

# FROM SOA TO SAAS

## How SaaS Is Driving New Opportunities in Application and Data Integration

*Forget SOA. Increasing adoption of software as a service will drive new demand for integration software that bridges the data gap between on-demand and on-premises applications.*

## ICE | INFRASTRUCTURE COMPUTING FOR THE ENTERPRISE

### 4 FINDINGS

- Even as the economy falters, the worldwide market for software-as-a-service (SaaS) applications will continue to grow, reaching nearly \$10bn by 2010. **PAGE 9**
- As SaaS continues to gain acceptance, demand will increase for integration software that connects SaaS platforms to each other and to in-house software. **PAGE 7**
- While service-oriented architecture (SOA) will not go away completely, there will be more demand and opportunity for SaaS integration. **PAGE 15**
- SaaS integration software will best be delivered as remotely hosted cloud services rather than as licensed software. **PAGE 15**

### 5 IMPLICATIONS

- Increased adoption of on-demand software offerings will force many infrastructure software companies, especially integration vendors, to have a SaaS story. **PAGE 15**
- Integration vendors need to look beyond Salesforce.com for other partner opportunities and to differentiate themselves from the competition. **PAGE 16**
- SaaS providers should more aggressively court integration partners and provide better support, incentives and joint planning. **PAGE 16**
- Enterprises that have shied away from SaaS should consider SaaS platforms as a lower-cost alternative when considering application migration and modernization initiatives. **PAGE 16**
- As downward pricing pressure will be exerted on SaaS providers, customers should negotiate subscription fees aggressively. **PAGE 16**

### 1 BOTTOM LINE

- As IT budgets get slashed, adoption of SaaS figures to grow at companies both large and small. This will lead to new opportunities, especially for integration software vendors — opportunities that should outstrip those offered by SOA.

MARCH 2009

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# SECTION 1:

## Executive Summary

### 1.1 KEY FINDINGS

Shrinking IT budgets in the recessionary economy will make the software-as-a-service model a more viable alternative than the traditional license model for new software investments, which will in turn offer new opportunities for integration software vendors that should far exceed the integration opportunities offered by service-oriented architecture.

Worldwide, SaaS in the four largest application sectors – customer relationship management, enterprise resource planning, collaboration and content management, and human capital management – is expected to grow more than 27% this year to \$7.9bn, and grow over 25% next year to \$9.9bn, according to research by The 451 Group's Tier1 Research subsidiary. The US market will account for nearly two-thirds of that spending, although Asia-Pacific will be the fastest-growing region.

Content management and collaboration will be the largest sector of SaaS, although CRM will be the fastest-growing. As SaaS continues to gain acceptance, demand will increase for software that works with SaaS – especially integration software that connects SaaS platforms to each other and to in-house software.

Demand for this type of integration will supplant the internal integration done as part of service-oriented architectures, both in terms of enterprises' technology priorities and vendors' marketing opportunities. While SOA will not go away completely, there will be more demand and opportunity for SaaS integration.

These integration tools themselves will best be delivered as remotely hosted cloud services rather than as licensed software. Pervasive, Boomi, Cast Iron Systems and SnapLogic have all embraced this trend through development in the past year, and Workday has embraced it through acquisition. In these examples, integration is delivered as a service in combination with the SaaS application offering it's supporting, with integration configurations done in the cloud rather than at the endpoints.

SaaS integration today revolves largely around the largest SaaS vendor – Salesforce.com. As the model continues to grow in acceptance, we expect more opportunities to be created for integration vendors. Those that adapt best to working with other vendors will be the most successful.

## 1.2 METHODOLOGY

This report is based on a vendor survey undertaken by The 451 Group in January 2009 and market-sizing data from The 451 Group's Tier1 Research subsidiary produced during the same time frame, as well as our daily research, which includes countless briefings with software vendors and conversations with enterprise IT end-user organizations.

This report is a follow-up to our SOA Adoption report in October 2008. In that report, we concluded that SOA adoption had not lived up to hype and expectations; that existing implementations were limited in scale; and that future investments in SOA would not materialize. So this current report was essentially driven by the question: If not SOA, then what? Because SOA is largely a story about application and data integration, one area that our daily research indicated was succeeding in terms of adoption, where SOA was failing, is the integration of SaaS applications with on-premises applications, as well as the integration of SaaS applications with each other.

This report examines the appeal of SaaS vs. the appeal of SOA, projects the growth of this software segment, and looks at the key vendors that provide SaaS integration and that will benefit from the expected increase in SaaS adoption.

The 451 Group offers additional services that provide critical marketplace updates. These updated reports and perspectives are presented on a daily basis via the company's core intelligence service – the 451 Market Insight Service. Perspectives on strategic acquisitions and the liquidity environment for technology companies are updated regularly via the company's forward-looking M&A analysis service – 451 TechDealmaker – which is backed by the industry-leading 451 M&A KnowledgeBase.

The emerging-markets picture is further complemented from the end-user and customer perspective via a growing group of adoption research services – including the 451 Infrastructure Computing for the Enterprise (ICE) Service and the 451 Commercial Adoption of Open Source (CAOS) Service. All of these offerings, which are accessible via the Web, provide critical and timely analysis specifically focused on the business of enterprise IT innovation.

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