



SaaSING YOUR WAY TO THE TOP

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Why do you think software as a service (SaaS) is causing such a shift in the marketplace?

The shift is due to the many end-user and enterprise benefits of SaaS. For example, end-users can enjoy ease of use and "good-enough" functionality. Moreover, end-users can also enjoy increased mobility as applications can be accessed from anywhere with a friendly user interface/graphical user interface (GUI) so long as there is a Web browser and Internet connection. For consumers, SaaS can be bought as a subscription service over the Internet, so there is great ease of purchasing. Enterprise IT benefits include low costs, quick deployment and a service that meets business requirements. The software is always current with a controlled standard of excellence (SOE), there is no upfront cost, there are easy rollouts that can be tested very cost-effectively coupled with consistent end-to-end operations and delivery management.

Can you provide some early signs or material impact of this shift?

From the *analysts' view*, according to THINKstrategies®, over 40 percent of companies surveyed are considering SaaS. According to McKinsey, over 60 percent of CIOs are considering SaaS. By 2010, Gartner predicts 30 percent of the software will be delivered in the SaaS model. Gartner believes the SaaS market will grow to \$19.3 billion by 2011, tripling its size from \$6.3 billion in 2006. IDC predicts on-demand CRM to grow at 31 percent compound annual growth rate (CAGR).

From the *market view*, over 80 percent of SaaS users are satisfied, and are considering planning, renewing and/or expanding deployments to adopt SaaS. SaaS adoption is more vertical than horizontal: 36 percent are vertical market applications; 34 percent are horizontal market applications; and 30 percent are both. Spending on SaaS in the U.K., France, Germany and the Nordic regions will grow between 15 percent and 17 percent over the next five years. By 2010, at least 65 percent of businesses will have deployed at least one SaaS application, with the U.S. achieving in excess of 75 percent. SaaS in mid-size and large enterprise will more than double by 2010, averaging more than seven SaaS solutions in production.

From the independent software vendors' (ISV's) view, according to Steve Ballmer from Microsoft, over 80 percent of the public sector's CIOs will be using SaaS by 2017. Most ISVs believe that SaaS will account for 15 percent to 20 percent of their revenue streams in the next three to five years. However, we see a trend that will be even greater than the current projections and will surpass all estimates/predictions being provided.

Why are ISVs increasingly choosing HCL as a partner for this critical initiative?

I have asked our partner ISVs this question time and time again (to ensure that we are staying on course with our service line), and the most common answer is that ISVs choose HCL due to our integrated services; which are a combination of HCL's leading software product engineering application-related services and infrastructure operations and management services.

For traditional on-premise vendors who have developed and sold software in the traditional way (on premise), it requires different business dynamics (and at times, a very different organizational

approach) to shift from being an on-premise application mindset to becoming a SaaS player. For new and mid-market companies, they are also constrained for resources and investments that make them successful in the SaaS world. Some of the challenges these companies face are time, market pressures, investments and availability of resources. These challenges multiply since they have to be delivered in a high-quality service delivery model 24/7 at extremely low total cost of ownership (TCO).

ISV should follow a checklist of what's needed to enter the SaaS world, and hence partner with HCL extensively:

- 1. Technology-Neutral Utility Computing:** HCL has developed technology-neutral utility computing stacks for their ISV partners from a technology infrastructure and facilities perspective that can be leveraged on a pay-per-use basis
- 2. Accelerated Development Frameworks:** Using HCL's reusable IP framework that accelerates new product development, rapid releases and rollouts
- 3. Lifecycle Engineering Services:** From conceptualization and technology selection to building multi-tenant architecture and rich user interfaces to meta-data services and service orientation. Extensive use of adaptive processes, automation and collaborative tools, role-based team structure, architecture consulting practice and IT governance
- 4. Service Delivery Platforms:** Our unique service delivery platform provides a sound base for service management, tenant management, service delivery automation, application instance management, customer support, and metering and billing
- 5. Secure Environment:** Providing and building secured environments for delivery and hosting customers' data utilizing protection measures like security assessment, security design, security hardening, and security testing and tuning
- 6. Infinite Skills for a Finite Amount of Time:** Ability to use

SaaS as an alternative. Core business applications – such as development tools, deployment tools, finance, payroll, human capital management, CRM, product lifecycle management, business intelligence (BI), procurement, logistics and conferencing applications, and e-commerce applications – also seem to be migrating to SaaS alternatives.

From HCL's perspective, infrastructure ISVs, enterprise ISVs, Internet companies, ERP companies, CRM, data warehousing (DW), BI, enterprise content and automation ISVs have decided to pursue the SaaS route aggressively.

Are there any innovative or unique models of engagement that you have seen across the industry between ISVs and SaaS that enables companies?

Apart from the usual "pay for the services performed" or resource-based services payments, some companies like ours have decided to build true partnership models with our ISV clients. Business models like global risk reward programs, royalty-based models, output-based pricing models and pay-per-use/subscription-based revenue models ensure that the goals are aligned on both sides.

What does the future look like for SaaS?

Some applications are being ported in preconfigured appliances (datacenters in a box) and being shipped to customers, leading to an on-premise SaaS model. The application still operates on a common code base and administered across the wide area network (WAN), but is accessed over the local area network (LAN)/metropolitan area network (MAN). This will solve the architectural and access issues that ISVs are struggling with.

Another noteworthy point is that all complex services, like GRC and high-end security, will be offered in an alternative services mode or in a SaaS model. HCL is currently working with large players in this space.