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Technology Finance Society Presents:

**Software as a Service (SaaS):
the model, the economics and the logic**



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Welcome Technology Finance Society

Dave Chambless - Chair

abra>cas
business services



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**Technology
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Attorneys at Law

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Certified Public Accountants



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Attorneys at Law

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- Corporate, securities & finance
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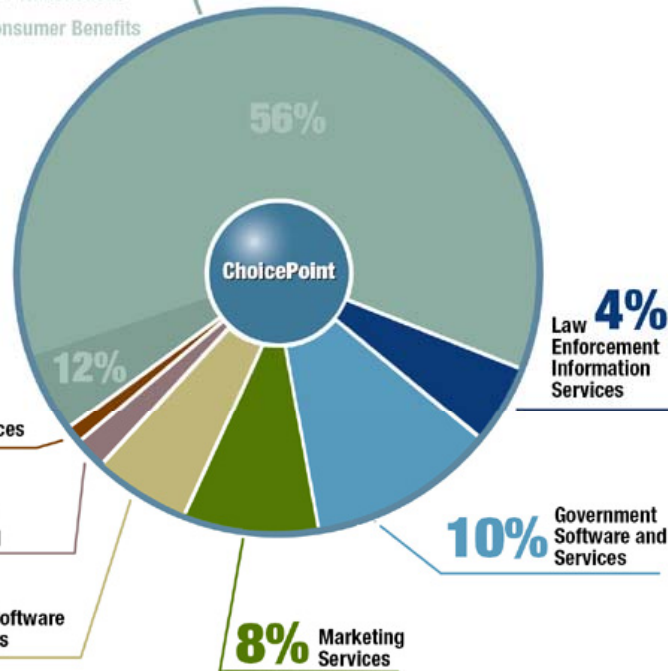
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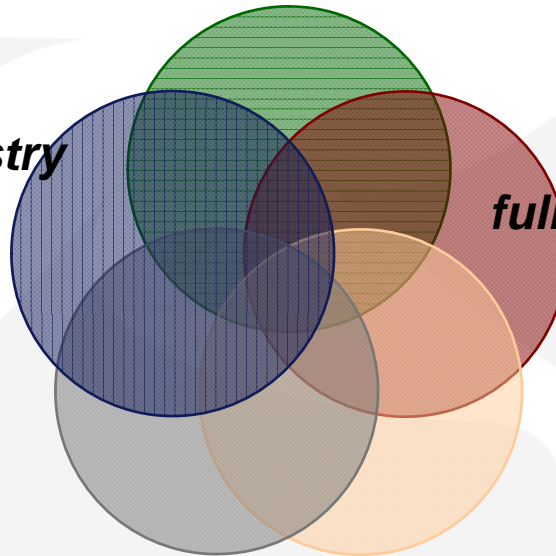
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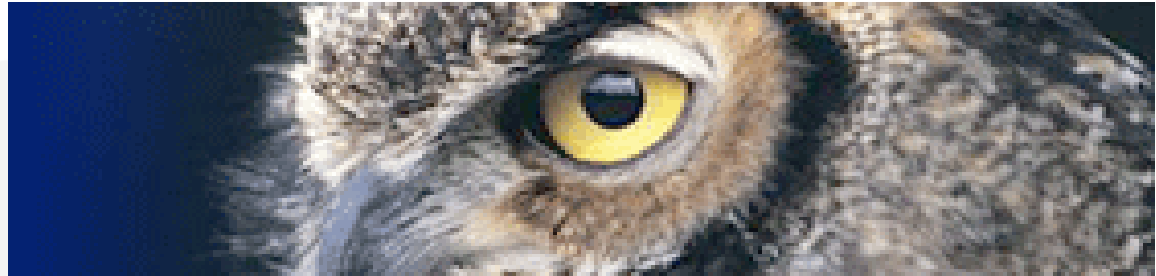
Software as a Service (SaaS):

- + **the model**
- + **the economics**
- + **the logic**



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The Panel



- + Amit Kesarwani –
 - President, DecipherTech
- + Alan MacLamroc –
 - Chief Product & Technology Officer, CDC Software
- + Jeff Pyden –
 - Managing Director, OmniVue Business Solutions
- + Wes Thurmond,
 - Vice President of Information Systems, Flo Healthcare
- + Don Campbell – Moderator
 - President/CEO, Virtual Management Technologies

SaaS – The Model



SaaS: What is it?

**Software deployment
where an application
is hosted as a
service to customer.**

On Demand.



“Cloud Computing”

The Model

Examples:

- **Salesforce.com**
- **QuickBooks Online**
- **Google Apps**
- **iTunes**
- **Microsoft Dynamics**
- **Exchange eMail**
- **Workday**



**Designed to leverage
constant web connections**

The Model: Some Facts and Statistics

McKinsey Study: 850 Corporate Buyers

- + 75% of software buyers are “favorably disposed” to adopting SaaS platforms
- + 19% of total software budget will be dedicated to SaaS
- + Smaller and midsize companies are most aggressive
 - Companies with fewer than 100 employees are spending 26% of their budget on SaaS
 - Largest companies focused on web applications

The Model: Some Facts and Statistics

- + Gartner predicts that by 2010, 30 percent of new software will be delivered via the SaaS model.
- + Saugatuck Technology forecasts that worldwide spending on SaaS applications will reach \$13 billion.
 - 55% of SBM will adopt SaaS
 - 40% of large will adopt SaaS





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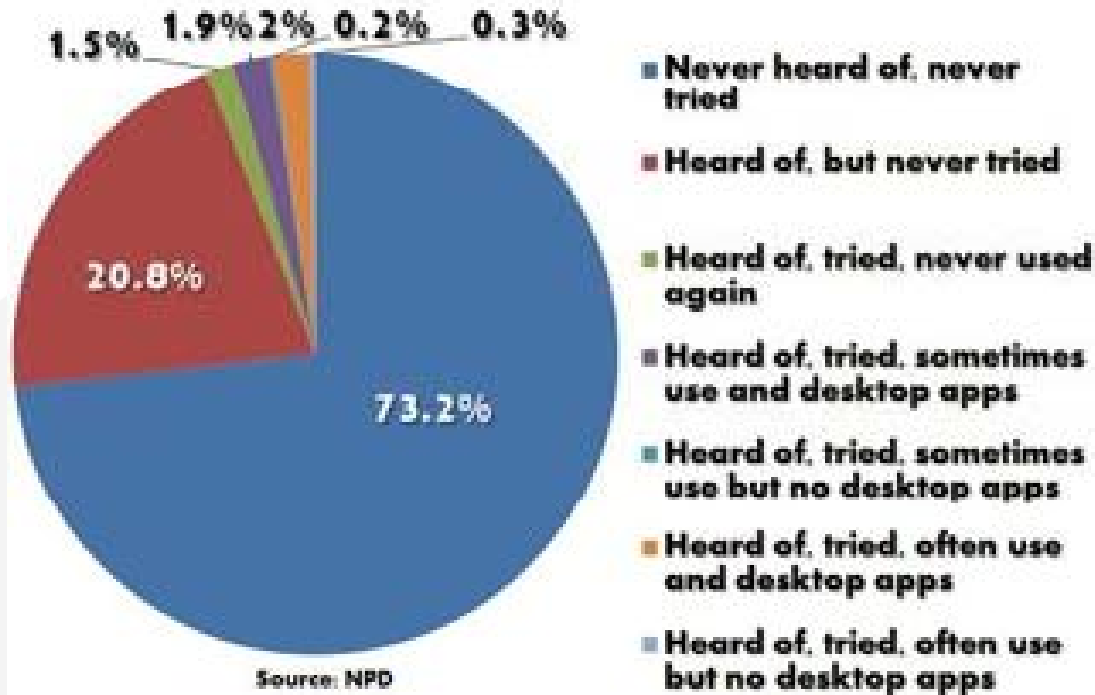
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SaaS: The Model - Platforms

- + Delivery Platforms – provided by infrastructure hosting providers.
- + Development Platforms – provides the complete integrated development environment and infrastructure.
- + Application Platforms – deliver finished applications ready for customer use. (Microsoft Dynamics, Salesforce.com, NetSuite, Webex)

SaaS: The Model – Awareness?

US Consumer Awareness and Usage of Web-based Productivity Suites



Examples:

Google Apps

Microsoft Office

MapQuest

Expedia

iTunes

eBay

Amazon

SaaS: The Model – Robust Application Model

- + **Multi-tenant system with many companies accessing one copy of the software on a shared infrastructure**
- + **Accessed over the Internet from anywhere at any time with just a browser**
- + **Hosted at a proven, reliable, audited data center that can guarantee availability and response time**
- + **Allows software/hardware changes to be available rapidly**
- + **Bandwidth-friendly software architecture – written directly to the web**
- + **Ensures 100% of the screens are accessible via the browser, not just 'portals' for suppliers or customers.**

SaaS: The Economics

- + Pay-as-you-go
 - Per seat per month
 - Per transaction
 - Per software module
- + Software is managed and maintained by SaaS provider
- + Hosting company is responsible for IT Infrastructure
- + Hosting company manages changes to infrastructure
- + SaaS vendors upgrade software with new features



SaaS – Economics: Cost of SaaS Accounting Systems

| System | Cost Estimates: Single User/Mo | Comments |
|--------------------------|-----------------------------------|---------------------------------------|
| Quickbooks | \$ 10/mo | U.S. only |
| SAP Business ByDesign | \$ 150/mo | Minimum of 25 users |
| CODA | \$ 120/mo | Provisional |
| Sage Online 50 | \$ 70/mo | Lowest price |
| Liquid Accounts | \$ 20/mo | Options up to \$40/mo with add-ons |
| Microsoft Dynamics | \$ 189 per user/mo. | 5+ users |

SaaS – Economics – Sample Pricing

| System | Cost per user per month | Comments |
|---------------------|---|-----------------------|
| Salesforce.com | \$ 65/mo Professional Edition \$ 125/mo Enterprise Edition | Premier Support – 15% |
| 100 user system | \$ 150,000/mo | |
| Data Backup – 10GB | \$ 54,000 annually | |
| NetSuite | \$ 99/mo | |
| Revenue Recognition | \$ 499/mo Unlimited users | |
| Support | 22.5% of total annual fee | |
| Data Backup | \$ 1,500/GB per year | First 10 GB free |
| Microsoft Dynamics | \$ 69 per user/mo 2-50 users | Web Client or Outlook |
| CRM | \$ 59 per user/mo 51+ users | Client Options |

Gartner estimates an 11% Savings using SaaS



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SaaS: The Logic

Potential Benefits of On-Demand SaaS Model:

- + Lower TCO
 - no upfront infrastructure
- + Faster ROI – time to value
 - faster implementation time
- + No technology to manage
 - focus on managing business





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SaaS: the Logic – Vendor Challenges

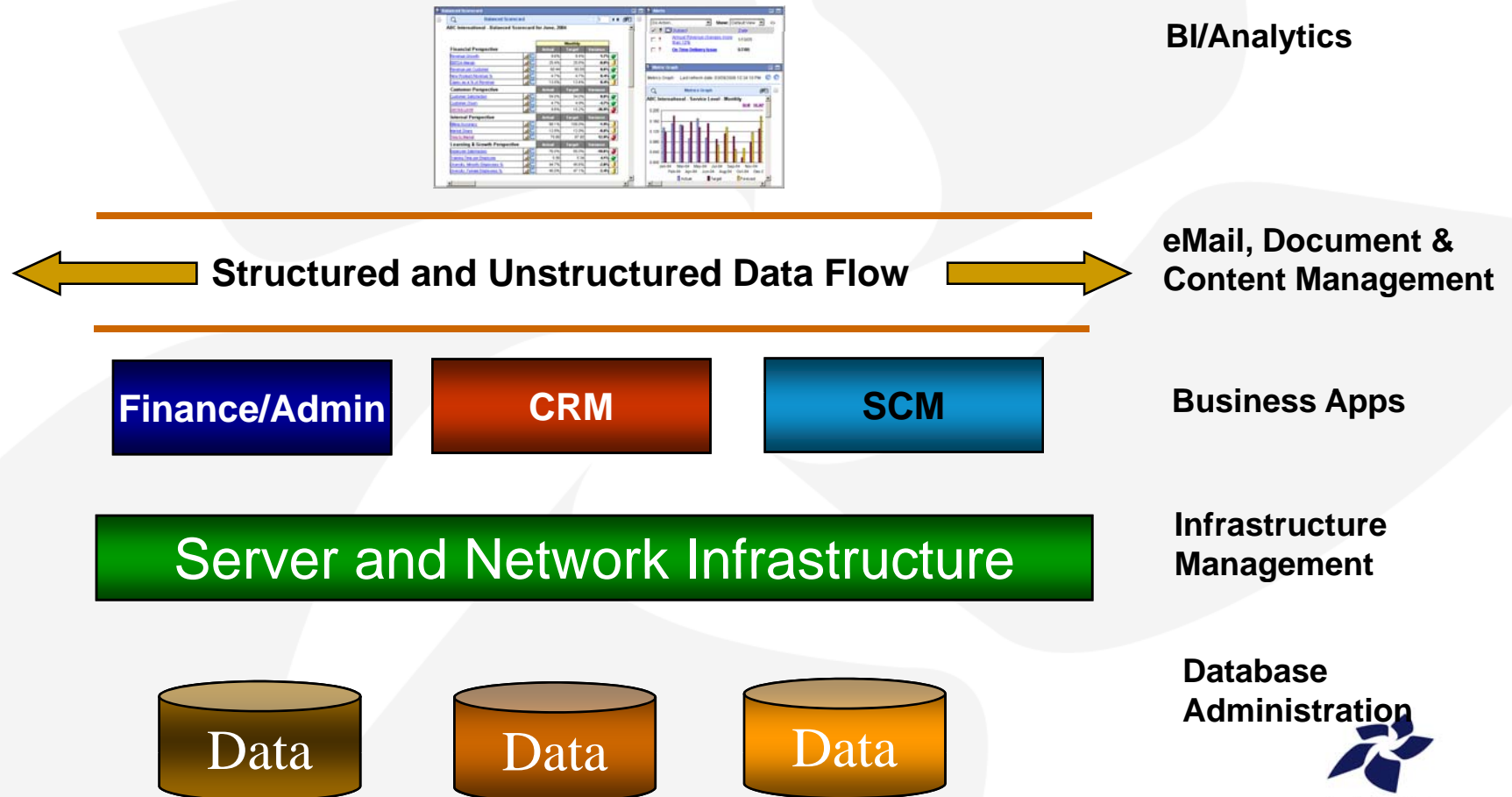
- + 365x24x7 availability
- + Tenancy: multi-tenant security
- + Monetization and Metering
- + Functionality
- + Scalability
- + Reliability
- + Infrastructure
- + Value-Added Services
- + Ecosystem – how to gain TCO value across the community of users

SaaS: The Logic - Questions

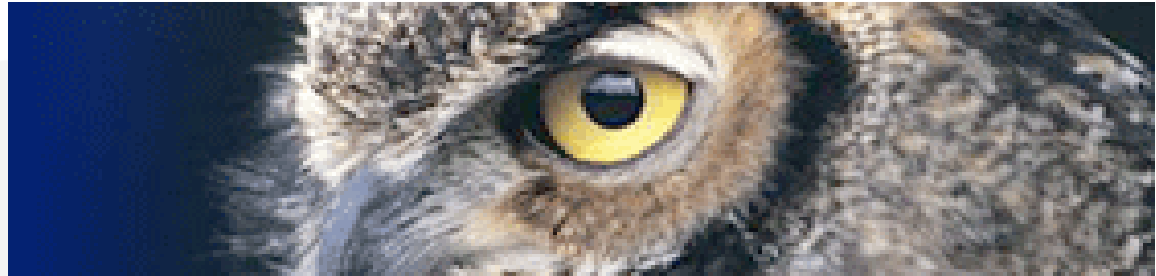
- + Will it be different than Application Service Providers?
- + Can it be just as secure, reliable and available as traditional software?
- + Will most organizations adopt a hybrid of traditional software and SaaS on-demand software?
 - If so, how will the mix break down?
- + How will SaaS fit unmet need in the future?



Enterprise Layout -- Your Panelists' Perspective



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