



The Changing Economics of the SaaS Marketplace

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Why On-Demand Services Will Soar in 2008

1. Services are Recession Proof
2. Everyone's Going Virtual
3. Amazon, IBM and Google Bet on Cloud Computing
4. Nick Carr Returns
5. SaaS Solves SOX
6. MS 3.0, Unified Communications & Service Automation
7. Carriers and Channels Find Success With New Services
8. Failure Doesn't Matter
9. IT Discovers Services are the Solution
10. Wall Street Buys Into Services



Rewiring the World, From Edison to Google



"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."

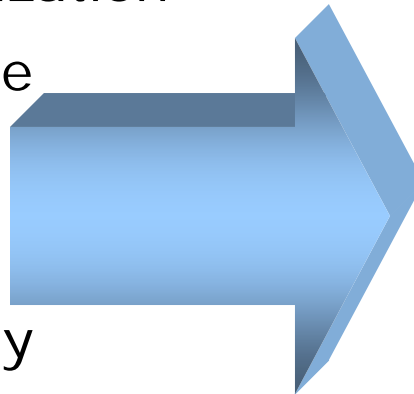
- Nicholas Carr



Changing Customer Expectations

Old,

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



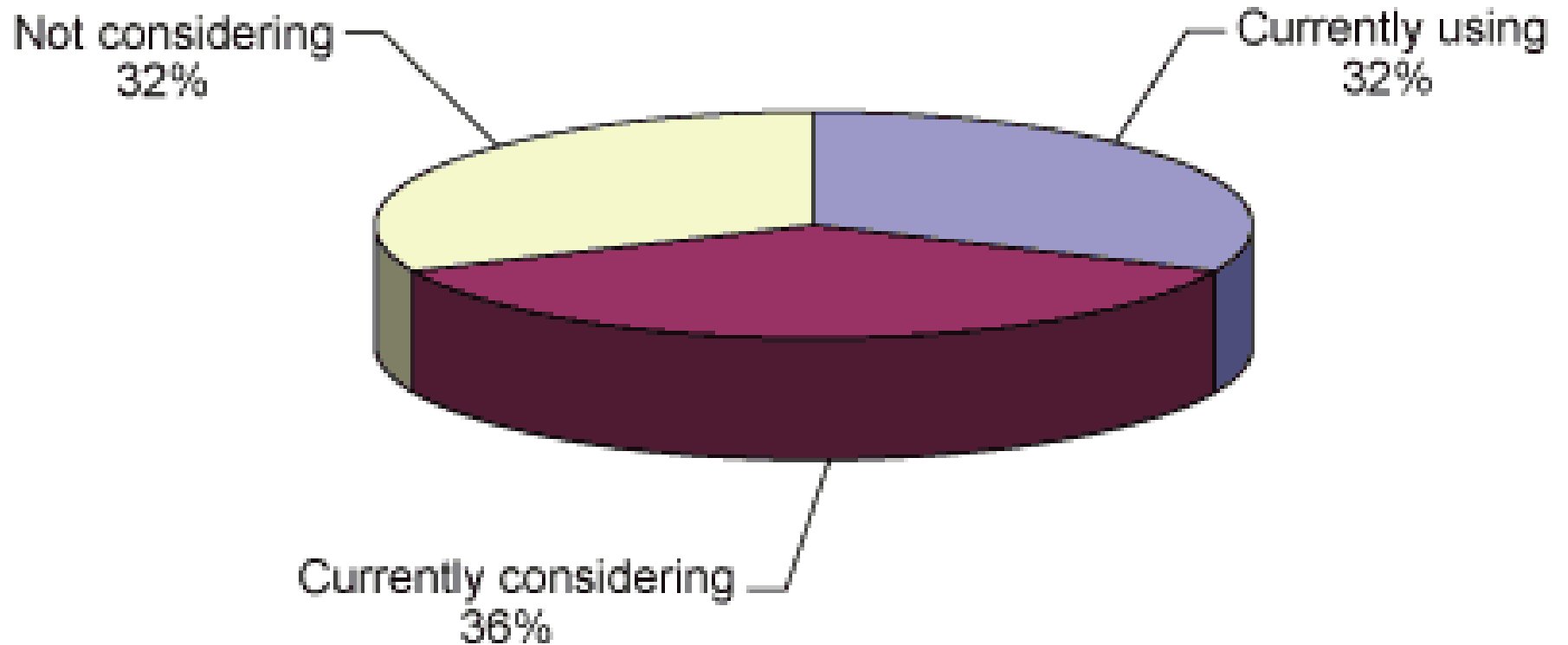
New,

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

Enterprises Seeking to Generate Greater ROI at Lower TCO.



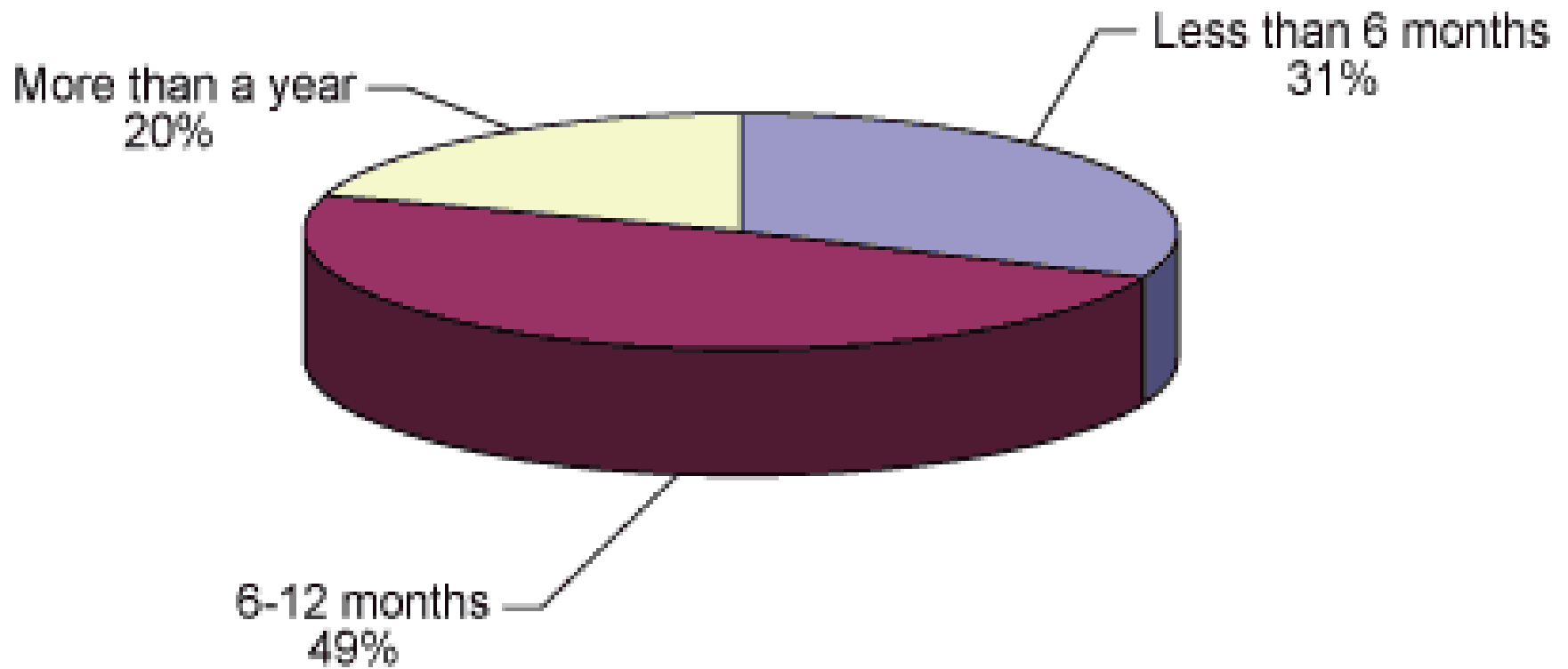
SaaS Adoption Today



Source: THINKstrategies/Cutter Consortium © 2007

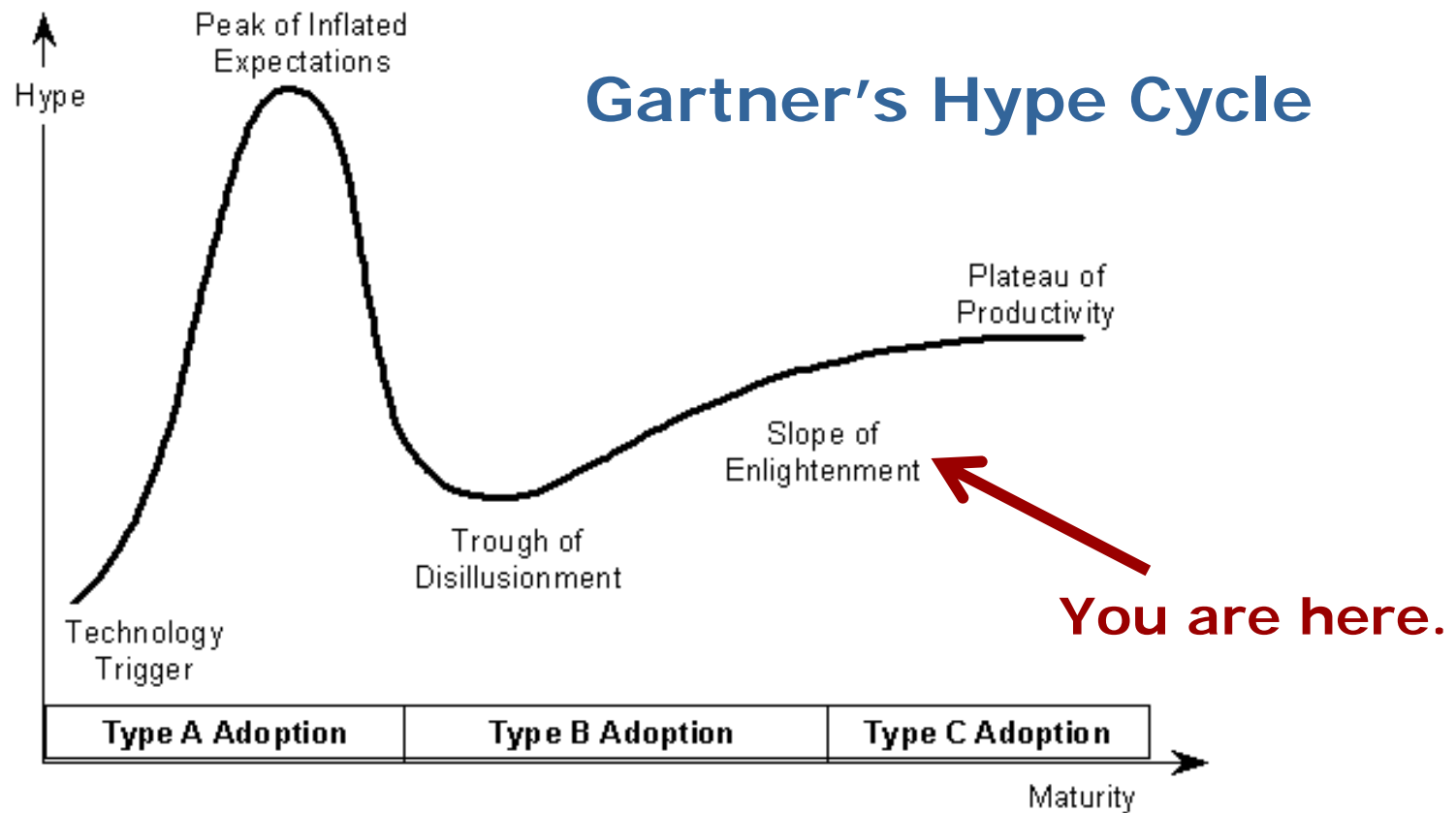


SaaS Deployment Plans



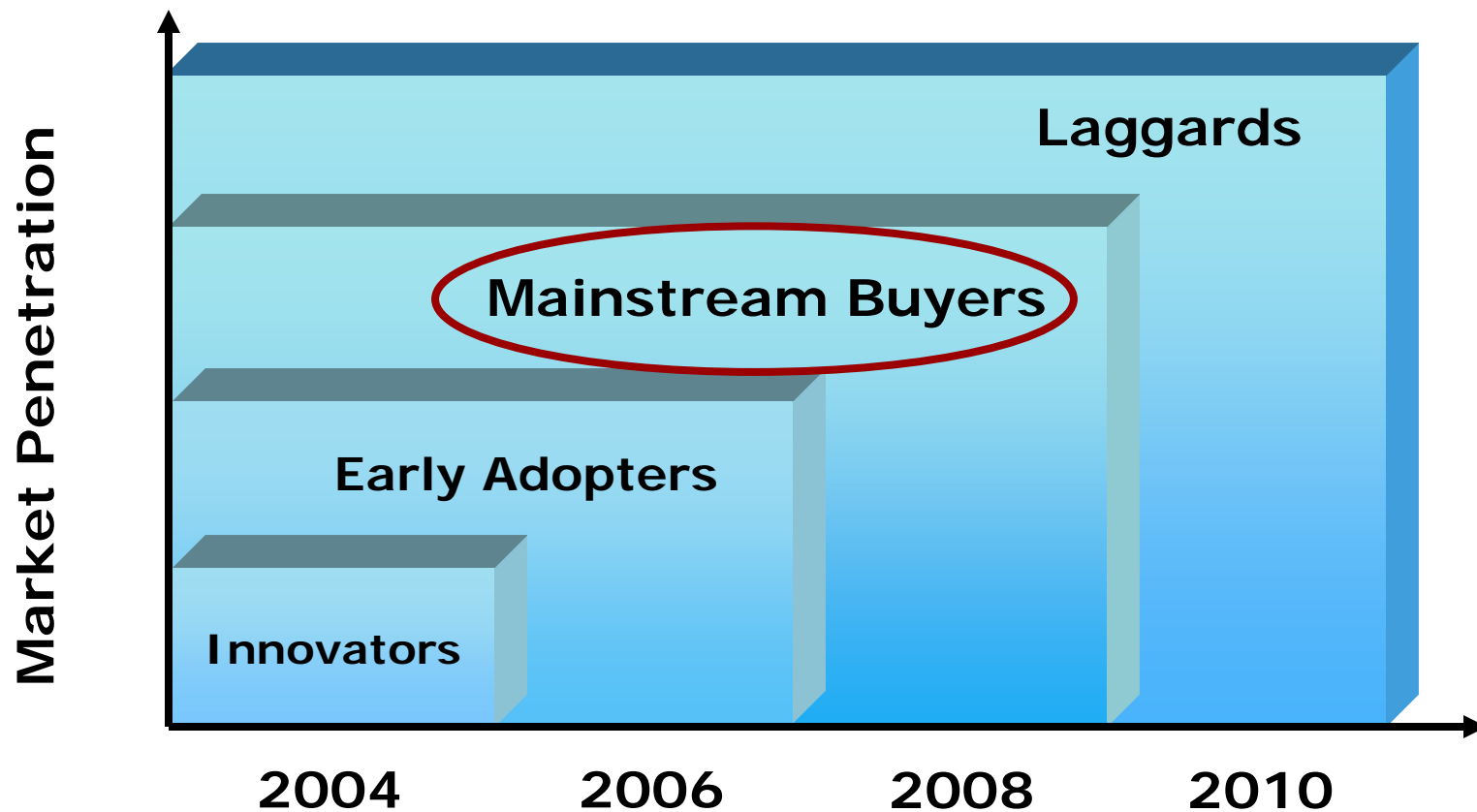
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Welcome to Gartner's 'Slope of Enlightenment'





On-Demand Market Adoption Forecast





Top Ten Showplace Application Categories

Customer Relationship Management	103
Collaboration	80
Accounting/Financial	78
Document Management	67
Project Management	62
Enterprise Resource Planning (ERP)	55
Marketing	49
Human Resource Management (HRM)	47
eCommerce	46
Messaging	44



Top Ten Showplace Industry Categories

SMBs	110
Banking/Financial Services	102
Manufacturing	91
Technology	80
Healthcare	72
Retail	69
Government	63
Professional Services	55
Telecommunications/xSPs	43
Software	42



SaaS Evolution

SaaS 1.0

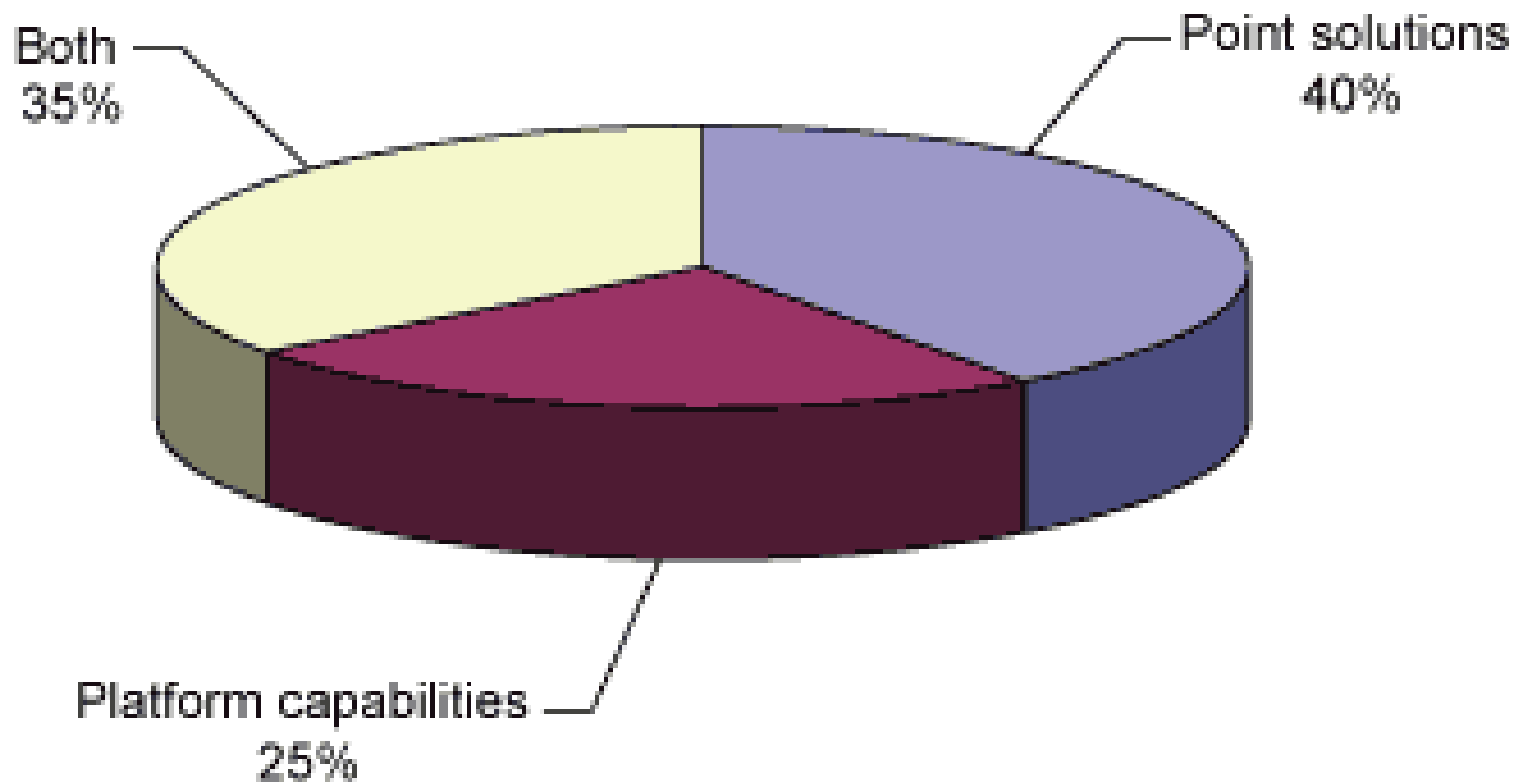
- Standalone apps
- Focus on ease of use/price
- One size fits all, minimal customization
- Limited interoperability
- Emphasis on lower TCO

SaaS 2.0

- Multidimensional platforms
- Focus on added functionality
- Multiple configurations, greater versatility
- Easier integration
- Emphasis on higher ROI



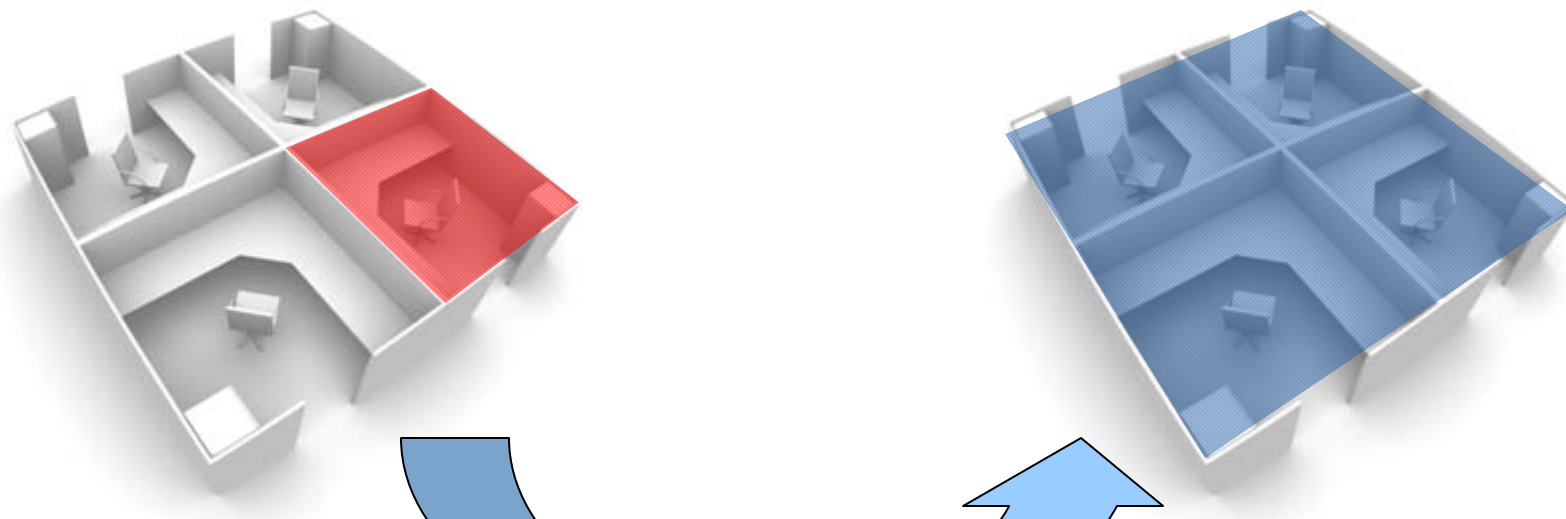
Point Solutions vs. Platforms



Source: THINKstrategies/Cutter Consortium © 2007



Shifting Adoption Patterns

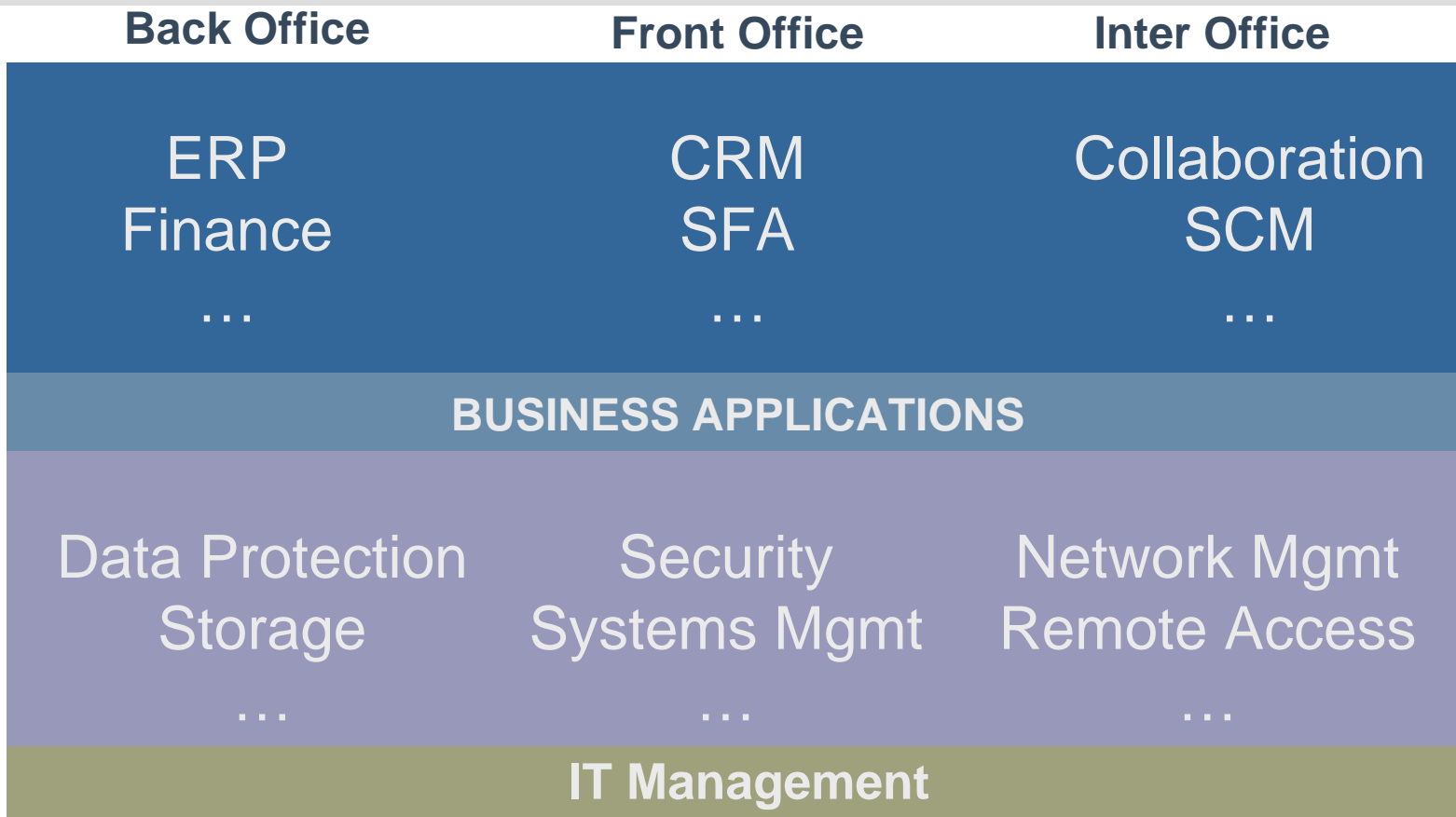


**Unilateral End-User,
SBU Adoption of
SaaS Solutions**

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



SaaS Expands from Business Apps to IT Management





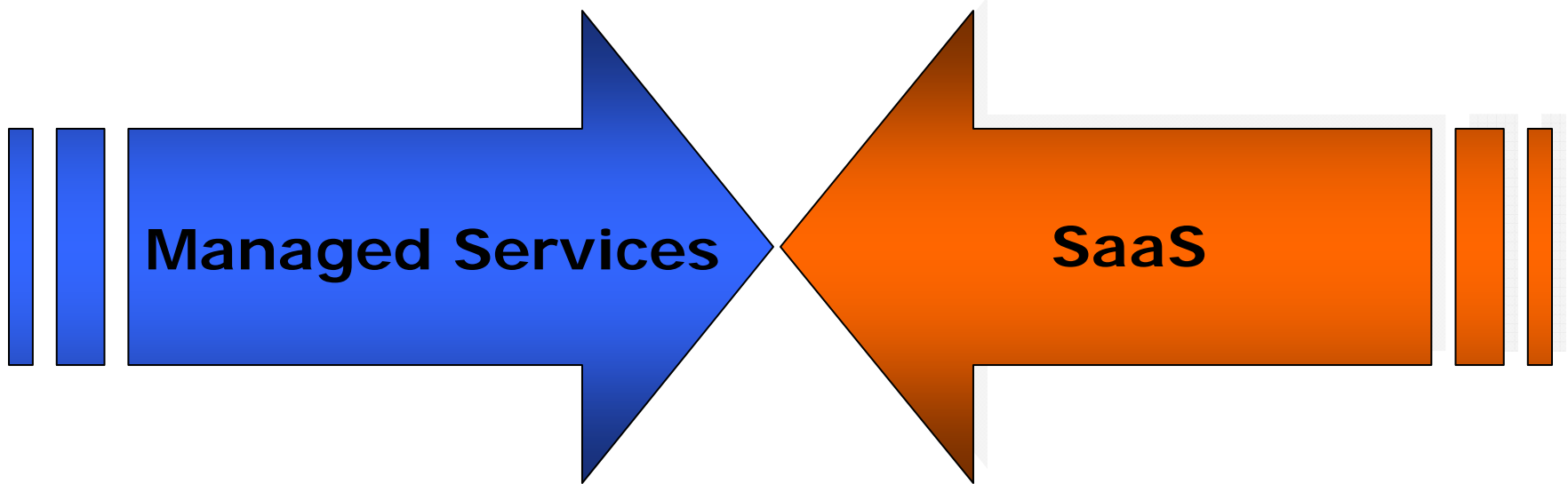
SaaS Moving into IT Management Market

Traditional NSM = ERP of the IT World

- Too expensive
 - Too complicated
 - Too time-consuming
 - Too ineffective
- >40 IT/Application Mgmt SaaS companies on the SaaS Showplace*



Managed Services/SaaS Convergence





Managed Services vs. SaaS

Managed Services

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

SaaS

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

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



The Convergence of Managed Services & SaaS

Service-now.com
IT Service Management On Demand

CISCO

IRON MOUNTAIN

symantec.

EMC²
where information lives®

SystemsManagement
OnDemand
powered by **TriActive**



SaaS Compliance Solutions: Enviance

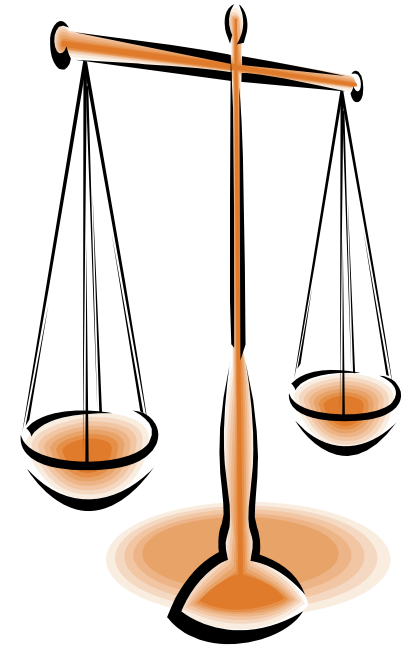
- Web-based environmental compliance solution.
- Deployed at >2,500 sites, in > 100 companies, Customers
 - AEP
 - Chevron Corporation
 - DuPont
 - Freeport LNG
 - Georgia Power
 - Savannah Electric
 - Southern Power
- *40 Compliance & Risk Companies on Showplace*





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





Today's Hybrids

Business Objects



Microsoft





Changing Competitive Landscape

Google™

&

postini 

DELL™

&

everdream



Cognizant

Passion for building stronger businesses

&

AimNetSolutions



Today's New Enablers



OpSourceTM
The SaaS Delivery Experts



SERENA



Open Source: The Good, Bad and Ugly

■ The Good

- Proliferation of tools/solutions
- Accelerated Development
- Concepts of Community

■ The Bad and Ugly

- Lower barriers to entry
- Escalating price competition





Ad-Supported SaaS

- “iTunes of IT”
- 250K users
- 50,000 new users in last 2 months
- Advertisers has grown from 4 to 40
- Market Opportunity,
 - SMB IT pro = \$125,000 annual budget.
 - 250k users = \$32B in annual spend
 - Growing at more >\$3B per month!

SPICEWORKS™

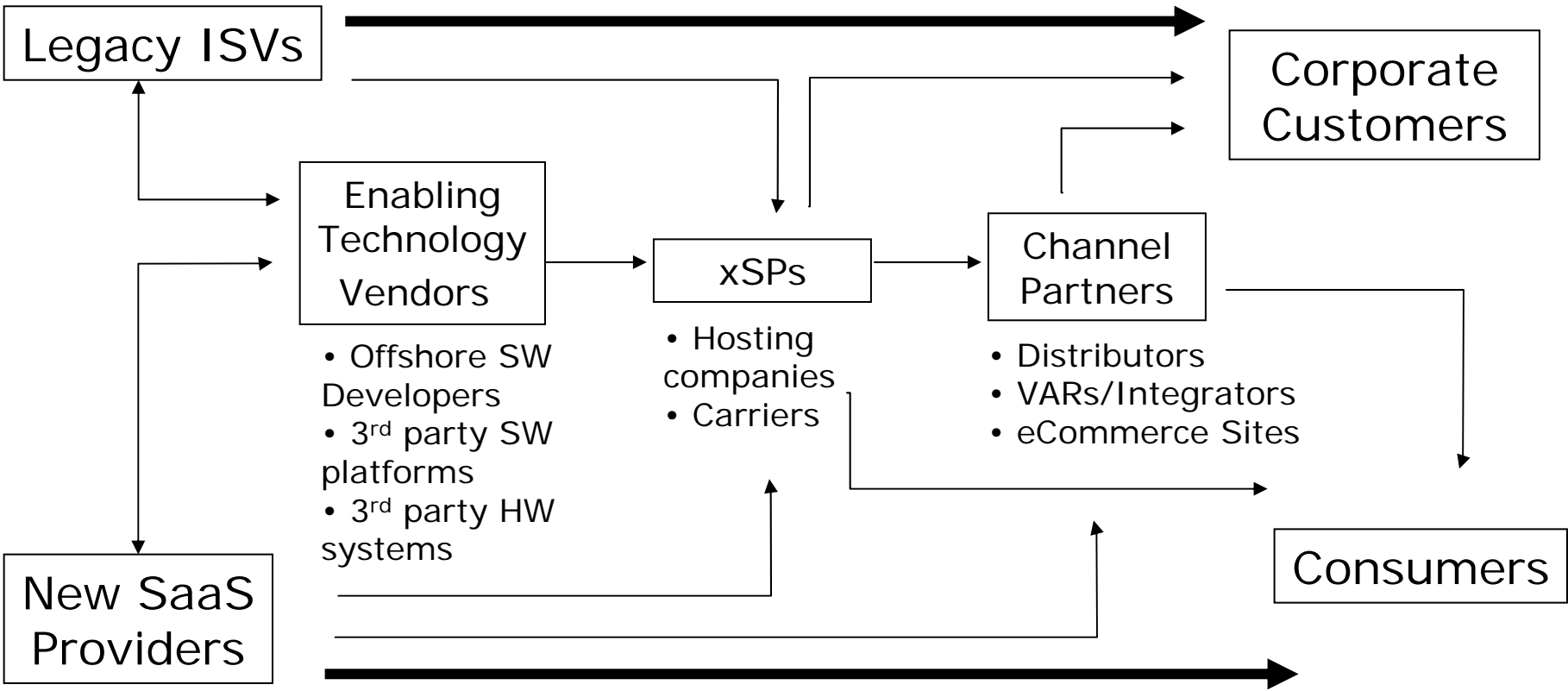


The Meaning of Community in the SaaS Market

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



Channel/Supply Chain Opportunities





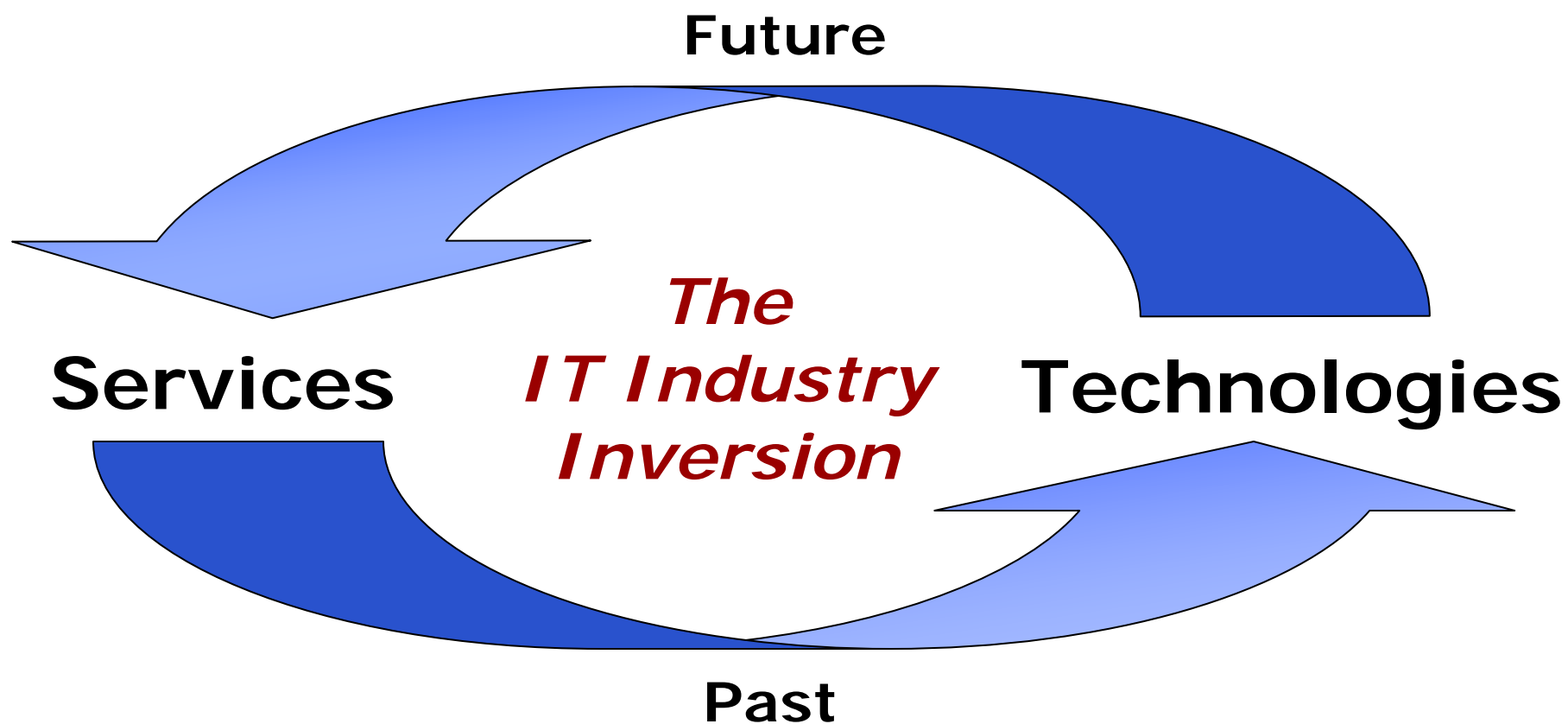
New Channels to Market?

- Banks
- Insurance Companies
- Retailers
- Web companies
- PS Firms



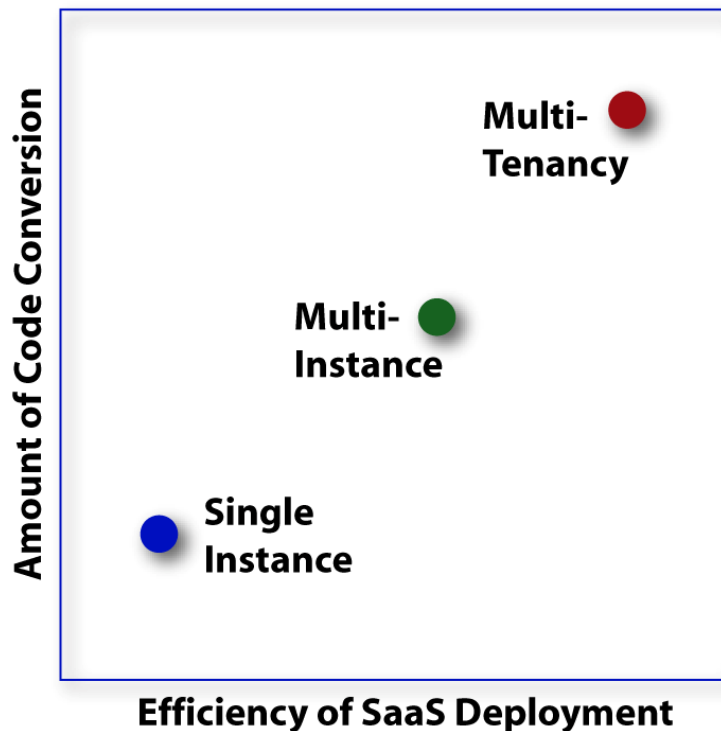


On-Demand Services & The IT Industry Inversion





Key Challenges Facing Established ISVs



- Re-architecting applications
- Re-structuring revenue models
- Repositioning marketing
- Re-orienting sales/support staff
- Reducing operating costs



No One Likes to Sell Services

- Raises concerns about the product.
- Complicates the sale/extends sales cycle.
- Seldom properly incented.
- Weak value proposition.
- Poor track record.



Enterprise Expectations & Challenges for SaaS

- Can you provide a better user experience?
- Can you create a different type of community?
- Can you support hybrid environments?
- Can you permit rapid on-boarding?
- Can you track service usage levels?
- Can you measure performance levels?
- Can you identify & resolve service issues?
- Can you verify SLA compliance?



Summary & Conclusions

- SaaS spreading.
- Shift from point solutions to platform strategies.
- IT getting onboard, but still worried.
- Quality development and delivery key.
- Selling & marketing costs will remain high.
- Price competition could emerge, as providers seek share.
- Continuously enhancing user experience essential.
- Properly supporting customers becoming more critical.
- Publishing benchmarks and best practices new opportunity.