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NEWS RELEASE

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For Immediate Release

Not a Small Market: Saugatuck Technology Announces SMB-Focused SaaS Study

Research indicates important size-related differences in SaaS value, adoption, buying, and usage

Westport, CT (October 7, 2008) – Software-as-a-Service (SaaS) is often touted by SaaS providers and others as a key competitive advantage for small and mid-sized businesses (SMBs) worldwide. And recent survey data from Saugatuck Technology does indicate that the most aggressive adopters of SaaS in most markets are found within SMB ranks. Unfortunately for SaaS providers, Saugatuck’s research also shows that providers’ approaches and offerings too often fail to resonate with SMB executives. Meanwhile, SMB executives are increasingly caught in a pattern of aggressive SaaS adoption activity without strategic or tactical plans.

As a result, many if not most SMBs today could soon face expensive, and even prohibitive, integration requirements to link disparate SaaS solutions together and with on-premise systems. But an emerging generation of SMBs are more likely to use SaaS – and its close cousin, cloud computing – to cost-effectively outpace their peers.

These are among the key conclusions that Saugatuck examines in its’ first-ever research study on SaaS in small and mid-sized businesses. The study, titled *Different Wavelengths: SMBs, Change, and SaaS Adoption*, is available for purchase and download from Saugatuck’s website at www.saugatech.com/510order.htm.

Published on September 30, 2008, with the research conducted throughout the summer months, the 24-page study includes Saugatuck’s analysis of world-wide survey data from 200 IT and business executives within companies having from 10 to 999 employees. To add context and insights, Saugatuck interviewed 20 IT and business executives from these firms, and included insights from briefings with more than 30 SaaS providers regarding SMB markets, offerings, and positioning. Research highlights include the following:

- There are clear delineations within the overall SMB class when it comes to SaaS adoption, usage, and value. Saugatuck sees three basic groups of SMBs based on SaaS behavior and preferences:
 - Small (Under 100 employees);
 - “Low” Mid-sized (100 to 499 employees); and
 - “High” Mid-sized (500 to 999 employees)
- Next-generation technologies are of relatively low interest to SMBs as a whole.
- For all sizes of firms, SaaS is more likely to enable new and better capabilities and functions than to replace existing applications and IT functions.
- While SMBs are among the most aggressive adopters and users of SaaS, SMBs of all sizes are actually doing less with SaaS than larger firms are.
- The manner in which SaaS solutions are acquired has changed significantly from 2007 to 2008. We see an increasing trend away from collaborative business+IT review of SaaS acquisition cases, and an increasing focus on IT-specific and business-specific review and approval.

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Saugatuck SMB SaaS Research Study – 2 of 2

This is the fourth major SaaS research study to be released by Saugatuck since 2006. Previous studies include the following:

- [Enterprise Ready, or Not – SaaS Enters the Mainstream](#) (SSR-460, 07-10-08, 42 pages)
The explosive growth of software-as-a-service (SaaS) may be netted down to two core realities that will shape SaaS markets for years to come:
 - Users want SaaS throughout the enterprise, whether their enterprises are ready for it or not; and
 - SaaS is spreading throughout the enterprise, whether the vendors – or their offerings – are ready to support and deliver what users want, or not.

These are two key conclusions that Saugatuck Technology Inc. examines in its latest research study on SaaS, titled "**Enterprise-ready Or Not: SaaS Enters the Mainstream.**" The 42-page study details the disruptive evolution, status, and future of SaaS within user enterprises, from basic applications to cloud-based computing - including the effects of these changes on vendor strategies, offerings, and business models.

- [Three Waves of Change: SaaS Beyond the Tipping Point](#) (SSR-342, 05-03-07, 34 pages)
In the span of less than a year, Software-as-a-Service (SaaS) has gone from point-solution curiosity to mission-critical applications for user enterprises. And according to research from Saugatuck Technology, the next wave of SaaS is already being absorbed and adopted by user enterprises as platforms for multiple, critical business applications and processes.
- [SaaS 2.0: Software-as-a-Service as Next-Gen Business Platform](#) (SSR-239, 04-26-06, 34 pages)
Software-as-a-Service (SaaS) is one of the most compelling and challenging IT and business innovations of the past two decades. Not surprisingly, SaaS is generating tremendous interest, heated debate, and a broad spectrum of opinion. Saugatuck's Strategic Research Report shows that SaaS is at a fundamental "tipping point" between the current generation of software functionality delivered as a service (what Saugatuck calls SaaS 1.0), and the emerging generation of blended software, infrastructure, and business services arrayed across multiple usage and delivery platforms and business models (what Saugatuck calls SaaS 2.0).

Later this fall, Saugatuck will release its' second annual Open Source study as well as another major SaaS study, focusing on core systems of record and the current and future use of SaaS within the office of the CFO – including market insights from recent survey research conducted in partnership with the Financial Executives Institute.

About Saugatuck Technology

Saugatuck Technology Inc. provides market strategy consulting and subscription research services to senior executives, information technology vendors, and investors, combining strategy development, business planning, and market intelligence with first-hand research of executive technology buyer trends. Founded in 1999, Saugatuck is headquartered in Westport, Connecticut (USA), with offices in Silicon Valley and in Germany. For more information, go to www.saugatech.com, or call +1.203.454.3900 in the US, or +49.6123.630285 in Germany. To request a briefing with our analysts, contact Chris MacGregor at chris.macgregor@saugatech.com.

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