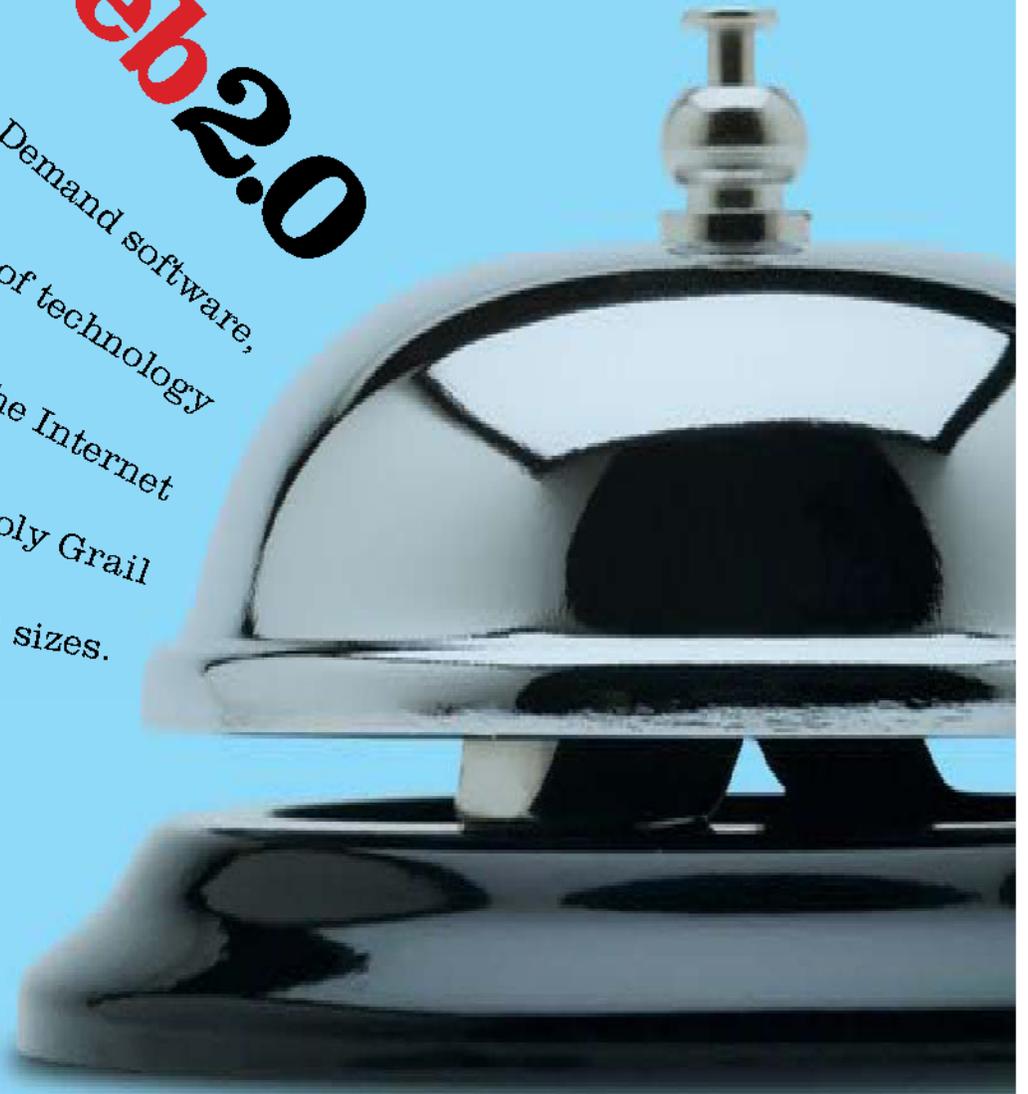
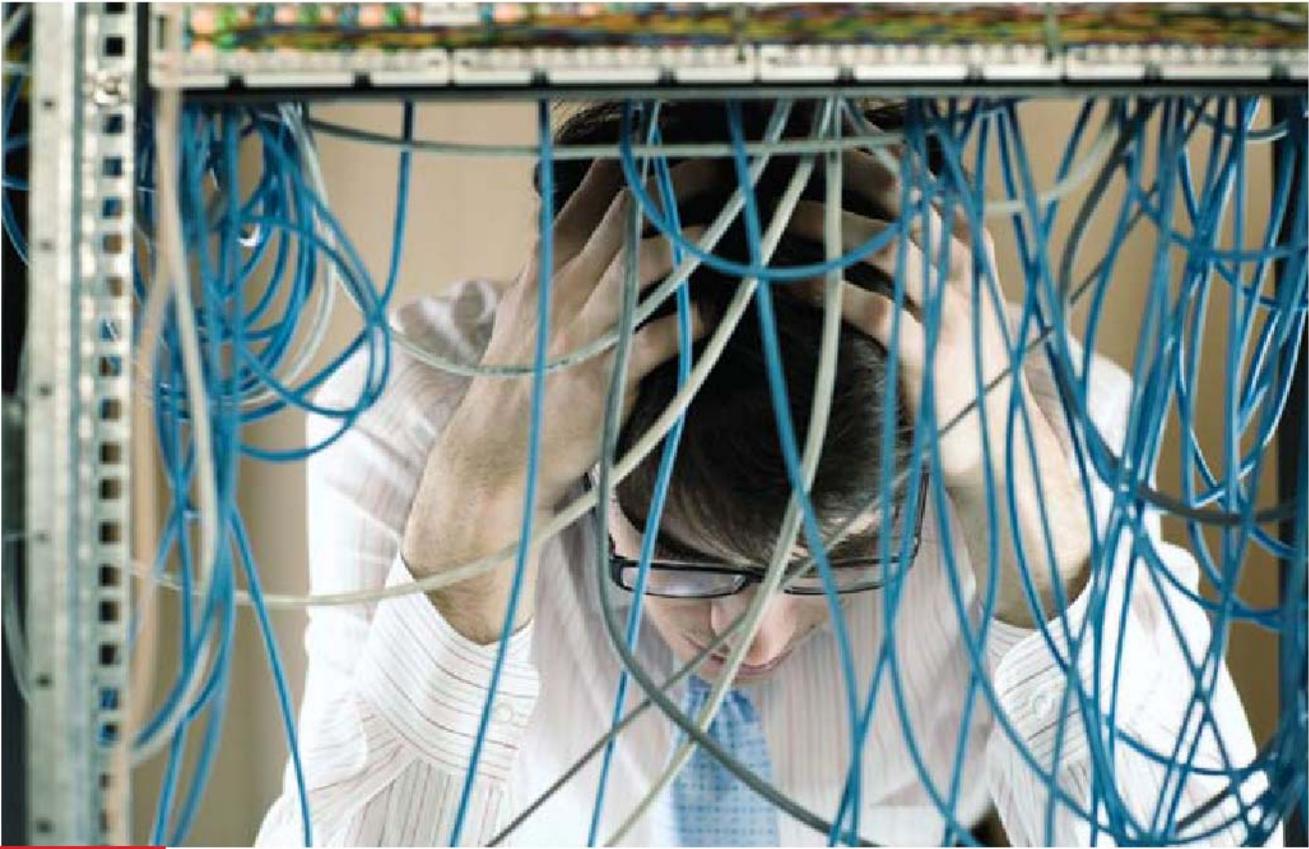


Web2.0

Make way for On Demand software,
the next wave of technology
accessed on the Internet
that has become the Holy Grail
for businesses of all sizes.





It's a dilemma familiar to companies large and small: how to get the complexity of advanced software without the complexity of advanced software. For as programs grow more powerful, their demands tend to grow, too. Users often need to buy new hardware to run the software, hire an IT staff to maintain it, and spend time and money—all to get the technical nitty-gritty, from backups to security, just right. For the largest companies, it's a challenge. For the smallest, it's often impossible. Or at least it was, under the traditional way software was sold and used. A new model—which has already spurred a multibillion-dollar market—is changing things considerably, letting any company run enterprise-grade software without an enterprise-grade IT department.

Known as Software as a Service (SaaS), or On Demand software, the new model changes the way programs are delivered to end users. Traditionally, software was sold in much the way cars were: You bought a product, got a manual, and took responsibility yourself for making sure everything ran smoothly and was properly maintained. Often, you'd go out and hire someone (or even a team) to help. This could get time-consuming and costly. What SaaS does is give you the product but not the frustration. It does this by keeping the physical software—along with the burden for running, updating, and maintaining it—with the vendor. Users simply access the software through a web browser and Internet connection. Typically they pay a monthly subscription fee.

When updates or software patches are released, it's the vendor—and no longer the customer—that installs them. In short, you get the benefits of sophisticated software without the headaches of sophisticated software.

Software as a service lets large companies deploy applications more efficiently and smaller companies deploy them at all. Little wonder, then, that SaaS revenues are booming. In 2006 it was a \$4 billion market, according to IDC, a market research firm based in Framingham, Mass. By 2011, that figure is expected to hit \$14.5 billion. "Over the last couple of years there has definitely been a lot of interest in it," says Erin TenWolde, senior analyst at IDC. "We've moved from On Demand being hype to a formidable business model. And one that's here to stay. Customers look to it as a way to improve cost-reduction efforts."

Also helping drive the SaaS market is its embrace by a growing number of well-known traditional software companies, most notably Microsoft, which last year released a set of Internet-based business services called Microsoft Office Live. Such initiatives by the industry's marquee names have spread the word about the benefits of SaaS. "When Microsoft announced offerings, it really showed the viability of the delivery model," says TenWolde.

For traditional software companies, SaaS is a way to give existing customers easier access to their products, as well as reach new customers. "What we're seeing is a

Expand your Intelligence

Business Objects's new Information OnDemand service helps companies gather external data to use in analysis.

Business Objects, the world's leading provider of business intelligence (BI) software, entered the arena of Software as a Service (or On Demand) last year with *crystalreports.com*. Since then, the company has been working on a slate of innovative Web-based products. *FOR-TUNE Custom Projects* spoke to Steve Lucas, vice president of On Demand for Business Objects, about its latest offering, Information OnDemand, which will be available in the third quarter of the year. (Users can sign up for a beta version at www.ondemand.com.)

Q Business Objects recently introduced Information OnDemand. With most information already available online, what makes this product special?

A Information may be available, but it's rarely easy to find or use. Information OnDemand is groundbreaking. It takes external market information and makes it available in a business-intelligence-ready format, so users can quickly identify and access the data they need. That sounds simple,

but before Information OnDemand the process was time-consuming and frustrating. Users would manually collect, cut, and paste data—assuming, of course, that they were even able to find the right information. The data was generally not available in a consumable, easy-to-understand format, and often it was out of date

A It's not just important; it's essential. For the most effective, insightful decisions, business managers need a complete picture of where their company is and where it should be going. To get that, they need to perform market research, financial and competitive analyses, and more. All of this



and unaffordable. With Information OnDemand, relevant external data—such as financial and market data—will be available in an easy-to-use BI-ready format, so you can quickly analyze and act upon it.

Q Why is it so important that users have easier access to external data?

requires external market information. Before Information OnDemand, there was no fast, affordable way to obtain up-to-date external data in an easy-to-understand format. Now it's just a click away. Information OnDemand is going to revolutionize the way managers use external data in their day-to-day jobs.

Q Can you give us an example of how Information OnDemand works?

A Sure. Imagine your CEO asks you for a benchmark comparison of the company's performance, examining how it stacks up against key competitors. In the past, you would spend hours, if not days, gathering information from SEC filings, competitors' websites and annual reports, and other sources. Then you would compile that data into a spreadsheet and hope you could make sense of it.

With Information OnDemand, all you will need to do is visit www.ondemand.com, its online store. There you will be able to purchase individual reports and analytics pre-populated with content from the available data providers. The information will be preformatted using Business Objects software providing ready-to-use reports and dashboards.

Not only will Information OnDemand save you time, but it will eliminate the data-entry errors that are inevitable when you manually collect external data for analysis. Now you can deliver a brilliant, interactive, graphical dashboard to your CEO in record time. And your company can make informed decisions while your competitors are still compiling their data. ■

trend that will not reverse," says David Thomas, executive director, software division, at the Software & Information Industry Association, the principal trade association for the software and digital content industry. "For years, companies have been trying to figure out how to provide enterprise-class software to small and midsize customers. On Demand is the magic bullet." Indeed, startup software companies are bypassing the old sell-a-disk-and-a-license model altogether, says Thomas: "In the venture capital community, if you're not On Demand, you're not getting funded."

Leveraging the Web

The idea of accessing an application via the Internet isn't new. As far back as the late 1990s—the Web 1.0 days—vendors known as Application Service Providers (ASPs) were hosting software packages on their own servers and providing access to customers who would connect as if linking to a website. But in many cases, that's all the ASP did: host an application for a customer. It wasn't taking that application and providing access to multiple customers, which would have let them share the costs of running and maintaining the software. By contrast, SaaS is based on "multitenant architecture": All

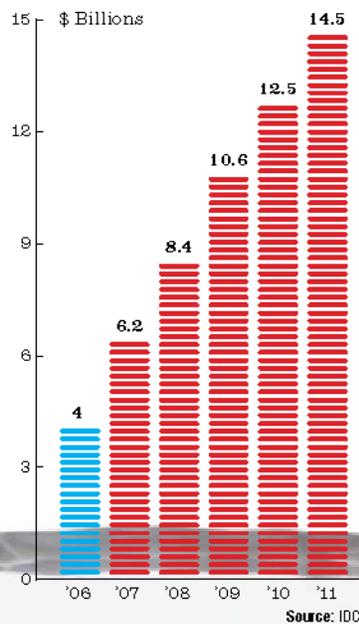


users (the tenants) access the same software running on the same servers, but each user has data and settings separate from everyone else's.

In some ways, Software as a Service was inevitable. We've simply become a web-based society, using the Net to access everything—from weather reports to e-mail to the DVD we plan to watch over the weekend. Songs, games, and a growing number of applications can now be downloaded directly from online sites with no discs or manual installation required. With users getting used to the web as a delivery model and demanding it, business software developers really had no choice but to embrace it as well. Fortunately, the timing was right:

Explosive Growth

The boom in On Demand software sales shows no sign of abating.



Advances in web technologies and broadband connectivity—even mobile phone users can now access the Internet at high speed—have made sophisticated SaaS offerings possible and compelling.

The best SaaS offerings, however, don't just use the web but leverage its unique capabilities. They aren't simply traditional, disk-based software fitted with an online interface. Instead, they provide new features and capabilities that users would never get with traditional software.

"Replication does not equal innovation," says Steve Lucas, vice president of On Demand for Business Objects, the San Jose, Calif.-based business intelligence software company. When users of the company's Crystal Reports software—a traditionally delivered package that creates reports from user data—requested report distribution via the web, Business Objects didn't simply tweak some code; it took a hard look at how innovative consumer applications were already facilitating online sharing. "We looked at how pictures were shared over the web via sites like Flickr.com and started thinking how we could best take a report and share it over the web," says Lucas.

The result: New ideas that enabled new functionality, via SaaS.

"We were able to provide sharing. On top of that, we created a report space, similar to

MySpace, where users could put reports, documents, analytic views, and dashboards, and then invite others to view them—with no IT involvement," says Lucas. "One customer, a sales manager with 90 sales representatives, uses it to put up reports to spur sales contests and let everyone track results. It really accelerates their business."

So, too, has On Demand spurred growth at Business Objects. Since launching its first web-based application, crystalreports.com, in July 2006, the company's On Demand subscriber base has grown from zero to more than 40,000. Lucas says that 70% of them are new to Business Objects, while the remaining 30% are existing customers using On Demand in addition to the company's traditional software.

To further grow the business, in November the company acquired Nsite, a SaaS that provides analytics applications. New offerings will introduce further innovations enabled by the SaaS model. In May, Business Objects announced Information OnDemand (expected

availability: Q3 2007), which will let users purchase, à la carte, external market information they can then incorporate into their business intelligence solutions.

Speedy Delivery

Of course, designing a SaaS application is just one piece of the puzzle. Vendors need to deliver it to users as well, and that's not as simple as burning a CD and sticking it in a box. Now they need to host the application and make sure that users can access it 24/7. The demands can add a heavy burden to even the most capable, best-run software companies if they're not careful. But savvy developers are finding they don't have to build a SaaS infrastructure from the ground up. They just need the right partner.

OpSource Inc. is a Santa Clara, Calif., company that provides the nuts and bolts of web application delivery. Its customers—which include Business Objects—no longer need to invest in the systems, management, or even people needed to deliver their On Demand offerings. That saves money and resources. It also lets

developers accelerate their time to market. "By providing them the platform for delivery, we enable companies to focus on the application itself," says Treb Ryan, OpSource's CEO and co-founder. "We'll handle all of the core web delivery systems such as hardware, software, security, networking, billing, application management, call center support, and analytics, so they can concentrate on their customers and products."

Indeed, SaaS applications are typically updated far more frequently than install-it-yourself software. Instead of major upgrades every one to three years, monthly—even weekly—patches are the norm. And security is actually enhanced, because critical data now resides at a locked-down central location, not on a laptop. The bottom line: Software as a Service is a win-win situation for everyone except those who have yet to try it. ■

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Treb Ryan

You Build it, We Deliver it!

OpSource On-Demand™ handles everything from hosting to billing.

You'd be hard-pressed these days to find a software company, big or small, that wasn't thinking On Demand—also known as Software as a Service (SaaS). Customers want it because SaaS means fewer technical hassles and lower costs. But for vendors, moving to SaaS poses challenges. A few years ago, software companies wrote code and pressed disks, leaving the customer to install and maintain appli-

cations. With On Demand, the vendors keep everything running. That's no simple task, but they've got help. OpSource Inc., based in Santa Clara, Calif., provides a full-scale On Demand delivery platform, handling everything from application hosting to security and billing. This lets developers focus on what they do best: designing software. "With OpSource's help, SaaS companies can move forward quickly while avoiding the operational pitfalls that can be part of adopting this new business model," says Cliff Reeves, general manager of the Emerging Business Team at Microsoft, which has partnered with OpSource to help software vendors leverage the power of On Demand delivery. But the story doesn't end there. Successful On Demand providers have to think more like web companies. "They've got to develop, sell, and market in a completely different way," says Treb

Ryan, CEO of OpSource. "They need to use web technologies and update their applications on a monthly basis, not annually like traditional software companies. Web users expect new functionality all the time." And instead of going after big, one-shot sales, successful SaaS companies use free trials to establish value and word-of-mouth to grow their business. "This is how today's generation is used to doing things," says Ryan. And it's how today's software companies will prosper tomorrow. For more information, visit www.opsources.net. ■