

How SaaS is Changing Technology

2006 SaaS Summit
Treb Ryan



The Enterprise Moves to “On-Demand” Consumption

	Old Model 	New Model 
<i>Service Delivery Model</i>	<ul style="list-style-type: none"> • In house platform • Labor intensive 	<ul style="list-style-type: none"> • On-Demand • Technology Driven
<i>Architecture</i>	<ul style="list-style-type: none"> • Monolithic • Client-Server • “Money-Pit” • Legacy • Non Standard 	<ul style="list-style-type: none"> • Integrated • Services Orientated Architecture • Standardized
<i>Payment</i>	<ul style="list-style-type: none"> • Pay In Advance • High CapEx 	<ul style="list-style-type: none"> • Pay As Consumed

Software as a Service

Characteristics	Benefits
Network delivered access to commercially available software	No local infrastructure or software to purchase or maintain Applications & data are available anywhere with network connectivity
Application delivery is one-to-many model	Operating costs are reduced by managing infrastructure in central locations rather than at each customer's site
Built on optimized & robust platform	Improved availability and reliability
Customer pays for as much as they need when they need it	Lower TCO



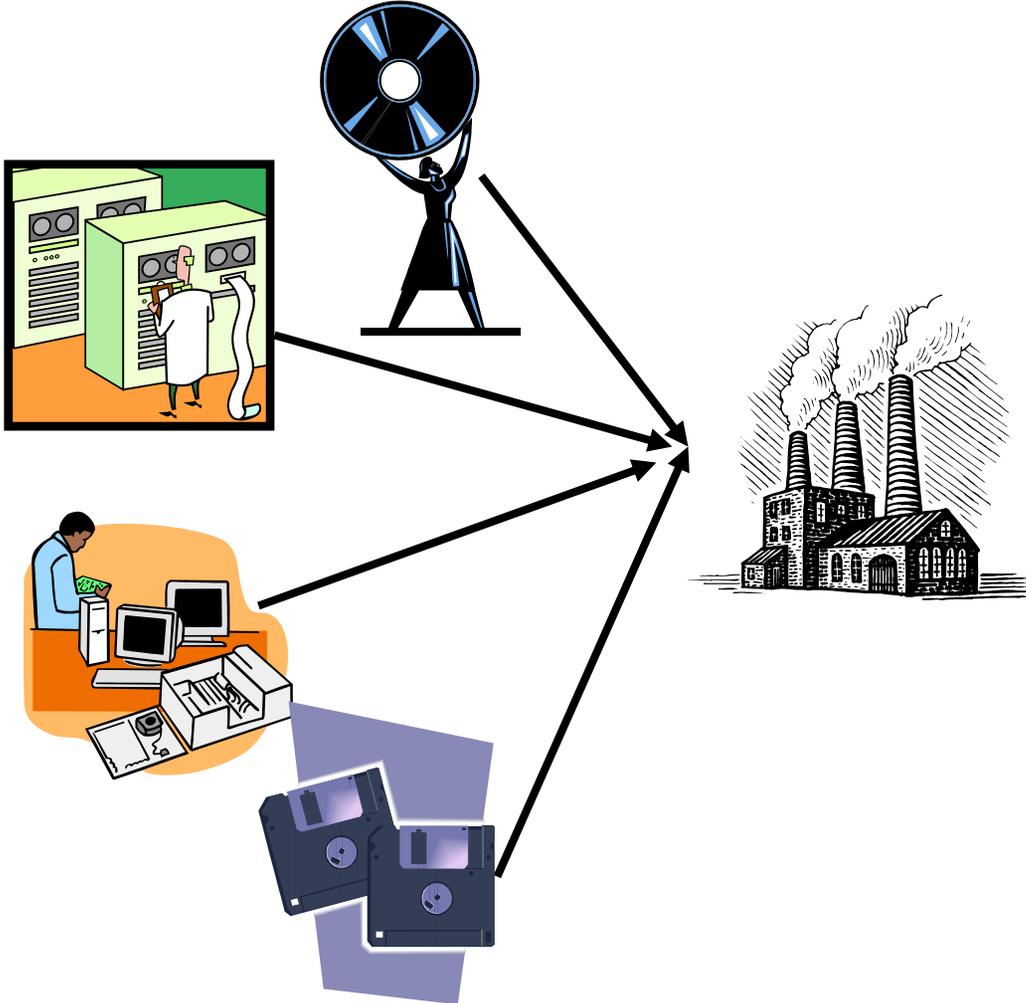
Customers Buy Much Less with SaaS

Items to Purchase with Enterprise Software	Items to Purchase with SaaS
<ul style="list-style-type: none">• Software• Laptops and Desktops• Hosting and Networking<ul style="list-style-type: none">– Internet Connection– Internal Networks– Network Administrators• Servers<ul style="list-style-type: none">– Systems Administrators– Systems Management Soft.– Applications MiddleWare• Database Software<ul style="list-style-type: none">– Disk Arrays for DB– Backup Software– Tape Drives– OffSite Storage– DBA's• Security<ul style="list-style-type: none">– IDS Software– Security Experts• Application Management Experts• End User Help Desk<ul style="list-style-type: none">– Follow the Sun Support	<ul style="list-style-type: none">• Software• Laptops• Internet Connection

3 Huge Impacts to Infrastructure Vendors

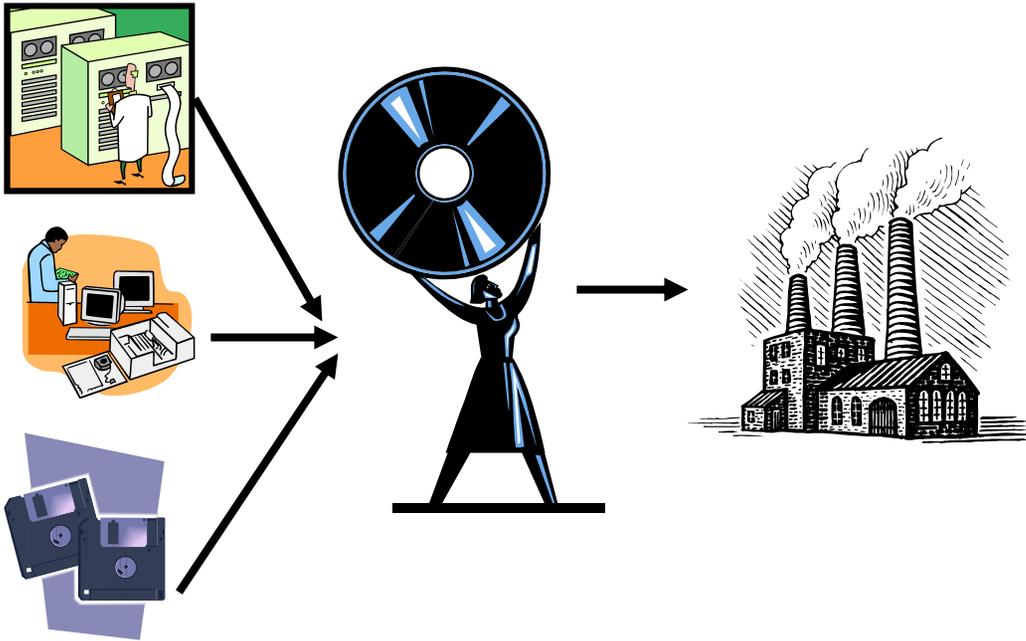
- **New Customer**
- **New Technologies**
- **New Revenue Model**

Traditional Sales



- Hardware, Software and Services Vendors all have enterprise as customer
- Both sell up-front capital intensive solutions to Enterprise

SaaS Sales



- Infrastructure Companies (Hardware, Software and Services) Sell to SaaS Vendor
- SaaS Vendor Sells to customer

Infrastructure will evolve to On-Demand



- Repackaging enterprise products not enough
- SaaS companies are selling on-demand
- Infrastructure companies who sell to SaaS companies will have to sell on demand

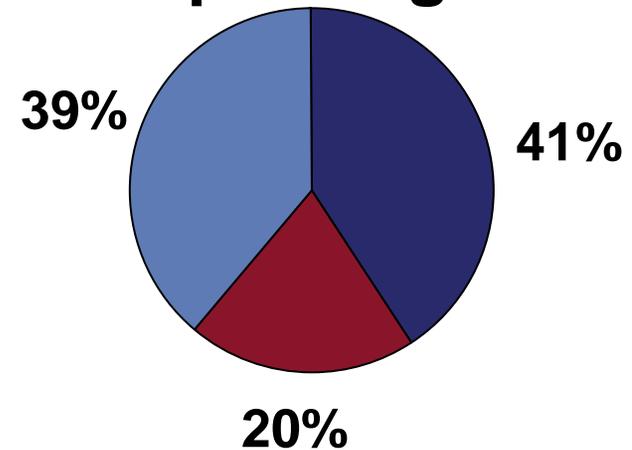
Properties of SaaS Technologies

- Will have to be priced based on usage
- Will need to be able to leverage multiple SaaS offerings
- Open Standards Based Technologies
- Uptime will be key
 - Reliability
 - Disaster Recovery
 - Security

Changes in IT Spend

- Currently most 80% of IT Spend is on Hardware and Software
- IT is focused on Information “TECHNOLOGY”

Worldwide IT Spending

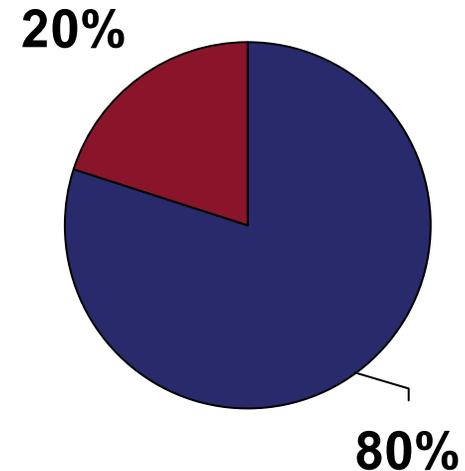


■ Services ■ Software
■ Hardware

SaaS Companies Much Different

- When an Enterprise Buys SaaS most revenue goes to SaaS company
- SaaS COGS represents amount going to infrastructure hardware, software and head count
- IS is now focused on Information “MANAGEMENT”

SaaS Margins



■ Margin ■ COGS

The Shift Has Already Happened

- Consumer Tech is already there
- Look who is capturing a large portion new consumer technology spend
- First Generation SaaS Companies are leading the way for enterprise spend
- These companies capturing up to 90% margins



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What Does It all Mean

- Infrastructure Companies (Hardware, Software and Services) will need to retool their offerings to serve the SaaS vendor and the On-Demand Model
- SaaS Vendors will take a much higher proportion of the technology spend than traditional Software Vendors
- In the end, the companies that provide the most value to either the end user or the SaaS company who supplies the end user will emerge the victors

OpSource, Inc.

Success Based Delivery
of Software as a Service (SaaS)

