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# SaaS & Cloud Computing

ALK Summit

David Mook

April 2010



# Agenda

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- What is SaaS, PaaS, and the “Cloud” ?
  - 2<sup>nd</sup> generation of SaaS
- Benefits of SaaS
- SaaS adoption
- Case Studies: Netsuite, TruckPM Plus, FedEx
- Why Software Companies love SaaS
- SaaS Considerations



# What is SaaS

- It is a Deployment Model



## Software Delivery Models

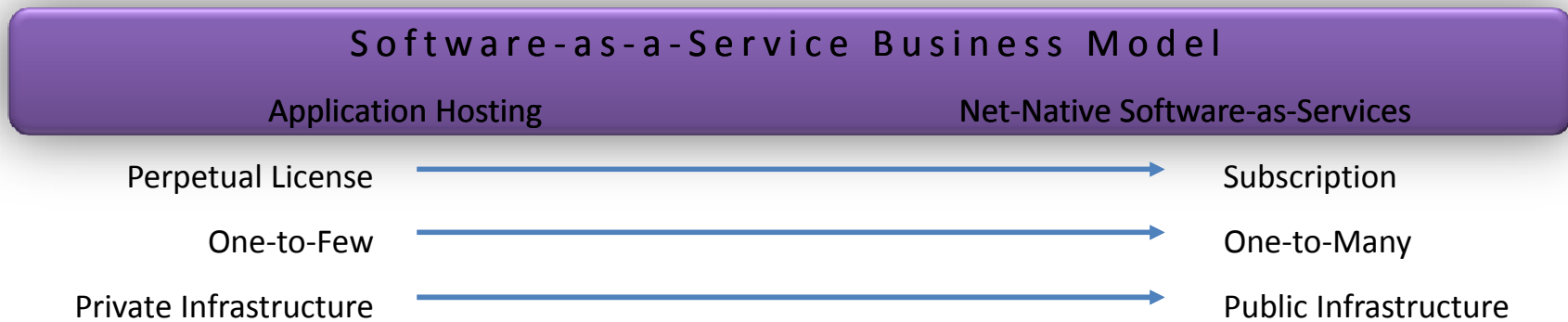
| Traditional Software |   | Software as a Service |
|----------------------|---|-----------------------|
| On Premise           | → | In the Cloud          |
| Centralized          | → | Decentralized         |
| Large Upfront Cost   | → | Pay As You Go         |

Source: *Software On Demand's Impact on the Software Industry: Transformation, Extinction or Rebirth?*; July 2005

# What is SaaS

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- It's also a new Business Model



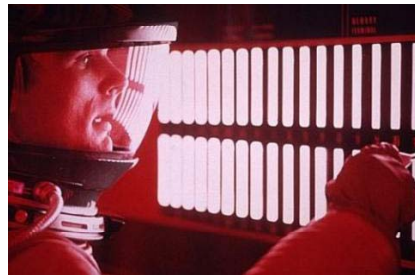
Source: U.S. Software On-Demand Delivery Model 2005–2009 Forecast; IDC #33493 June 2005



# The Cloud

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- 'World Wide Computer' is on horizon – USA Today 2/25/2008
- What is this one world computer?

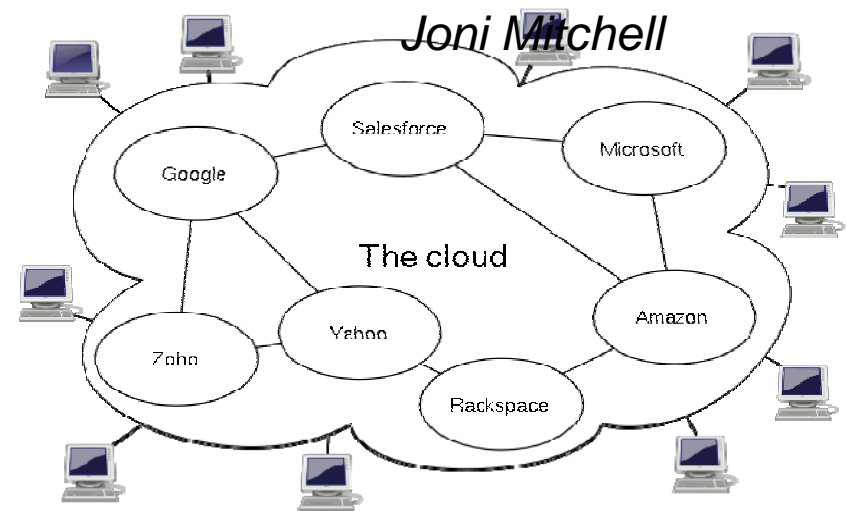


# Clouds and the Future in the Past

- Back to the Future
  - Mainframe (cloud) to Client Server
  - Client Server to the Cloud

*I've looked at clouds from both sides now,  
From up and down, and still somehow  
It's cloud illusions i recall.  
I really don't know clouds at all.*

Larry Ellison, CEO of Oracle Corporation has stated that cloud computing has been defined as "everything that we already do" and that it will have no effect except to "change the wording on some of our ads"



# PaaS & 2<sup>nd</sup> generation SaaS

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- Platform as a service is SaaS with your own sandbox to do more stuff.
  - Application development tools + SaaS
- 2<sup>nd</sup> Generation SaaS gives you the ability to weave together hardware, software and services to build your own specific solution
  - It's the Enterprise Rent-a-Car mode, only no car.



# Benefits of SaaS

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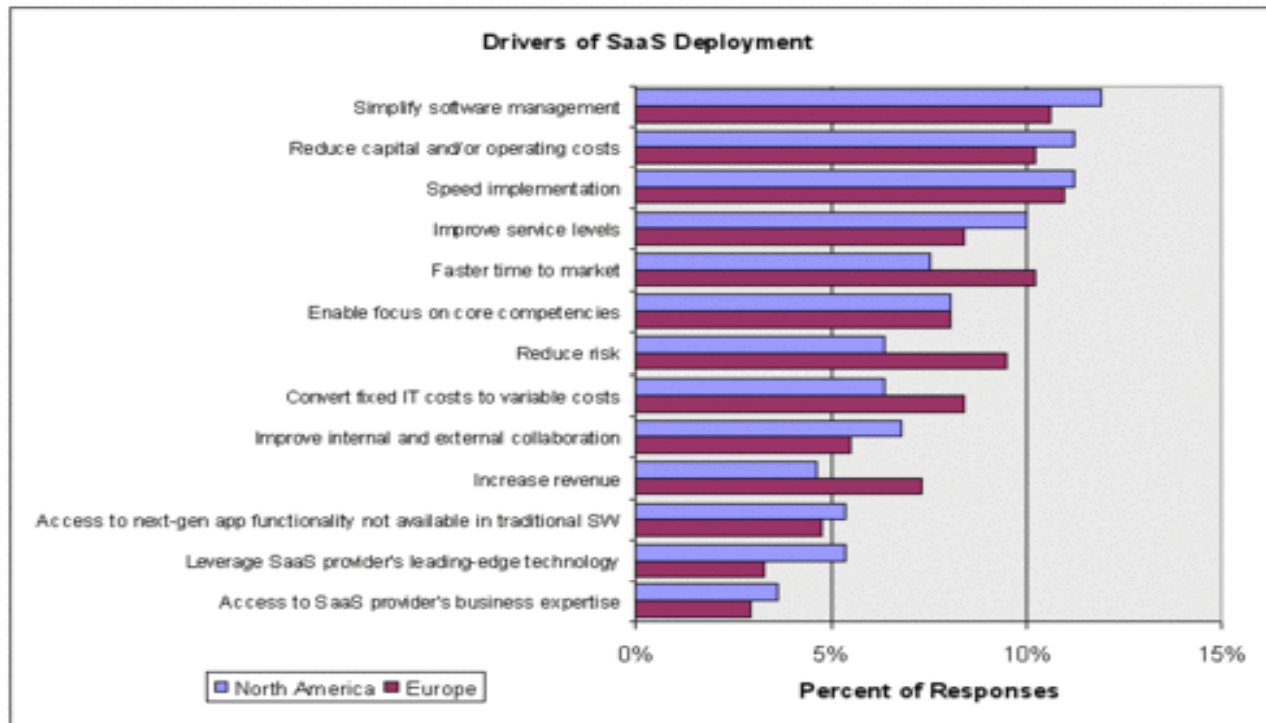
- Quicker deployment
  - Time is money
- Updates are automatic and managed for you
  - Always up-to-date
- Shifts CapEx cost to OpEx
  - Easier on the budget planning
- Allows companies to focus on core business
  - Frees up precious internal IT resources



# Benefits of SaaS

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- Why customer are buying:

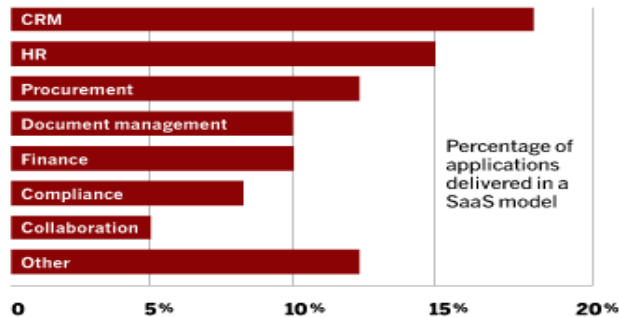


# SaaS Adoption

## SaaS Usage TODAY

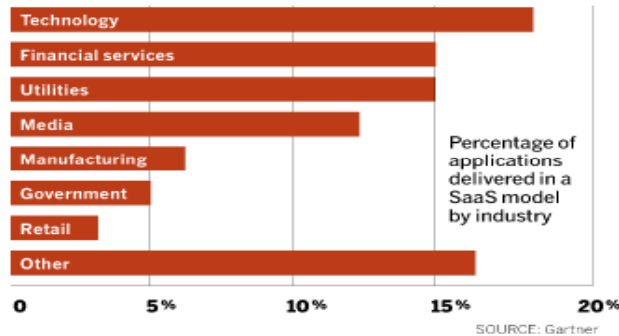
The usage of applications delivered as a service fall mainly in three areas: CRM, HR and procurement.

### BY APPLICATION

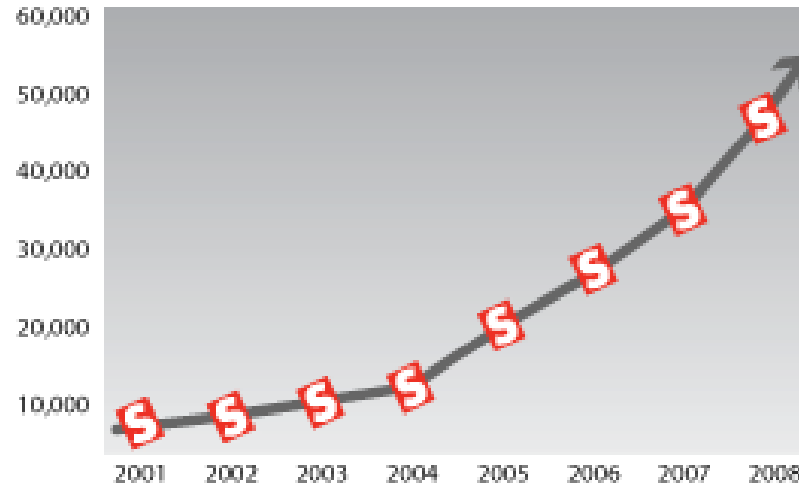


Technology companies are the biggest users of the SaaS model, followed by financial services and utilities.

### BY VERTICAL MARKET



## Astronomic Customer Growth



Salesforce.com publicly reported approximate customer and subscriber figures

“SaaS is just a means to an end. It’s part of a mosaic of solutions,” says Peter Young, vice president of IT at pharmaceutical company MedImmune.

“I view SaaS as another arrow in my quiver,” concurs Frank Modruson, CIO of the Accenture consultancy.  
[http://www.cio.com/article/109706/The\\_Truth\\_About\\_Software\\_as\\_a\\_Service\\_SaaS\\_](http://www.cio.com/article/109706/The_Truth_About_Software_as_a_Service_SaaS_)



# SaaS Adoption

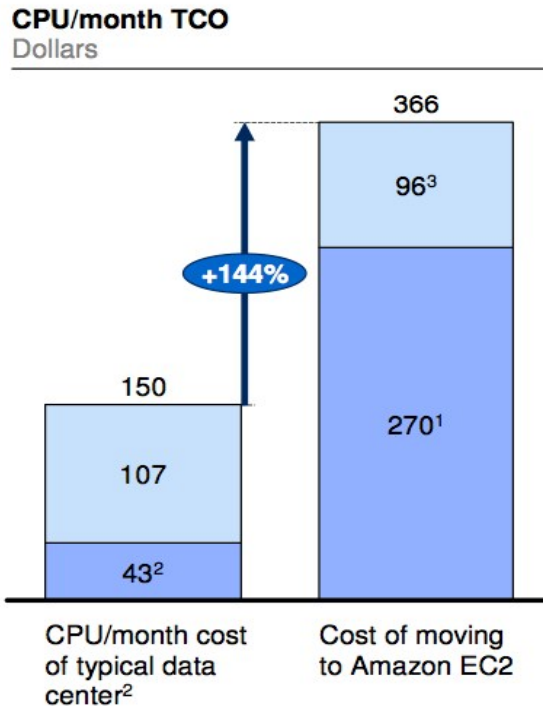
## Exhibit 6: Web conferencing and salesforce automation remained top candidates for SaaS utilization

In what areas do you currently implement SaaS?

**The cost of cloud must come down significantly for outsourcing a complete data center to make economic sense**

DISGUISED CLIENT EXAMPLE

■ Labor costs  
■ Non-labor costs



- Assumes migration of total Windows and non-console Linux capacity for entire data center
- Based on comparable hardware configurations, current pricing for cloud computing services is significantly higher than the CPU/month TCO achievable in data centers today.
- The key factor is that the majority of servers that can be migrated are Windows servers

“Wh

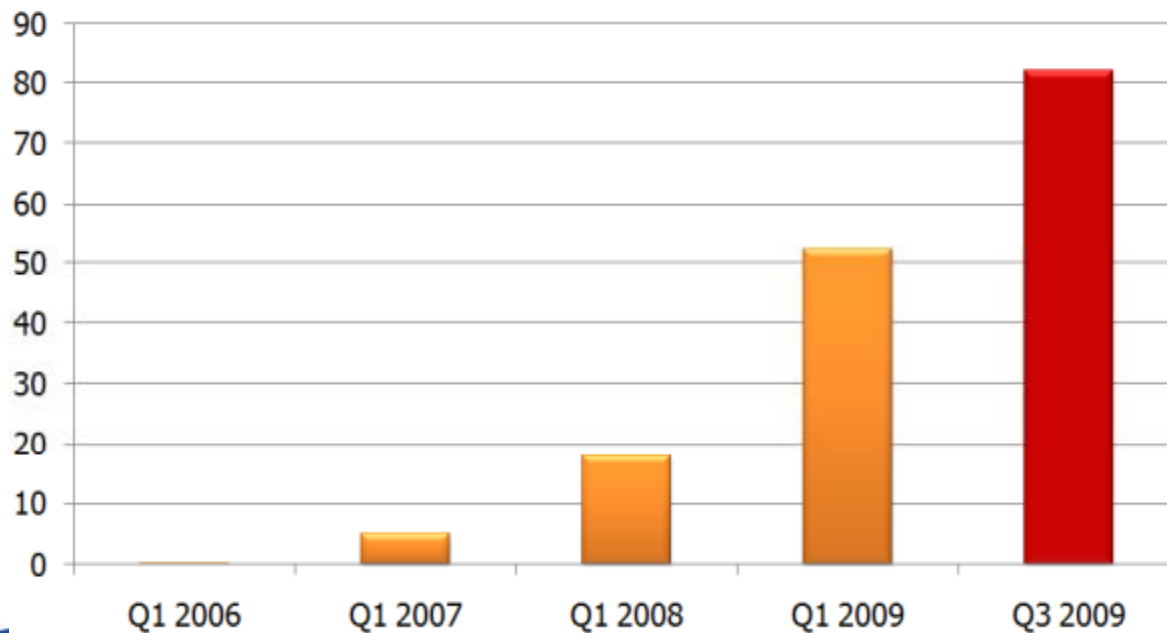
<sup>1</sup> Cost for comparable configuration – 75% of EC2 Large Standard Windows configuration  
<sup>2</sup> Typical CPU/month cost for 3GHz dual-core Xeon Windows-based servers  
<sup>3</sup> Estimated based on 10% labour savings from moving to a third-party cloud provider

# SaaS Adoption

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- What is in the Cloud today?

## 82 Billion Objects in Amazon S3



# Case Study: CRM at TMW

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- TMW needed new CRM software to manage its growing client base, coordinate and better track field sales opportunities.
  - Created requirements doc, did the RFQ
  - Key criteria
    - Support all help desk functions (e.g. call tracking, trouble tickets)
    - and sales functions (forecasts, event planning, etc).
    - Great remote access



# Case Study: CRM at TMW

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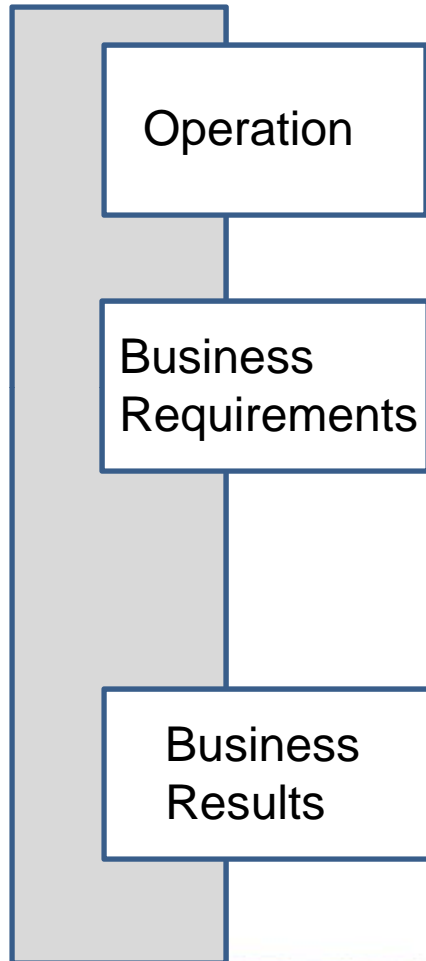
- We chose NetSuite – a SaaS product

- Results

- Functionality: Good
- Deployment: Reasonable fast
- Extensibility: No so good
- Cost: Much higher than we expected
- Benefits of being SaaS:
  - Overall a minor negative. Nonetheless, we're satisfied.



# Truck PM Plus



- Commercial Truck Service Division of Bridgestone Bandag Tire Solutions
- 9 Service Locations in Florida, expanding nationwide
- 31 Truck PM Plus Users - unlimited Customer users
- Move from paper based to electronic information in real time at all service locations and to all customers
- Partner – evolve product to meet expanded business requirements
- Investment in Core Business - facilities and human capital resources. IT was not identified as their Core Business
- Minimal IT experience on staff
- Improved Customer Service using the Web to collaborate
- Minimal IT infrastructure costs
- Paperless environment

*“The ability to have all customer records right there—unit information, historical records on the units, PMdue dates and pending repairs—is crucial.”*

- Don Davis, Truck PM Plus, Vice President, Finance & Administration



# Fedex Ground Package System

## Operation

- Fleet Maintenance SaaS deployment nationwide
- 190 Users – Employees and Third Party Service Vendors
- Over 38,000 assets under management

## Business Requirements

- Expand use of Fleet Maintenance Software from back office paper invoice data entry to data entry at source
- Move from highly customized purchased software to COTS partner with skin in the game to meet evolving business requirements and growth
- Corporate IT did not have staff to deploy and maintain environment and application

## Business Results

- Reduced Fedex data entry by over 80% with service vendors entering data at source
- Real-time information of fleet asset (history, availability, costs)
- Significantly reduced capital expenditure for IT
- Lower overall deployment costs and time over internal

# Why Software Companies love SaaS

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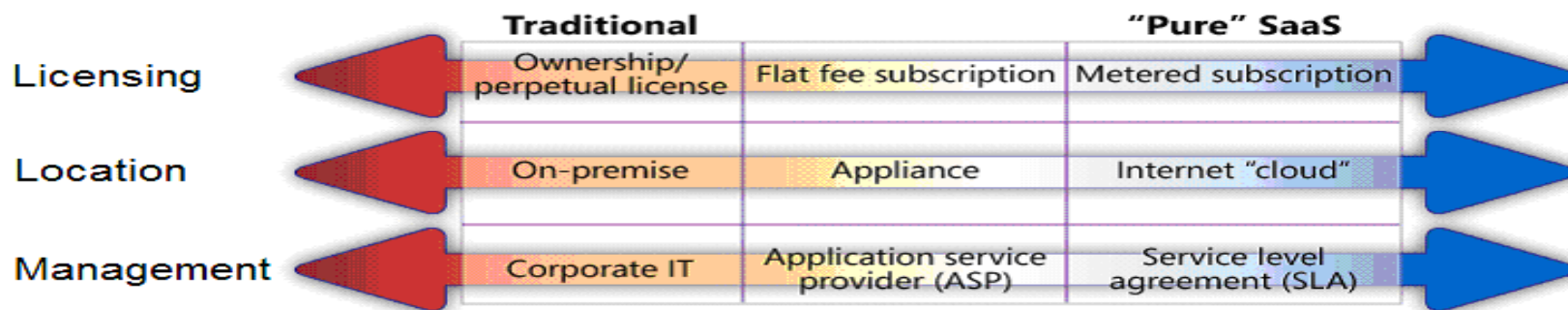
- SaaS is stickier than you think
  - A utility that is easy to plug into but much harder to unplug
  - Steady income stream
  - Extra nickels – gets them into the hardware game
  - Leads clients to accept standard issue more often
  - Prevents piracy
  - Causes companies to change vendors



# SaaS considerations

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- Vendor viability
- Sensitive Data in the Cloud
- Determine your SaaS readiness by plotting your organization's needs and expectations on each continuum, using Figure 2 as a guide.



# When to choose SaaS

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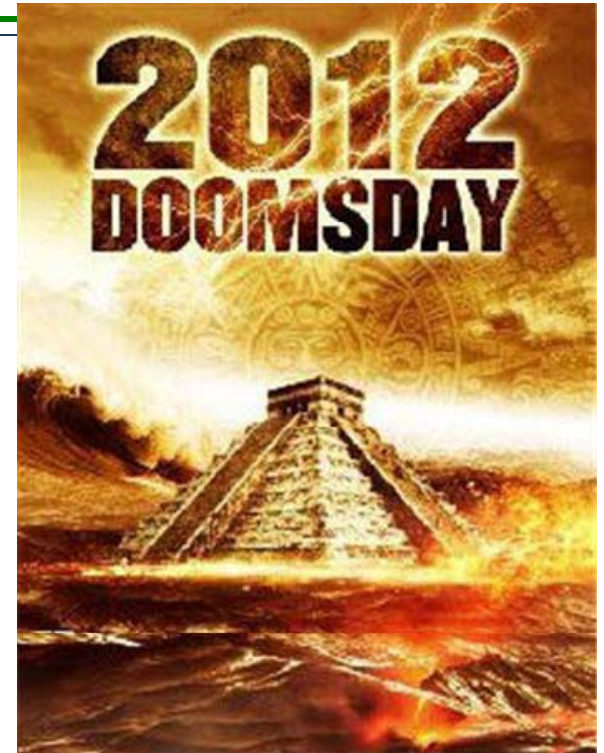
- Capex vs. Opex is significant to you
- When you have taxed IT staff
- When you have limited and/or well defined API points
- When your data security issues are satisfied
- After you studied the economics fully
- When SaaS software is better



# Final thoughts

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- More SaaS is coming.  
Everyone is SaaS-ing up their software.
- The Cloud is getting bigger.
  - Gartner predicts by 2012 20% of all businesses will own absolutely no IT assets
- The man behind the curtain



# Questions, Comments, Rebuttals

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David Mook

COO / CTO

TMW Systems

[dmook@tmwsystems.com](mailto:dmook@tmwsystems.com)

