SaaS: Business Myth or Reality

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Microsoft Asia
What is Software as a Service?

**Software Delivery Models**

<table>
<thead>
<tr>
<th>Traditional Software</th>
<th>Software as a Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>On Premise</td>
<td>In the Cloud</td>
</tr>
<tr>
<td>Centralized</td>
<td>Decentralized</td>
</tr>
<tr>
<td>Large Upfront Cost</td>
<td>Pay As You Go</td>
</tr>
</tbody>
</table>

Source: Software On Demand’s Impact on the Software Industry: Transformation, Extinction or Rebirth?; July 2005

**Software-as-a-Service Business Model**

<table>
<thead>
<tr>
<th>Application Hosting</th>
<th>Net-Native Software-as-Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perpetual License</td>
<td>Subscription</td>
</tr>
<tr>
<td>One-to-Few</td>
<td>One-to-Many</td>
</tr>
<tr>
<td>Private Infrastructure</td>
<td>Public Infrastructure</td>
</tr>
</tbody>
</table>

Source: U.S. Software On-Demand Delivery Model 2005–2009 Forecast; IDC #33493 June 2005
Worldwide Trends – Rapid Growth Continues

• The players has a new face
  • Platform Gorillas (Amazooglesoft)
  • Ad-funded Web 2.0 hosters (Google Sites, Facebook, Windows Live etc.)
  • Bundled “SaaS + Hosting” solution providers (Office Live Small Business, Yahoo Small Business, etc.)

• Utility cloud computing enters the Hype phase
  • Amazon Web Services: 330,000 registered developers
  • Announced recently: Wells Fargo vSafe
  • New tools and markets – CohesiveFT, DigitalRibbon, Network.com (SUN)
Drivers for SaaS Adoption

**End Users**
- Pricing matches economic benefits
- Reduced initial outlay; complexity and risk
- Reducing IT Operations cost
- Shift Capex to Opex
- Easier to trial
- Focus on core business
Business Myth or Reality?
The SaaS market opportunity
IDC’s Updated Position

Key Takeaways:
• Rapid growth!
• Total WW revenue CAGR of 30% over 5 Years

Gartner: SaaS Growth by Sector ($M)

Total Software Revenue Forecast for SaaS Delivery within the Enterprise Software Markets, 2005-2011

Source: Gartner August 2007 Dataquest Insight: SaaS Demand Set to Outpace Enterprise Application Software Market Growth

DCC: Digital Content Creation

<table>
<thead>
<tr>
<th>Year</th>
<th>Market Size in US$ million</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>274</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>501</td>
<td>83%</td>
</tr>
<tr>
<td>2009</td>
<td>785</td>
<td>57%</td>
</tr>
<tr>
<td>2010</td>
<td>1165</td>
<td>48%</td>
</tr>
<tr>
<td>2011</td>
<td>1760</td>
<td>51%</td>
</tr>
</tbody>
</table>

Source: Springboard Research 07/2008
Companies (incl. SMB’s) using or piloting SaaS software applications

Last year, respondents were much more likely to adopt SaaS for ERP (31%) and CRM (27%): CRM has in fact grown by 11% while ERP remained static.

Note*: Sample size: 42, Respondents’ profile: Software decision makers at companies of all sizes that are currently piloting or using SaaS. Geography: Europe
Source 1: Forrester The State Of Enterprise Software Adoption In Europe Jan 2006
Small Business Needs - Email

**What is important to a SMB in Singapore?**

### Ranked choices

<table>
<thead>
<tr>
<th>Ranked Popularity</th>
<th>Gp 1</th>
<th>Gp 2</th>
<th>Gp 3</th>
<th>Gp 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Email &amp; Messaging Productivity</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Unified Communications (UC)</td>
<td>2</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Line of Business (LOB) Applications</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Enterprise Portal</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Web Presence</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

### Choice of Subscription

- **Full client- Majority**
  - Web mail with tasks management - Minority
  - Archival, Backup & recovery

- **Enterprise IM & VOIP with multi-party audio / video conference**
  - Anti-SPAM, Anti-Virus

- **Full Enterprise CRM features**
  - Anti-Virus
  - Archival, Backup & recovery

- **Doc repository - file share & version control. Anywhere access**
  - Anti-Virus
  - Archival, Backup & recovery

- **Basic Hosting**
  - Security and Archival/recovery services are perceived to be critical for most needs.

### Ranked choices for SMB in Singapore:

1. Email & Messaging Productivity
2. LOB applications
3. Enterprise Portals and UC
Buying SaaS Solutions
ISVs are the preferred suppliers

- According to a survey\textsuperscript{1} conducted by IDC in 2006, ISVs are the preferred suppliers for on demand software solutions with nearly 40% of organizations preferring them.

- System integrators are the second most preferred suppliers with 19% of organizations approaching them for SaaS solutions.

- Lack of formalized channels in the broad software on demand landscape is a major reason for ISV popularity.
The WW Impact Of Windows

- **CUSTOMERS**: 1.1 Billion End Users Worldwide
- **DEVELOPERS**: 8.6 Million Professional Developers
- **PARTNERS**: $506 Billion In Ecosystem Revenue
- **MICROSOFT**: Revenue and Profit Generator
“Cloud computing apps are for suckers. If there is an alternative that runs locally on your own machine, it will always be better”

John C. Dvorak of PCMag
Deployment: The Power of Choice
On Premise and Hosted

“Traditional IT”

“Hybrid Model”

“Pure-Play SaaS”

**ON-PREMISE SOFTWARE**
- Control & ownership
- Strategic capabilities
- Customization, compliance

**HOSTED SERVICES**
- Infrastructure TCO
- External dependencies
- Time to market
The Power of Choice

SOFTWARE SERVICES

ON PREMISE

BY MICROSOFT

BY PARTNERS

CUSTOMER CHOICE
Winning Software + Services with Microsoft

Software + Services

- Support and Community
- Licensing
- Guidance
- User Experience
- Platform and Tools
Connecting the ecosystems
Connecting a SaaS Ecosystem
Telco 2.0 Application Distribution

- Telco’s are becoming a platform for distribution of SaaS applications
- Microsoft Hosting partners are expert on building and operating the right infrastructure for scale against best TCO
- Microsoft Partner Program ISVs benefit from overall ecosystem, getting access to previously unavailable distribution channels