

# Going Mainstream – SaaS, IaaS and PaaS

*Reshaping the Enterprise IT Landscape*

***All About the Cloud Conference***  
*11 May 2010*  
*San Francisco, CA*



Bill McNee  
Founder and CEO  
Saugatuck Technology  
P: +1-203-454-3900  
[bill.mcnee@saugatech.com](mailto:bill.mcnee@saugatech.com)

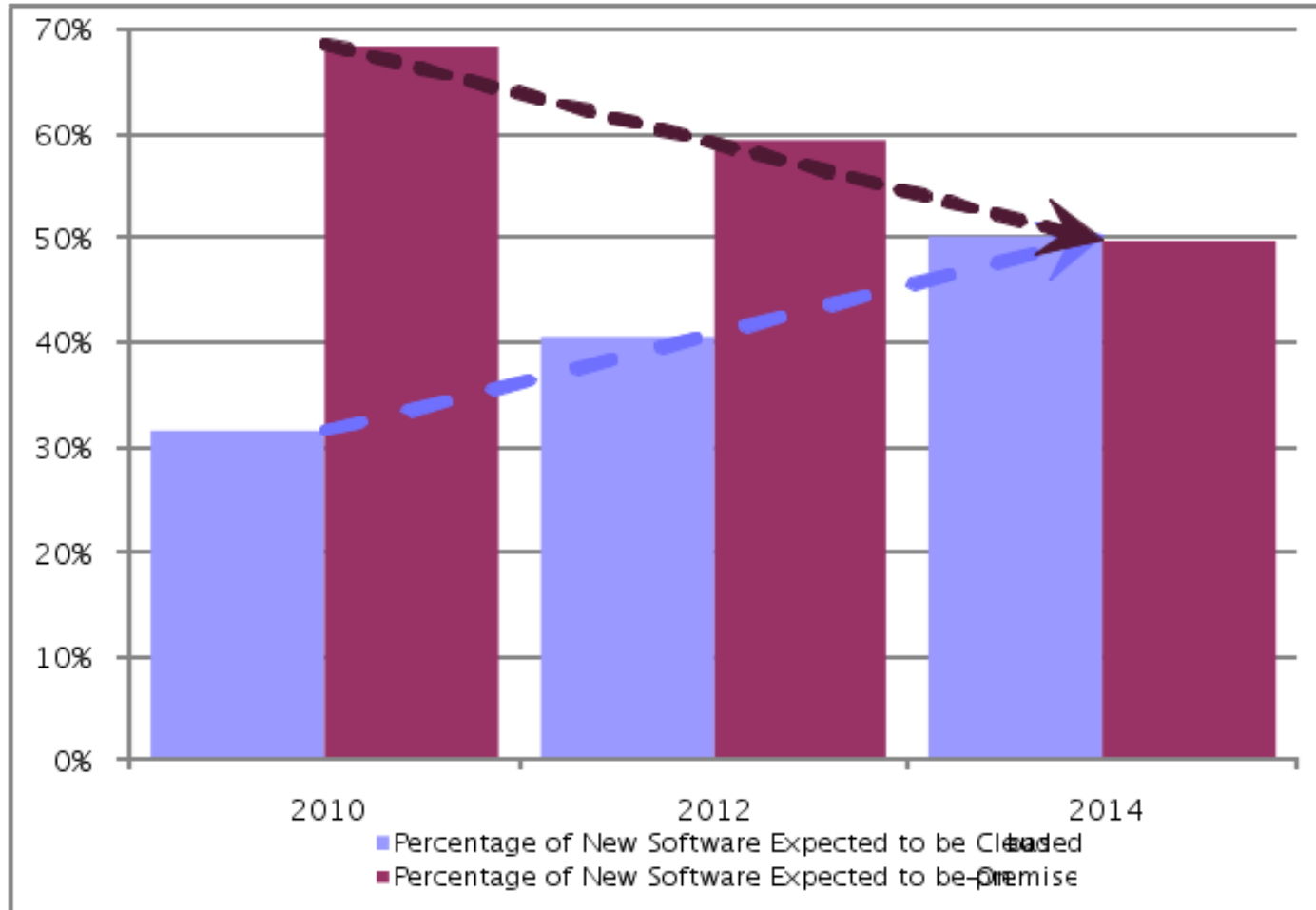


# Key Trends – And the Evolution of Enterprise IT

- **Cloud Computing is now THE dominant / global trend in Enterprise IT**
  - 40 percent or more of all NEW business application / solution decisions in the enterprise will be Cloud-based by YE2014 (up from 15-20 percent in 2009). All customer segments are impacted.
  - While all providers have been impacted by the recent economic downturn, Cloud business solution (SaaS) companies have fared much better than on-premise software companies – and are exiting the downturn with an up-curve trajectory.
  - Key drivers today: Better, faster and cheaper – especially for mid-market companies.
- **The Master Brands and On-premise category leaders are moving aggressively into Cloud**
  - Traditional Master Brands such as IBM, Microsoft, Oracle, HP and SAP have already made significant investment in this transition that will bear fruit in the 2010-2012 timeframe. Joining them as emerging Cloud Master Brands are Google, Salesforce and Amazon.
  - 40-45 percent of ISVs have begun the move to the Cloud. PaaS emerges as a key MB battleground.
  - ISVs that do not invest in this window of opportunity will become marginalized.
- **Customer demand for SaaS, PaaS and IaaS continues to evolve**
  - For the past few years, buyers have primarily preferred best-of-breed Cloud business solutions / SaaS. However, through 2013 the market will shift to platform-driven integration of SaaS and on-premise solutions, creating de-facto multi-vendor solution suites, in addition to single-vendor suites.
  - Business intelligence joins CRM, Customer Service, Collaboration and SFA at the top of Cloud business solution demand through 2012 – however, accelerating interest in core operational systems (HR, Finance, Procurement) nearing parity; Supply Chain / ERP further out.
  - By 2011, many of the fears associated with IaaS (transaction and data/security integrity) are resolved, with customers realizing that its value lies less with cost savings and more with agility (for large enterprises), and service levels and compliance for SMBs.

# After the Storm – The Shift to the Cloud Accelerates

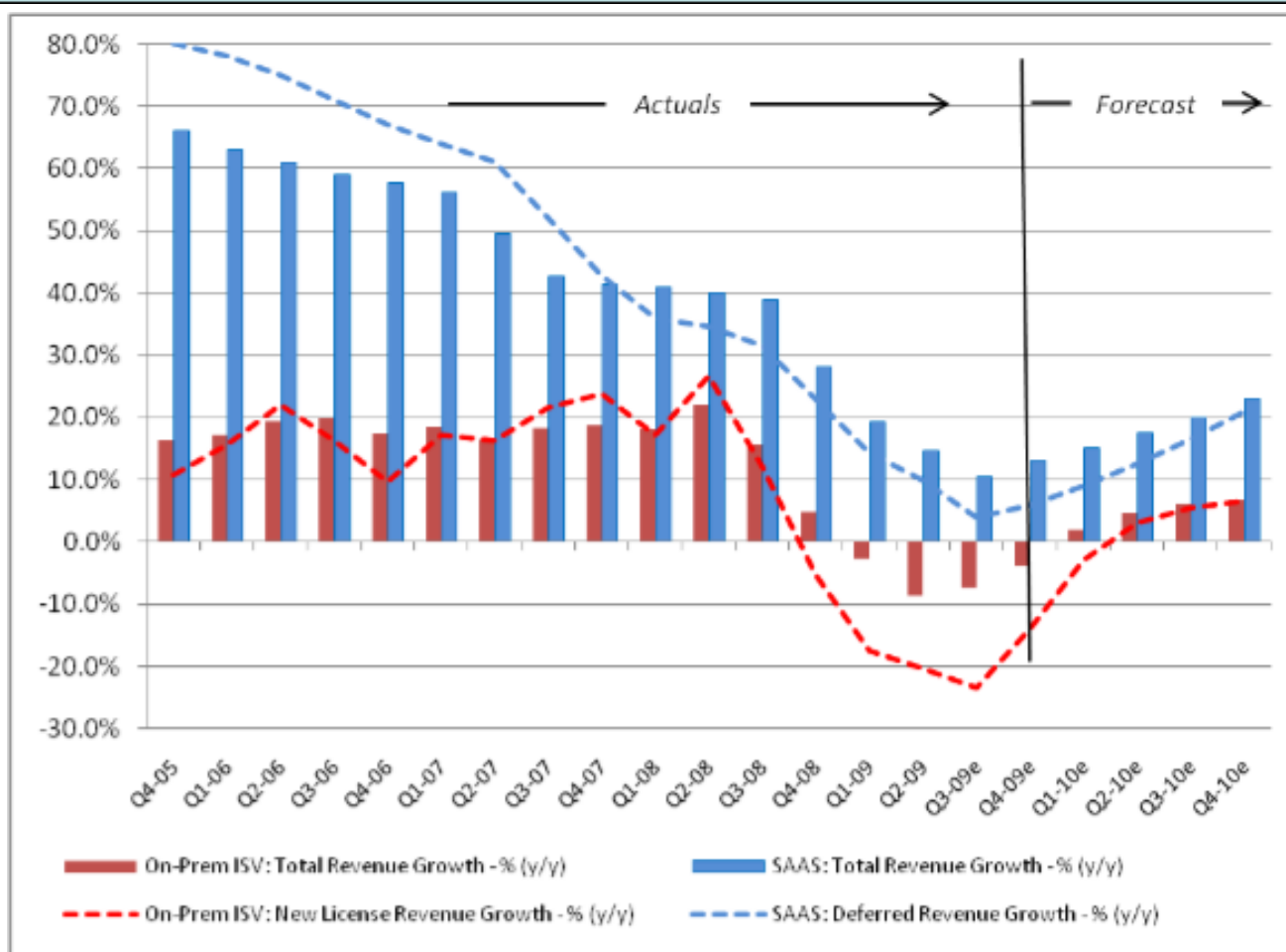
By YE 2014, 40 percent or more of NEW enterprise IT spend will be Cloud-based.  
By YE 2014, 45 percent or more of NEW enterprise IT workloads will be Cloud-based.  
By YE 2014, 25 percent or more of TOTAL enterprise IT workloads will be Cloud-based.



Source: Saugatuck Technology Inc., 2009 Cloud Infrastructure Survey (Fall 2009), Global N=670

# SaaS vs. On-Premise ISVs: Public Company Market Baskets

While many ISVs are experiencing rebounding (albeit modest) growth in the short-term, established Cloud / SaaS companies have quickly rebounded from the downturn with accelerating year-over-year top-line growth – averaging 25 percent or more by YE 2011.

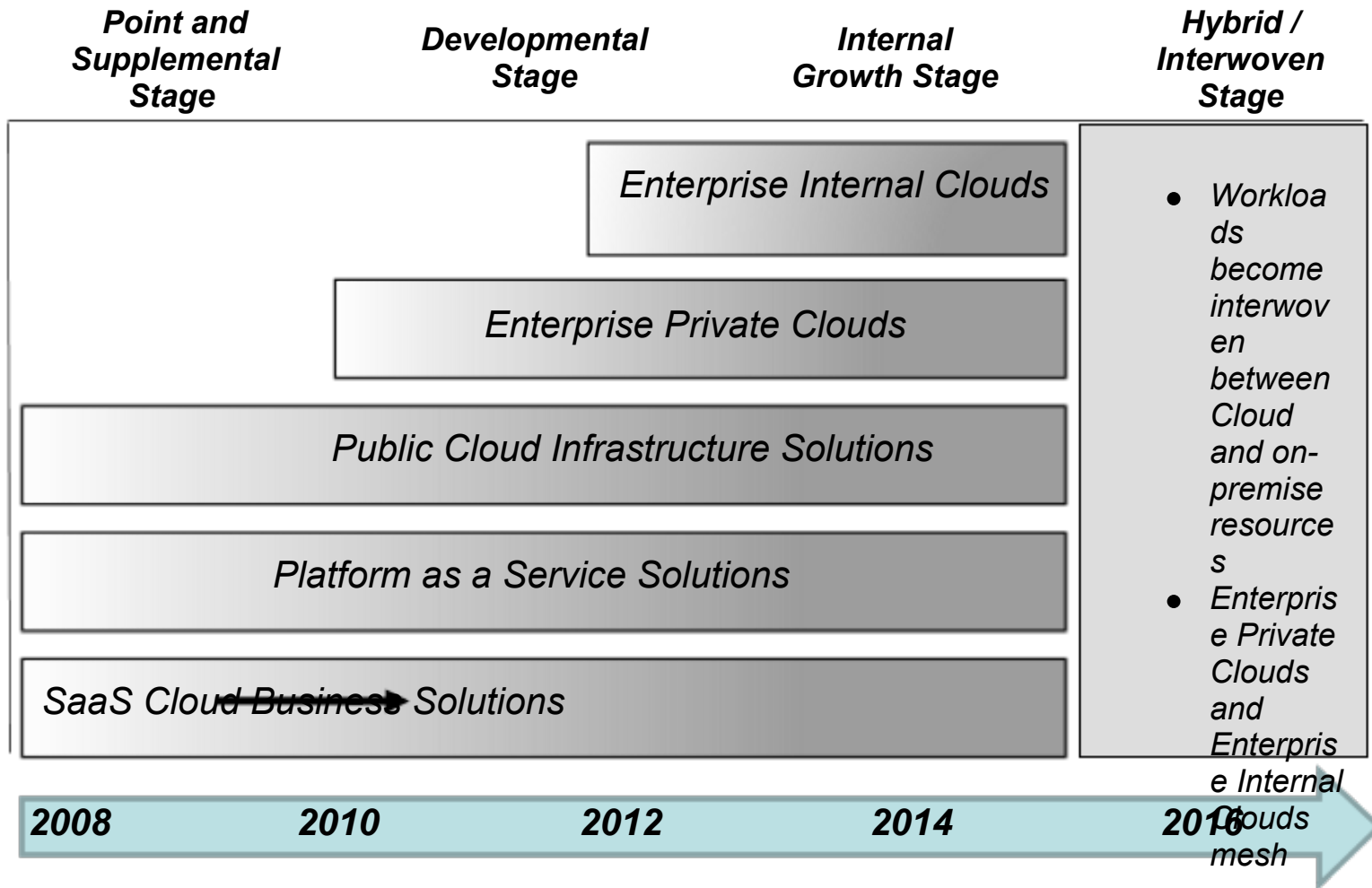


Source: Company Reports, Edgar Online, Yahoo Finance, Webdash, Saugatuck Technology. Data normalized to reflect non-standard fiscal years.

- Traditional ISV Market Basket: Autodesk (ADSK), BMC (BMC), Compuware (CPWR), Epicor (EPIC), Lawson (LWSN), Oracle (ORCL), SAP (SAP);
- SaaS Market Basket: Blackboard (BBBB), Concur (CNQR), DemandTec (DMAN), Kenexa (KNXA), NetSuite (N), RightNow (RNOW), Salesforce.com (CRM), SuccessFactors (SFSF), Taleo (TLEO), Ultimate Software (ULTI).

# Saugatuck's Cloud IT Reality Model

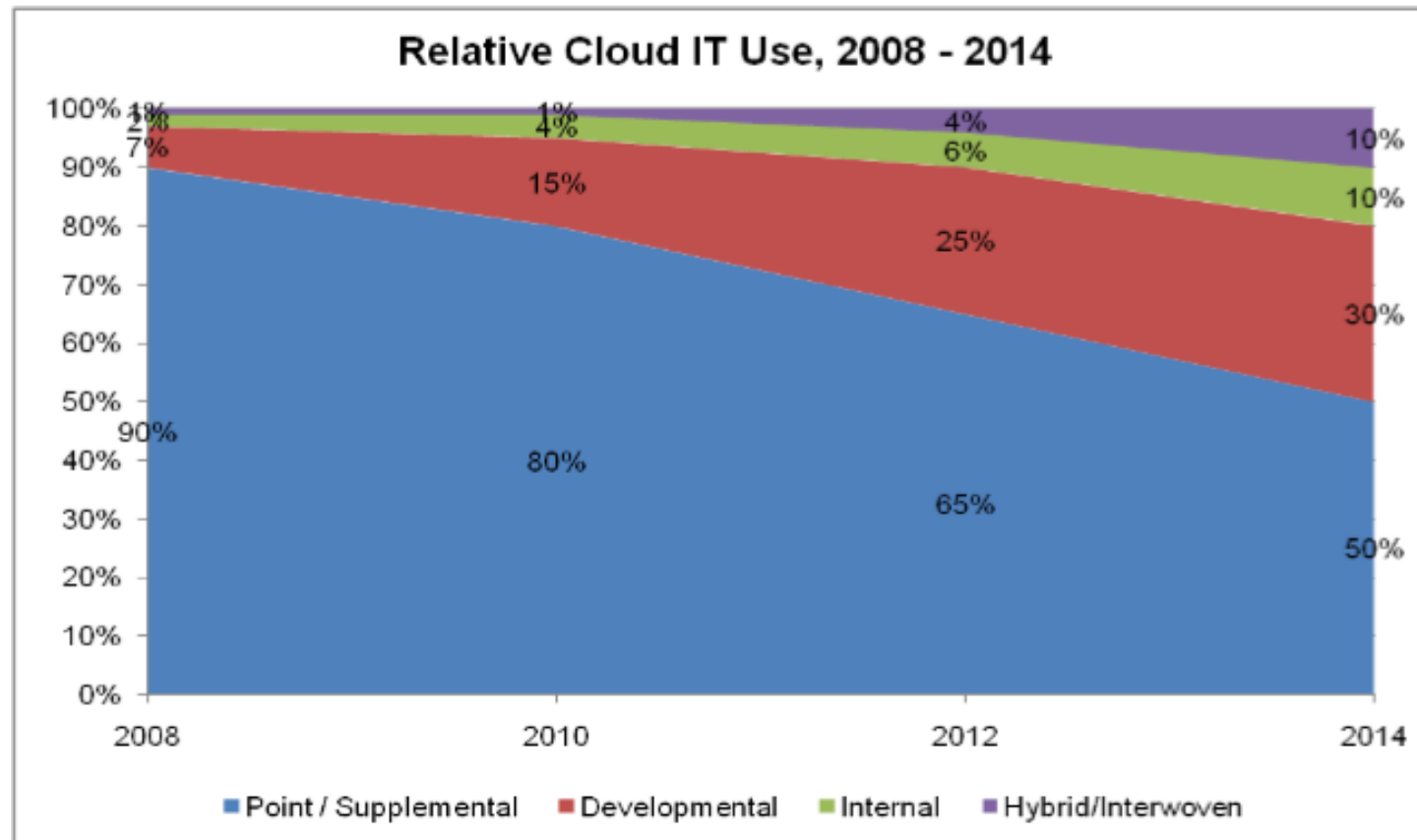
By YE 2014, at least 15 percent of organizations will use Private Clouds for daily business operations; fewer than 10 percent will utilize Internal Clouds for operational systems.



Source: Saugatuck Technology

# The Ultimate Shift to Hybrid / Interwoven Environments

*By YE 2014, Point and Supplemental Cloud IT instances will account for less than half of all Cloud IT usage, as more advanced and sophisticated categories of usage develop and grow. By YE 2012, more than 25 percent of user firms will be using Cloud development platforms to develop and test critical, internal software that enables and supports business operations. Through YE 2014, the majority of “hybrid” user IT and operations will be focused on department-specific or function-specific operations.*



Source: Saugatuck Technology

# Saugatuck Cloud Ecosystem Model

## **Level 4: BPO / Managed**

**Services.** Specialized expertise often delivered in conjunction with a Cloud-based solution, e.g., Mobility as a Service, Cloud-based security.

## **Level 3: SaaS (Waves I-III) and**

**related services.** Business solutions delivered from the Cloud, typically in a multi-tenant architecture, and billed under subscription model.

## **Level 2: Cloud development, PaaS, SaaS integration, Service**

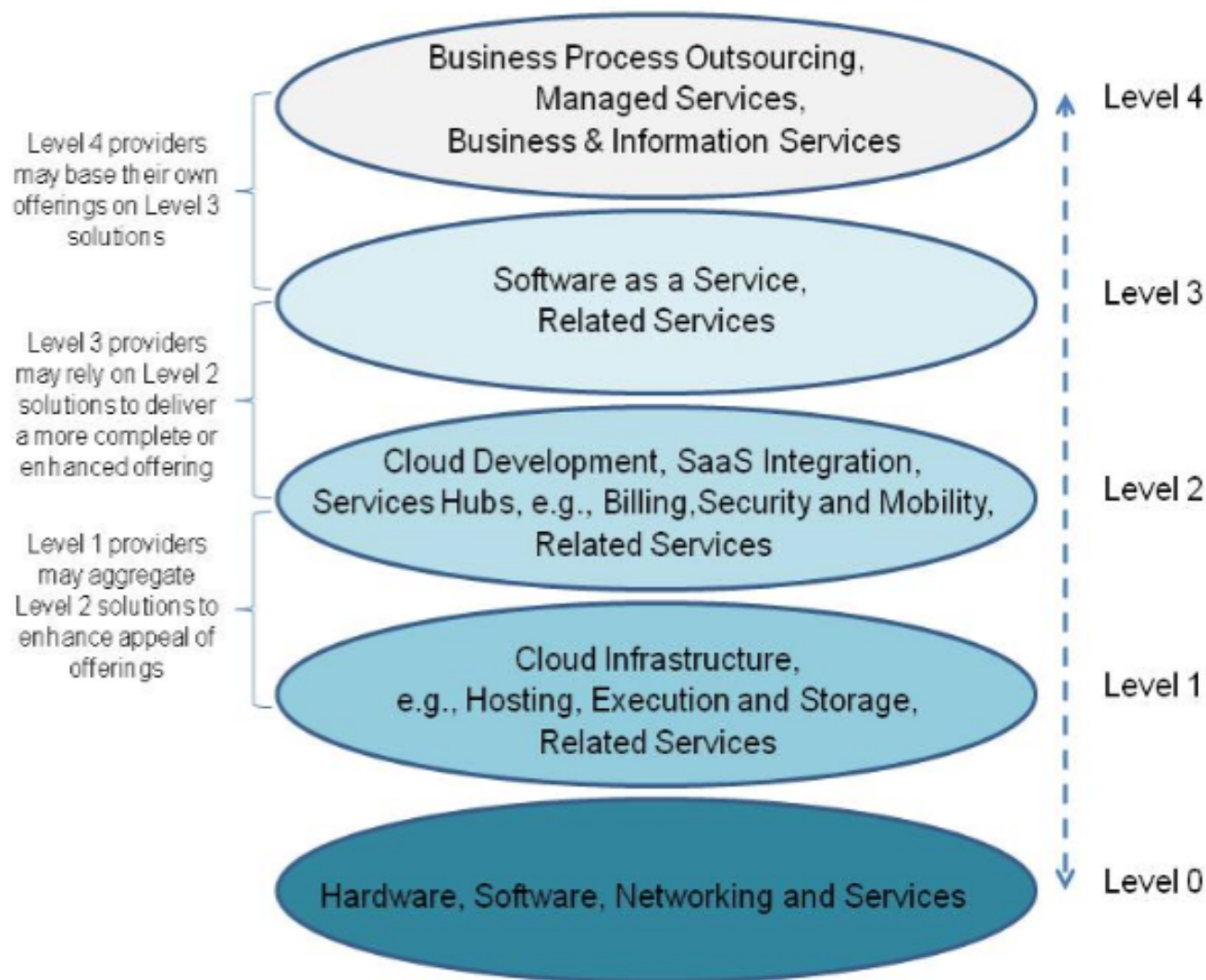
**Hubs,** including billing, administration, aggregation, security and mobility solutions, systems and infrastructure management, data warehousing, data access and analysis, and related professional services.

## **Level 1: Cloud-based On-Demand infrastructure providers**

**and platforms** that host SaaS and other on-demand solutions and provide service offerings to manage infrastructure platforms (collocation);

**Level 0: Suppliers** of hardware, system software and utilities, data center management software, networking equipment, hardware and software, and associated services

## Saugatuck Cloud Ecosystem Model



Source: Saugatuck Technology

# Cloud Business Solutions Go Mainstream

*Globally, Business Intelligence now joins CRM, Customer Service, Collaboration and SFA as the leading Cloud Business Solutions in demand and deployed through 2012.*

Cloud Business Solutions / SaaS – Installed Base + Purchase Intent Through 2012				
	Worldwide	US	Europe	AsiaPac
Customer Relationship Mgmt.	1 (52%)	3	1 (t)	1 (t)
Customer Service and Support	2 (51%)	4	5	4
Collaboration	3 (51%)	1	4	17
Business Intelligence	4 (50%)	2	9	7 (t)
Salesforce Automation	5 (50%)	6	12	3
Financial Analysis & Reporting	6 (49%)	9	8	1 (t)
Planning & Budgeting	6 (49%)	7	1 (t)	11
E-Commerce	8 (49%)	5	11	9
Human Resource Admin.	9 (48%)	13	3	7 (t)
Payroll	10 (48%)	8	13	5
Time and Labor Mgmt.	11 (47%)	11	10	19
Benefits Admin.	12 (46%)	12	18	14 (t)
Procurement	13 (46%)	10	22	20
Supplier Relationship Mgmt.	14 (46%)	16	14	6
Sourcing	15 (45%)	14	17	16
Corp. Performance Mgmt.	16 (45%)	18	15	12
Supply Chain	17 (45%)	19	6	14 (t)
Core Financials	18 (45%)	17	16	13
Talent & Performance Mgmt.	19 (44%)	15	20	18
Governance, Risk & Compliance	20 (44%)	21	7	22
Treasury & Cash Mgmt.	21 (43%)	20	19	10
Product Lifecycle Mgmt.	22 (43%)	22	21	21
ERP-Manufacturing	23 (36%)	23	23	23

*However . . . . when looking at buyer demand within a functional domain, the numbers tell a slightly different story:*

### **Top Finance Solutions targeting Finance Execs:**

- Planning & Budgeting
- Business Intelligence
- Core Financials
- Financial Analysis & Reporting
- Governance, Risk & Compliance
- Treasury / Cash Mgmt.

### **Top Human Capital Solutions targeting HR Execs:**

- Payroll
- Time & Labor Mgmt.
- HR Administration
- Talent & Performance Mgmt.
- Benefits Administration

### **Top Procurement Solutions targeting Purchasing/Procurement Execs:**

- Sourcing
- Supplier Relationship Mgmt.
- Procurement

Source: Saugatuck Technology Inc., 2010 Cloud Business Solutions / SaaS Survey (March 2010), US=362, Europe=223, Asia=161

# Cloud Business Solutions – Shift to “Core” Operational Systems

*By 2012, spending on core / operationally-focused Cloud business solutions begins to rival – and in some segments overtake – front-office and tactical solution demand.*

*By 2014, three-to-four category leaders emerge for each of the major Cloud / SaaS business solution segments – more than half of which do not have a heritage as on-premise providers.*

	2008	2010	2012	2014
<i>Knowledge Worker Collaboration</i>	<b>Collaboration Early Cloud Market Leader</b> Google, Cisco/Webex, IBM and others help make Cloud mainstream		<b>Core Cloud Solution</b> Master Brands migrate collaboration suites to the cloud, e.g., Microsoft – as collaboration is cloud category with some of the most significant rip & replace of traditional on-premise solutions	
<i>Finance / Analytics/ Planning/ Budgeting</i>	<b>Emerging</b> SMBs take lead Early leaders include NetSuite, Intacct, and regional players such as Twinfields (Netherlands)	<b>Gaining Traction</b> Large Enterprise early-adopters begin to deploy. SAP along with variety of core and niche financial start-ups gain traction (Kyriba, Sabrix), along with niche CPM / BI players (Host Analytics, Adaptive Planning)		<b>Becoming Core</b> Single-vendor and de-facto platform-driven suites emerge
<i>Sales / Marketing / Performance Mgmt.</i>	<b>CRM / SFA Early Cloud / SaaS Leaders</b> Salesforce and others (e.g., Xactly, Callidus, RightNow, SugarCRM) help make SaaS mainstream, as well as a variety of niche players (e.g., Prolifiq)		<b>Core Cloud Solution</b> Beyond sales & marketing – becoming key solution around which small and large enterprises are adding complimentary offerings, especially finance	
<i>Human Capital Management</i>	<b>Emerging</b> Initially very tactical offerings. Early market leaders Taleo, Successfactors, ADP / Employease	<b>Rapidly Growing</b> Rapidly expanding category - Talent Mgmt., HR/Benefits Admin., Payroll, Time & Labor Mgmt. all “hot” segments – Workday leading drive to gain traction in large enterprises, along with regional players such as UK-based Patersons		<b>Core Cloud Solution</b> Becoming lead solution category for many large enterprise SaaS portfolios
<i>Procurement / Expense Mgmt.</i>	<b>Emerging</b> An emerging segment that plays naturally to Cloud / SaaS architecture. Concur early market leader.		<b>Growing Nicely</b> A variety of direct & indirect procurement and sourcing providers emerge, led by long-time market leader Ariba and smaller niche providers	
<i>Manufacturing / Supply Chain</i>	<b>Primarily Niche Deployments</b> Interesting innovation – e.g., shop floor (Plex), transport / logistics (Descartes), fleet optimization (Xata), supplier compliance (Trace One) – but still early		<b>Emerging</b> While not typically an early-adopter segment, it may move faster than usual due to potential cost savings and supply chain execution / collaboration needs	

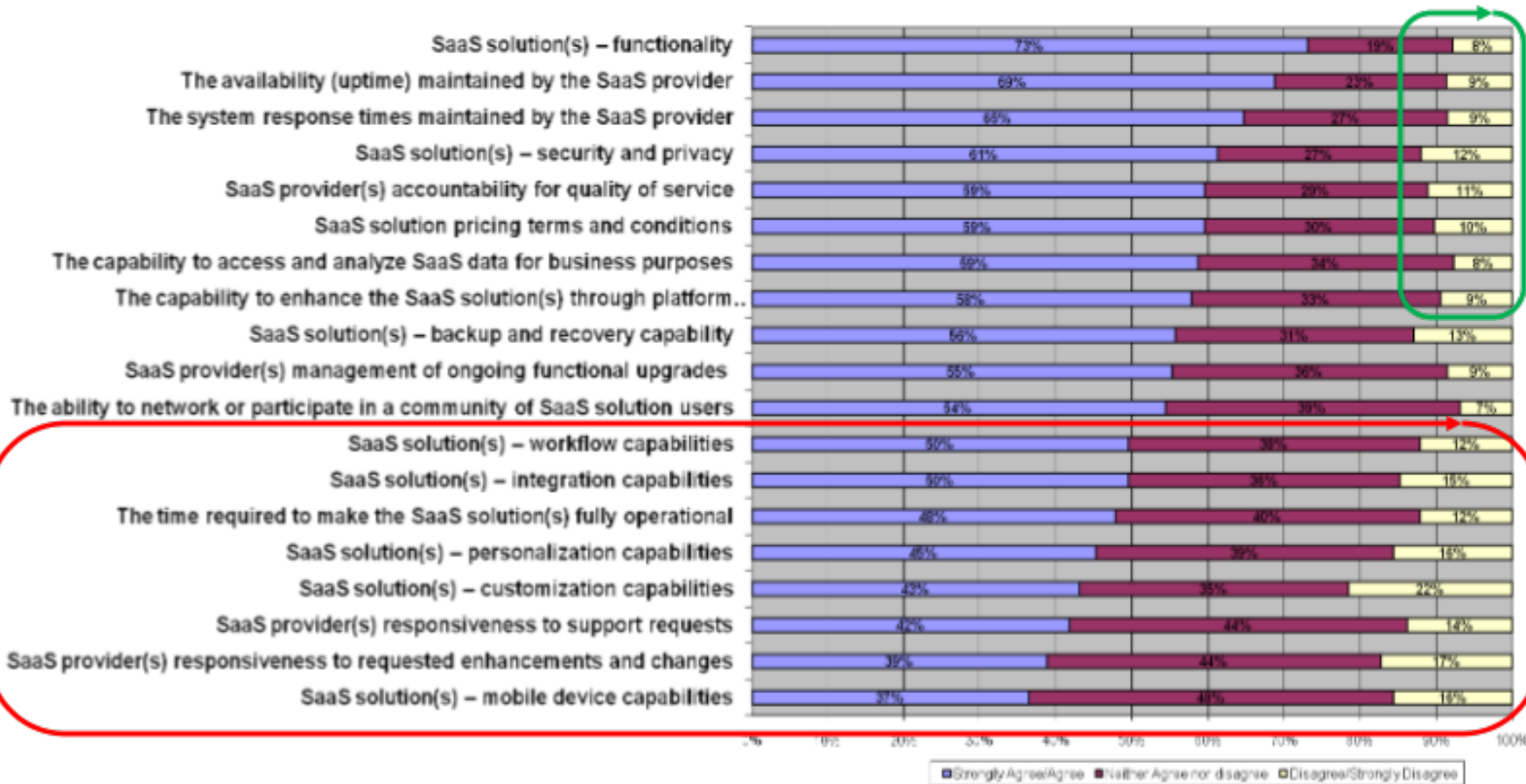
Source: Saugatuck Technology

# Cloud Satisfaction – Strong Today But Challenges Exist

Through 2014, Cloud satisfaction levels remain high, resulting in 90 percent plus average customer renewal rates, and 100 percent plus average contract value renewal rates.

Through 2011, Cloud business solutions remain challenged to fully address large enterprise requirements related to key Wave II & Wave III capabilities – including workflow, data and process integration, personalization, customization and broad-based mobility support.

In Regard to Our Experience with Cloud Business Solutions (SaaS), My Company is Satisfied with . . .



Overall, very high satisfaction

But significant and important issues exist – especially around key capabilities:

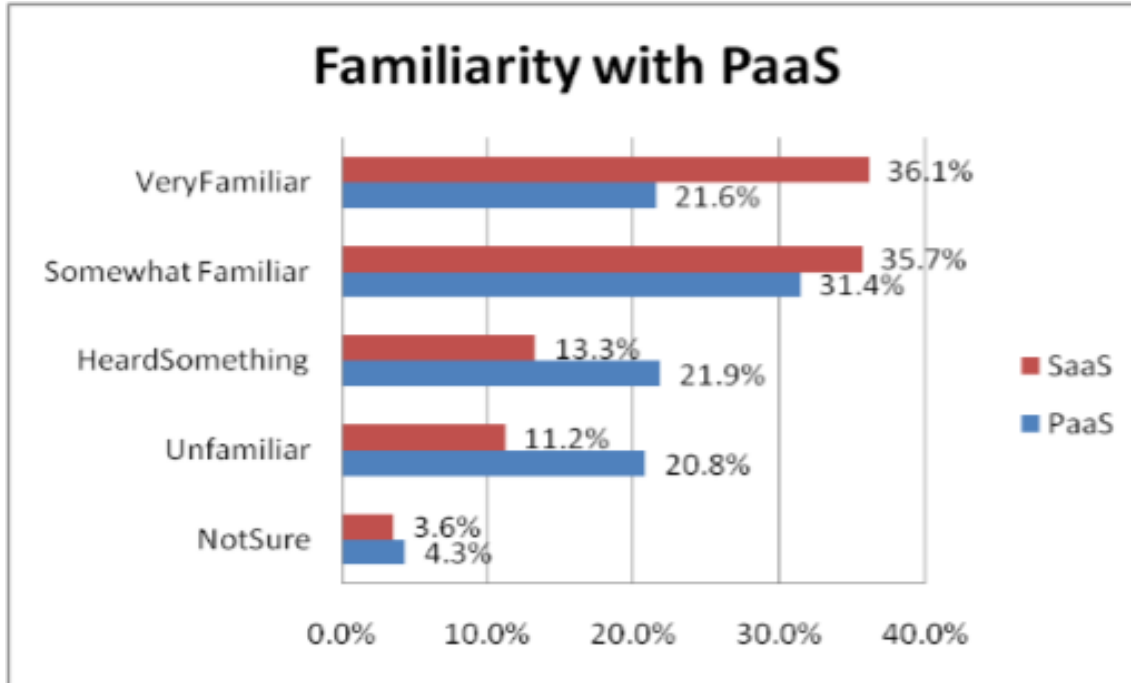
- workflow
- integration
- personalization
- customization
- mobility support

Source: Saugatuck Technology Inc., 2010 Cloud Business Solutions / SaaS Survey (March 2010), Global N=790

# Platform-as-a-Service (PaaS) Has Not Yet Reached Its Inflection Point

*By 2014, the key concerns of enterprise developers and ISVs related to PaaS will have been resolved or evaporate, such that PaaS and Cloud development becomes a mainstream and dominant means of building, deploying and running new Enterprise applications.*

*By 2012, all of the major Master Brands will have fully-functional PaaS offerings.*



**Saugatuck Insight:** Key initial concerns of ISVs and enterprise developers regarding PaaS focus on:

- Vendor lock in
- Possible outages
- Performance guarantees/SLAs
- Security and regulatory compliance, e.g., PCI.

After these concerns are met, developers typically turn focus on *functionality / cost*. PaaS providers should be prepared to answer these concerns to the satisfaction of potential customers.

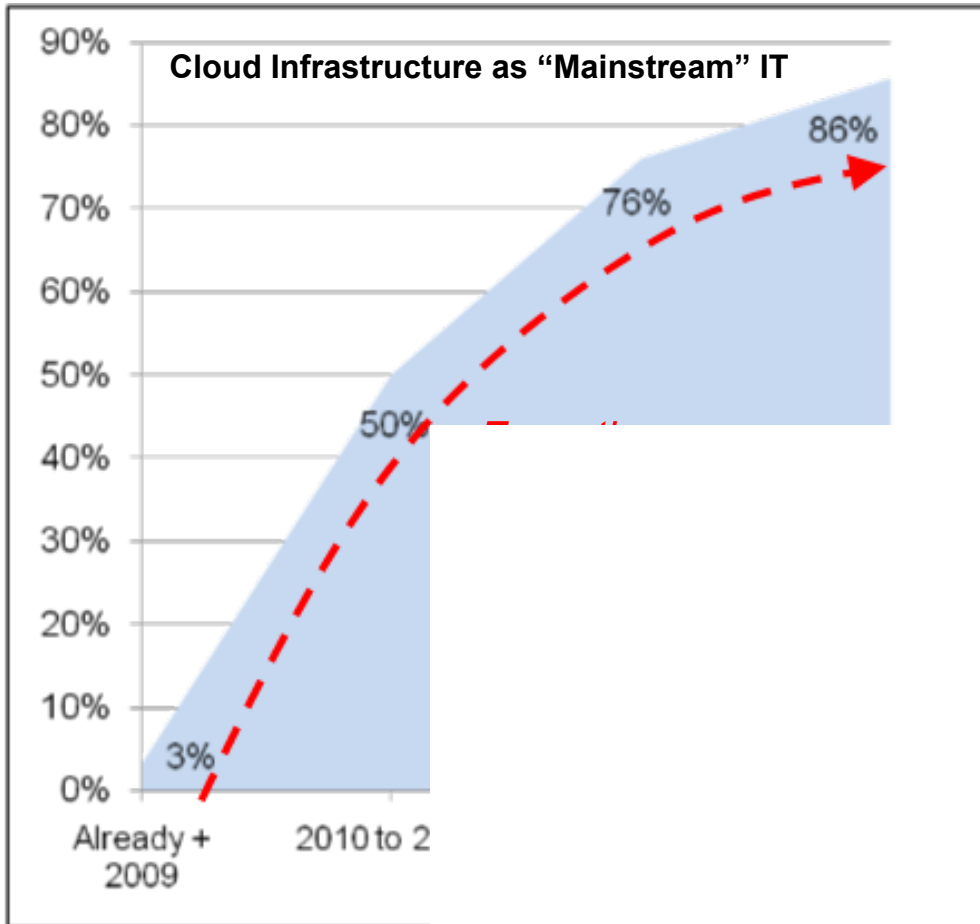
Source: Saugatuck Technology Inc., 2010 Cloud Business Solutions / SaaS Survey (March 2010), Global N=790

PaaS Today	Google, LongJump, Microsoft, NetSuite, QuickBase, Salesforce, Zoho
Hybrid (Cloud / On-Prem) Today	Amazon AWS partner offerings, Apprenda, IBM, Oracle, Progress Software, Ruby Development (e.g., EngineYard, Heroku)
In Transition Today	IBM, Oracle, SAP, HP – These dominant master brands still straddle the fence

Source: Saugatuck Technology

# Cloud Infrastructures as Mainstream IT

*By 2012, 75 percent or more of SMBs, large enterprises and public sector organizations will use one or more Cloud IT instances to enable and support ongoing business operations.  
By 2014, IaaS value-propositions are primarily tied to private clouds and workload/client-specific capabilities with higher margins than today's lower-margin raw compute business.*



Source: Saugatuck Technology Inc., 2010

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Cloud Infrastructure Solutions in Use	Percentage Indicating Use by YE09
Document storage and retrieval	32%
Data storage and retrieval	32%
Web-serving workloads	26%
Systems development and testing capability	20%
	20%
eval	20%
	19%
	17%
	17%
	13%
ent	Core Data Center Production



# The Cloud and Business/IT Services

*By 2012, cloud service providers such as Google and Microsoft that directly provide cloud infrastructure and business solutions such as collaboration dramatically disrupts (and in many cases squeezes out) the established technology and service provider order.*

*By 2014, “non-traditional” service providers with specific vertical and business IP will significantly challenge – and in some cases overtake – niche ISV specialists and traditional IT-centric outsourcers with cloud-enabled business services.*

## Evolving Service Provider Dynamics

	Legacy Business Model (s)	Cloud Business Model (s)
Deal Type	Horizontal “Tower” Deals	Vertical Integrated Processes
Deal Length	Long term 5-10 years “Billion Dollar Diet”	Shorter / leaner / iterative relationships <3 years
Deal Focus	Asset intensive (transfer of capital and labor)	Asset Lite (leveraging external cloud computing services)
Deal Team	Pyramid (partner approach)	Flatter (expert ninjas) from offshore centers of expertise
Deal Partner	Established ecosystem	New partners, co-opetition/ competition
Deal Flow	US and W. EU	Global - growth especially from BRIC
Deal Scalability	One-to-one / “mess for less”	One-to-many (repeatable business solutions leveraging unique IP)

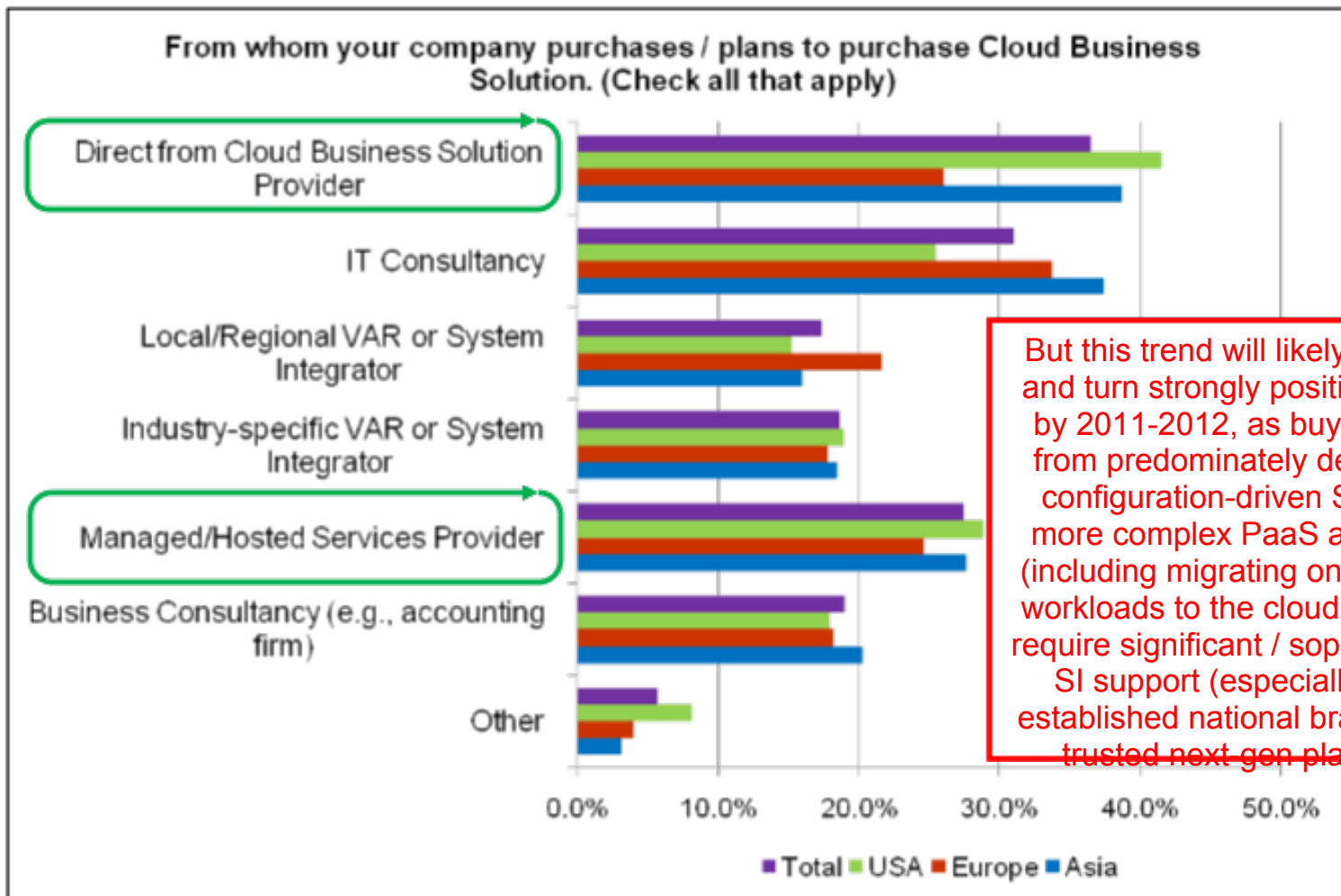
## Ten Cloud Computing Concerns Shaping Service Provider Strategies

- Cloud Computing abstracts functionality to the business layer.
- Cloud Computing challenges services providers to sell beyond IT.
- IT service providers need to become more nimble and agile.
- Cloud Computing breaks traditional service provider pricing models.
- Cloud IT consulting work will grow but not into the billions . . .
- The army of consultants will continue to get smaller, leaner and more specialized.
- Traditional ISVs eventually shape up as services competitors.
- SaaS’s explosion means a Host’s implosion.
- Service Providers enter the software market.
- Cloud Assessments useful but in danger of adding complexity.

Source: Saugatuck Technology

# The Cloud, the Channel and Evolving Routes to Market

*By 2014, the Cloud helps reshape 50 percent or more of traditional IT spend and channel relationships – with significant regional variations.*



**Comparing Results from Saugatuck's 2010 Global Survey vs. 2009**

2009		2010
31%	↑↑	37%
40%	↓↓↓	31%
22%	↓↓	17%
29%	↓↓↓	19%
19%	↑↑↑	28%
18%	↑	19%
3%	↑	6%

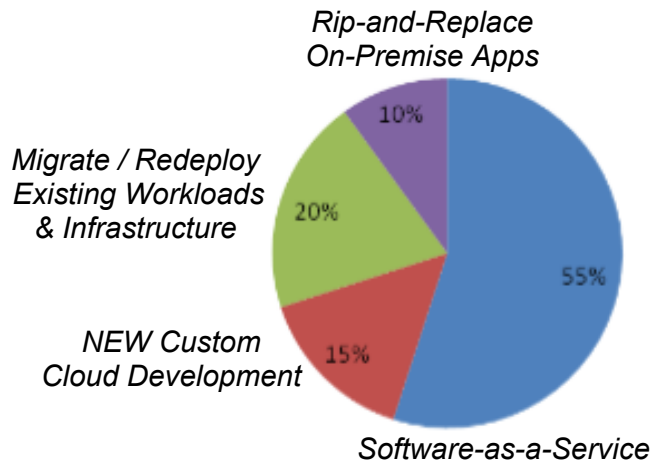
But this trend will likely reverse and turn strongly positive again by 2011-2012, as buyers shift from predominately deploying configuration-driven SaaS to more complex PaaS and IaaS (including migrating on-premise workloads to the cloud) that will require significant / sophisticated SI support (especially from established national brands and trusted next-gen players).

Source: Saugatuck Technology Inc., 2010 Cloud Business Solutions / SaaS Survey (March 2010), Global N=790

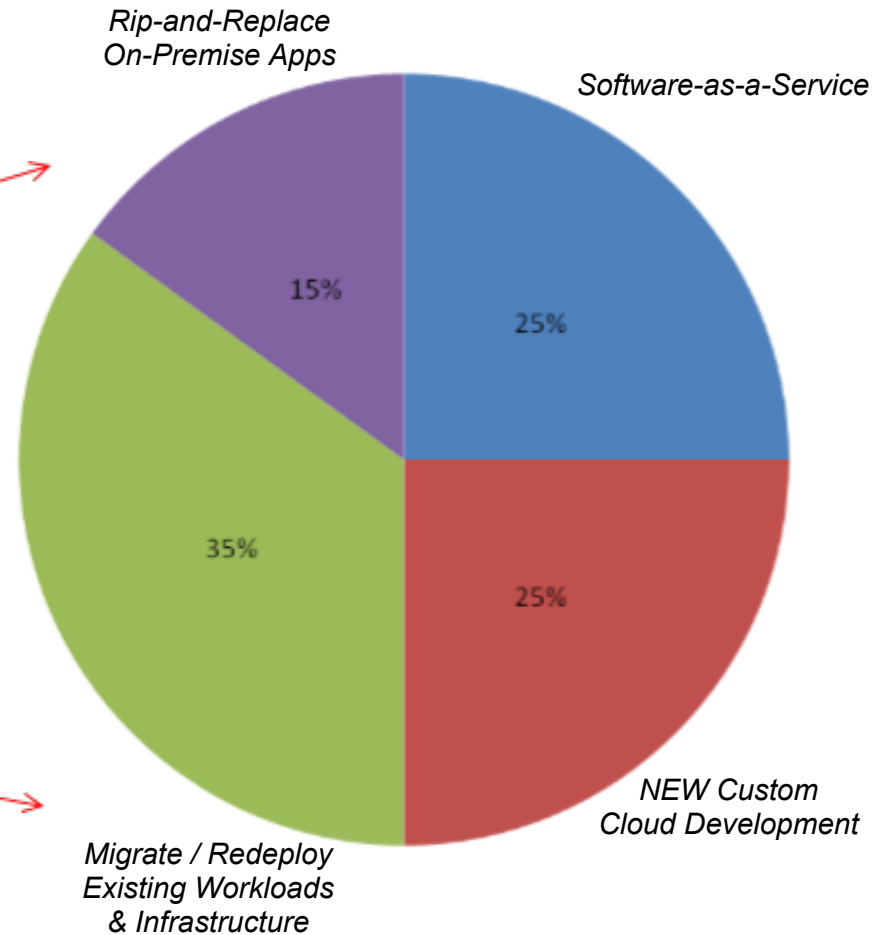
# Best-Estimate Distribution of 2014 Cloud Workload Activity

*By YE 2014, the largest driver of Cloud IT workloads will be the redeployment of on-premise applications and business productivity capabilities, and migrating traditional workloads, collaboration infrastructure and general purpose IT infrastructure to public and private clouds.*

YE 2009



YE 2014



Source: Saugatuck Technology

# How to Contact: Regional Sales Offices

## US OFFICES

### **Headquarters**

Saugatuck Technology Inc.  
49 Riverside Ave.  
Westport, CT 06880  
USA

(P) +1.203.454.3900

Regional Sales: [Al.Vanek@Saugatech.com](mailto:Al.Vanek@Saugatech.com)

### **Silicon Valley**

Saugatuck Technology Inc.  
5201 Great America Parkway, Suite 320  
Santa Clara, CA 95054  
USA

(P) +1.408.727.9700

Regional Sales: [Andrew.Jeffs@Saugatech.com](mailto:Andrew.Jeffs@Saugatech.com)

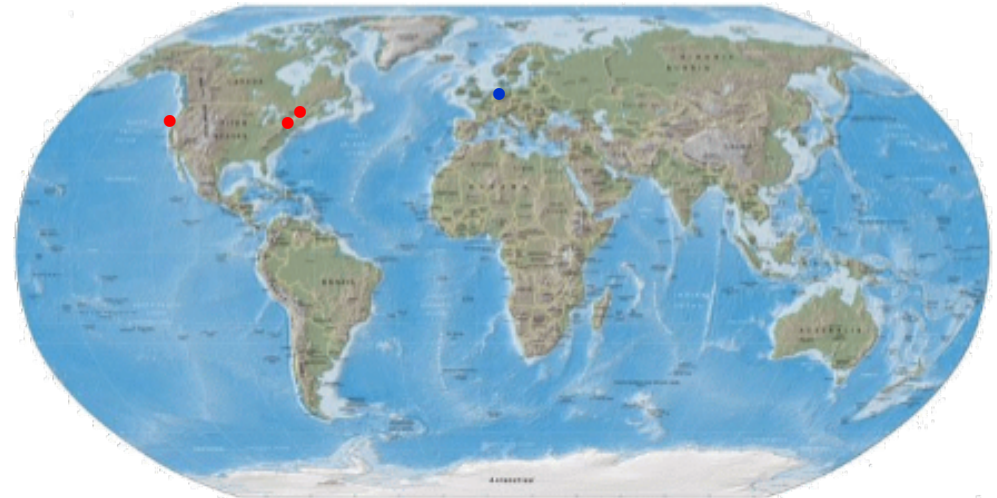
## INTERNATIONAL

### **Germany**

Saugatuck Technology Inc.  
Bluecherstr. 4  
D 65343 Eltville am Rhein  
Germany

(P) +49.6123.630285

Regional Sales: [frank.sempert@saugatech.com](mailto:frank.sempert@saugatech.com)



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- Our Mission: To help clients make better business decisions through *trusted insights* into key market trends and emerging technologies driving change in enterprise IT.
  - *For vendors / services providers*: Help accelerate growth through *strategic intelligence*, focusing on identifying new market opportunities and strategies that help WIN, KEEP and GROW customers.
  - *For business and IT users*: We save time and money when making decisions about emerging technologies, including understanding vendor roadmaps, key market trends and evolution, as well as implementation / adoption best practices.
  - Saugatuck *fills* the gap between high-cost consultants and traditional IT market research firms.
- Headquartered in Westport, Connecticut with regional US research / sales locations in Boston (Falmouth) and Silicon Valley (Santa Clara), plus regional presence in Europe (Eltville, Germany) and Asia-Pac (Australia).
- Strong team of professionals with deep IT industry experience
  - 15 core-team members and support staff.
  - 10+ “affiliated” research analysts and consultants / subject matter experts
  - Average 25+ years experience with leading vendors / think tanks such as Gartner, Forrester, AMR, Giga Information Group, Accenture, Deloitte, IBM and HP.