

Gartner Survey Indicates More Than 95 Per Cent of Organisations Expect to Maintain or Grow Their Use of SaaS Through 2010

Stamford, Conn., April 29, 2010 — More than 95 per cent of organisations expect to maintain or grow their use of software as a service (SaaS), according to a survey by Gartner, Inc. Survey respondents cited significant integration requirements and a change in sourcing strategy as the top two reasons for adoption followed by high total cost of ownership (TCO).

However, Gartner found that most companies still do not have policies governing the evaluation and use of SaaS with only 39 per cent of respondents indicating that such a policy or process exists, up just 1 per cent from 38 per cent in 2008.

The survey was conducted in December 2009 and January 2010 and involved 270 IT and business management professionals from a variety of industries in North America, Europe and Asia/Pacific who were personally involved in the implementation support, implementation, planning and/or budget decisions related to the purchase of enterprise application software.

"SaaS applications clearly are no longer seen as a new deployment model by our survey base, with almost half of those surveyed affirming use of SaaS applications in their business for more than three years," said Sharon Mertz, research director at Gartner. "The varying levels of maturity within the user base suggest growing opportunities for service providers along the adoption curve, as organisations seek assistance with initiatives ranging from process redesign to implementation to integration services."

Ms Mertz said the scope of functionality of SaaS applications has broadened significantly in recent years. In terms of popularity for SaaS usage, the survey showed that e-mail, financial management (accounting), sales force automation and customer service, and expense management are the most popular in terms of current use, with more than 30 per cent of the survey base using these types of applications.

In terms of expected investment levels in SaaS solutions over the next two years, survey respondents gave generally encouraging responses for software and service providers, with on average 53 per cent of organisations expecting to increase investment levels slightly and 19 per cent significantly. However, not all buyers intend to increase usage, with almost one-quarter of all respondents expecting investment levels to remain about the same, and 4 per cent looking at a slight decrease in investment levels.

In comparing current with new investments in future on-premises and SaaS investments within their organisations, 72 per cent of respondents believe SaaS investments will increase, while 45 per cent hold the same notion about on-premises budgets. Regionally, North America and Asia/Pacific respondents indicated a stronger

interest in procuring solutions via a SaaS model, and, compared with those in Europe, showed greater confidence that their organisations will increase investments in products offered as SaaS or through a subscription model through year-end 2010.

However, the survey found that some organisations have found SaaS solutions to be less than optimal for some buyers, and 16 per cent of respondents said that they are transitioning from SaaS to on-premises solutions. Although there was no single outstanding reason that caused respondents to shift to on-premises, in general, the majority of organisations in this position was facing significant integration requirements and became unsatisfied with a TCO that became too high.

Despite the continuous adoption of SaaS across regions, more than one-third of the respondents have noted concerns on their recent SaaS deployments. Most respondents with these issues are located outside North America, specifically in Asia/Pacific where high-speed high-availability networks, are not as readily available as in North America. Issues with integration and customisation were some of the primary issues cited by respondents overall.

"These issues aside, organisations are becoming more savvy when it comes to renegotiating their SaaS contracts," Ms Mertz said. "A key survey finding was that more organisations are renegotiating contracts for greater functionality, additional users and improved financial terms. Thirty per cent of respondents said that they had renegotiated their SaaS contracts before the end of the initial term."

Additional information is available in the report "User Survey Analysis: Software as a Service, Enterprise Application Markets, Worldwide, 2010," which is available on the Gartner's website at <http://www.gartner.com/resId=1337828>.

About Gartner

Gartner, Inc. (NYSE: IT) is the world's leading information technology research and advisory company. Gartner delivers the technology-related insight necessary for its clients to make the right decisions, every day. From CIOs and senior IT leaders in corporations and government agencies, to business leaders in high-tech and telecom enterprises and professional services firms, to technology investors, Gartner is the indispensable partner to 60,000 clients in 10,000 distinct organizations. Through the resources of Gartner Research, Gartner Consulting and Gartner Events, Gartner works with every client to research, analyze and interpret the business of IT within the context of their individual role. Founded in 1979, Gartner is headquartered in Stamford, Connecticut, U.S.A., and has 4,000 associates, including 1,200 research analysts and consultants in 80 countries. For more information, visit www.gartner.com.