

A large, stylized orange letter 'S' that incorporates two horizontal arrows. The top arrow points to the right, and the bottom arrow points to the left. A thin vertical line separates the 'S' logo from the text to its right.

COMPUTERWORLD **SAASCON 2010**

APRIL 6-7, 2010 | SANTA CLARA CONVENTION CENTER

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Putting the Cloud in Proper Perspective

Jeffrey M. Kaplan

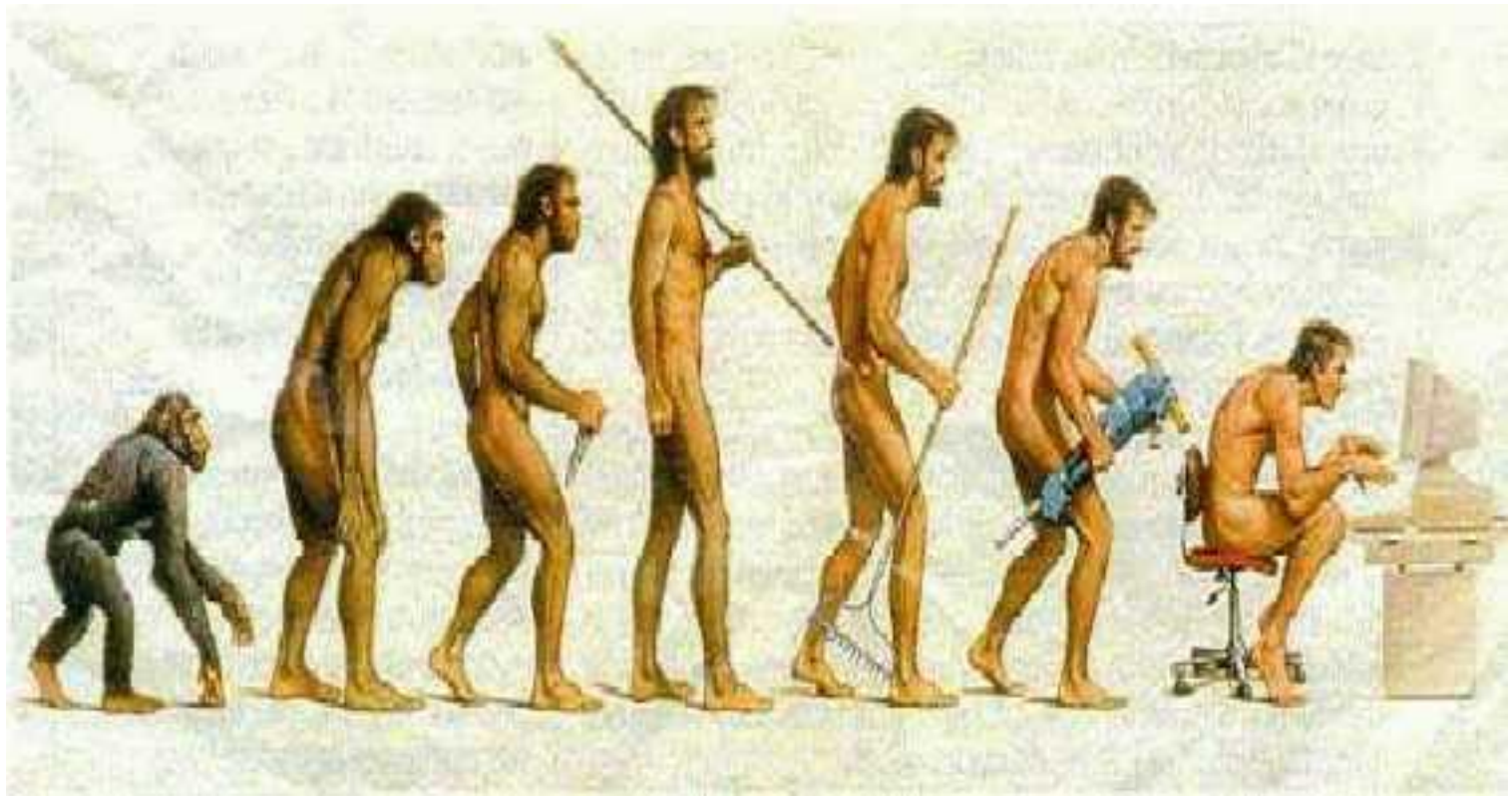
Managing Director

THINKstrategies

SaaS Showplace

Why We Are Here...

Is Technology an Enabler or Inhibitor?



Primary Market Drivers

- ✓ Changing economic conditions
- ✓ Changing competitive forces
- ✓ Changing ecological concerns
- ✓ Changing workplace requirements
- ✓ Changing technologies
- *Changing priorities & sourcing policies*

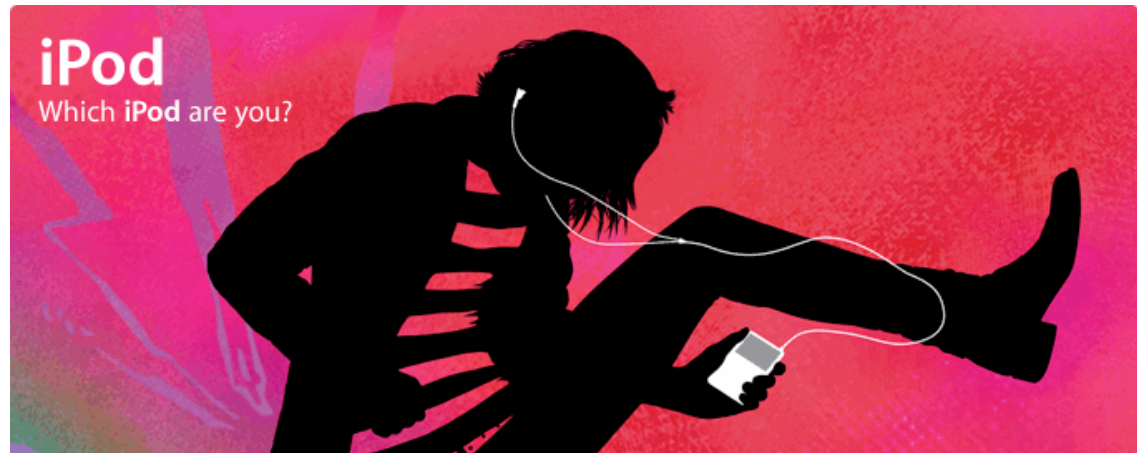
The Shortcomings of Legacy, On-Premise Apps

- **Deployment Challenges**
 - 31.1% of SW projects cancelled before completed.
 - 52.7% of projects cost nearly 190% of original estimates.
- **Operational Costs**
 - Maintenance & management costs=>10x license fee.
 - Escalating hardware & staff support costs.
 - Over provisioning and under-utilization of SW licenses
- **Economic/Budgetary/Organizational Pressures**
 - Need to reduce IT costs and increase business benefits.
 - Need to increase utilization to gain greater ROI.
 - Need to be responsive to a more dispersed workforce.

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On-Demand Has Become Mainstream



You **Tube**TM Broadcast Yourself

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The New Generation Thinks & Communicates Differently



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The Consumerization & Democratization of IT



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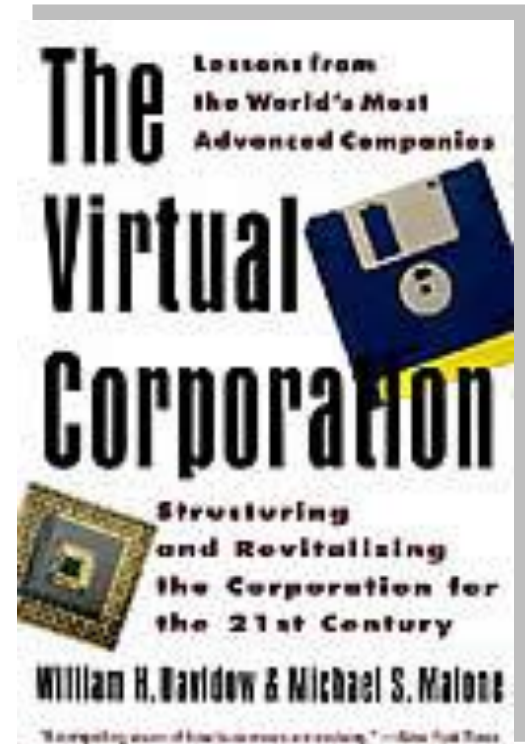
Google Generation

Google™



The Virtual Corporation Becomes Reality

- Freelance nation
- Mobile/remote workers
- Decentralized operations
- Limited hierarchies
- Web-oriented
- Self-reliant



Copyright, 1992

Redefining the Office



Old



New

Enabling Technologies

Service management

Web services & APIs

Security

Virtualization

Open Source Solutions

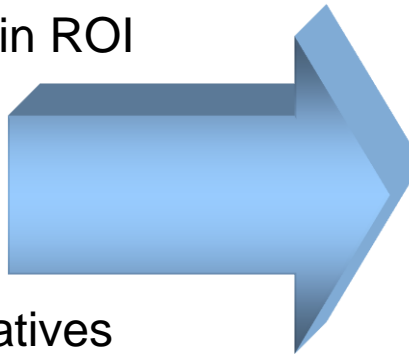
Grid computing/Blade technology

Broadband networks

Changing Customer Expectations

Old,

- Fixed, Capital Investment
- Complexity, Customization
- High TCO, Uncertain ROI
- Internal Support
- Limited Visibility
- Outsourcing Alternatives

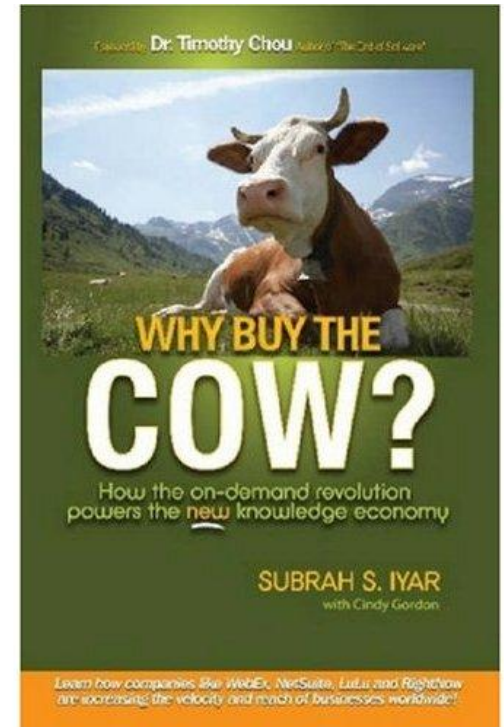


New,

- Flexible, Operating Expense
- Simplicity, Utilization
- Rapid Time-to-Value
- Vendor Management
- More Analytics
- Out-Tasking Options

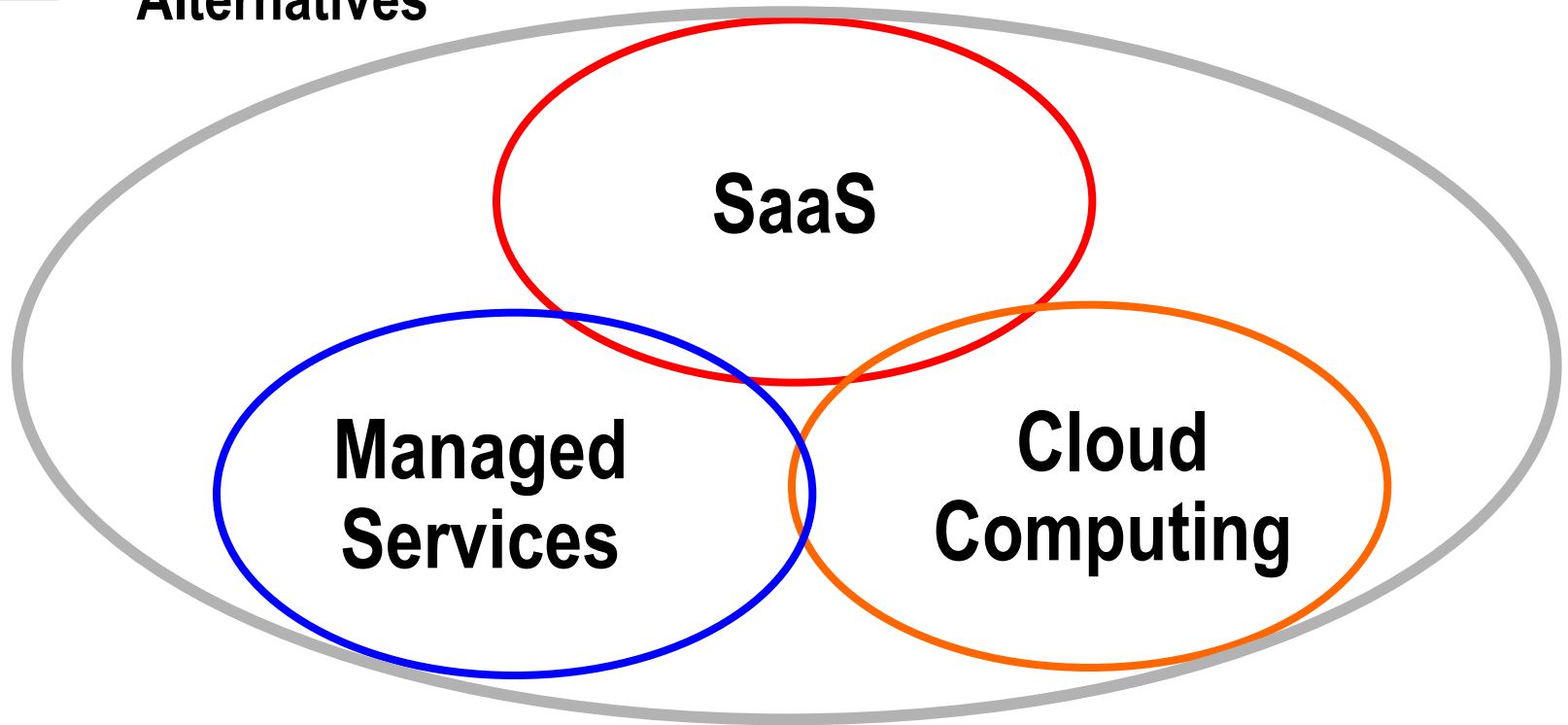
Shift from Outsourcing to Out-Tasking

- Businesses seeking functionality, not technology.
- IT outsourcing deals have failed.
- Selective outsourcing, or 'out-tasking' gaining attention.
- SaaS, managed services & cloud computing are forms of out-tasking.

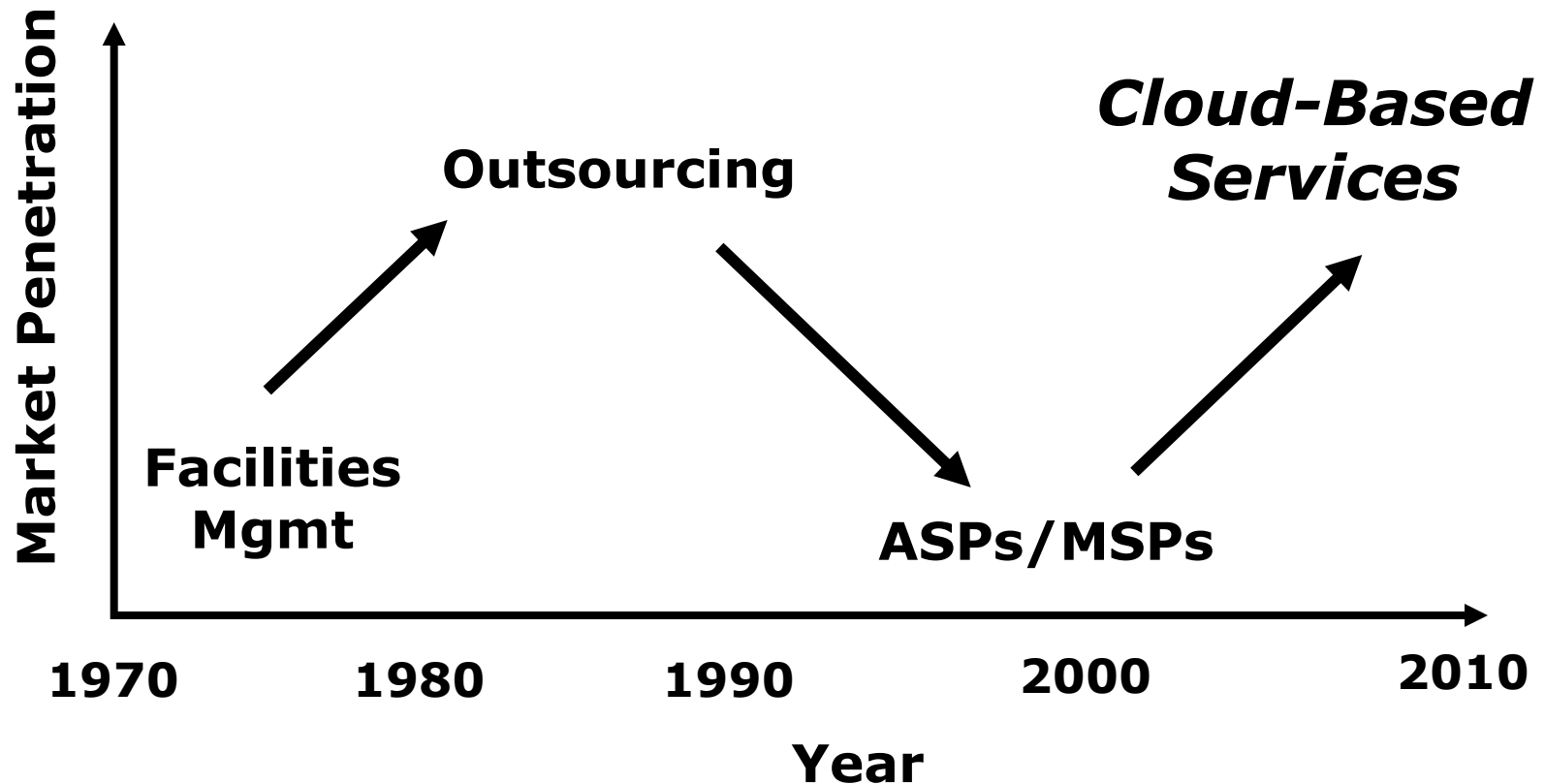


SaaS, Managed Services & Cloud Computing Inter-related Out-Tasking Alternatives

**Out-Tasking
Alternatives**



An Historical Perspective



Today's Perfect Storm



Defining SaaS

Subscription-Pricing

Continuous Enhancements

Built-In, Real-Time Analytics

Rapid Deployment/Self-Provisioning

User-Centric Process Orientation

One-to-Many Software Design

Network-Based Delivery

Services-Oriented Applications

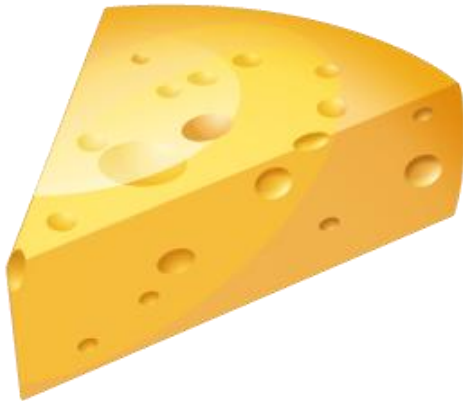
Multi-Tenancy

salesforce.com 
Success On Demand.™

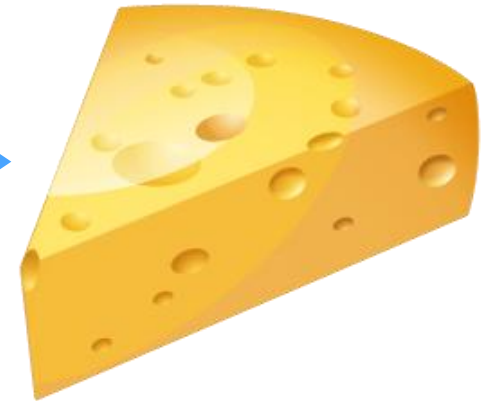


Why ASPs Failed

Customer
Application

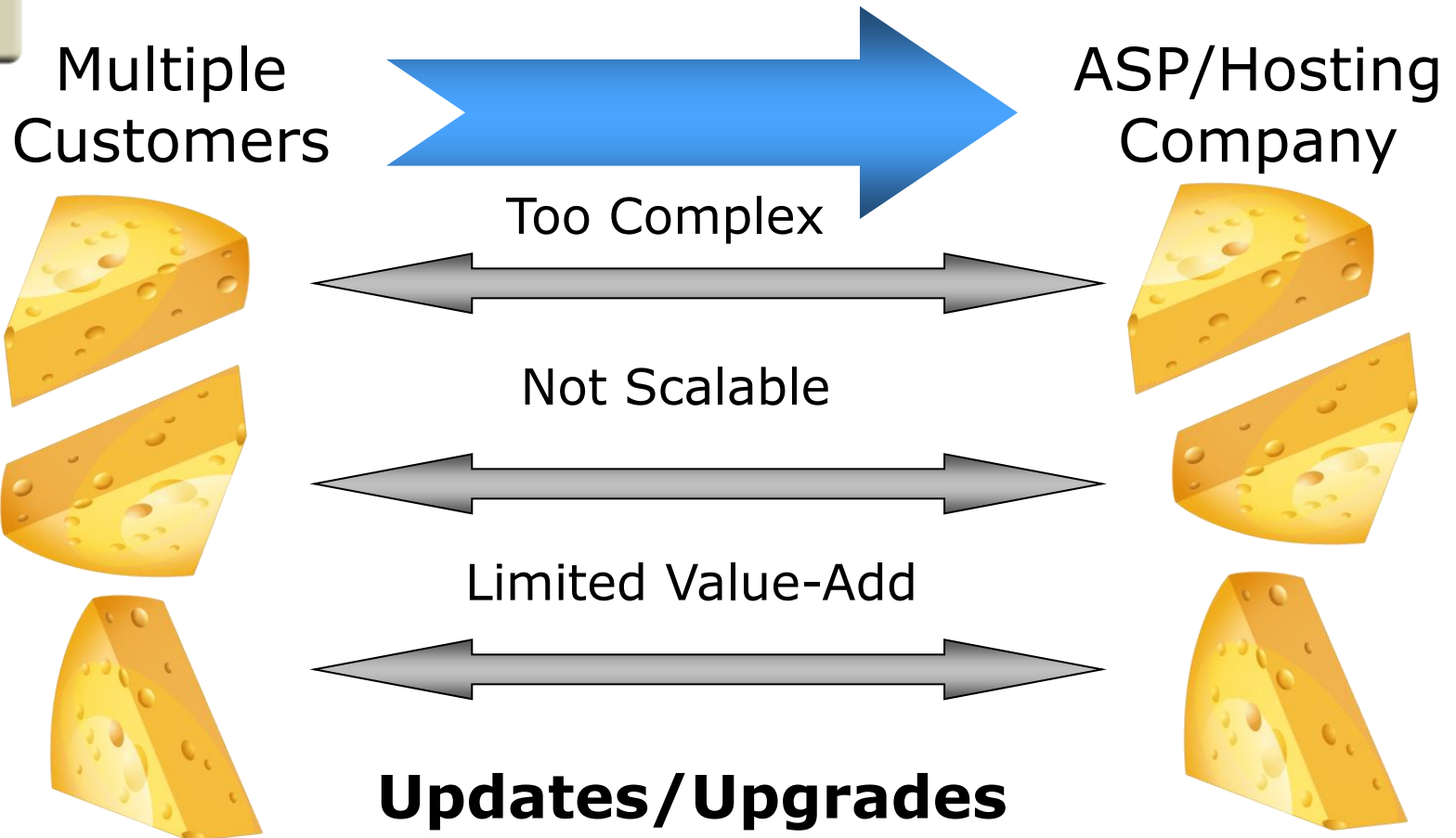


ASP/Hosting
Company

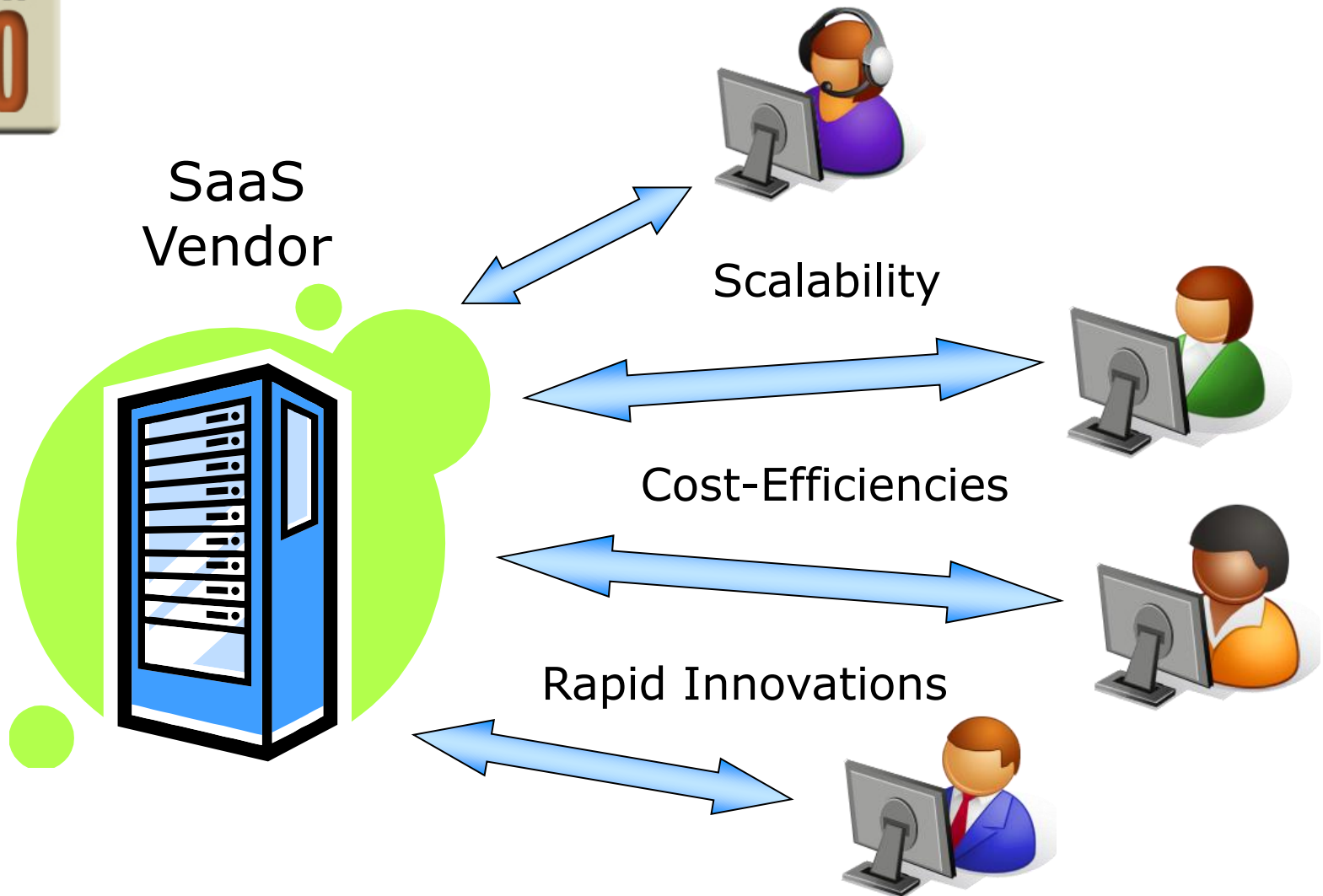


Just another outsourcing deal.

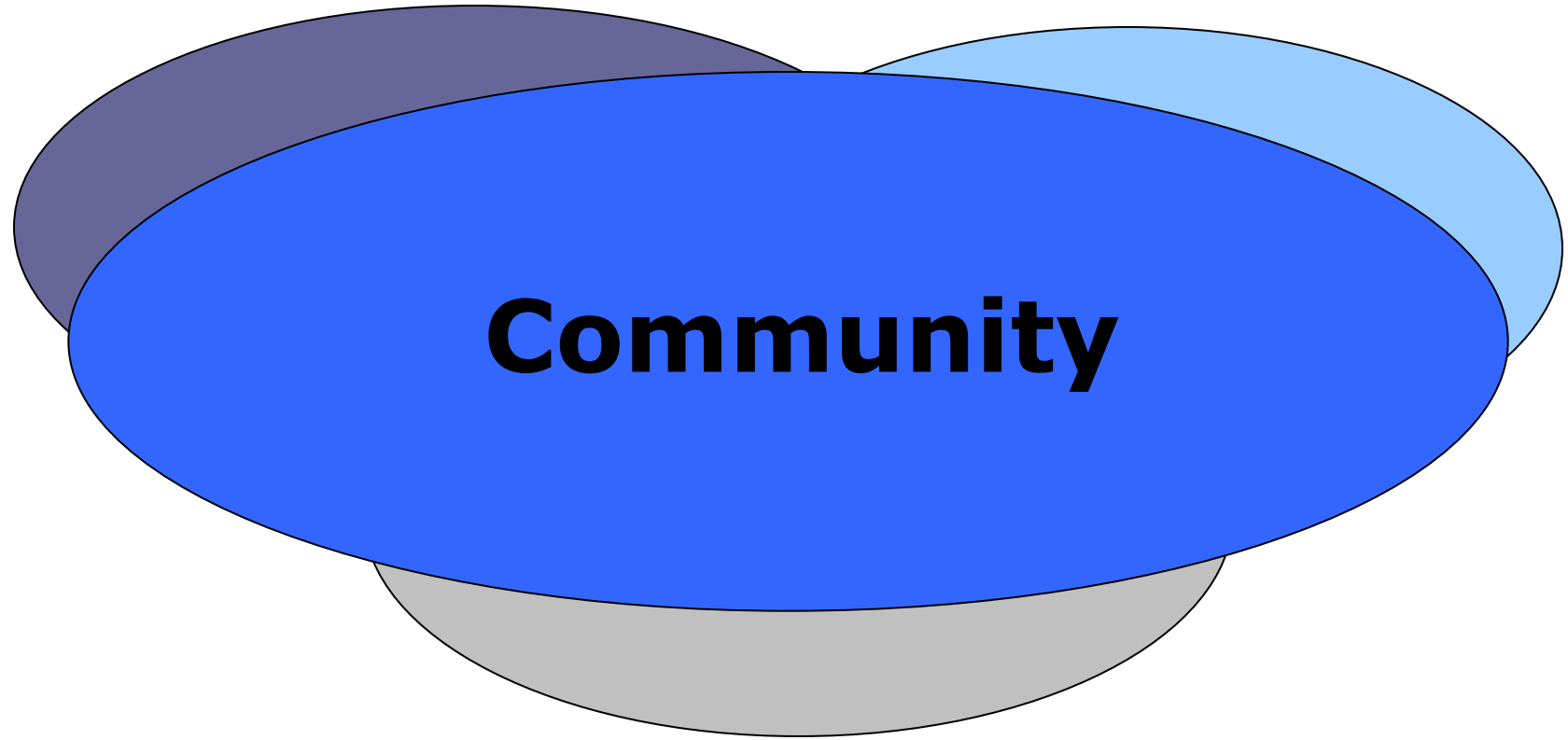
Why Simple Hosting Fails



The Advantage of Multi-Tenancy



Added Dimension of SaaS & the Cloud

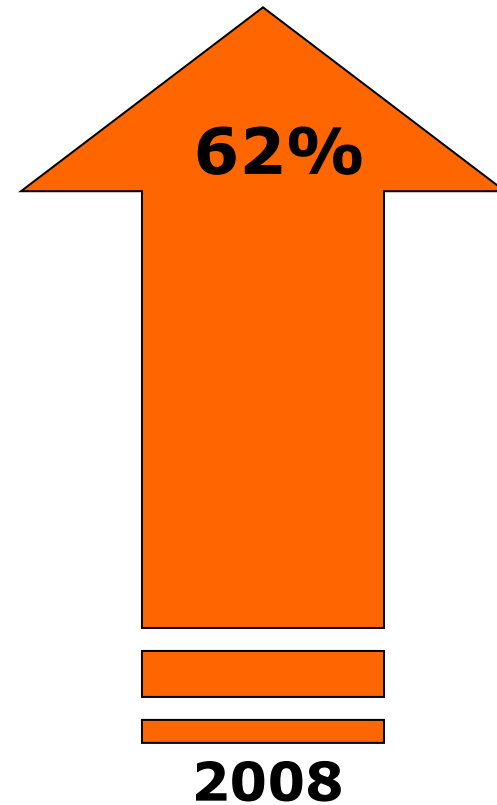
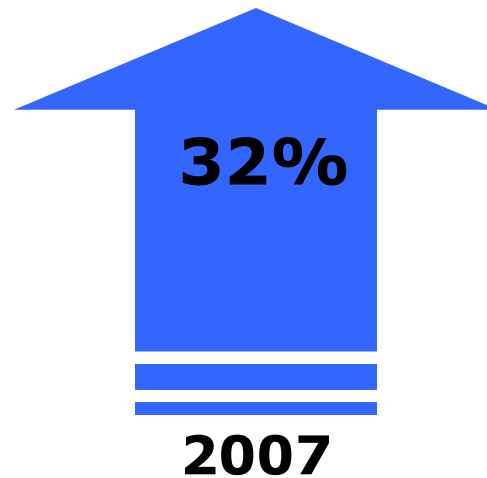


A New Level of Value

- Dynamic clearinghouse of solutions
- Continuous updates, new ideas
- Real-time, aggregated data
- Meaningful benchmark studies
- Practical best practices forums

SaaS Adoption Beyond a Tipping Point

**% of
Respondents
Using SaaS**



Source: THINKstrategies/Cutter Consortium

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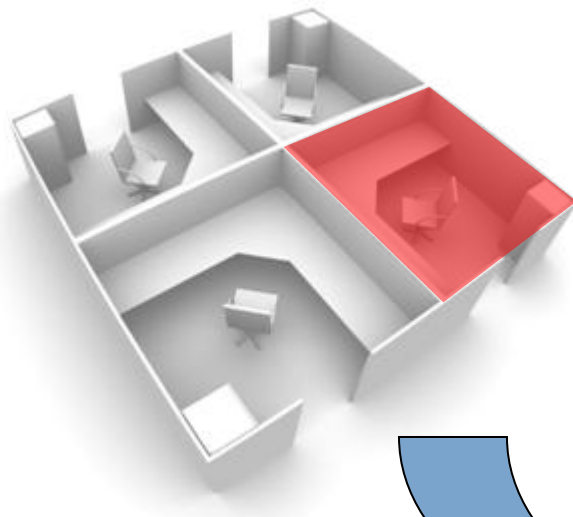


Customer Satisfaction, Renewal & Referral Rates

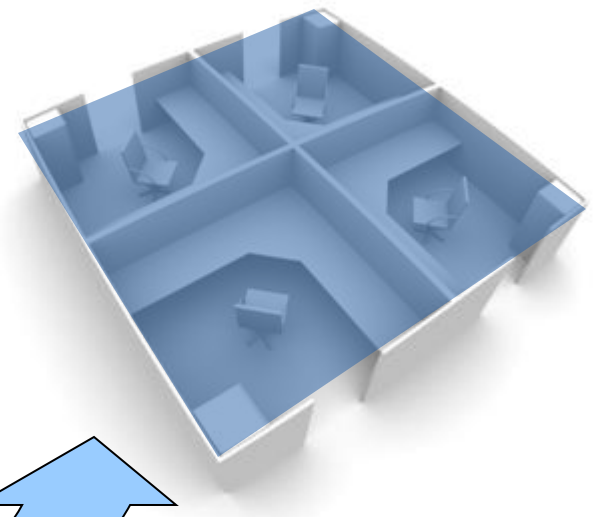
>90%

Source: THINKstrategies/Cutter Consortium

Shifting Adoption Patterns



**Unilateral End-User,
SBU Adoption of
SaaS Solutions**



**Enterprise-Wide
Acceptance and
Adoption of SaaS**

Recent Mega-Deals Represent Policy Moves By Major Companies



"We evaluated a number of alternatives, but Aravo SIM was the best commercially-available solution capable of meeting our complex, global needs" - SVP and CIO of GE



"The Enterprise Cloud Computing business model is a strategic direction for us. It not only lowers IT costs, and creates faster end to end processes, but can also grow with our requirements both globally and locally."

- Head of Corporate IT, Siemens AG

New Government View

"I'm all about the cloud computing notion. I look at my lifestyle, and I want access to information wherever I am. I am killing projects that don't investigate SaaS first."

President Obama's CIO, Vivek Kundra, WSJ 3/9/09

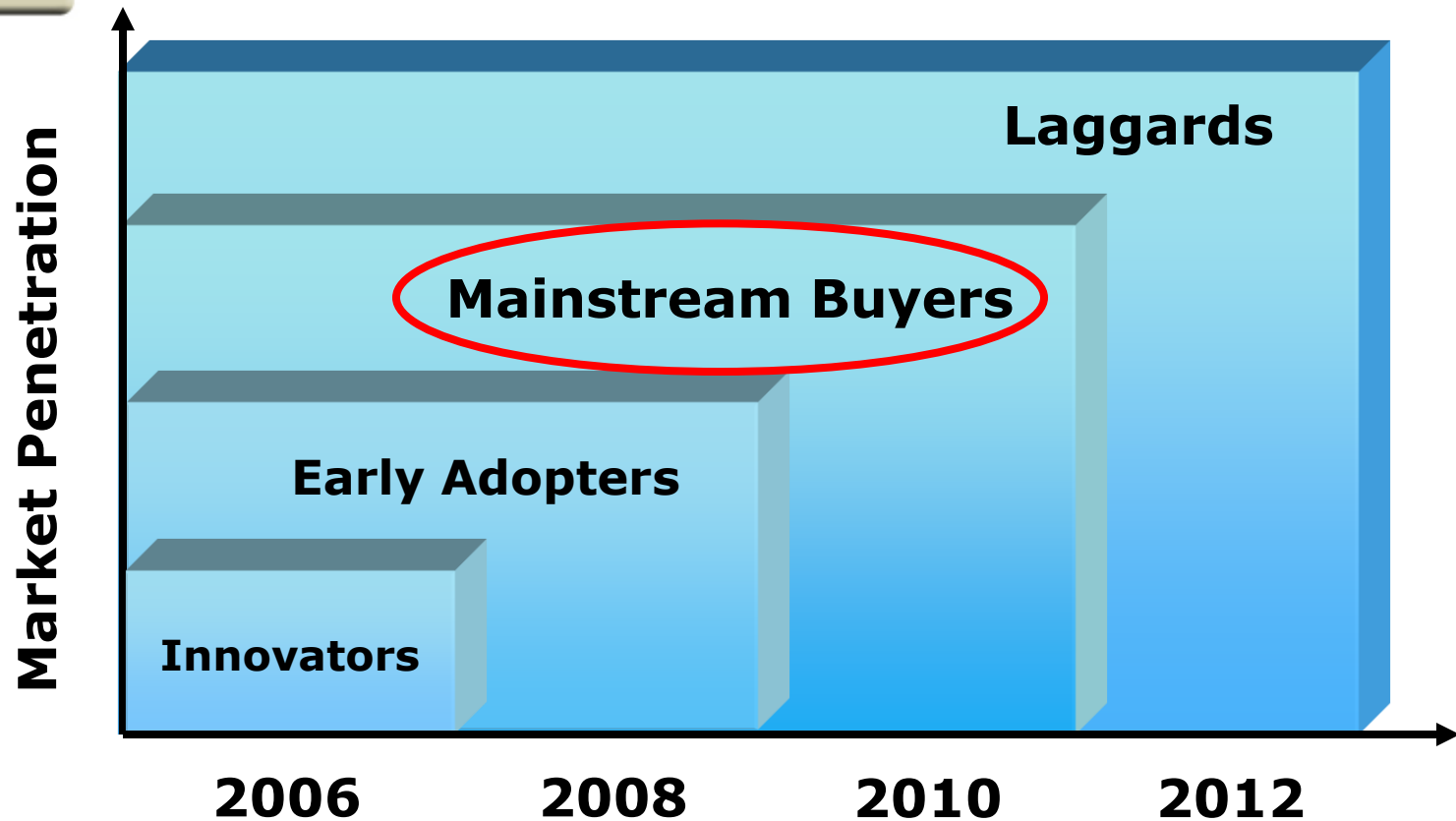
A banner for Apps.gov featuring a stylized globe with a blue and purple gradient, overlaid on a white arrow pointing right. The background of the banner is a blue-tinted image of the U.S. Capitol building.

Welcome to Apps.gov

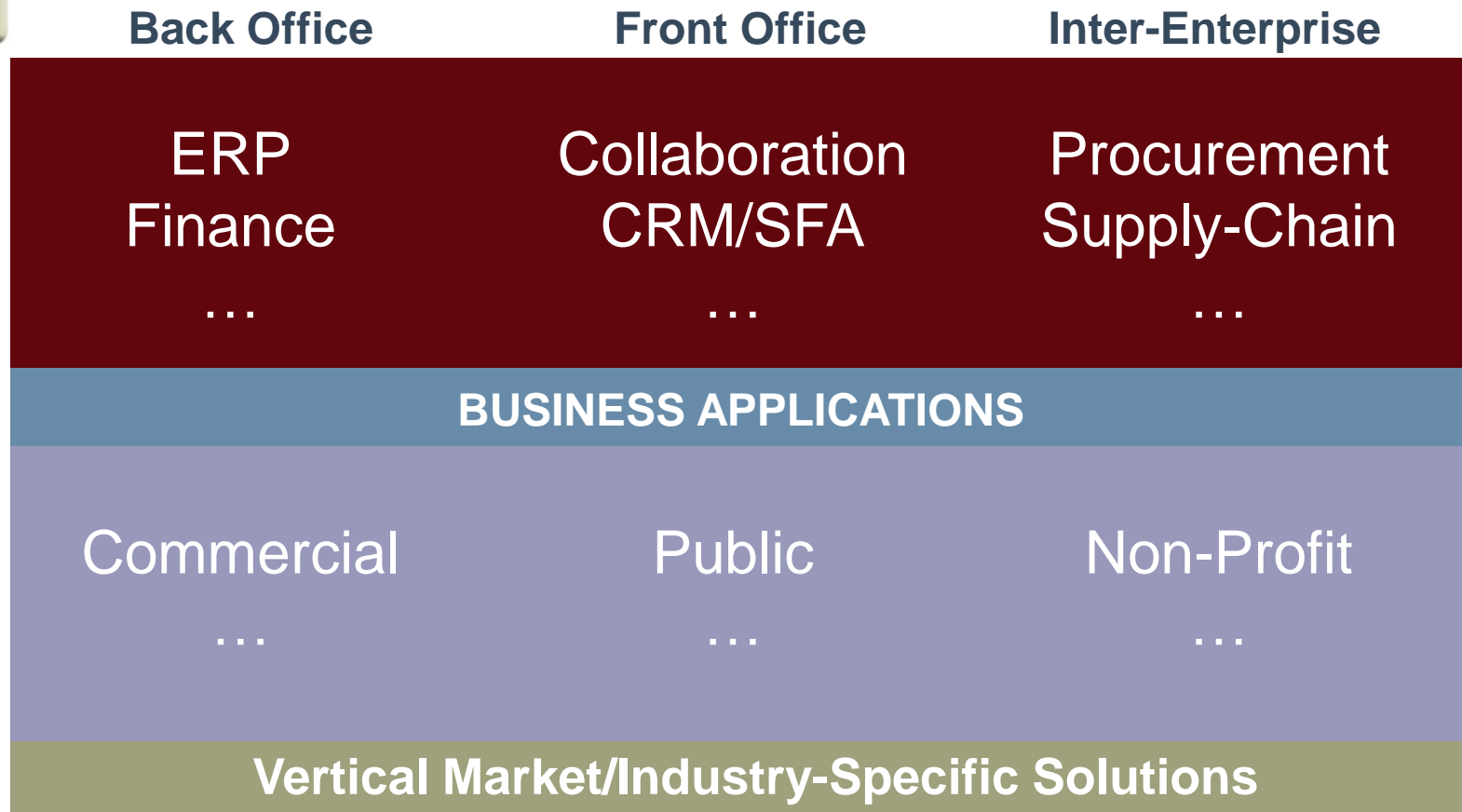
Apps.gov is your source for cloud computing applications designed to help your agency harness the power of today's technology. Whether it's Business or Productivity Applications, Cloud IT Services or Social Media solutions, Apps.gov is the place to get your government agency in the cloud.

Four small colored circles (grey, yellow, yellow, yellow) are visible in the bottom right corner of the banner.

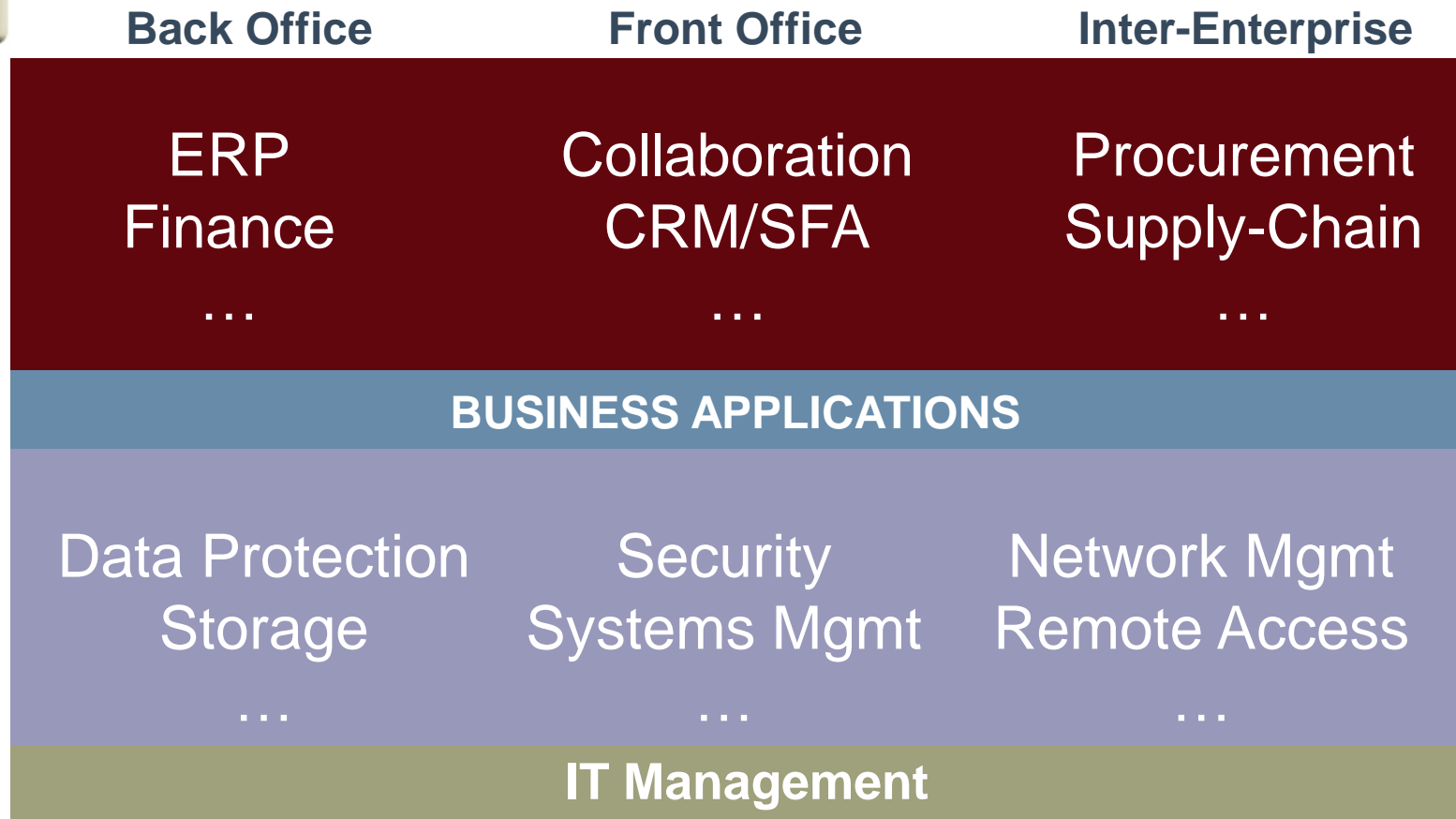
Market Adoption Forecast



SaaS Expands from Business Apps to Industry Solutions



SaaS Expands from Business Apps to IT Management



Why IT Is Attracted to SaaS



Most IT organizations spend 75-80% of their time reacting to problems, keeping systems and software up and running. They would prefer to focus on more strategic business initiatives.

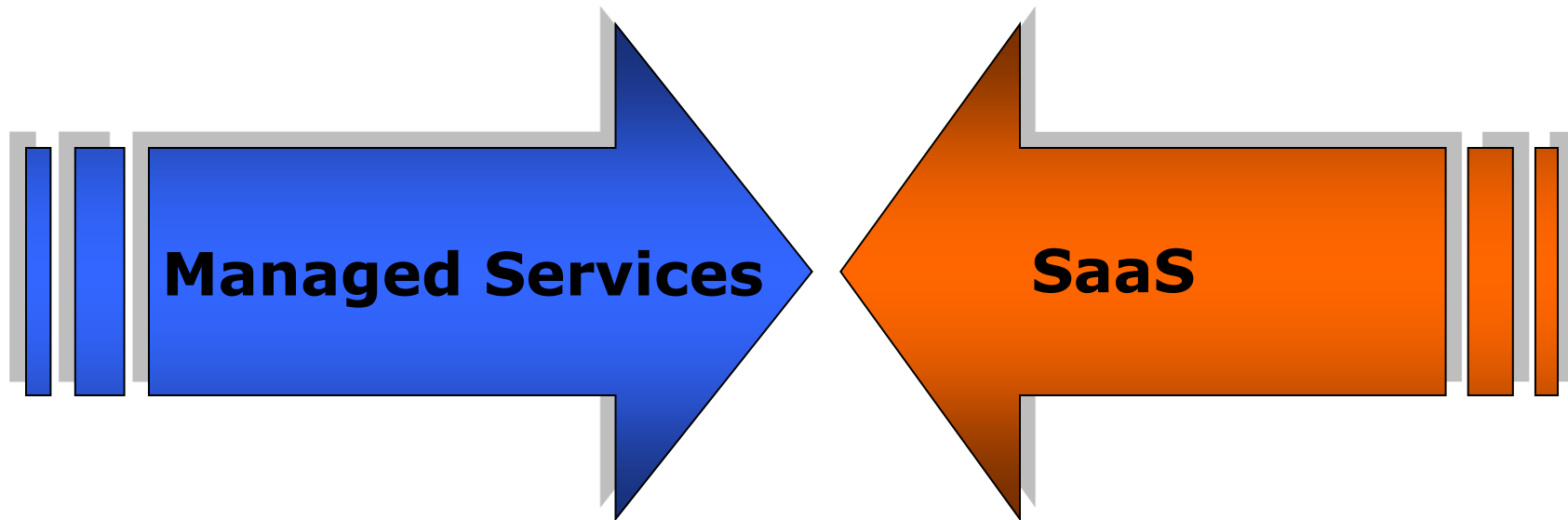
SaaS Penetrating IT Management Market

Traditional NSM = ERP of the IT World

- Too complicated
- Too expensive
- Too time-consuming
- Too ineffective

>150 IT/Application Mgmt solutions on SaaS Showplace.

Managed Services/SaaS Convergence



Managed Services vs. SaaS

Managed Services

- Provider assumes management responsibility
- Sold on an per device basis
- Focus on network/system availability & performance

SaaS

- Provider delivers software functionality
- Sold on a per user basis
- Focus on application availability & performance

- ✓ *Quicker Time-to-Value*
- ✓ *Lower TCO/Higher ROI*
- ✓ *Shifts Burden to Provider*

The Evolution of Managed Services

Era	MS 1.0	MS 2.0	MS 3.0
Years	1980s	1990s	2000 - 2010
Target Markets	Large-Scale Enterprises	SMBs	Everyone
Players	Telcos	Start-Ups	Everyone
Results	Limited Success	Widespread Failure	Growing Market

Moving from SaaS Apps to Cloud Computing

Gartner.

**"Top Strategic
Technology for
2010"**

SaaS Apps

**Cloud Computing
Services**

***But what
does "cloud
computing"
mean?***

NIST Definition of the Cloud

Cloud, Defined

"A model for enabling convenient, on-demand network access to a shared pool of configurable computing resources (e.g., networks, servers, storage, applications, and services) that can be rapidly provisioned and released with minimal management effort or service provider interaction."

Essential Characteristics

- On-demand self-service
- Ubiquitous network access
- Location-independent resource pooling
- Rapid elasticity
- Measured service

Delivery Models

- Software as a service
- Platform as a service
- Infrastructure as a service
- Rapid elasticity

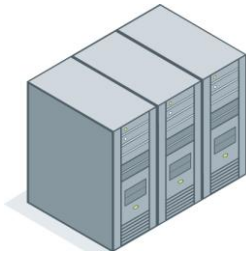
Deployment Models

- Private cloud
- Community cloud
- Public cloud
- Hybrid cloud

Data: National Institute of Standards and Technology, draft definition, version 14

Market Evolution – Who Redefined the Market?

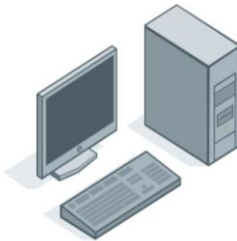
Mainframes



Mid 20th Century
Shared Services



Client / Server



Late 20th
Century ASPs



Cloud Computing



21st
Century Platforms



Platforms-as-a-Service: One-Stop Shops



CPU and
Storage



Web
Applications



Enterprise
Applications



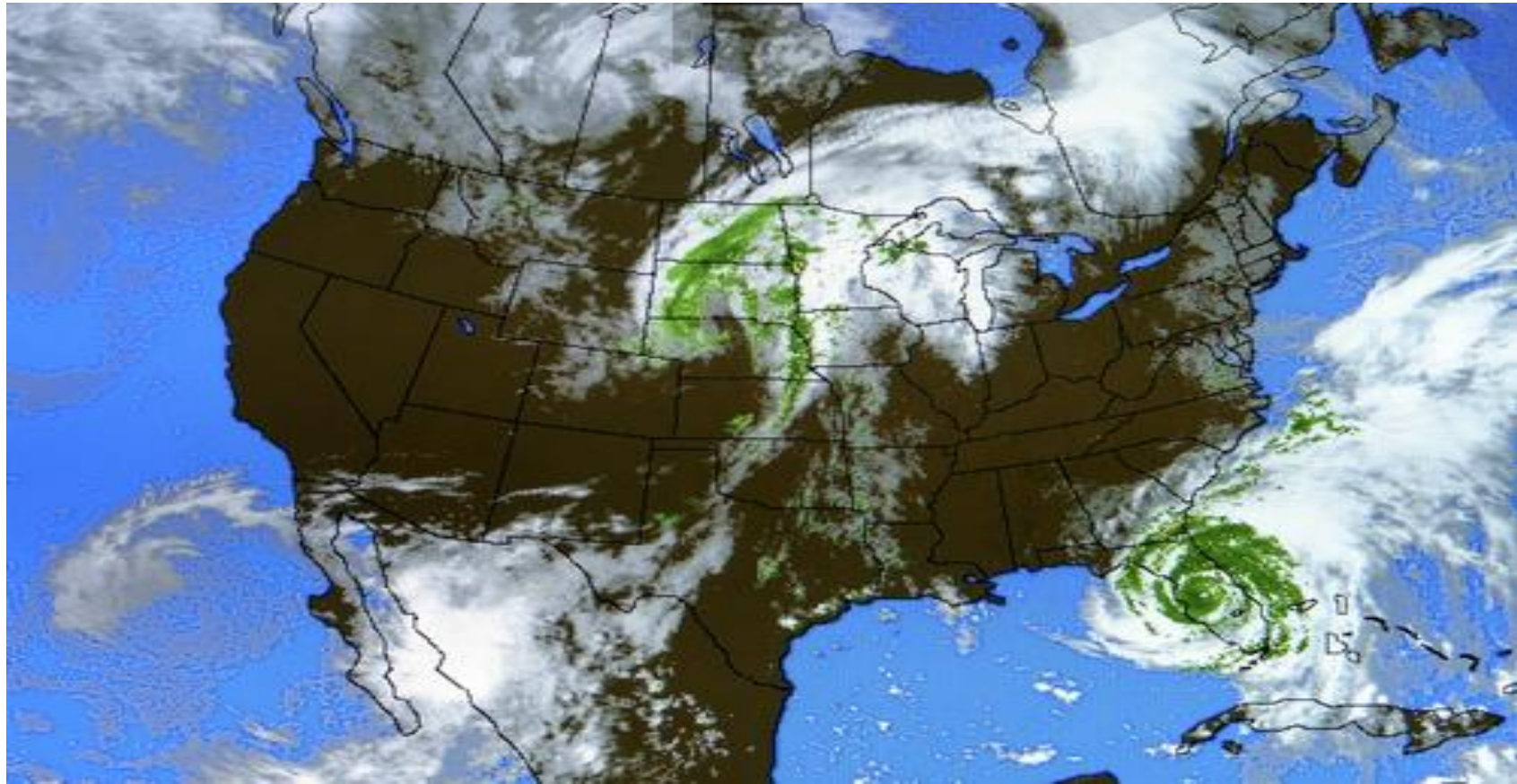
Social
Applications



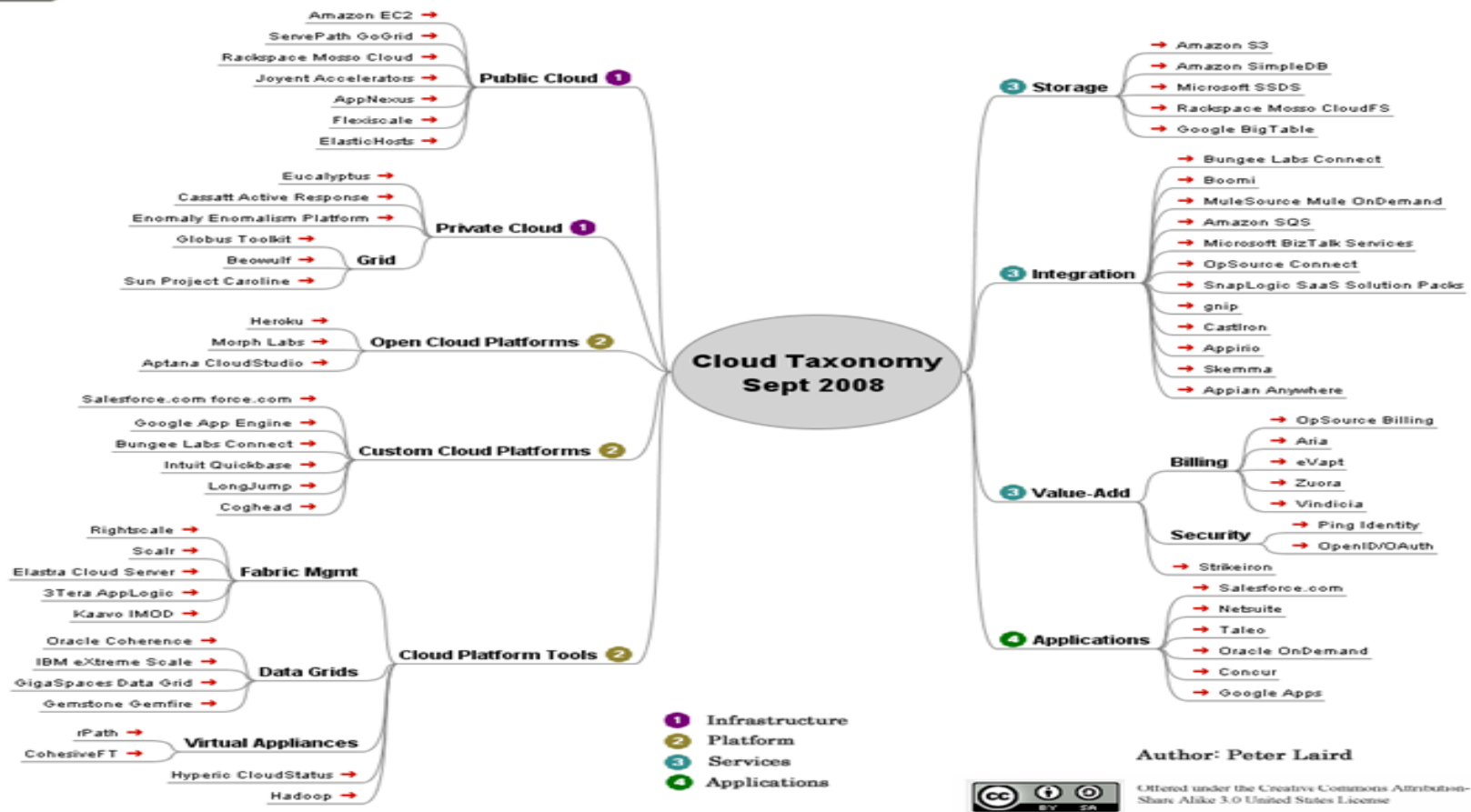
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Storm Clouds & Changing Weather Patterns



Cloud Taxonomy = Complexity & Confusion



The Cloud-Rush Affect: Proliferation of Players

Source:
SaaS
Showplace

Customer Relationship Management	103
Collaboration	80
Accounting/Financial	78
Document Management	67
Project Management	62
Enterprise Resource Planning (ERP)	55
Marketing	49
Human Resource Management (HRM)	47
eCommerce	46
Messaging	44

Key Customer Concerns & Industry Responses

Concerns,

- ✓ Reliability
- ✓ Security/Privacy
- ✓ Customization
- ✓ Compliance
- ✓ Integration
- ✓ Lock-In
- ✓ ***Customer Support***

Responses,

- ✓ SLAs
- ✓ Certifications/Access Controls
- ✓ User Configurations/PaaS
- ✓ DR/BC, Archival, Traceability
- ✓ APIs/Connectors
- ✓ Portability
- ✓ Online/Pro Services

Clouds Come In Many Forms

A photograph of a bright blue sky filled with large, fluffy white cumulus clouds. The text "Public Clouds" is centered in white with a black outline.

**Public
Clouds**

A photograph of a clear blue sky with a few wispy white clouds. The text "Private Clouds" is centered in white with a black outline.

**Private
Clouds**

A photograph of a sky with a mix of white cumulus clouds and blue sky, suggesting a transition between different cloud types. The text "Hybrid Clouds" is centered in white with a black outline.

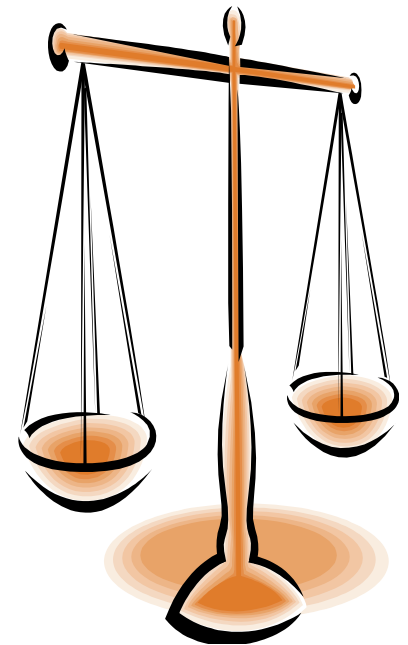
**Hybrid
Clouds**

A photograph of a dark blue sky with a large, dense white cloud formation. The text "Internal Clouds" is centered in white with a black outline.

**Internal
Clouds**

Living in a Hybrid World

- Companies prefer choice.
- Businesses seeking combination of on-demand/on-premise solutions.
- Cross-platform integration essential.
- Making SaaS/cloud computing ***location-independent*** now possible.
 - Variety of appliances and applets becoming available to work offline or behind firewall.

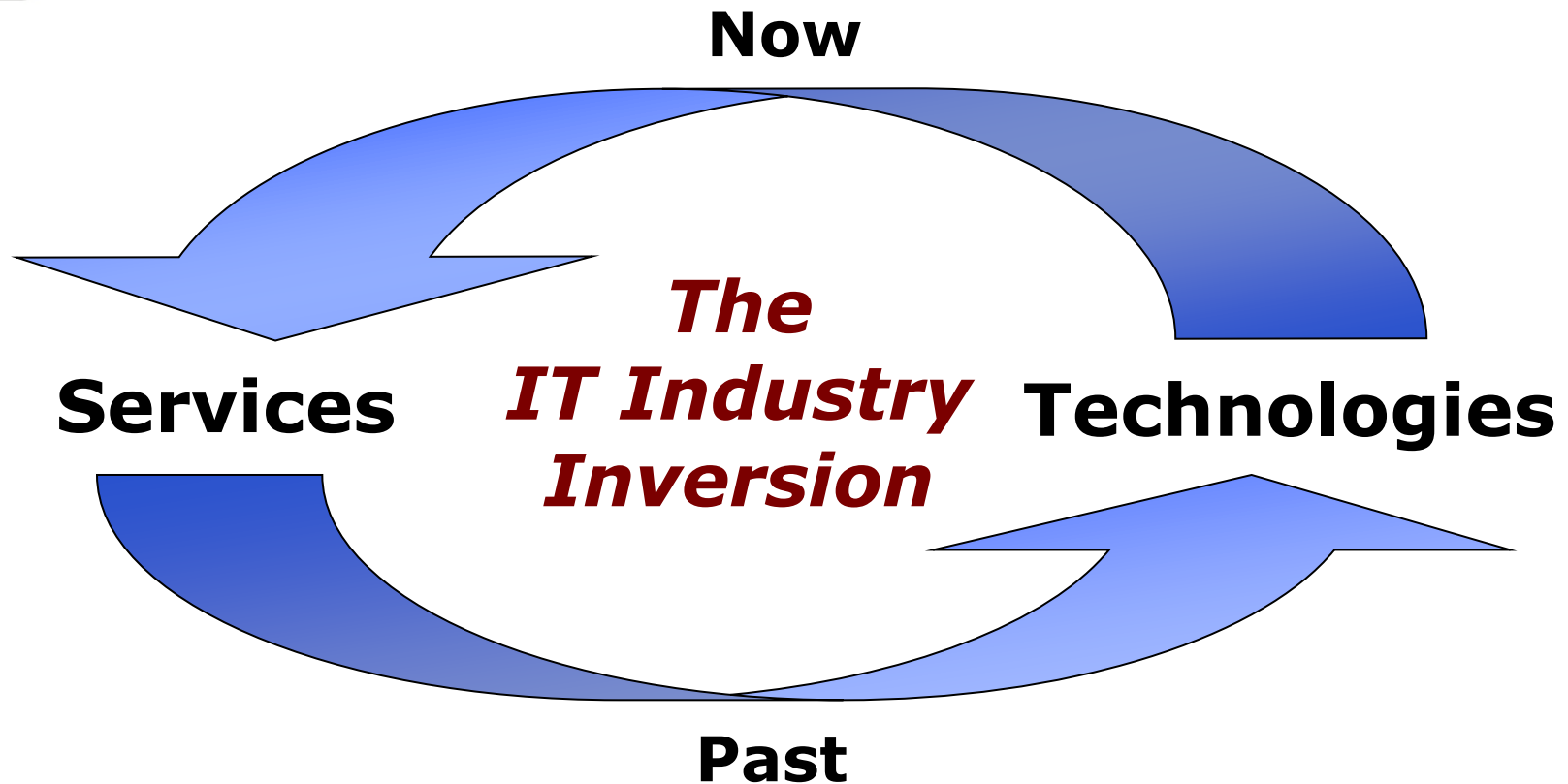


Private Clouds

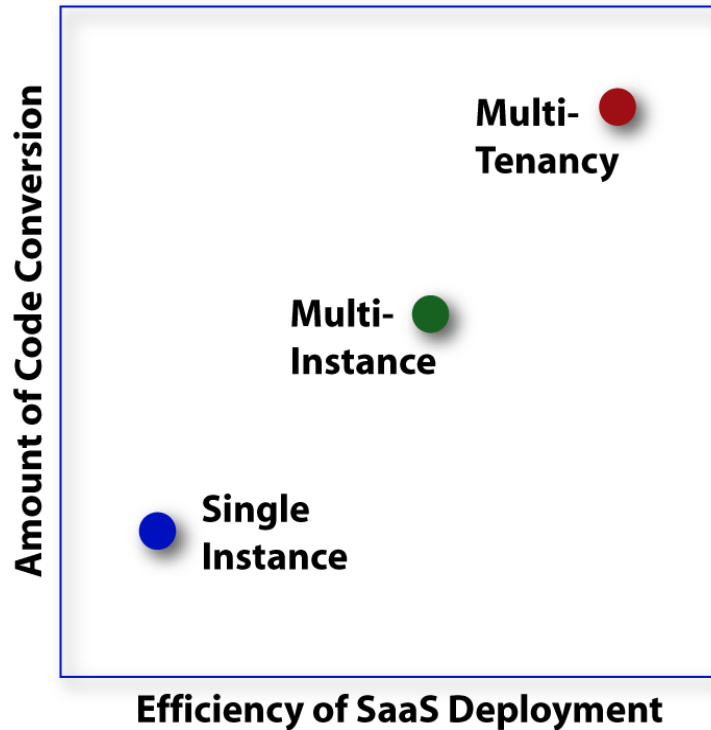
- Benchmarking Market Leaders
 - Amazon
 - Facebook
 - Google
 - Salesforce.com
- Adopting Best Practices
 - Standardization
 - Simplification
 - Automation
 - Agility



Cloud Services & the IT Industry Inversion



Key Challenges Facing Established Vendors



- Re-architecting applications
 - Re-structuring revenue models
 - Repositioning marketing
 - Re-orienting sales/support staff
- ***Surviving slow economy & market shakeout***

Five Key Vendor Concerns

- Cannibalization
- Commodization
- Channel Conflict
- Customer Confusion
- Changing Corporate Culture

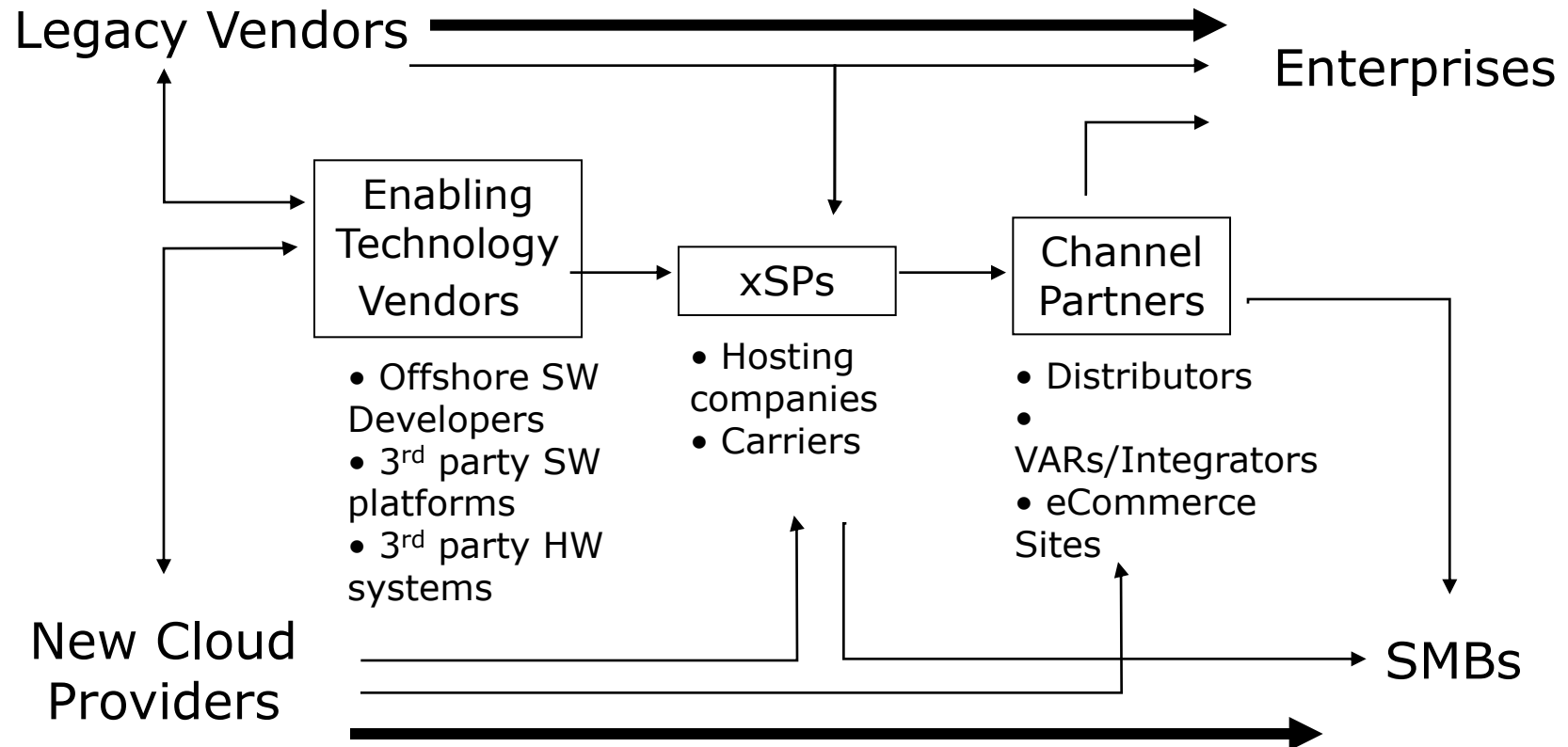
Hybrid Model Pitfalls

Balancing,

- Multiple Offerings
- Multiple Development/
Delivery Architectures
- Differing Buyers
- Multiple Sales Channels/
Compensation Plans
- Differing Revenue Recognition



Changing Channel/Supply Chain Opportunities



New Cloud Channels to Market?

- Banks
- Insurance Companies
- Retailers
- Web companies
- PS Firms
- BPOs
- Hosting Companies
- Telcos

Service Evolution



Cloud Computing Market Evolution

v1.0

- Focus on individual user
- Standalone point apps
- Horizontal applications
- Emphasis on ease of use/price
- One size fits all, minimal customization
- Limited interoperability
- Cloud only
- Emphasis on lower TCO
- Proliferation of providers
- ***Best-of-Breed Win***

v2.0

- Focus on the enterprise
- Scalable, secure platforms
- Vertical/industry solutions
- Emphasis on added functionality
- Multiple configurations, greater flexibility/versatility
- Greater integration capabilities
- Bi-direction location independence
- Emphasis on higher ROI
- Industry shake-out & consolidation
- ***Strategic Sources Win***

Key Questions for Cloud Providers

- ✓ Can you assure high availability/performance?
- ✓ Can you provide a better service at lower cost?
- ✓ Can you safeguard customers' data?
- ✓ Can you support hybrid environments?
- ✓ Can you rapidly on-boarding of new users?
- ✓ Can you track service usage levels?
- ✓ Can you identify & resolve service issues?
- ✓ Can you verify SLA compliance?
- ✓ Can you offer flexible contracts?
- ✓ Can you provide aggregated benchmark statistics?



Summary & Recommendations

- ✓ The cloud is for real.
 - Expanding array of deployment options.
- ✓ Not too early to experiment.
 - Initiate trials, measure success.
- ✓ Make strategic sourcing decisions.
 - Migrate incrementally, monitor performance.
- ✓ Use classic evaluation criteria.
 - Focus on reliability, security, viability, governance.
- ✓ Expect new forms of value
 - Leverage benchmarks, community, visibility.