User Survey Analysis: Software as a Service, Enterprise Application Markets, Worldwide, 2008

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As of October 2008

Overview

This User Survey Analysis provides summary highlights of adoption and usage patterns for SaaS across three regions, 15 vertical industries and a wide range of company sizes. Here, we discuss trends concerning usage within market segments, migration activity between deployment models, projected future usage and investment for both on-premises and on-demand, and the state of governance policies within end-user enterprises currently using or planning to use SaaS. Buyers who are considering a SaaS alternative can use these findings as an indicator of usage maturity, and they can benefit from respondent experiences in areas such as key drivers for adoption, reasons for contract negotiation, and motivations for transitioning from one model to another. This report provides vendors with a barometer to gauge future buying patterns, target decision makers and identify attractive regions for investment.

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Key Findings Indicate Usage Is Maturing, but Governance Processes Are Still Lacking

- Use of SaaS solutions is maturing, with more than 40% of organizations using SaaS for more than three years.

- Nearly 90% of organizations expect to maintain or grow their usage of SaaS, with more than one-third transitioning from on-premises to SaaS. Key drivers of the transition include total cost of ownership and unmet performance expectations.

- Most companies still do not have policies governing the evaluation and use of SaaS — only 38% indicated that such a policy or process currently exists.

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Use of software as a service (SaaS) has been evolving during the past decade, and the SaaS model has become increasingly popular during the last three to four years. More than 40% of organizations have used SaaS for more than three years, implying a growing fluency with the model within the end-user base. Users are demanding higher levels of functionality, sometimes prompting organizations to renegotiate their contracts early to contract for more-feature-rich solutions, or to add more users as the organizational footprint expands.

Nearly 90% of organizations surveyed expect to maintain or grow their usage of SaaS, citing cost-effectiveness and ease/speed of deployment as primary reasons for adoption. Replacement of on-premises solutions and net-new implementations were cited as major drivers of future deployments, indicating displacement and "greenfield" opportunities. More than one-third of respondents indicated plans to transition from on-premises to SaaS. Key drivers cited include total cost of ownership (TCO) and unmet performance expectations with on-premises solutions, in addition to changes in sourcing strategy.

Most respondents indicate that no policies have been instituted to govern the evaluation and use of SaaS. While another 30% indicate plans to develop these policies or processes, another 26% have no plans at all to address this issue. The importance of governance mechanisms will increase as SaaS becomes a larger element of a company's overall sourcing strategy.

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Recommendations Show Clear Opportunity for SaaS Solution Providers

- Include SaaS offerings within your solution portfolio for appropriate functions if none currently exist. Capitalize on the clear buyer trend to migrate from on-premises to on-demand.

- Be prepared to offer SaaS solutions to global buyers. While investments in SaaS show the highest increase in North America, growth in investments in EMEA and Asia/Pacific buyer communities is not far behind.

- Take advantage of the evolving maturity of SaaS within organizations to grow on-demand revenue. Opportunities to upgrade buyers to richer functionality, increase the organizational footprint and assist clients with integration initiatives can be developed at various stages in the maturity curve.

- Identify the key target decision makers within the organization when proposing a SaaS alternative. Decision makers can come from executive management, IT or the line of business, and they may vary by region or country.

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Survey results indicate clear buyer intentions to allocate a larger proportion of investments to SaaS deployments. This trend sends a strong message to vendors that *on-demand* is *in demand* by users of enterprise application functionality. Determine how best to complement your on-premises portfolio with SaaS offerings in targeted application areas if you do not currently offer this option.

Respondents in eight countries expressed plans to increase their use of SaaS within a wide range of company sizes. Although North America is still the largest consumer of on-demand solutions, usage in other regions is increasing and can offer additional market opportunities. Be prepared to evaluate international requirements and potential for this option in specific markets.

While more than 40% of respondents have been using SaaS for more than three years, the remaining majority is still at various points on the maturity curve. Opportunities exist among buyers to upgrade their solutions to richer feature sets, extend their SaaS organizational footprint, or assist them with integration plans and initiatives.

Results indicate that most decisions are made jointly by business and IT, but a large percentage is still made by either corporate executives or IT. Identify and target the key decision makers within organizations, and understand that these may vary by region or country.

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Survey Objective

- The survey focused on identifying usage patterns and key trends for SaaS within enterprise application markets, covering eight countries representing three major regions.
- Adoption of SaaS has grown dramatically during the past decade among users of enterprise software solutions, but it varies widely between and within markets. The survey highlights:
  - Trends concerning usage within market segments
  - Current migration activity between deployment models
  - Projected future usage and investment
  - Regional differences in buyer profiles
  - The state of organizational governance policies
- All respondents were either currently using or planning to use a SaaS solution within the next 12 months.

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Gartner conducted a user survey analysis focused on identifying usage patterns and key trends for SaaS within the enterprise application markets during June and July 2008. This is a new survey and was developed to provide greater insight on adoption of SaaS from a buyer perspective across eight countries and three major regions.

Adoption of SaaS is growing and evolving within the enterprise application markets as new entrants challenge incumbents, the popularity of SaaS increases and interest in platform as a service grows. Adoption varies between and within markets. Growth is most significant in areas characterized by horizontal applications with common processes, among distributed virtual workforce teams and within Web 2.0 initiatives. The composition of the worldwide SaaS landscape is evolving as vendors continue to extend regionally, increase penetration within existing accounts and greenfield opportunities, and offer more vertical-specific solutions as part of their service portfolio or through partners.

Demand for SaaS has grown as increasing margin pressures on businesses drive the search for less-capital-intensive alternatives. Rising maintenance costs from the "megavendors," such as SAP and Oracle, can constrain budgets and encourage buyers to entertain other options and choice of vendors. New expectations for time to market demand reduced deployment times and less-resource-intensive implementations.

The survey focused on reasons for SaaS adoption, usage within organizations and investment directions to identify key trends and shifting deployment models worldwide.

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Survey Objectives Focused on Identifying Key Trends and Usage Patterns

- Primary objectives were to:
  - Identify patterns of adoption across the major enterprise application markets
  - Determine where regional differences exist in usage or trends
  - Understand buyer budgetary plans for differing application deployment models
  - Determine the organizational maturity of SaaS for usage and governance models
  - Capture the frequency and reasons for migration between SaaS and on-premises deployments

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In September 2008, Gartner published a forecast for SaaS in the enterprise application markets (see "Market Trends: Software as a Service, Worldwide, 2007-2012," G00160847), which estimates forecast projections by enterprise application market based on total software revenue. Forecasts are developed by market, and they use two years of base data as a starting point for forecast projections. These forecasts, like other Gartner enterprise software market forecasts, use a supply-side, top-down approach based on vendor revenue.

To create a balanced view, Gartner conducts bottom-up end-user surveys during the year that provide additional input to the research analysis. Primary objectives of the survey were not only to address adoption of SaaS across and within various enterprise application markets, but also to understand potential regional differences in usage, trends and future adoption patterns. Respondents provided direction on budgetary plans for the next 18 months for investments in both on-premises and SaaS solutions, indicating the intention to increase the use of SaaS as on-premises investment declined. Further objectives were to gain insight on how long SaaS has been used within organizations, if governance mechanisms pertaining to SaaS exist, who the actual decision makers were within end-user organizations, and whether this was expected to change. Gartner also asked respondents if plans called for migration from on-premises to SaaS, or SaaS to on-premises, and why. We asked this to gauge whether SaaS deployments were replacements for on-premises applications or net-new solutions, or whether they were adopted for other reasons. Data was gathered at the regional and country level to identify differing patterns of adoption and usage geographically.

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SaaS Is Defined by Three Key Elements
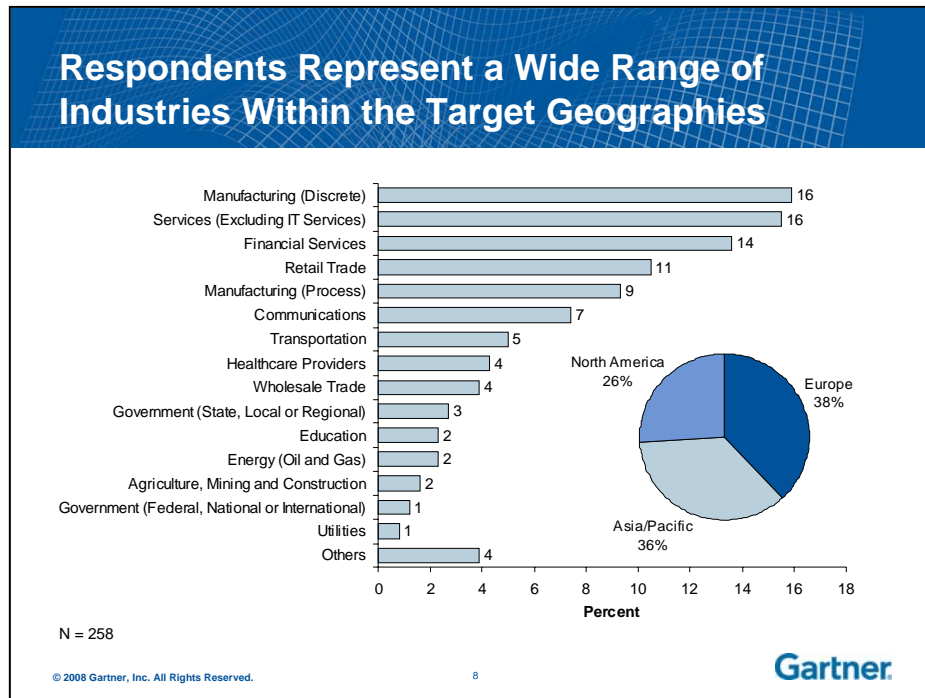
- An application owned, delivered and managed remotely by one or more providers

- Where the provider delivers an application based on a single set of common code and data definitions, which are consumed in a one-to-many model by all contracted customers at any time

- On a pay-for-use basis or as a subscription based on use metrics

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Respondents Represent a Wide Range of Industries Within the Target Geographies

Industry	Percent
Manufacturing (Discrete)	16
Services (Excluding IT Services)	16
Financial Services	14
Retail Trade	11
Manufacturing (Process)	9
Communications	7
Transportation	5
Healthcare Providers	4
Wholesale Trade	4
Government (State, Local or Regional)	3
Education	2
Energy (Oil and Gas)	2
Agriculture, Mining and Construction	2
Government (Federal, National or International)	1
Utilities	1
Others	4

North America 26%
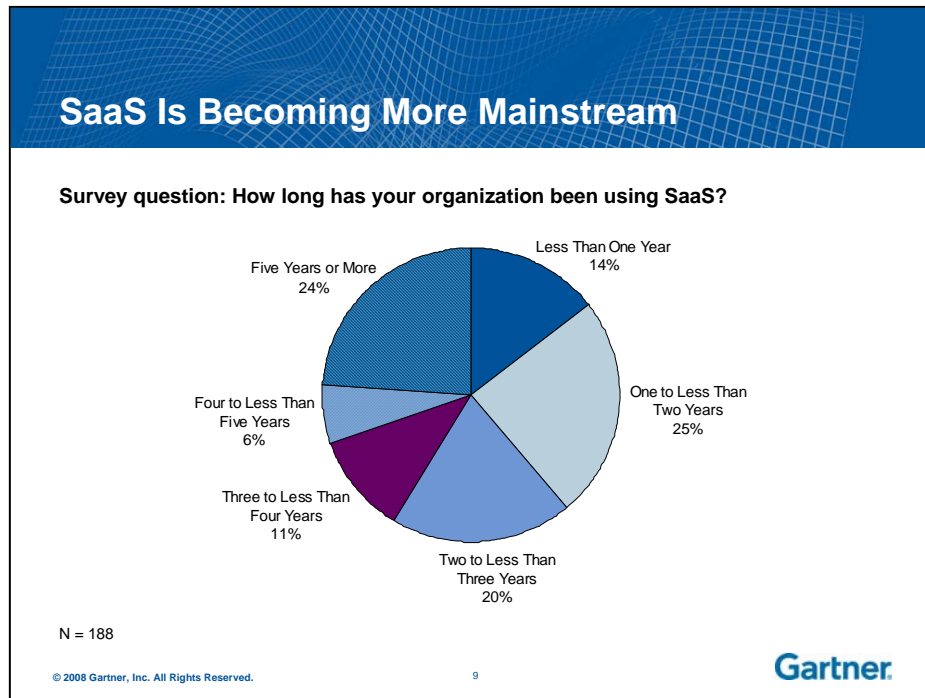Europe 38%
Asia/Pacific 36%

N = 258

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Gartner polled individuals from North America, Europe and Asia/Pacific. Respondents to the survey were personally involved in the implementation support, implementation, planning and/or budget decisions related to the purchase of enterprise application software (content, communications and collaboration; CRM; ERP; or supply chain management [SCM]).

The sample was drawn from an external panel of IT and business management professionals, the Dun & Bradstreet database, and other customized databases. Because of the nature of conducting large-scale global surveys, the quota of one-third, one-third and one-third was not completely attained. However, we believe the geographic mix obtained (North America representing 26%, Europe 38% and Asia/Pacific 36%) provides a solid representative global viewpoint.

From the industry perspective, we again attempted to obtain a wide sample from across a variety of industries. No single industry represented more than 16% of total respondents. The number of respondents from some industries, such as utilities, government and energy (oil and gas), seems low compared with other industries, but this is to be expected, given the high regulation and security requirements and/or complexity requirements that generally preclude SaaS applications for these industries.

From a size-of-company perspective, we sought a a representative view from a cross section of company sizes, ranging from small businesses to large enterprises. For further discussion on company-size breakdowns, contact Gartner.

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SaaS Is Becoming More Mainstream

Survey question: How long has your organization been using SaaS?

N = 188

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Data from Gartner's user study suggests that the use of SaaS within enterprise application software is becoming more mainstream and that SaaS is no longer a simple pilot project within some part of the organization. Most respondents (some 60%) have used SaaS for more than two years, which is indicative of projects moving beyond a pilot stage to becoming a part of the respondents' enterprise application landscape.

For respondents using SaaS for more than five years, the highest number came from businesses based in Singapore, Hong Kong and the United States. Singapore and Hong Kong outranking the United States may appear surprising at first, but it becomes more understandable considering their high level of Internet connectivity, bandwidth and English language skills, as well as the amount of multinational businesses present in these locations. Of those respondents with less than one year of SaaS usage, they were fairly evenly spread across the countries we surveyed, although there was a slight peak in responses from India. This is understandable, given India's emerging nature and its recent improvements to the Internet infrastructure.

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Top Motivations for SaaS Adoption Include Cost-Effectiveness and Ease/Speed of Deployment

Survey question: Why is your organization currently using or planning to use SaaS in the next 12 months?

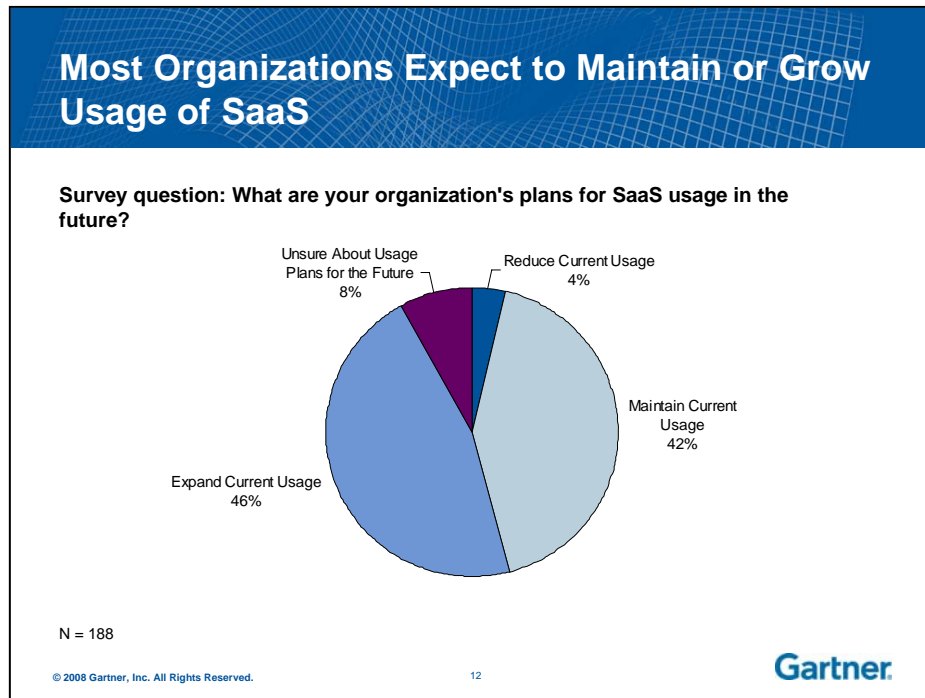| Reason	Percent
Considered More Cost-Effective From a TCO Standpoint Than On-Premises Solution	61
Considered to Be Easier and/or Faster to Deploy Than On-Premises Solution	57
Lack of IT Resources to Implement an On-Premises Solution	37
Limited Capital Expense	34
Perceived Higher User Acceptance Than On-Premises Solution	30
Best Alternative for New Regional Deployment	28
Temporary Solution to Solve a Temporary Business Need	18
Others	4

N = 258

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In terms of respondents' reasons for adopting SaaS within their businesses, our survey revealed that the top reasons by far related to TCO and the ease and speed of implementing the solution compared with an on-premises application. In terms of differentiation, ease and speed of implementation have always been a strong differentiator for SaaS applications compared with on-premises applications because of the limited customization that SaaS requires. SaaS in many cases is offered for broad market applications, such as Web meetings, recruitment and sourcing, in which only light configuration is required to "tune" an application to the needs of the business.

In terms of cost of ownership, SaaS is attractive because of its normally lower initial cost of deployment, which does not necessarily require high-level capital expenditure approval. In many cases, SaaS is funded by business units to address a specific pain point, and the business units use funds from their operating expenditure budget, over which they have more discretionary control. In addition, because of the subscription model, the cost of the application is usually spread over a number of years.

Another motivation for adopting SaaS is its use as a temporary solution. Although few respondents cited this as a reason for adoption, it indicates that organizations use SaaS applications as more than just a tactical "break/fix" and something that has a longer-term future in their application landscape.

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Small-Business Accounting, E-Mail and Sales Applications Are Among the Most Popular SaaS Solutions

Application	Currently Using	Not Using but Plans to Use in Next 12 Months	Not Using and No Plans to Use in Next 12 Months
Financials (Accounting)	51	27	22
Sales	39	29	32
E-Mail	42	24	34
Expense Management	31	30	39
Customer Service and Support	31	29	40
Marketing Automation	29	28	43
Employee Performance Management	31	27	42
Supply Chain Planning	20	35	45
Recruitment	21	31	48
Sourcing and E-Procurement	32	20	48
Warehouse Management	23	27	50
Employee Self-Service	24	25	51
Travel Booking System	26	24	50
Web Conferencing	24	22	54
Transportation Management	20	18	62
Talent Management	18	20	62
E-Learning	15	23	62

□ Currently Using ■ Not Using but Plans to Use in Next 12 Months ■ Not Using and No Plans to Use in Next 12 Months
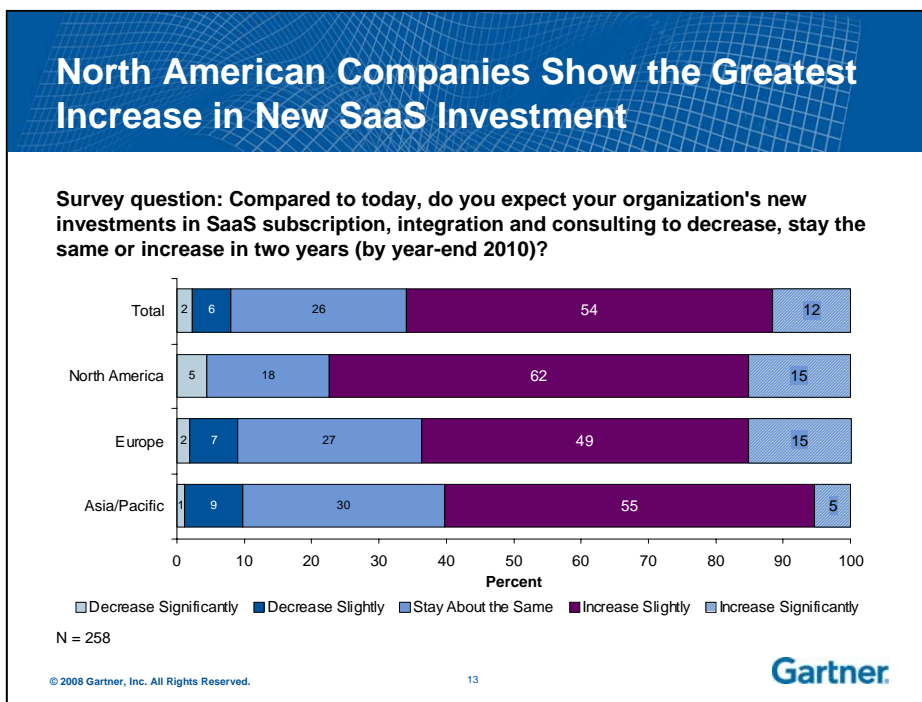
N = 180

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The survey shows the most-popular SaaS applications currently being deployed overall are accounting, e-mail and sales applications. Accounting is the most-popular category, but solutions in this realm tend to be targeted toward small businesses in a given geography because of the nature of financial reporting standards around the world. These accounting solutions tend to be separate from other systems within the business and are more often used by small businesses (rather than midsize and large businesses) and their accountants for auditing purposes. Our survey also revealed that almost one-half of respondents that use SaaS accounting came from Asia/Pacific (India, Hong Kong and Singapore), with the remainder slightly skewed toward Europe, with France showing the highest adoption. Thus, while SaaS accounting appears to be a high-interest and adoption area overall, it is important to examine the regional variations influencing the results. E-mail, on the other hand, is a solution that can cross borders more easily (and indeed has been available to home/individual users for a number of years, including Microsoft Live, Yahoo and Gmail). Consequently, it is not surprising to see e-mail as a popular SaaS application within the business sector. Sales force automation is the third-most-popular application currently being consumed via SaaS among the survey sample. Sales force automation has garnered much press attention in recent years from high-profile vendors such as salesforce.com. Similar to e-mail, sales automation applications can cross borders with little difficulty and have seen elevated adoption across the size-of-business spectrum. Application areas that have less adoption potential within the next 12 months include transportation management (with only 18% of respondents planning to use SaaS for these applications within the next 12 months), sourcing and e-procurement (20%), and talent management (20%). Travel booking applications also have less adoption potential within the next 12 months; these applications are normally used by large enterprises (which often have extensive prenegotiated discounts and booking terms) that require an online solution for their employees that is easy to use and avoids travel agency handling fees. This is generally a less-important requirement for small and midsize companies, which have fewer travel bookings. In many cases, their needs can be handled by consumer travel booking sites.

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Most Organizations Expect to Maintain or Grow Usage of SaaS

Survey question: What are your organization's plans for SaaS usage in the future?

- Unsure About Usage Plans for the Future 8%
- Reduce Current Usage 4%
- Maintain Current Usage 42%
- Expand Current Usage 46%

N = 188

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Gartner inquiries surrounding SaaS often concern whether SaaS applications have a long-term future in a company's IT landscape or whether it is simply being used as a short-term solution.

This survey revealed that in most cases SaaS will be a feature of the company's application strategy in the future, with 42% of respondents asserting they will maintain their current usage level of SaaS in their organizations and a further 46% asserting they will expand their current usage levels.

In terms of those intending to maintain or expand their current level of SaaS usage, an analysis of the results by size of company reveals that this sentiment is reflected across all sizes of business segments, from small businesses to large enterprises. However, from a geographical point of view, there is a notable difference between those intending to expand their usage of SaaS, with North American respondents being the most positive, followed by respondents in Europe and then Asia/Pacific.

North American Companies Show the Greatest Increase in New SaaS Investment

Survey question: Compared to today, do you expect your organization's new investments in SaaS subscription, integration and consulting to decrease, stay the same or increase in two years (by year-end 2010)?

	Decrease Significantly	Decrease Slightly	Stay About the Same	Increase Slightly	Increase Significantly
Total	2	6	26	54	12
North America	5		18	62	15
Europe	2	7	27	49	15
Asia/Pacific	1	9	30	55	5

N = 258

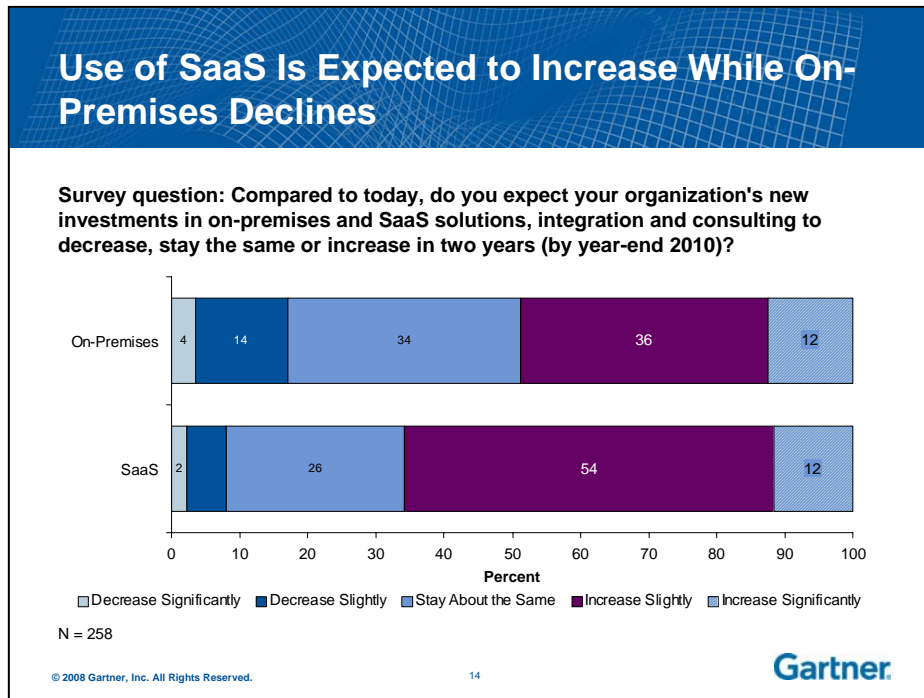© 2008 Gartner, Inc. All Rights Reserved.

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North American respondents, compared with those in Europe and Asia/Pacific, show greater confidence that their organizations will increase investments in products offered as SaaS or through a subscription model through year-end 2010. While sentiment for greater SaaS budgets is larger in North America, the increase will likely be subtle because most respondents indicated a slight rather than significant increase.
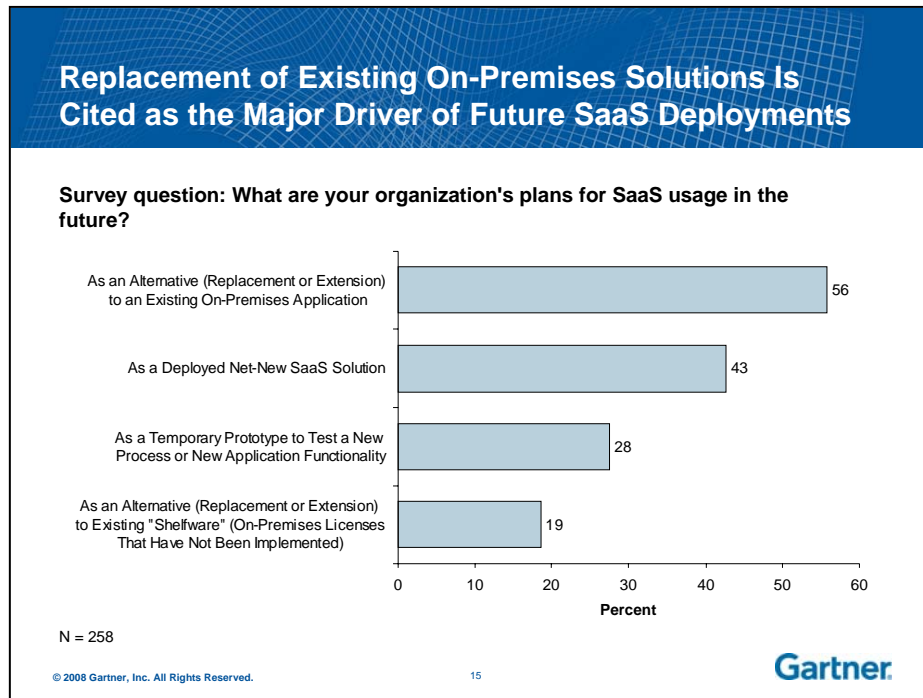
North America was an early adopter of solutions delivered through the SaaS model, with more than 20% of respondents indicating use for five years or longer and 60% having adopted it in the last three years. The growing trend of new adoption is a valuable data point for forecasting sustained growth for SaaS in North America, as is the socioeconomic impact of having a culture that has embraced SaaS and a region with minimal regulatory obstacles to impede adoption. Growth is also justified because many larger organizations are now making decisions to modernize their applications, which could not only be costly but disruptive to the business.

As due diligence is performed, business units need to remain competitive, further enhancing the attractiveness of SaaS solutions.

A realistic and potential macroinhibitor is the "rippling effect" driven by the current economic credit crunch. There is significant potential of an across-the-board spending freeze, which would hinder growth prospects but mean more rapid opportunity for SaaS solutions when buying resumes and a quick return on investment is required.

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Use of SaaS Is Expected to Increase While On-Premises Declines

Survey question: Compared to today, do you expect your organization's new investments in on-premises and SaaS solutions, integration and consulting to decrease, stay the same or increase in two years (by year-end 2010)?

On-Premises: Decrease Significantly 4, Decrease Slightly 14, Stay About the Same 34, Increase Slightly 36, Increase Significantly 12

SaaS: Decrease Significantly 2, Decrease Slightly, Stay About the Same 26, Increase Slightly 54, Increase Significantly 12

Percent

☐ Decrease Significantly ☐ Decrease Slightly ☐ Stay About the Same ■ Increase Slightly ☐ Increase Significantly

N = 258

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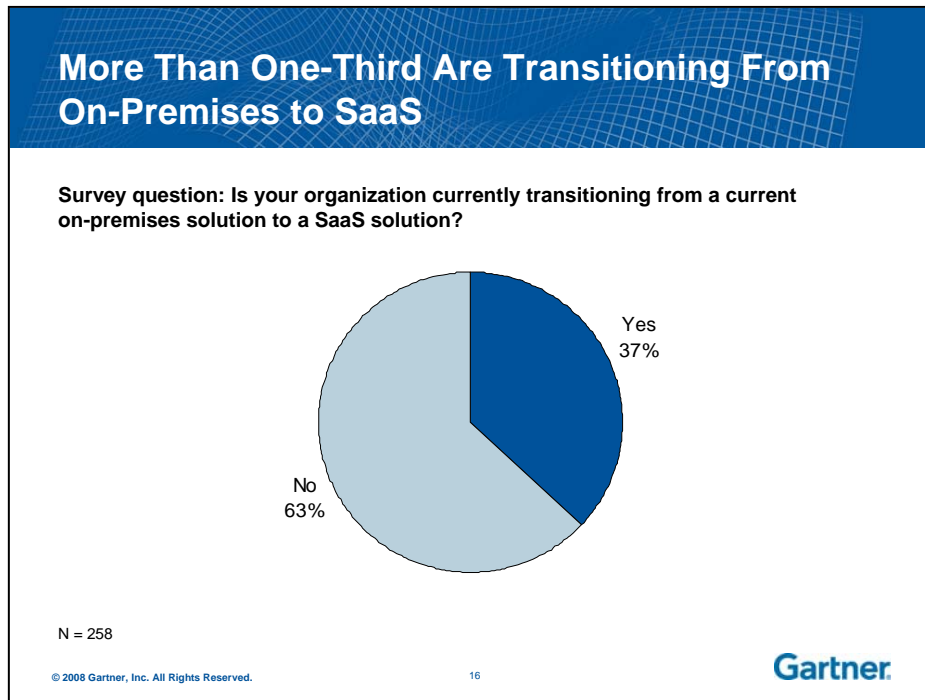
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Respondents were asked about future on-premises and SaaS investments within their organizations. In comparing current with future new investments, 66% of respondents believe SaaS investments will increase, while 48% hold the same notion about on-premises budgets. Most new spending associated with SaaS is expected to be earmarked to further extend the functionality of an existing on-premises application.
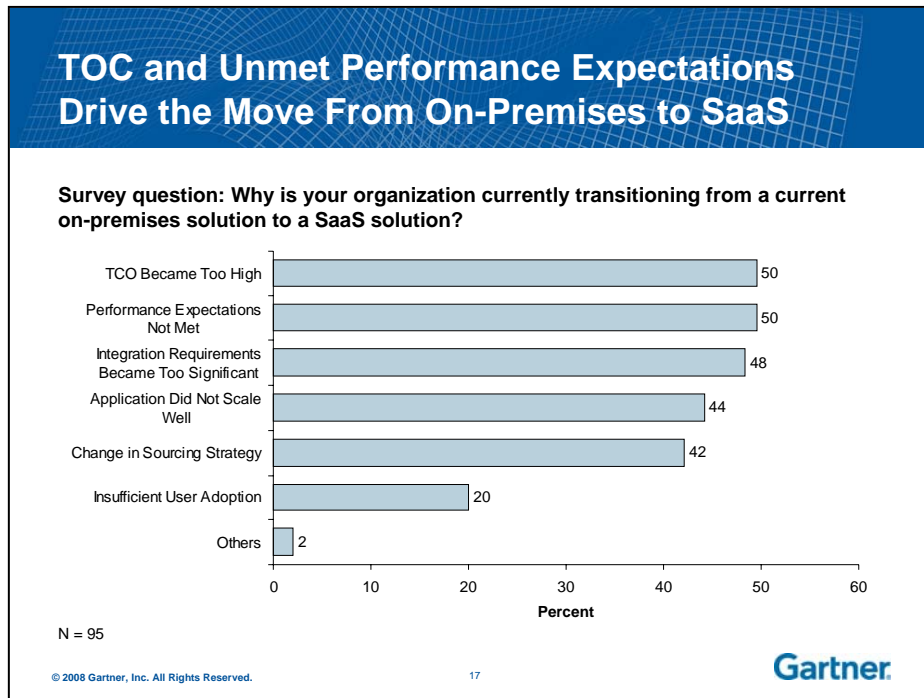
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Replacement of Existing On-Premises Solutions Is Cited as the Major Driver of Future SaaS Deployments

Survey question: What are your organization's plans for SaaS usage in the future?

Category	Percent
As an Alternative (Replacement or Extension) to an Existing On-Premises Application	56
As a Deployed Net-New SaaS Solution	43
As a Temporary Prototype to Test a New Process or New Application Functionality	28
As an Alternative (Replacement or Extension) to Existing "Shelfware" (On-Premises Licenses That Have Not Been Implemented)	19

N = 258

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Throughout all regions, respondents indicated that replacements or extensions to existing on-premises applications were the primary drivers for future SaaS deployments. Extending on-premises solutions continues to be a primary driver for many SaaS deployments and is driven in part by many businesses having overpurchased during the 2000 ramp-up. During the late 1990s, license fees were being sold at premiums, and many companies bought more application software licenses than they could possibly use. This overbuying occurred to achieve greater discounts from volume purchases, and it was a gamble that many companies made in hopes of saving money in the longer term. With millions of dollars in license and maintenance fees expended, often for the entire enterprise, IT budgets for new modules of on-premises software became scarce. Also, more often than not, given the enormity of the deployments, the result was unused software that sat on the "virtual shelf," and the term "shelfware" was born. Technology advancements, increasing annual maintenance fees and shelfware helped to launch waves of SaaS providers that immediately targeted end-user organizations in which software was never deployed or failed to live up to expectations.
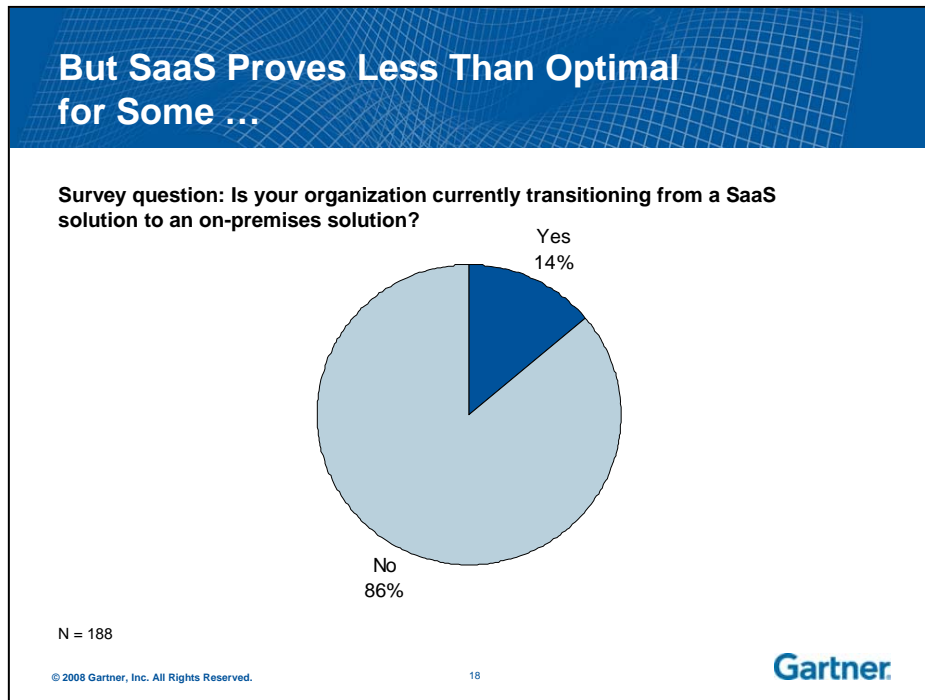
The debate will continue as to whether SaaS will displace on-premises solutions or whether it's a fad that will eventually dissolve as organizations modernize their on-premises applications and infrastructures.

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More Than One-Third Are Transitioning From On-Premises to SaaS

Survey question: Is your organization currently transitioning from a current on-premises solution to a SaaS solution?

Yes
37%

No
63%

N = 258

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We asked respondents if their organizations were currently transitioning from a current on-premises solution to a SaaS solution and were slightly surprised that more than one-third were indeed doing so. North America and Europe held relatively consistent responses, but within Asia Pacific, the drive toward SaaS is more significant. The Asia/Pacific region is seeing more than 50% of respondents transitioning from on-premises solutions, with India indicating a 70% conversion.

TOC and Unmet Performance Expectations Drive the Move From On-Premises to SaaS

Survey question: Why is your organization currently transitioning from a current on-premises solution to a SaaS solution?

N = 95

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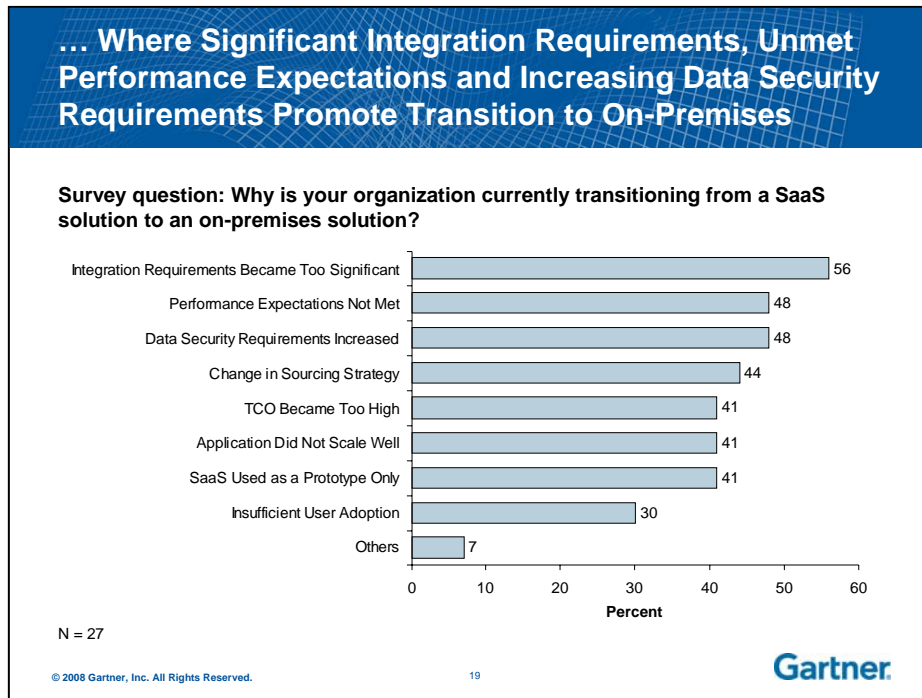
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With 37% of respondents indicating a shift away from on-premises, we asked for reasons behind the movement. When asked why their organizations were transitioning from a current on-premises solution to a SaaS solution, respondents' consistent message was that the TCO was becoming too financially onerous. Tied to the TCO responses was that integration (often from a heterogeneous application environment) costs and efforts were becoming too significant for organizations to handle. This is likely driven by custom-developed application interfaces and a lack of suitable IT skills in a resource-deprived IT department. Given the likelihood of reduced discretionary spending in 2009 and perhaps 2010, these driving forces will foster greater demand for SaaS solutions rather than budgets directed at enhancing — or furthering investment for — on-premises solutions. The other leading cause for organizational transition toward SaaS is that performance of on-premises solutions has failed to satisfy the needs of the business unit or organization.

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For respondents who are currently using SaaS for at least one enterprise application (ERP, SCM, CRM, or content, communications and collaboration), we asked respondents if their organizations are currently transitioning from SaaS solution to on-premises solution.

Although most respondents said "no," about 14% said they are transitioning to on-premises solutions. Most respondents who are transitioning to on-premises come from Europe and Asia/Pacific — the same regions that have a stronger drive to use SaaS solutions instead of on-premises solutions (see Slide 16). Hong Kong had the highest portion of respondents who are transitioning from SaaS to on-premises solutions.
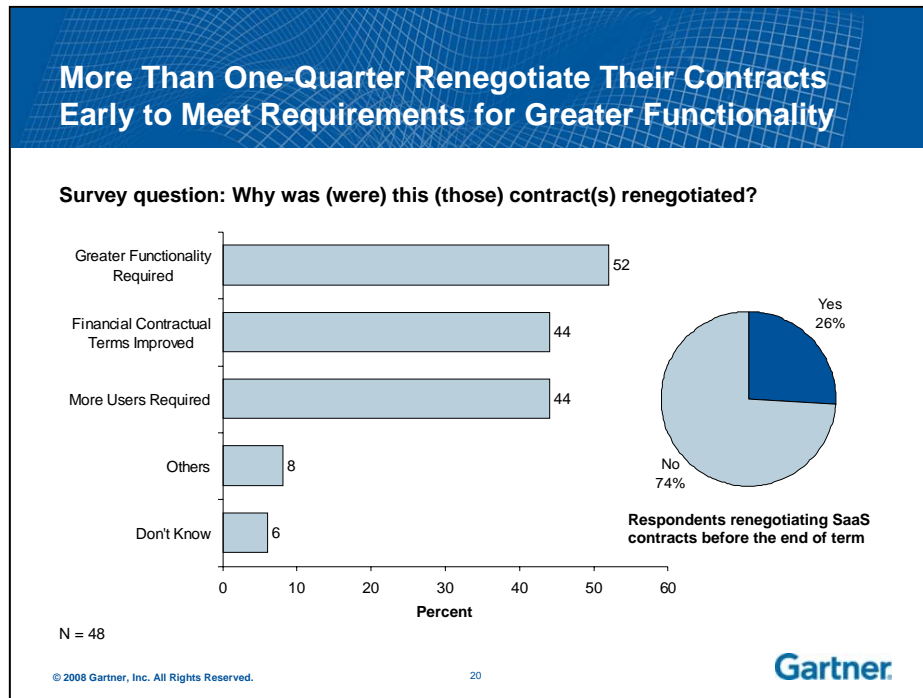
Although SaaS is increasingly becoming a more-mainstream delivery model, its adoption in different countries/markets and vertical industries is still fragmented.

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… Where Significant Integration Requirements, Unmet Performance Expectations and Increasing Data Security Requirements Promote Transition to On-Premises

Survey question: Why is your organization currently transitioning from a SaaS solution to an on-premises solution?

Reason	Percent
Integration Requirements Became Too Significant	56
Performance Expectations Not Met	48
Data Security Requirements Increased	48
Change in Sourcing Strategy	44
TCO Became Too High	41
Application Did Not Scale Well	41
SaaS Used as a Prototype Only	41
Insufficient User Adoption	30
Others	7

N = 27

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Of the 14% of respondents indicating a shift from SaaS to on-premises, we asked their reasons for doing so. Twenty-seven respondents answered this question. Therefore, the results should be taken as a high-level analysis. Although there was no single outstanding reason that caused respondents to shift to on-premises, in general most of them are facing significant integration requirements and being challenged by unmet performance expectations.

The issue of significant integration requirements is surprising, at first. This issue was the highest mentioned by respondents in Asia/Pacific. SaaS adoption in Asia/Pacific is still fragmented, with large variations of adoption among different vertical sectors and countries. In addition, SaaS is used not only by small businesses, but also by midsize to large organizations with more-complex application environments that often require more-demanding integration efforts. Hence, it becomes less surprising that significant integration requirements have caused respondents to transition from SaaS to on-premises solutions.

When end-user organizations standardize their processes and use best practices for the process of evaluation, procurement and deployment of SaaS, the need to transition back to on-premises may decline.

More Than One-Quarter Renegotiate Their Contracts Early to Meet Requirements for Greater Functionality

Survey question: Why was (were) this (those) contract(s) renegotiated?

Respondents renegotiating SaaS contracts before the end of term

N = 48
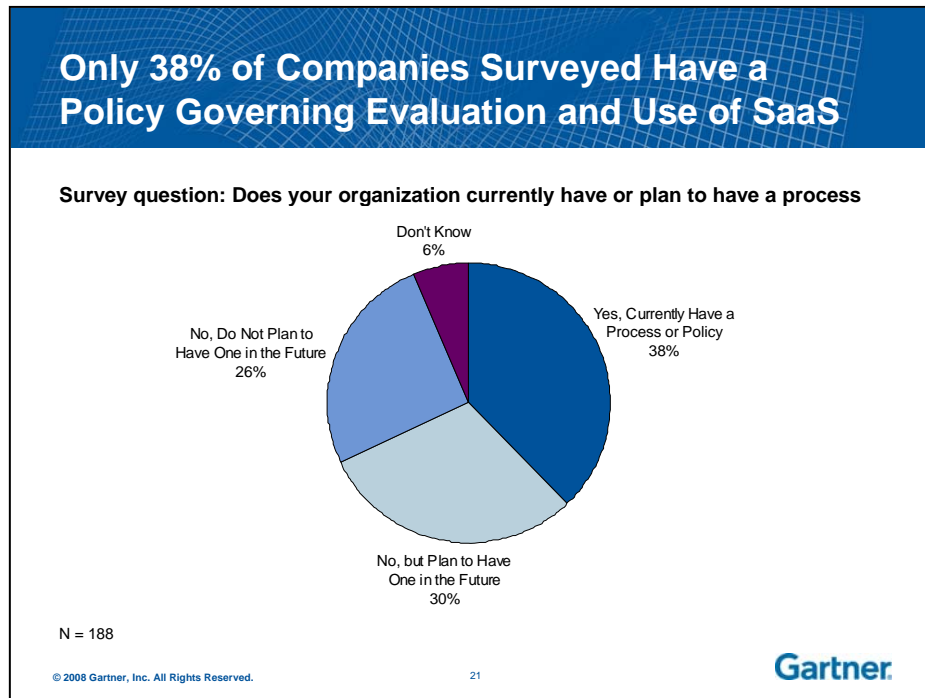
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Twenty-six percent of respondents said they have renegotiated their SaaS contracts before the end of the term. A comparable portion of respondents from all regions — North America, Europe and Asia/Pacific — indicated they have performed this renegotiation.

When asked why their contracts were renegotiated, more than half of total respondents said they need greater functionality. This reason is not surprising, because most of end-user organizations have been focusing their attention — not on enhancing functionality — on reducing TCO and faster deployment through SaaS solutions.

Another reason is the need to add more users to SaaS contracts. The expansion of SaaS usage in end-user organizations should be expected in line with the increasing effectiveness that is realized from SaaS use. In addition, this expansion should be expected because end-user organizations are expected to grow. Enterprise application software revenue delivered by SaaS is expected to reach an aggressive compound annual growth rate of 23.8% between 2007 and 2012 (see "Market Trends: Software as a Service, Worldwide, 2007-2012," G00160847).

Forty-four percent of respondents said that they renegotiated contracts because of improving financial contract terms. This is in line with end-user organizations' need to strive for cost competitiveness. The survey was conducted in June and July 2008, and the global economic downturn had occurred, although the situation was less severe. Looking for improvement in financial contractual terms may become a more important reason for contract renegotiation in the environment of a more intense global economic downturn, such as what we are witnessing now.
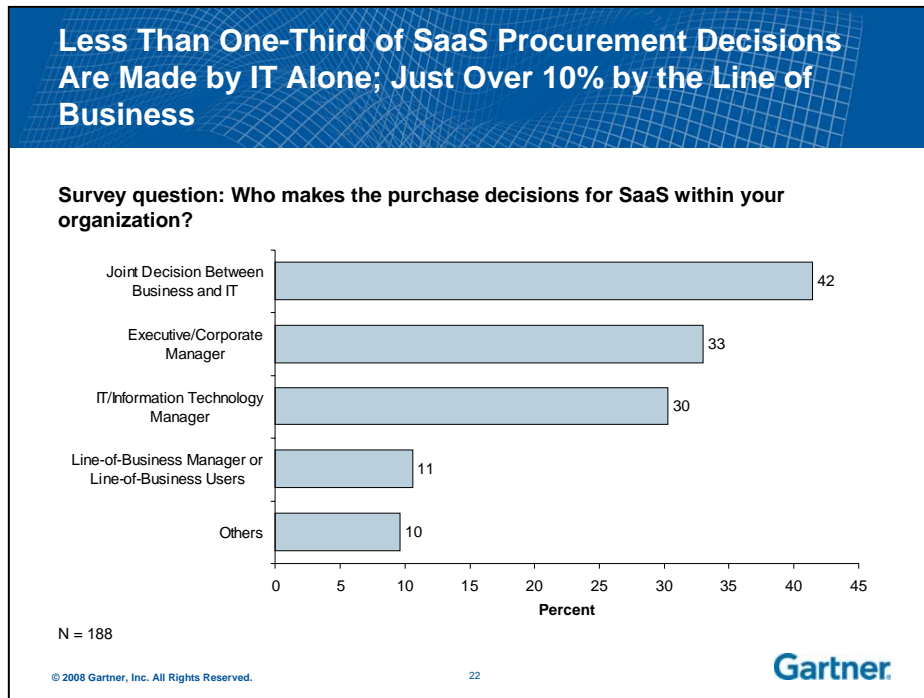
Action Item: Vendors need to push end-user organizations to develop best practices of evaluation process, procurement and deployment of SaaS to minimize project failure or contract renegotiation.

162666, as of October 2008

Only 38% of total respondents that are currently using SaaS have a process or policy that guides the evaluation, procurement and deployment of SaaS. The more mature regions — Europe and North America — have the higher portion of respondents that currently have this type of process or policy.

This relatively small percentage is surprising because most respondents have been using SaaS for more than three years (see Slide 9). The lack of willingness to put in place a standard process is further pronounced by the fact that more than one-fourth of respondents do not expect to have any such process or policy in the future.

The use of SaaS for solving non-mission-critical functions may be one of the reasons for this. Nevertheless, because end-user organizations are expected to expand their use of SaaS and increasingly consider SaaS as an alternative future replacement of on-premises solution, a more rigid process and policy should start to be developed. This will also help minimize contract renegotiation.

162666, as of October 2008

Less Than One-Third of SaaS Procurement Decisions Are Made by IT Alone; Just Over 10% by the Line of Business

Survey question: Who makes the purchase decisions for SaaS within your organization?

Category	Percent
Joint Decision Between Business and IT	42
Executive/Corporate Manager	33
IT/Information Technology Manager	30
Line-of-Business Manager or Line-of-Business Users	11
Others	10

N = 188

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Gartner

Most SaaS purchasing decisions are made by IT and/or corporate-level management, with only 11% of respondents saying this purchase decision is made by line-of-business managers. The importance of SaaS purchases is further highlighted by the fact that 42% of respondents say the purchases are a joint decision between business and IT. With the increasing need to expand SaaS usage, it is becoming more critical that SaaS purchases are a joint decision of business and IT managers.

Despite the lack of uniformity in the availability of processes and policies for SaaS procurement, the involvement of IT managers and/or executive corporate managers highlights the higher-management hierarchy of where SaaS decision making is occurring.

In terms of a regional breakdown, results vary in terms of who is deciding to purchase SaaS. The U.S. has break-even results, with the highest number of respondents indicating IT managers and executive/corporate managers as the decision makers. Singapore has the highest number of respondents with joint decision makers in business and IT.

162666, as of October 2008

Methodology: End-User Surveys Characterize the Adoption and Use of SaaS Across Three Major Regions

- Gartner conducted a survey across eight major countries worldwide:
  - Total of 15 questions, but many with multiple subsections.
  - 258 qualified respondents completed the survey.
  - Respondent profiles:
    - To qualify for the survey, respondents had to be end-user organizations (no software vendors or external service providers).
    - Respondents were currently using SaaS or were planning to use it during the next 12 months.
    - Respondents had to use one or more of the following applications: CRM; ERP; SCM; or content, communications and collaboration.
  - This is a new survey conducted during June and July 2008, including respondents from:
    - Asia/Pacific — Hong Kong, India, Singapore
    - Europe — U.K., Germany, France
    - North America — U.S., Canada
  - Survey was conducted using online, CATI and face-to-face interviewing; translations were done in German, French and Cantonese.

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Gartner conducted an enterprise application survey from June through July 2008, focused on adoption of SaaS, to understand trends in the movement to SaaS from traditional software license models. This study was conducted to gain insight into where the lines of business are spending their software budgets. Gartner combined spending trends across the enterprise application markets. Additionally, we wanted to gain further understanding about SaaS usage patterns, trends, adoption and why people choose not to adopt, as well as understanding what regional differences exist in this market. Qualified organizations were those currently using, or planning to use within 12 months, SaaS within at least one of the following enterprise application software markets: ERP; SCM; CRM; or content, communications and collaboration.

Qualified respondents were those individuals within these organizations personally involved in the implementation support, implementation, planning and/or budget decisions related to the purchase of enterprise application software. The sample was drawn from an external panel of IT and business management professionals, the Dun & Bradstreet database, and other customized databases. The survey was conduced using online, computer-assisted telephone interviewing (CATI) and face-to-face interviewing methodologies, depending on the country. The questionnaire was developed collaboratively by a team of Gartner analysts who follow this market, and it was reviewed, tested and administered by Gartner's Primary Research Management team. In all, 258 qualified respondents from the U.S. (34), Canada (32), the U.K. (34), Germany (31), France (34), Singapore (33), Hong Kong (30) and India (30) participated in this research. The results of this study represent the views of the survey participants. While Gartner has drawn the sample in an attempt to mimic the characteristics of the target population, the exact relationship between the sample and the broader market is unknown because it cannot be finitely determined.

162666, as of October 2008

Related Documents

- "Market Trends: Software as a Service, Worldwide, 2007-2012," G00160847

- "Essential SaaS Overview and Guide to SaaS Research," G00158249

- "Expanding SaaS in Customer Service Contact Centers Has Long-Term Effects," G00158633

- "SaaS Integration: How to Choose the Best Approach," G00161672

- "SaaS Solutions for IT Financial Management," G00161790

- "SaaS Impact on Sales Force Automation," G00159698

- "Hype Cycle for Software as a Service, 2008," G00159149

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