

The SaaS Opportunity in a Tough Economy

Amy D. Wohl
Wohl Associates
www.wohl.com

Agenda

- ▶ The effect of the current economic situation on IT
 - ▶ The effect of the current economic situation on software vendors
 - ▶ The Myth of Who Uses SaaS
 - ▶ The SaaS Opportunity
- 

The current economic situation and IT

It's tough out there

- ▶ Stock market below 7500 – lowest in decades
- ▶ Unemployment rate $> 7\%$
 - Heading to 9–10% before it turns
 - 14–25% in some geographies and demographics
 - Less of an issue for IT where it's likely to be $< 3\%$
- ▶ Credit Freeze
 - Credit is expensive or non-existent

IT Needs to Reduce Costs

- ▶ More efficient applications
 - Consolidation
 - Virtualization
- ▶ Consider Cloud Computing for ad hoc infrastructure and elasticity to handle peaks
- ▶ Manage to better levels of performance
- ▶ Move applications which are not mission critical and which do not include data that can not be successfully secured to lowest cost platforms -- SaaS



The SaaS Opportunity

- ▶ Capital Savings
- ▶ Labor Savings
- ▶ Flexibility to react to Business Changes



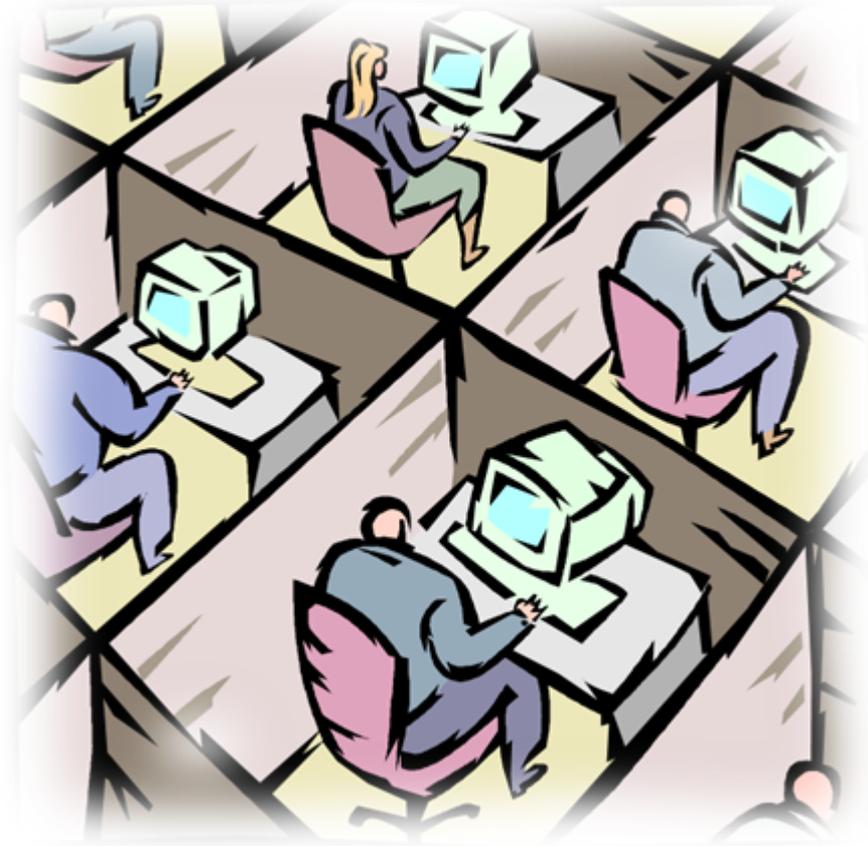
The SaaS Opportunity

- ▶ Capital Savings
 - No capital investment with SaaS
 - No HW
 - No SW Licenses



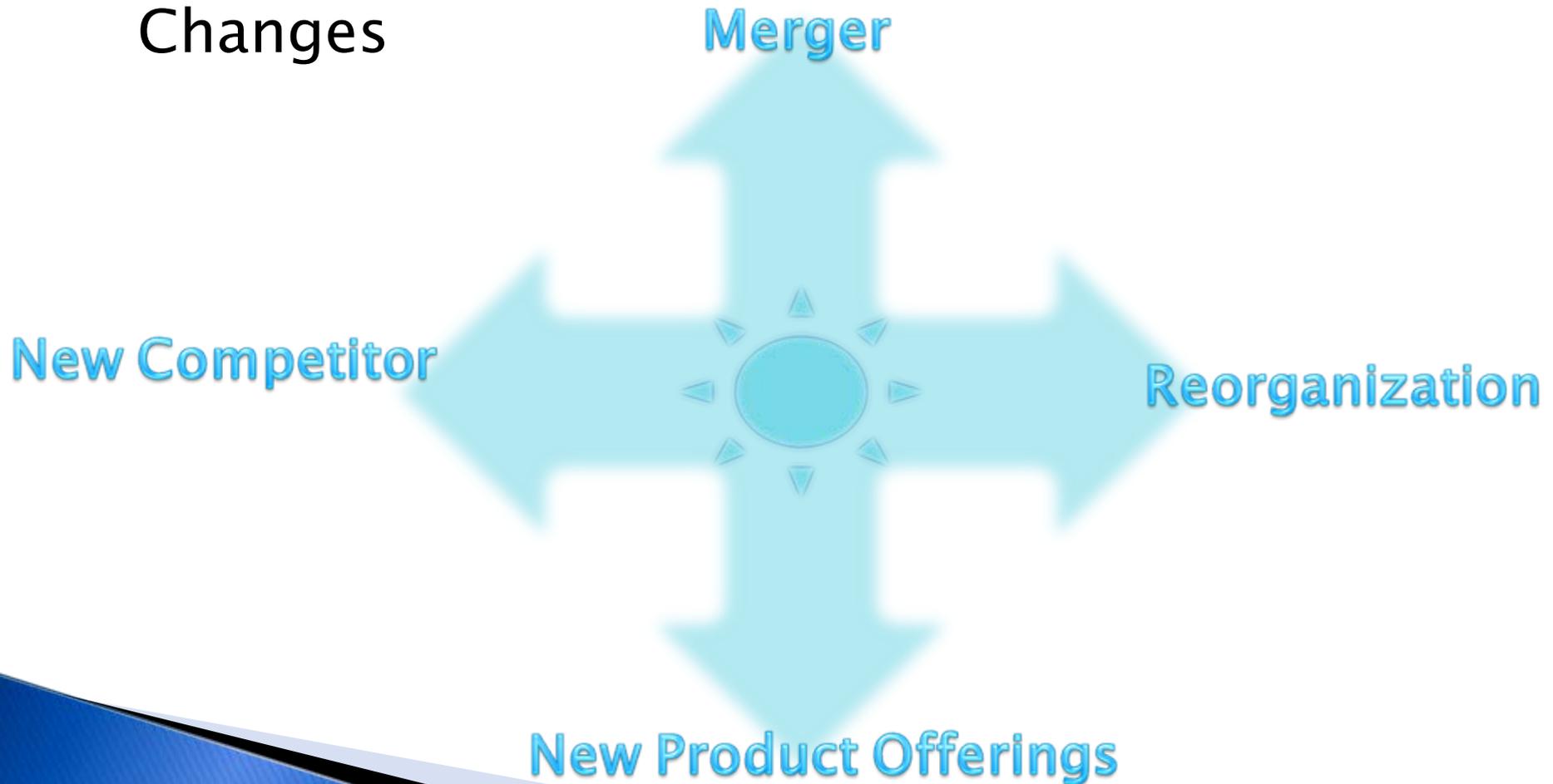
The SaaS Opportunity

- ▶ Labor Savings
 - No implementation
 - No operational expenses
 - Patches
 - Updates

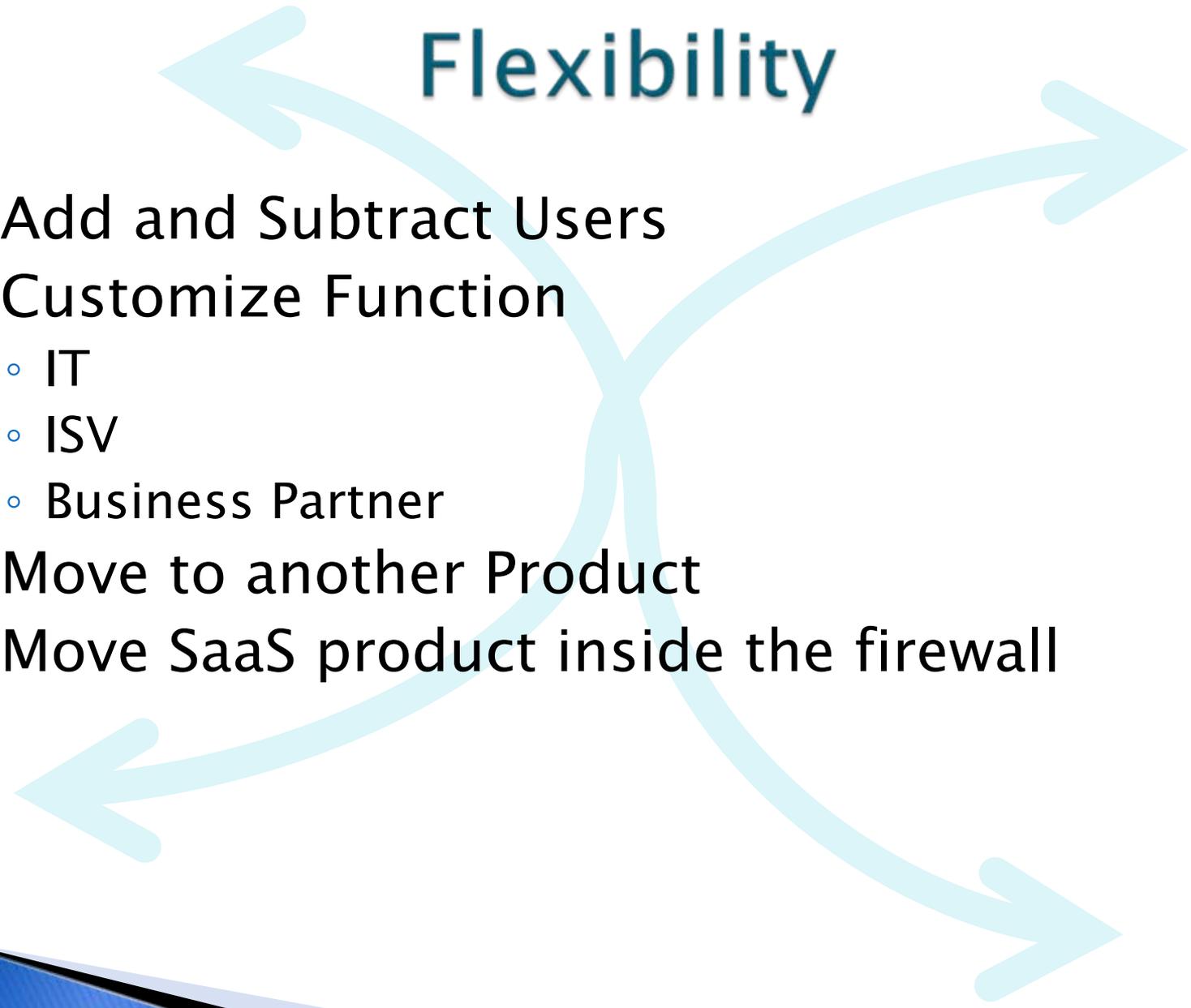


The SaaS Opportunity

- ▶ Flexibility to Respond to Business and Market Changes



Flexibility



- ▶ Add and Subtract Users
- ▶ Customize Function
 - IT
 - ISV
 - Business Partner
- ▶ Move to another Product
- ▶ Move SaaS product inside the firewall

And More SaaS Opportunities

- ▶ **Faster Time to Value**
 - An enterprise application can take six months to 3 years to design and implement
 - A SaaS application rarely takes more than 2 months
- ▶ **Products can reach the market more quickly**
- ▶ **Revenue can accrue sooner**
- ▶ **Better chance at Market Share**
- ▶ **More customer feedback = Greater customer satisfaction = Higher customer retention**

The current economic situation and software vendors

An illustration showing three stylized human figures sitting at desks with computers. The scene is overlaid with a large, semi-transparent blue crosshair graphic that dominates the right side of the image.

- ▶ IT spend will be flat or down in most market segments
- ▶ Exceptions:
 - Healthcare
 - Federal (but not state or local) government
 - Some commodities, e.g., precious metals
- ▶ Even the biggest traditional ISVs are predicting a tough year

The Myth of Who Uses SaaS



- ▶ Big SW companies believe that only little customers (SMBs) use SaaS
- ▶ But successful SaaS players have lots of large enterprises as customers, even for mission critical applications
 - Salesforce.com sells to big banks, brokers, technology companies, and professionals
 - Workday is already selling HR and parts of ERP to firms with 20,000 or more employees
 - ADP has always sold its SaaS product to firms of every size – we just didn't know what to call it!

Opportunities for ISVs

- ▶ IT will move to SaaS as a cost-effective solution in a tough economy
- ▶ Customer size won't matter – ISV product and reputation will
 - Enterprises and Large Midmarket Customers need
 - More Support
 - Higher Quality of Service
 - QoS Guarantees
 - More sophisticated Business Partners for design, implementation, customization
 - Bulletproof infrastructure

The SaaS Bottom Line

- ▶ > 25% of New Software will be delivered on SaaS by Next Year (IDG)
- ▶ Almost no new SW development is being funded by the VC community *except* on SaaS
- ▶ Every SW vendor we talk to either
 - Has a SaaS application; or
 - Is building a SaaS application; or
 - Is planning to build a SaaS application; or
 - Is looking for a SaaS company to buy

The SaaS Bottom Line

- ▶ Common Sense: The market will never be *all* SaaS
 - People still run 30 year-old applications
 - Niche markets may not pay attention to SaaS for a long time
 - Some markets can't figure out how to use SaaS
- ▶ But
 - We see a large and growing market for SaaS
 - The economy is going to grow and accelerate that market
 - The opportunity is right now

Read all about it

▶ My blog:

Amy Wohl's Opinions on SaaS

http://amys.typepad.com/amy_wohls_opinions_on_saa/

My book

Succeeding at SaaS: Computing in the Cloud

Can be purchased at

<http://www.lulu.com/amywohl>