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NEWS RELEASE

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For Immediate Release

SaaS Becomes Enterprise-Critical – But Management Frameworks Needed

New Saugatuck study reveals broader and deeper SaaS presence and usage than planned by enterprise executives – and need for management guidance.

Westport, CT (May 3, 2007) In the space of a year, Software-as-a-Service (SaaS) has grown from a point-solution curiosity to a platform for the deployment of mission-critical application workloads for many user enterprises. Research by Saugatuck Technology also shows that the depth and breadth of enterprise SaaS impact is not well understood, leaving both user and vendor executives unsure of how to manage SaaS both tactically and strategically. Both parties need a framework and plan for focusing SaaS investment and management.

“We’re seeing breakthrough levels of SaaS acceptance across all categories of business software – from SMBs to the largest enterprises worldwide. Gone are the early days where SaaS was primarily a business-unit driven phenomenon. Today, IT is now actively engaged in building hybrid architectures that leverage the best of web-based applications, with on-premise enterprise software – especially as SaaS increasingly addresses mission-critical workload requirements. At the same time, much of this growth is coming without any sort of plan or management structure,” states Saugatuck VP Mark Koenig, head of the SaaS research program and co-lead author of the new report.

“Our research shows not only explosive growth in SaaS but increasingly sophisticated offerings that may combine SaaS applications with business services – and the business models and frameworks are all over the map,” adds Saugatuck VP Mike West, co-lead author of the report. “There’s a lot of confusion among vendors – and therefore among customers – about how this current wave of SaaS fits into the business portfolio. Never mind there’s a third wave coming that’s just around the corner.”

Along with an in-depth examination of the current reality of SaaS development, adoption and usage, Saugatuck’s newest report, entitled *Three Waves Change: SaaS Beyond the Tipping-Point*, presents a framework for users and vendors that positions successive waves of SaaS. The three-wave model presents a “roadmap” of SaaS evolution, usage, management, and effects, highlighting strategic and tactical requirements for vendors and users.

Other key highlights and insights from the report regarding SaaS evolution, user adoption, and vendor impacts include the following:

- Twenty-six percent of companies now have at least one SaaS application installed, up from 11 percent at the beginning of 2006. By year-end 2007, Saugatuck forecasts that SaaS adoption will grow to forty-seven percent, and by 2010, to over 65 percent. Meanwhile, SaaS usage within mid-size and large enterprises will more than double by 2010 – averaging more than 7 SaaS solutions in production.
- While a few technology “master brands” with established distribution channels will thrive in SaaS markets (e.g., Salesforce.com, IBM, Microsoft), the real long-term winners will be dominant business brands (e.g., telcos, banks, or master brands such as FedEx) that partner with leading SaaS Integration Platform (SIP) providers
- Reducing and managing software costs remain important attractions for SaaS, but users are focusing much more on Service Levels, Integration with Data and Workflow, and intra- and inter-company collaboration

MORE

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- Hybrid application architectures are emerging – SaaS is increasingly linked to on-premise data, applications and processes through Web Services-based Integration APIs
- SOA, Open Source, Collaboration, Mobility, Mash-ups and Web 2.0 are converging on SaaS platforms, providing rich, configurable applications and business value
- The next two years will see exploding growth for ad-supported SaaS initiatives targeting consumers (i.e., business services and productivity tools) and vertical-market small business niches (e.g., health care patient records)
- SaaS is already expanding its reach into a variety of business services as traditional BPO providers struggle to rationalize their one-to-one outsourcing models, reduce costs and bring greater process efficiency to their clients

About the Report and Research

This 30+ page report represents key analysis and insights developed from our second such research program, executed between January and April, 2007. This latest program included a worldwide web survey of 250 user enterprise executives; interviews with 15 senior user executives and CIOs; and deep-dive briefings with 33 SaaS vendors/providers.

This is Saugatuck's second major annual SaaS report. The first, *SaaS 2.0: Next-Gen Business Platforms*, was published in April 2006. That report introduced several key SaaS business and delivery concepts now used by leading providers, including the SaaS Integration Platform (SIP) concept, and SaaS ecosystems. Additional information about the latest research report can be found at <http://www.saugatech.com/342order.htm>.

About Saugatuck Technology

Saugatuck Technology Inc. provides research-based 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. Saugatuck conducts primary survey research, vendor briefings and interview programs as an integral part of our IT market and strategy consultancy practice.

Since 2002, Saugatuck has performed a series of user executive and vendor executive research programs, including web-based surveys, telephone interviews, and briefings, on the most disruptive and influential IT developments in the marketplace, including: The IT Utility, Services-Oriented Architectures, Software-as-a-Service, and Open Source. In addition, Saugatuck annually surveys more than 500 business and IT executives as part of its annual user *C-Team* and *IT Insights and Trends* research program.

Founded in 1999, Saugatuck is headquartered in Westport, Connecticut (USA). For more information, go to www.saugatech.com, or call 1-203-454-3900. To request a briefing with our analysts, or for broader Press Inquiries, please contact Chris MacGregor, Analyst and Media Liaison, at chris.macgregor@saugatech.com or call (203) 454-3900.

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