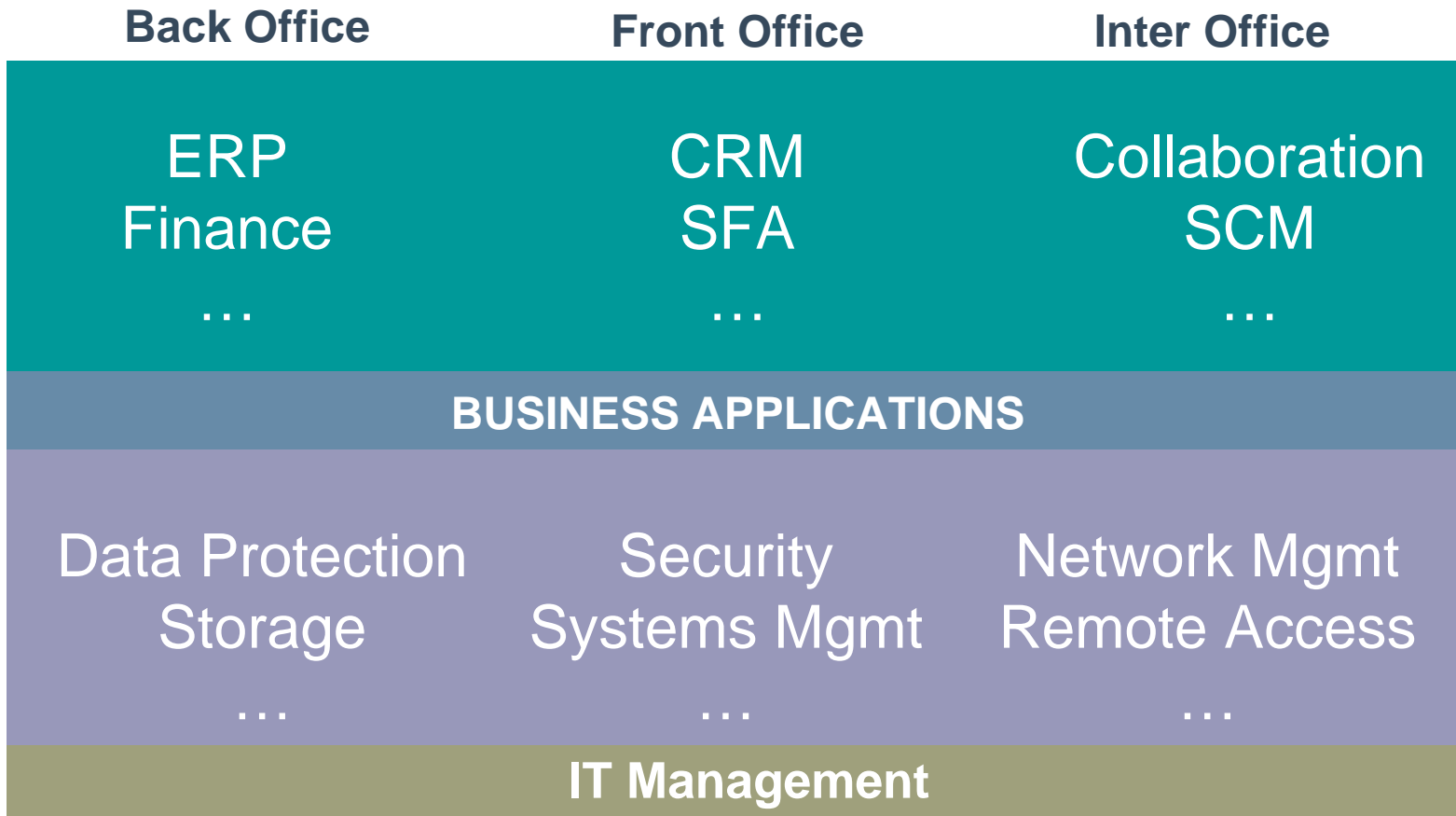
Shifting Adoption Patterns



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

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

SaaS Expands from Business Apps to IT Management



SaaS vs. Managed Services

SaaS

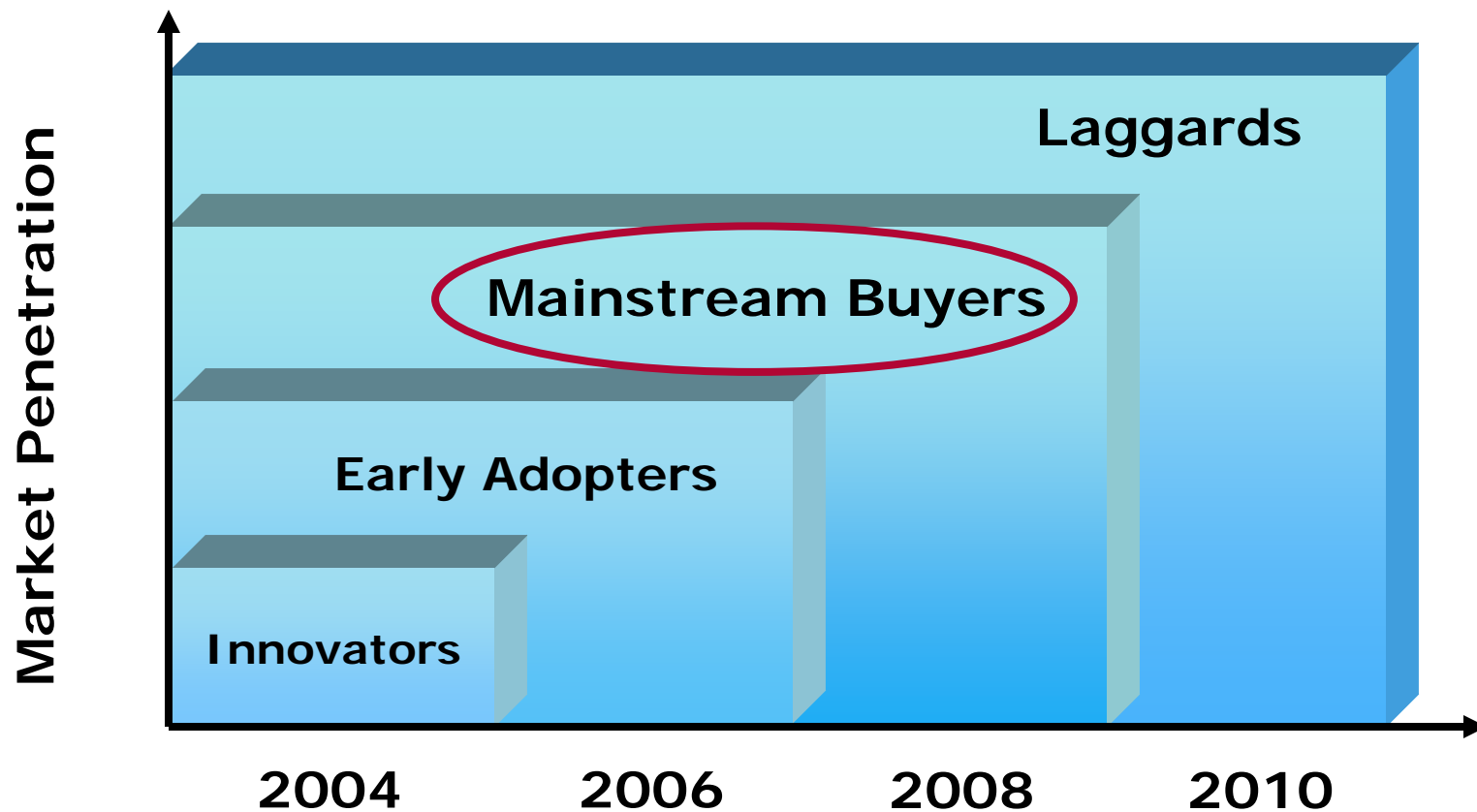
- Provider delivers software functionality
- Sold on a per user basis
- Focus on application availability & performance

Managed Services

- Provider assumes management responsibility
- Sold on an per device basis
- Focus on network/system availability & performance

- ✓ *Quicker Time-to-Value*
- ✓ *Lower TCO/Higher ROI*
- ✓ *Shifts Burden to Provider*

On-Demand Market Adoption Forecast



Rapidly Changing Competitive Landscape

Hardware
Vendors

Outsourcers

ISVs

BPOs

Hosting
Companies

Service Providers

VARs

Recent Competitive Moves



&



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How far will others go?

ORACLE®

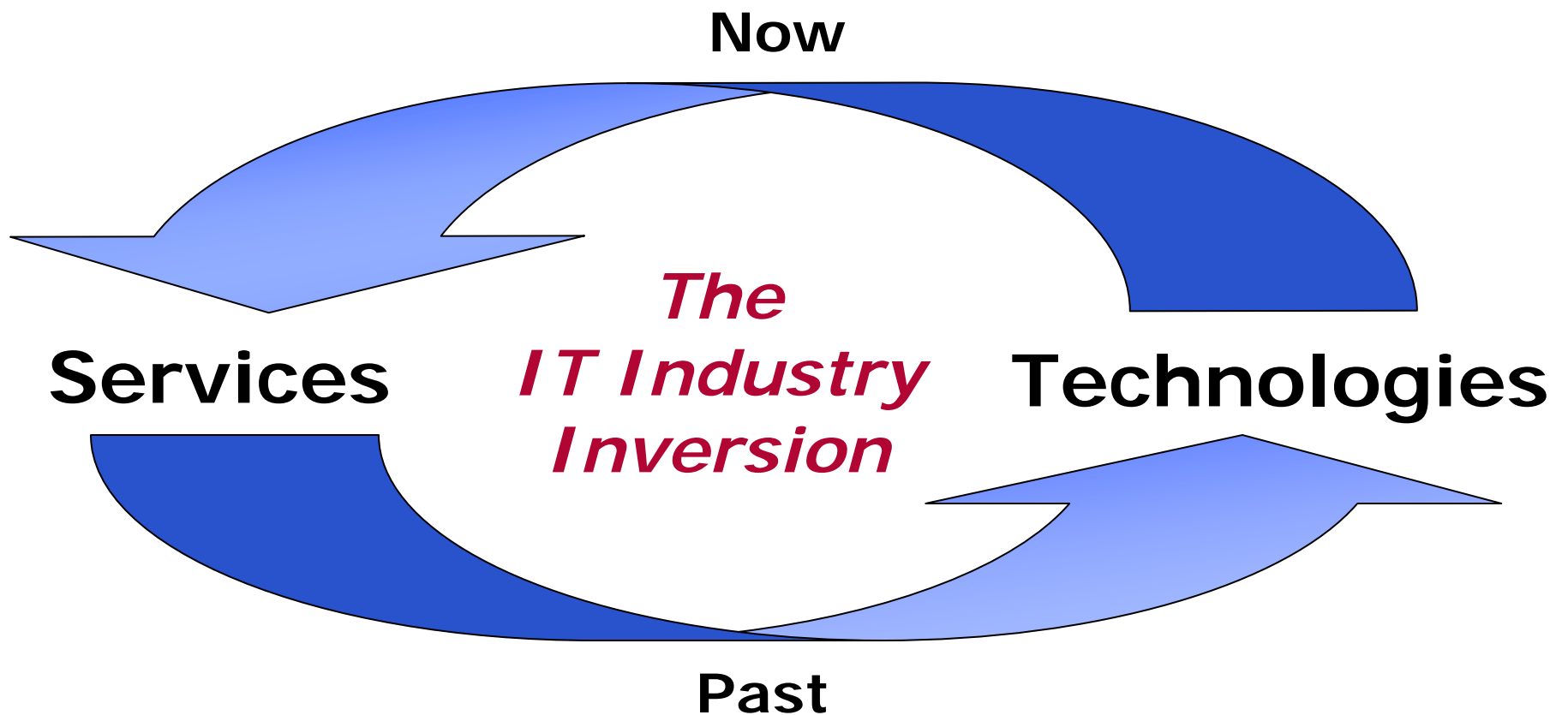


Microsoft

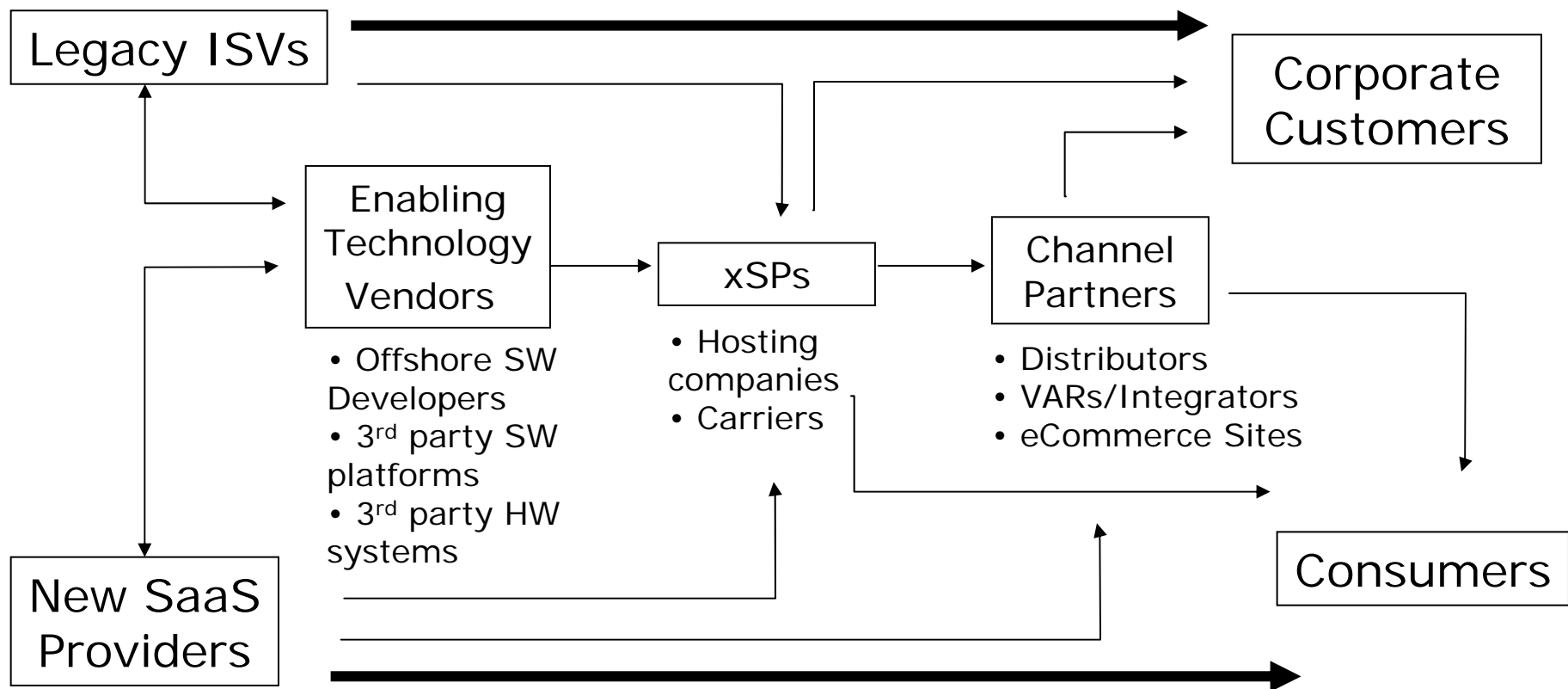


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Why ISV Migration to SaaS is Hard



Key Issues: The SaaS Supply Chain



SaaS Ecosystems: The New Channel

the **A**ppexchange

Application Categories

Sales

Service & Support

Tools & Utilities

Finance & Administration

Human Resources

Industry Solutions

Non-Profits

Components

IT Management

And, Vertical Mkt. Applications

webexTM



OpSourceTM
The SaaS Experts



SaaSSpace

Jamcracker

SQLFUSION

STRIKE IRON

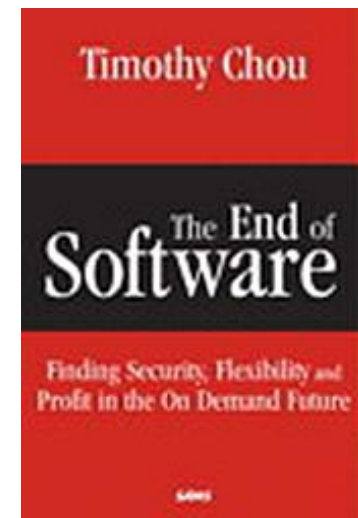
Web Services Business NetworkTM
Your Trusted Web Services MarketplaceTM

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Is this the end of Software?

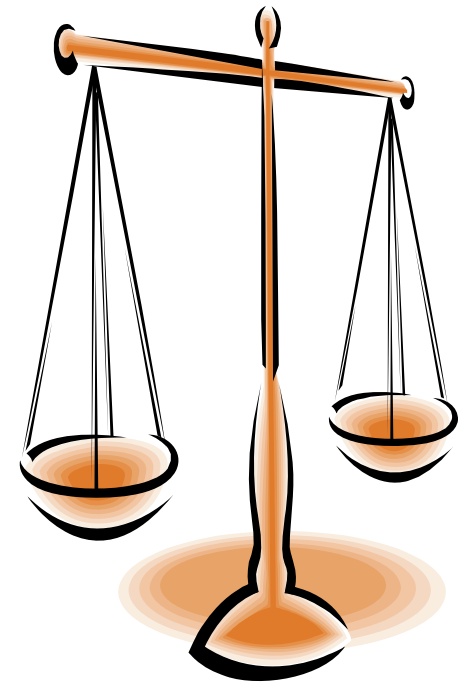
"This coming 'services wave' will be very disruptive... Services designed to scale to tens or hundreds of millions will dramatically change the nature and cost of solutions deliverable to enterprises or small businesses."

From an internal memo from Bill Gates, Microsoft Chairman, October 30, 2005.



Living in a Hybrid World

- *Myth* – Selecting SaaS is an either/or proposition for organizations.
- *Reality* – Most organizations will adopt hybrid and strategic sourcing approach.
- Appliances, applets, etc. will permit movement of applications from online to on-premise.
- Integration becoming easier.



Summary: The SaaS Realities

- The SaaS movement is real.
- Customers looking for an alternative.
- Enabling technologies evolving.
- Industry best practices maturing.
- IT acceptance growing.
- ISV transformation hard.
- Integration becoming easier.
- Continued growth driven by lower TCO/higher ROI and...
- Greater reliability, security, accountability and functionality.

For More Information...

SaaS Showplace

The Software-as-a-Service Resource Center

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