

Reshaping the Enterprise IT Landscape

SaaS and Cloud Go Mainstream



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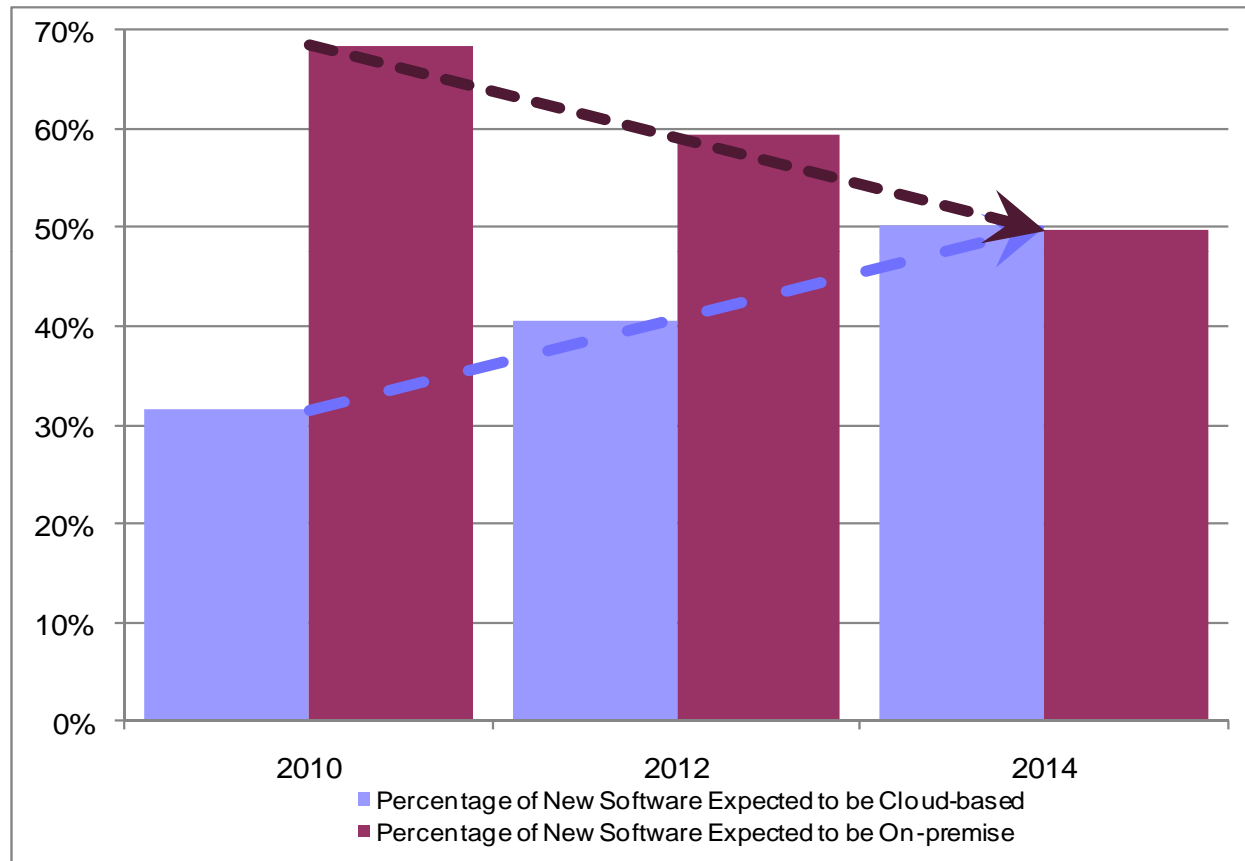


Key Trends – And the Evolution of Enterprise IT

- **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

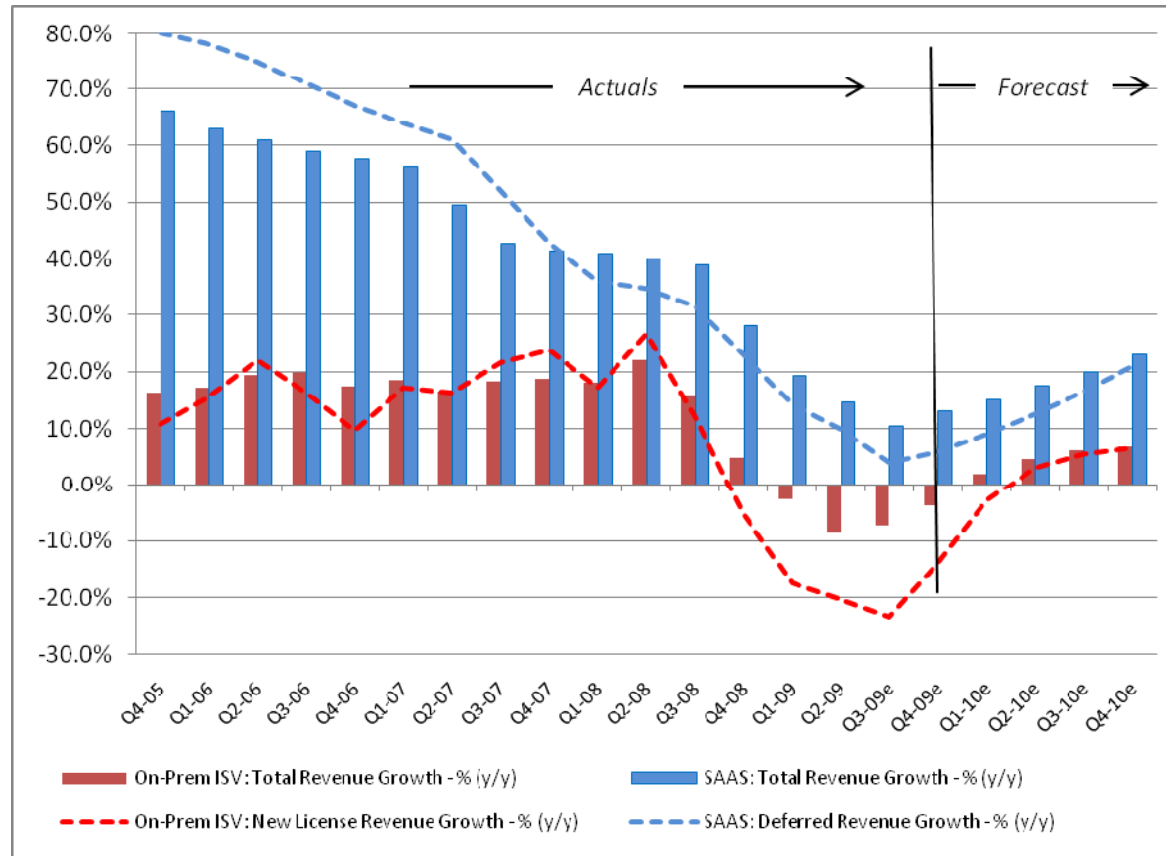
By YE 2014, 40 percent or more of NEW enterprise IT spend will be Cloud-based.
By YE 2014, 45 percent or more of NEW enterprise IT workloads will be Cloud-based.
By YE 2014, 25 percent or more of TOTAL enterprise IT workloads will be Cloud-based.



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, Wedbush, 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).

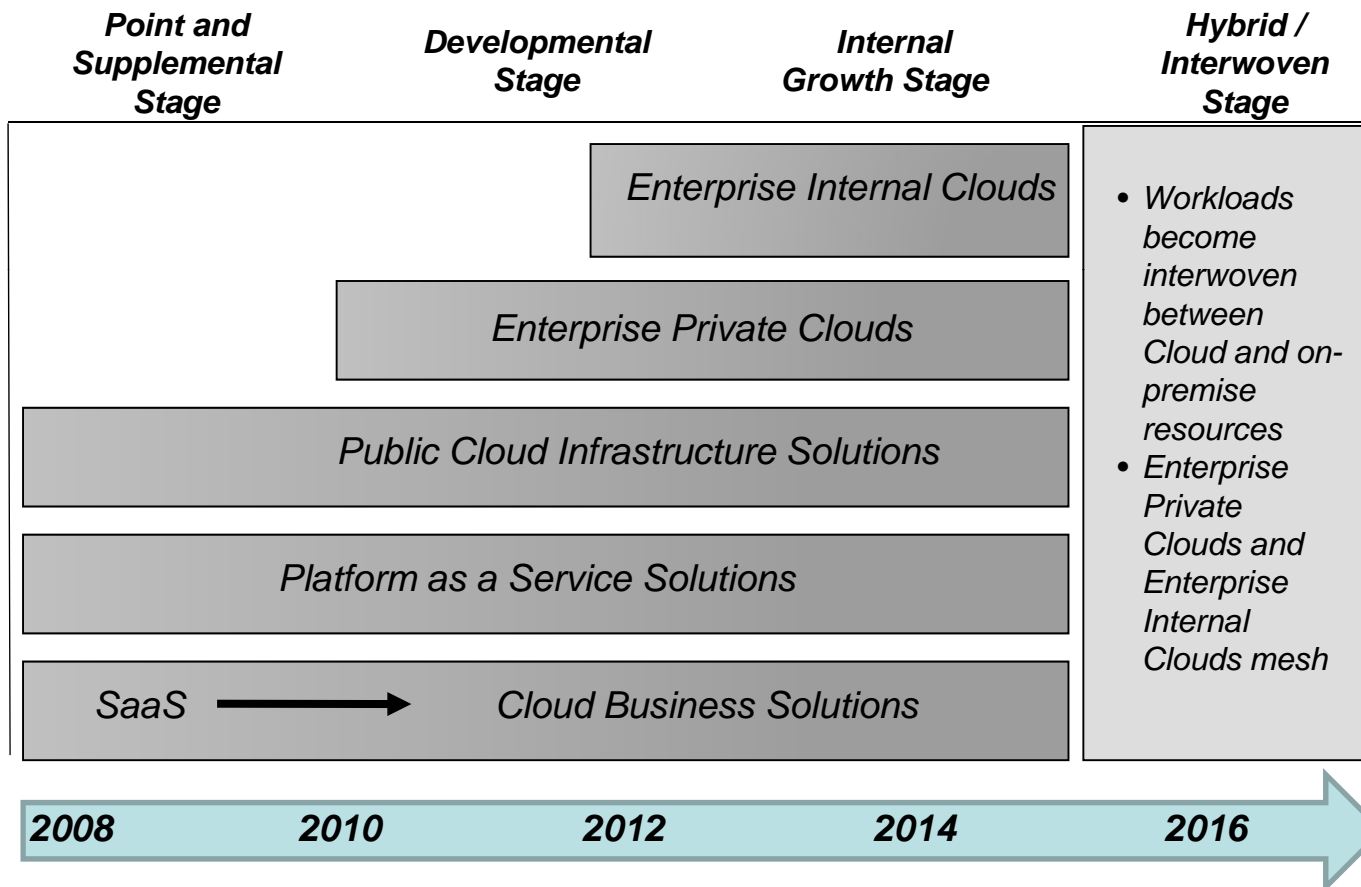
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Saugatuck's Cloud IT Reality Model

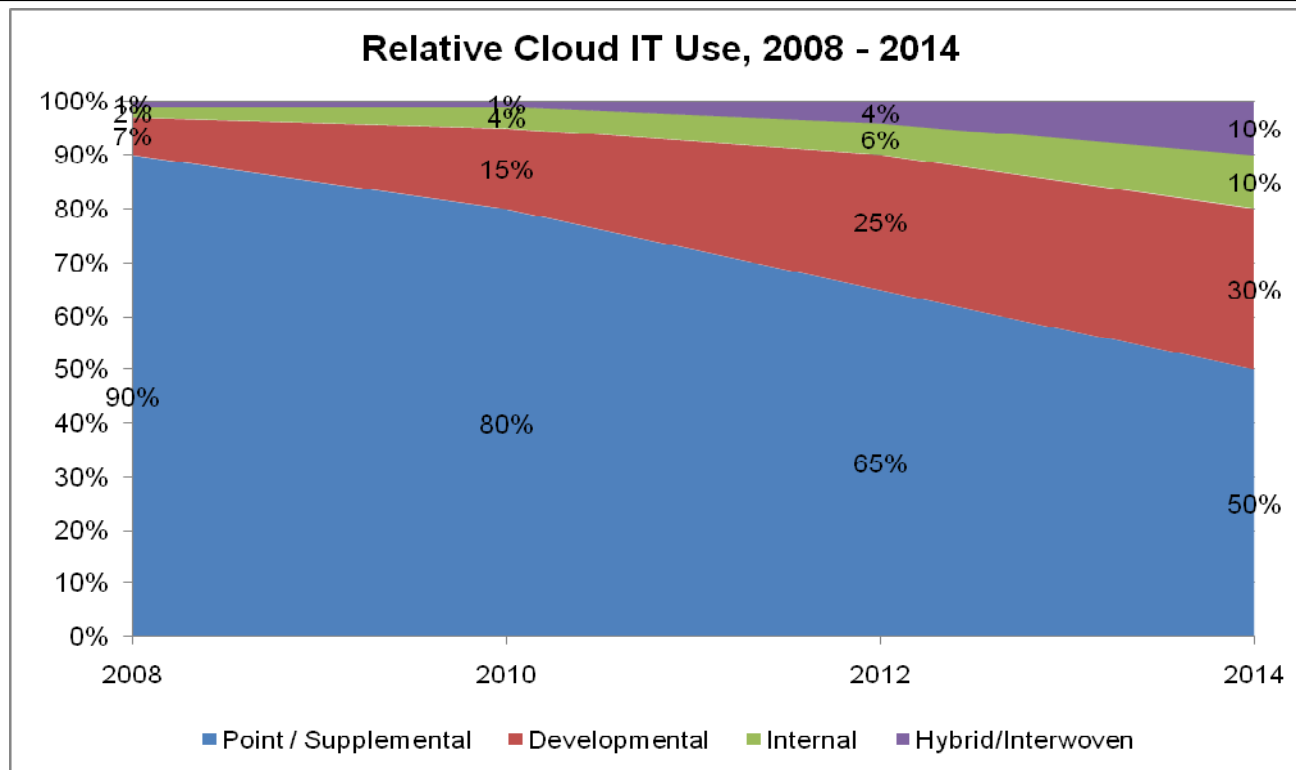
By YE 2014, at least 15 percent of organizations will use Private Clouds for daily business operations; fewer than 10 percent will utilize Internal Clouds for operational systems.



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.

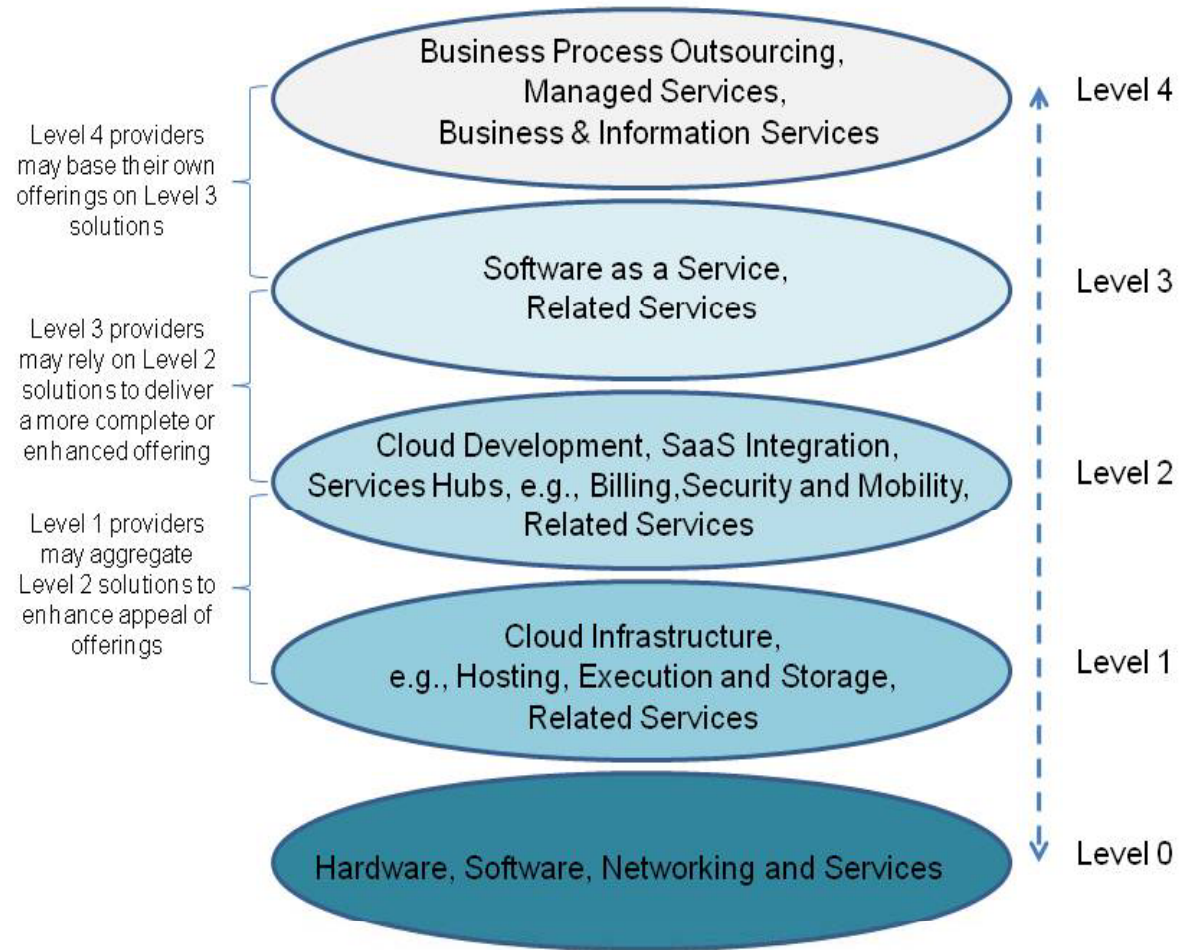
Level 3: SaaS (Waves I-III) and related services. Business solutions delivered from the Cloud, typically in a multi-tenant architecture, and billed under subscription model.

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



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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

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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>	Collaboration Early Cloud Market Leader Google, Cisco/Webex, IBM and others help make Cloud mainstream		Core Cloud Solution 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>	Emerging SMBs take lead Early leaders include NetSuite, Intacct, and regional players such as Twinfields (Netherlands)	Gaining Traction 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)		Becoming Core Single-vendor and de-facto platform-driven suites emerge
<i>Sales / Marketing / Performance Mgmt.</i>	CRM / SFA Early Cloud / SaaS Leaders Salesforce and others (e.g., Xactly, Callidus, RightNow, SugarCRM) help make SaaS mainstream, as well as a variety of niche players (e.g., Prolifiq)		Core Cloud Solution Beyond sales & marketing – becoming key solution around which small and large enterprises are adding complimentary offerings, especially finance	
<i>Human Capital Management</i>	Emerging Initially very tactical offerings. Early market leaders Taleo, Successfactors, ADP / Employeease	Rapidly Growing 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		Core Cloud Solution Becoming lead solution category for many large enterprise SaaS portfolios
<i>Procurement / Expense Mgmt.</i>	Emerging An emerging segment that plays naturally to Cloud / SaaS architecture. Concur early market leader.		Growing Nicely 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>	Primarily Niche Deployments Interesting innovation – e.g., shop floor (Plex), transport / logistics (Descartes), fleet optimization (Xata), supplier compliance (Trace One) – but still early		Emerging While not typically an early-adopter segment, it may move faster than usual due to potential cost savings and supply chain execution / collaboration needs	

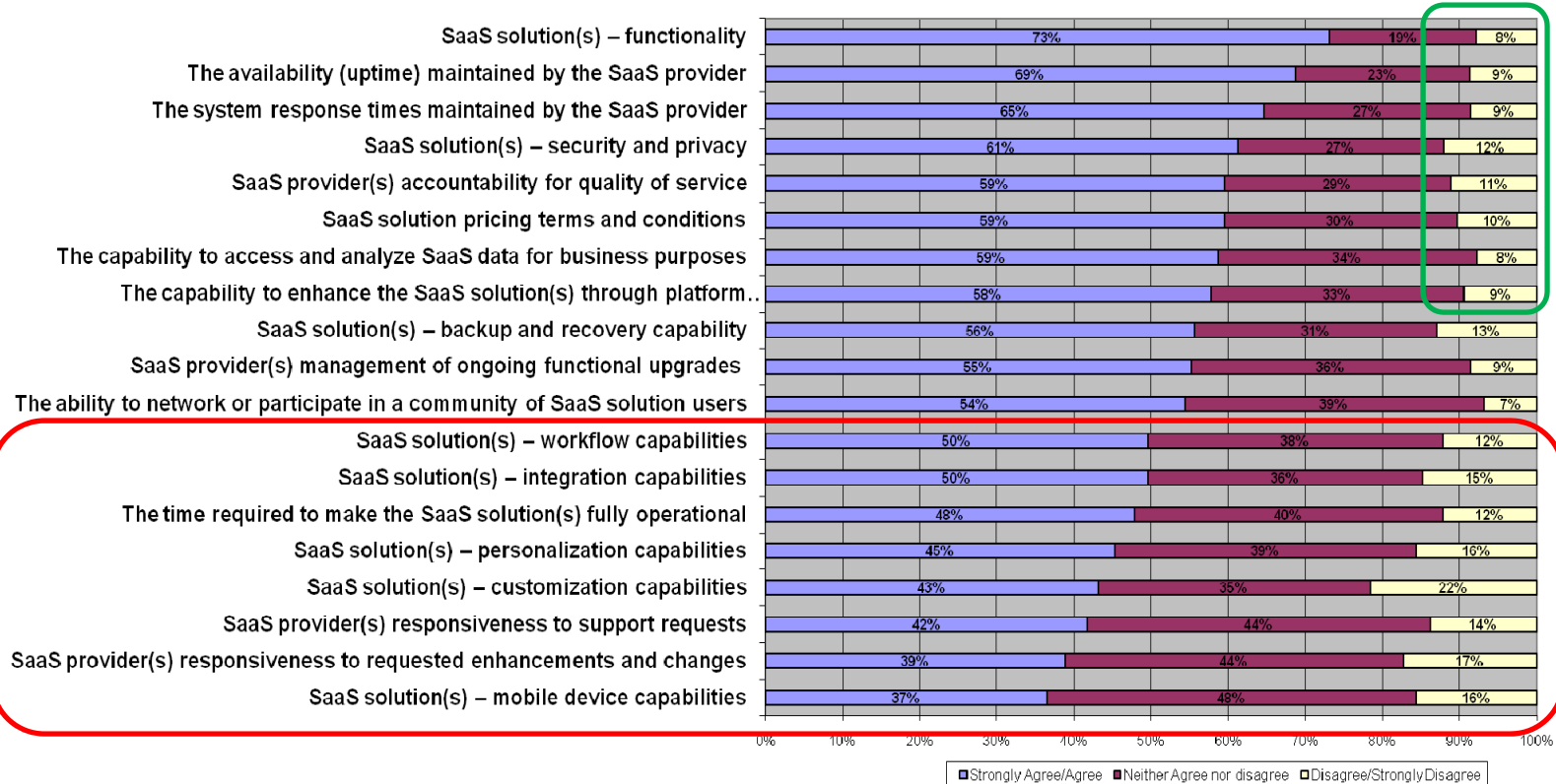
Source: Saugatuck Technology

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

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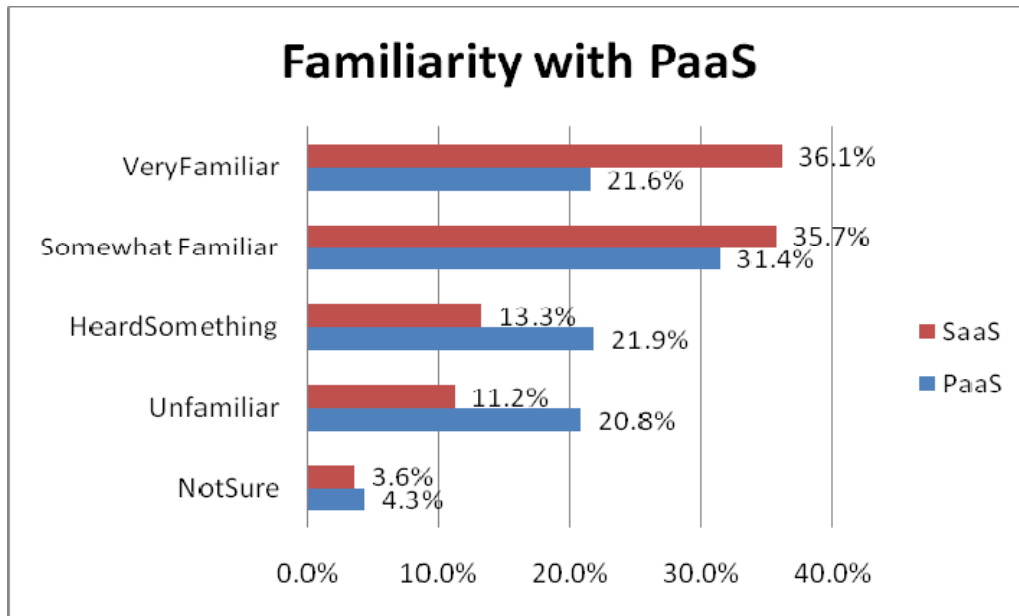
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Platform-as-a-Service (PaaS) Has Not Yet Reached Its Inflection Point

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

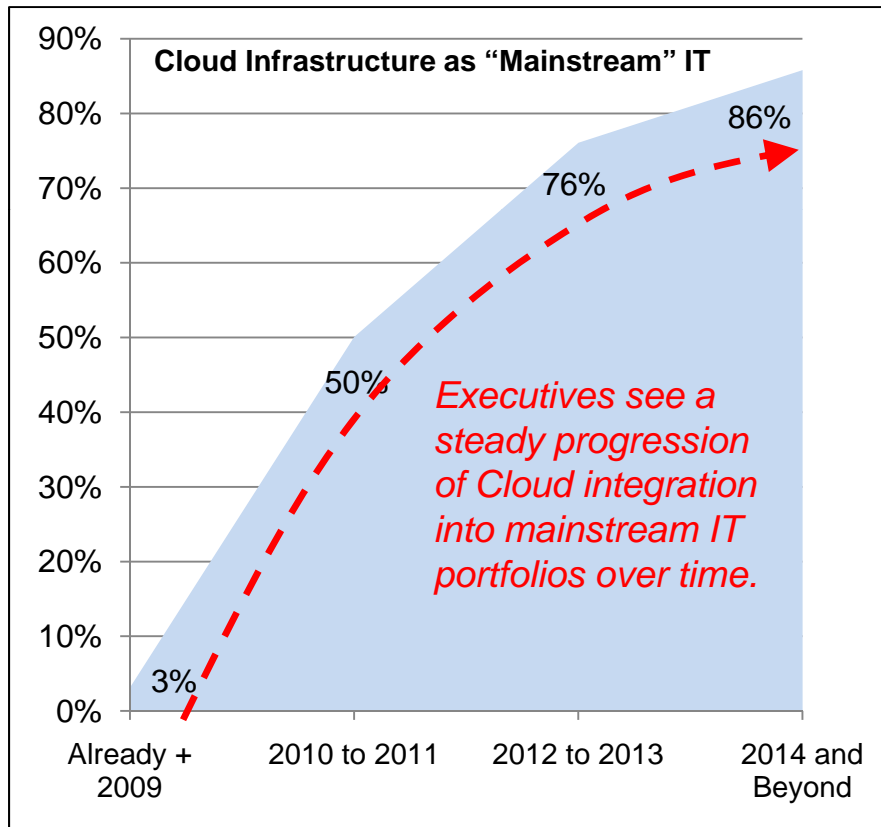
PaaS Today	Google, LongJump, Microsoft, NetSuite, QuickBase, Salesforce, Zoho
Hybrid (Cloud / On-Prem) Today	Amazon AWS partner offerings, Apprenda, IBM, Oracle, Progress Software, Ruby Development (e.g., EngineYard, Heroku)
In Transition Today	IBM, Oracle, SAP, HP – These dominant master brands still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



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%
Batch workload execution	20%
Unstructured data storage and retrieval	20%
Application development	19%
High performance computing	17%
System management capability	17%
OLTP workload execution	13%

Storage, Web Serving	Cloud Development	Core Data Center Production
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Source: Saugatuck Technology Inc., 2009 Cloud Infrastructure Survey (Fall 2009), Global N=670

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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

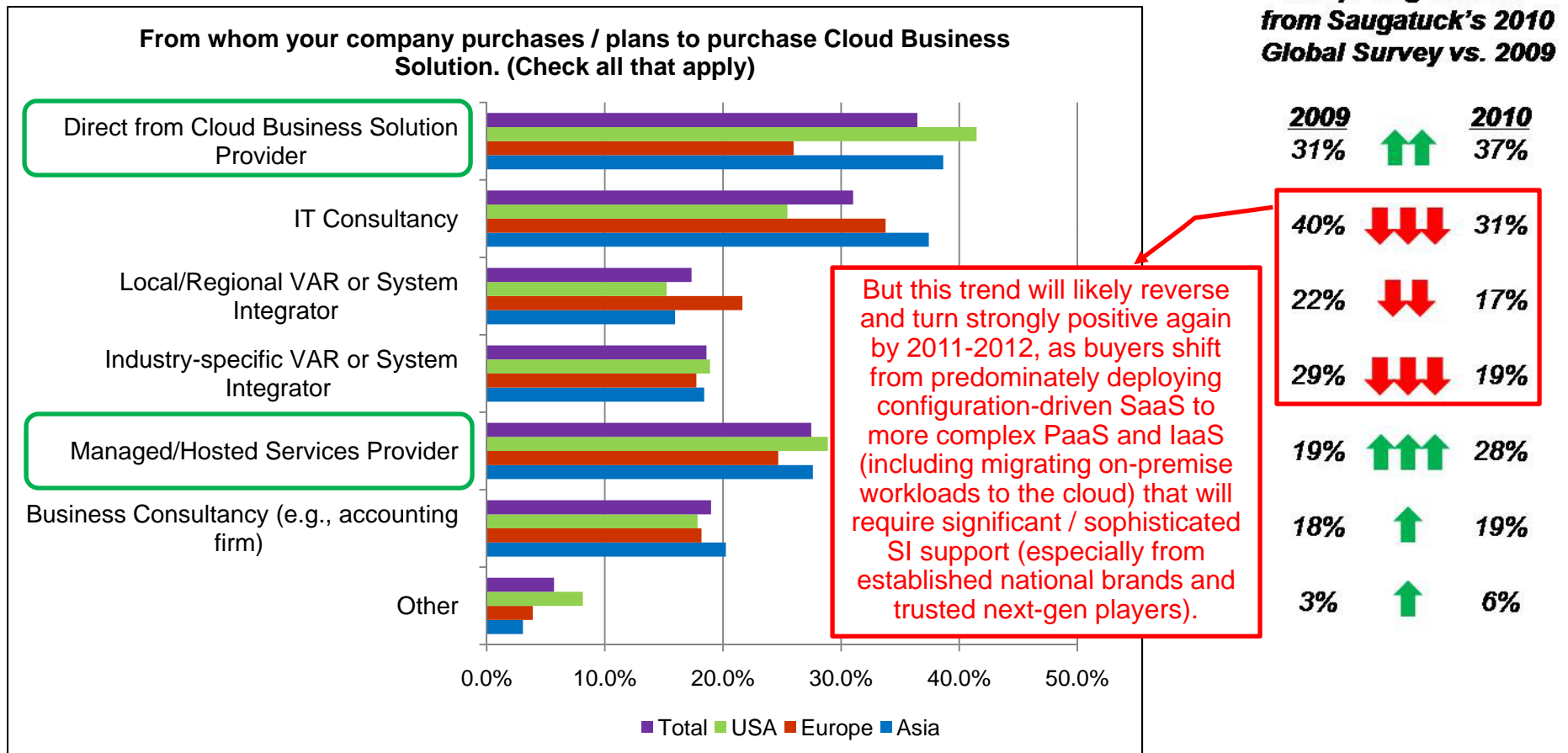
- Cloud Computing abstracts functionality to the business layer.
- Cloud Computing challenges services providers to sell beyond IT.
- IT service providers need to become more nimble and agile.
- Cloud Computing breaks traditional service provider pricing models.
- Cloud IT consulting work will grow but 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

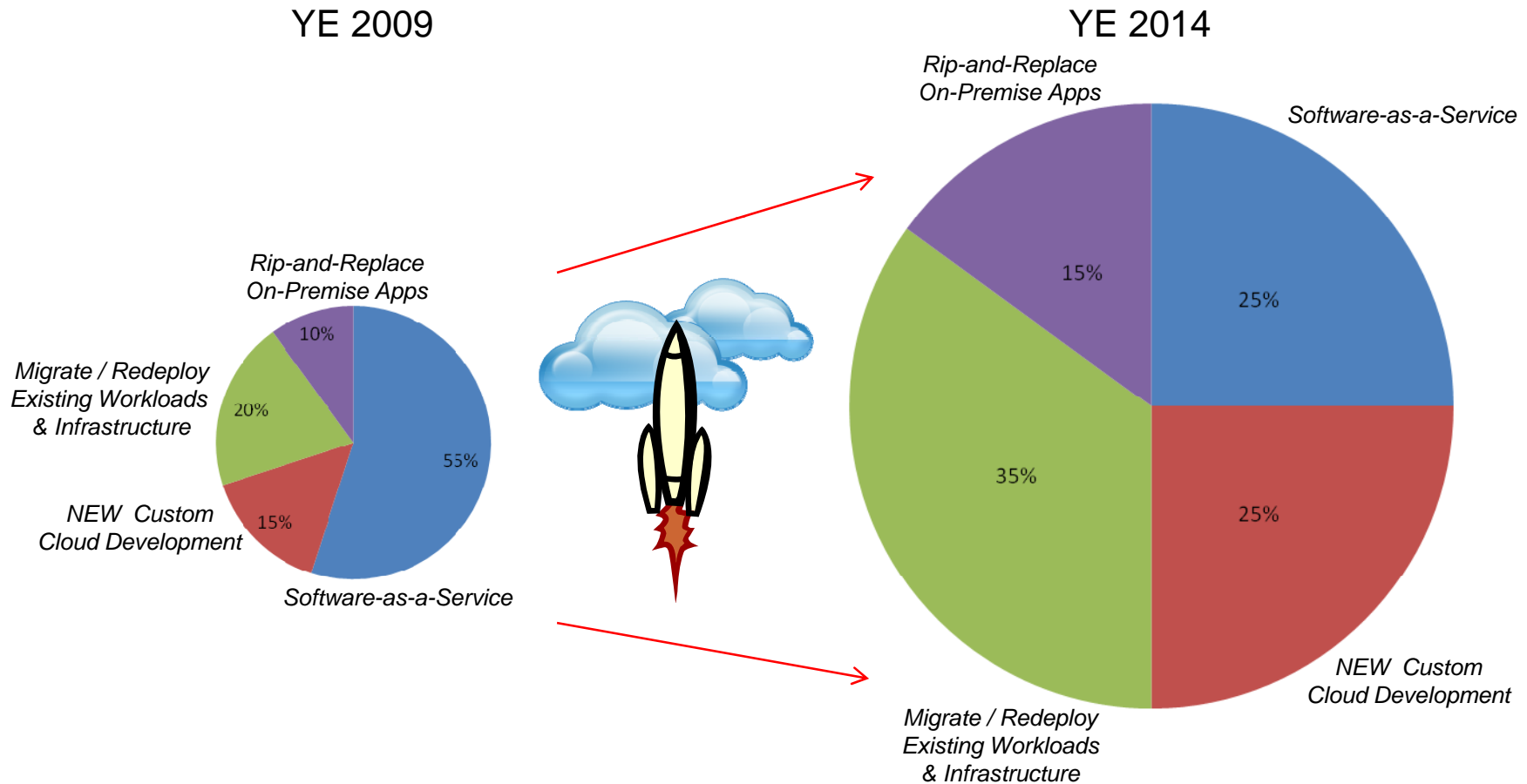
By 2014, the Cloud helps reshape 50 percent or more of traditional IT spend and channel relationships – with significant regional variations.



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.



Source: Saugatuck Technology



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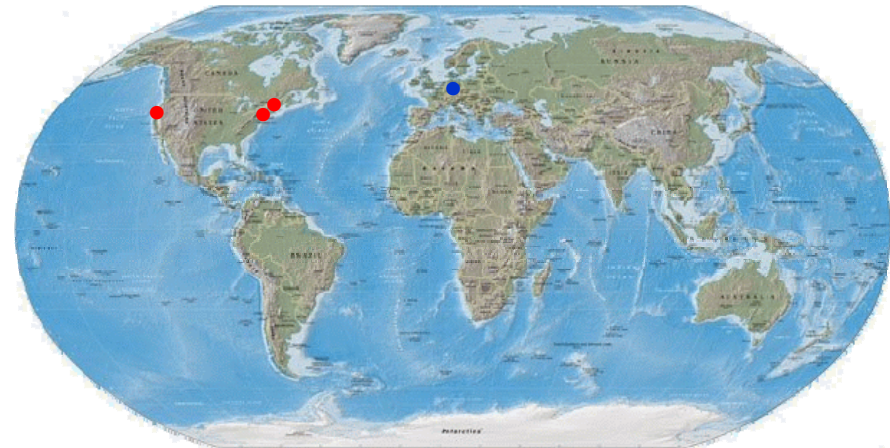
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- Our team of industry analysts and consultants are strategy and marketing experts in enterprise software, IT services, and IT infrastructure / platforms.
- Our Mission: To help clients make better business decisions through *trusted insights* into 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.

