

## **SaaS 2.0: Saugatuck Study Shows Rapid SaaS Evolution to Business Platforms**

*Research report released today indicates Software-as-a-Service at a tipping point between “1.0” price- and technology-centric offerings, and next-generation “2.0” integrated business platforms and services.*

Westport, CT ([PRWEB](#)) April 26, 2006 -- Research released this week by Saugatuck Technology indicates that [software-as-a-service](#) (SaaS) is rapidly reaching a critical point in its evolution, and that enterprise software vendors may be left in the dust by emerging SaaS players who combine software, business process services, and technology integration and management.

“Users are already moving beyond SaaS as a cost-cutting tool, and expect vendors to expand and improve what SaaS can deliver for their business operations,” stated lead study author Mark Koenig, senior program director at Saugatuck. “We see the market at a tipping point between looking to SaaS as a cost-cutting software alternative, and planning their business growth around integrated business applications, processes, and services delivered via SaaS 2.0 platforms.”

“A surprising percentage of user firms, including SMBs, are ready and willing to move to SaaS 2.0 as soon as the vendors can provide it,” shared Bruce Guptill, a study co-author and Managing Director of Research at Saugatuck. “Unfortunately, most software vendors are still approaching SaaS as an alternative means of delivering their existing applications. Those vendors stand to lose significant market and wallet share by being stuck in the past.”

Saugatuck research findings in the study include the following:

- Traditional business drivers such as efficiency and customer service are clearly leading SaaS customer adoption. SaaS adopters have been primarily seeking to reduce software costs and improve service levels for business applications. But adopters increasingly discover that SaaS offers flexibility, customization, and configurability for specific business or market conditions.
- Key market drivers will evolve from today’s cost-effective software management solutions (SaaS 1.0) to enabling companies to change how they do business (SaaS 2.0). The business drivers for SaaS 2.0 will be about helping users transform their business structures and processes. In this way, SaaS 2.0 has the potential to have much in common with [Business Services Provisioning](#).
- Sales channels (SIs, ISVs and VARs) will be critical to SaaS adoption growth, as users will still require application and data integration with their IT environments. Non-traditional channels (e.g., banks, telcos, web portals) will be key for many SaaS solutions.
- SaaS Integration Platforms (SIPs) – solution hubs that provide application sharing, delivery, and management solutions – will become critical to broader SaaS adoption. Three to four dominant SIP Master Brands will emerge by 2010, and will manage more than 30 percent of core SaaS offerings to users. Monitoring and billing capabilities will enable increasingly attractive pricing.

The complete research study, entitled SaaS 2.0: Software-as-a-Service as Next-Generation Business Platform, was published today by Saugatuck and is available on the company’s web site at

<http://www.saugatech.com/239order.htm>.

“The implications of this research are significant,” added study co-author Bill McNee, Saugatuck’s founder and CEO. “While its’ highly decentralized procurement model can be a goldmine for emerging SaaS players and traditional ISVs alike, the problem is that many business buyers are not predisposed to established relationships historically driven by IT – an important warning signal to software vendors.”

#### About the Research

The study is based on an extensive research program that included a web survey of more than 150 senior executives, 40 detailed interviews and 15 deep-dive vendor briefings, all conducted between January 2006 and March of 2006. More than two-thirds of the user firms participating in the research had revenues greater than \$500 million per year. Details regarding this research and summary findings can be found by visiting Saugatuck’s web site at <http://www.saugatech.com>.

#### About Saugatuck Technology

Saugatuck Technology Inc. provides research-based consulting services to senior executives, information technology vendors, and investors, combining strategy development, business planning, and market intelligence with first-hand research of executive technology buyer trends.

Recently published Saugatuck [Research Alerts](#) especially relevant to SaaS markets and issues include (registration required):

- Is Advertising Supported Software Ready for Prime Time? (Koenig RA-234 05Apr06)
- SMBs Surpass Large Enterprises in SaaS for Critical Applications (Guptill, Koenig RA-229, 08Mar06)
- Saugatuck Research Points to Success for Software-as-a-Service Offering from SAP and Other Traditional Software Vendors (Koenig RA-224, 08Feb06)
- Software-as-a-Service: Survey Results Support Industry Trend Toward Disruptive Business Model (Koenig, McNee, RA-208, 16Nov05)

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