

Summary of SaaS research

TOPdesk

Conducted by

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SaaS: Software on tap?

The term SaaS - Software as a Service – is mentioned more and more often in IT and Facilities management magazines. SaaS has become very popular in the United States, but Europe seems to be a bit more reluctant in adopting it. For Independent Software Vendors (ISV's) it is important to know the status quo of SaaS in Europe, in order to fill in their product and communication mix. This research – which has been conducted in collaboration with TOPdesk – provides insight into the purchasing decision regarding a SaaS tool for service management and facilities management amongst Dutch small and medium-sized businesses (SMBs).

What is SaaS?

The SaaS model contains a number of differences compared to traditional (or “on-premise”) software. With SaaS, the application does not need to be installed on-site: an internet connection is enough to access both the application as well as the consumers’ data. The only thing the consumer needs is a broadband internet connection and a conventional web browser (i.e. Internet Explorer or Mozilla Firefox) to use the application. The software vendor takes care of everything concerning the SaaS-application’s technical infrastructure: hardware (internet connection, server maintenance) and software (updating, patching) are no longer worries for the consumer. The payment of SaaS is another factor that differentiates it from traditional software: instead of investing in licenses, SaaS is paid for with a smaller – often monthly – fee. Therefore, SaaS is often compared to a leasing contract: for a periodic fee, the consumer can use the application, without having to invest in licenses and supporting hardware.

Why SaaS?

Leading IT research companies predict a significant increase in the demand for Software as a Service. Gartner, for instance, expects that in five years, 25% of software world wide will be delivered as a Service. Microsoft is also heavily investing in the development of SaaS and IBM forecasts all software to be delivered as a service in 20 years; SaaS expectations are high. There are a number of reasons for these high expectations. First of all, the rapid acceptance and deployment of broadband internet among companies has made it possible for most employees to be online frequently. In the past three years, use of broadband internet among companies has tripled in the Netherlands. Furthermore, it seems that the aftereffects of the “2001 IT bubble burst” have been conquered: stock prices of technology companies have been steadily growing and investments in IT have been on the increase. Finally, there seems to be a trend among companies towards the increase of outsourcing non-core activities. Especially SMBs are bent on focusing more on their core tasks, while side activities like IT are often outsourced. One reason for this is often the lack of knowledge and experience when it comes to technology and infrastructure.

The survey

The survey has used the input of 300 Dutch SMBs to get an idea of the status of SaaS. Interviews and a questionnaire have been used to find out which beliefs come to mind when asked about a “SaaS

Service management tool". The survey was targeted at members of the SMB, who were responsible for the IT or the facilities within their organisation. The beliefs have been tested on their influence on the attitude towards a SaaS tool.

The beliefs that had a significant influence on the attitude towards SaaS, are the following:

- "I don't have to carry out any maintenance regarding the hardware on which the application is stored";
- "With SaaS, I can access the application from several locations";
- "A SaaS-application brings lower costs for implementation";
- "Using an internet explorer does not contribute to ease of use";
- "The privacy of my company's data isn't secure";
- "A SaaS application can't be adapted to my company's specific processes";
- "I grow more dependent on my software provider".

Insight into the attitude towards a SaaS tool can help ISV's in the marketing their product. The marketer will understand that the first three of the above beliefs will need to be emphasized (the ones which have a positive impact on attitude towards SaaS). The negative beliefs, on the other hand, do not apply in most cases. For instance, the fact that a SaaS application only needs an internet browser to use the application takes away the need for a local installation on every workstation. This should increase the application's ease of use. Regarding the privacy of data: data which is stored on servers of professional hosting companies are often more secure than data stored on a company's own network. Hosting companies often have complete server parks with the latest on server cooling, virus protection, fire safety, et cetera; SMBs often have less professional means of hardware maintenance. Especially in backing up data, hosting companies are often much more advanced than most SMBs. The perceived lack of flexibility of SaaS can also be parried. In most cases, the extent to which an application can be tailored to the needs of an organisation, does not depend on whether or not it is online, but on the application itself. That said, one can also see a trend towards the standardisation of software. Although tailor-made software can often be offered, in most cases there will be no need for it. Finally, the increasing dependency on the provider is a belief that is not to be taken lightly. SaaS will make the consumer more dependent on the ISV. The ISV must therefore have a reliable status. One way of achieving consumer confidence is to give full insights into the hardware and software supporting the application. This will minimise the negative impact of the increasing dependency on the provider. However, the reputation of the software vendor will also be of great influence.

The respondents have also been asked to give an overall judgment of their attitude towards SaaS. The statement "On the whole, I have a positive attitude towards the purchase of a SaaS tool" evoked the following responses: 27% agreed with this statement, 42% were neutral and 31% disagreed. Next, the respondents were asked whether they would consider actually buying a SaaS product. The statement "The next tool I will buy, will probably be a SaaS-tool" evoked the following responses: 13% agreed, 41% were neutral and

46% disagreed. This shows a large discrepancy between the attitude towards SaaS and the intention of actually purchasing it.

Finally, the price perception of a SaaS was measured. It turns out that the vast majority of the respondents is not willing to pay more for a SaaS application, even though costs for the vendor will increase. 50% of the respondents state that a SaaS application should cost about same as its on-premise counterpart, while 45% state that a SaaS tool should cost less than its on-premise version. A possible explanation for this phenomenon is that many known SaaS applications – such as Gmail, Google apps and Hotmail – are offered “for free”. “Everything over the internet should be free” seems to be the standard. Here lies a great challenge for the ISV in dealing with the price of SaaS.

Concluding remarks

SMBs are not all that positive when it comes to SaaS. Especially the difference between attitude and purchase intention is remarkable: it shows that there is still a large degree of caution. The interviews have shown that little knowledge and experience with SaaS and uncertainty of its performances regarding security, privacy and flexibility are great issues in the purchase decision of SaaS. More familiarity with SaaS, transparency regarding the important issues and a clear structure in costs will lead to a more positive image of SaaS, which eventually should lead to more SaaS sales.

About TOPdesk

TOPdesk develops, markets, implements and supports TOPdesk software. This is a complete application for the support of employees, business relationships and consumers, for small to multinational organisations. Fifteen years and over 3000 after its foundation in 1993, TOPdesk has grown to become the market leader in the Benelux. The slogan in the nineties was “A TOPdesk for every help desk”; now TOPdesk offers “Service Management Simplified”. Organisations in 27 countries are using TOPdesk. At the moment, there are 230 people working to support our customers, and our branches in London (UK) and Kaiserslautern (Germany) are further expanding our international network.

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