

Silicon Valley Research Group Inc.

Executive Briefing Report

Corporate Outlook for 2007: Software as a Service

October 2006

INTRODUCTION

The Silicon Valley Research Group recently completed a study investigating major IT trends for 2007, including the implications of these trends in the following areas:

- Security and Privacy
- IT Budget Outlook for 2007
- 64-Bit Computing Adoption – Hardware and Software
- Migration to Software as a Service

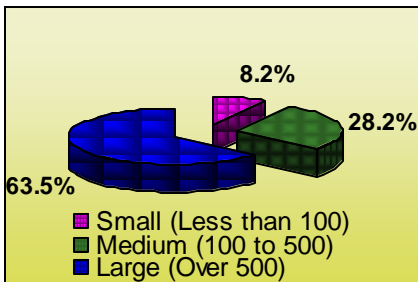
SVRG has now released a series of executive briefings exploring each topic listed above. This briefing explores responses to questions relating to migration to Software as a Service.

METHODOLOGY

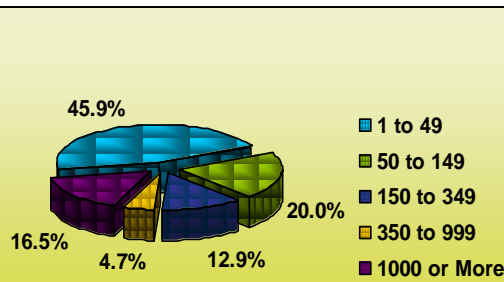
A group of eighty-six high-level IT decision-makers and architects participated in an exhaustive online survey on these topics.

In addition, SVRG conducted in-depth interviews with several IT managers, directors, and CIOs from companies of 2,200 to 55,000 employees. These interviews added a qualitative “deep dive” into the quantitative information provided by many others.

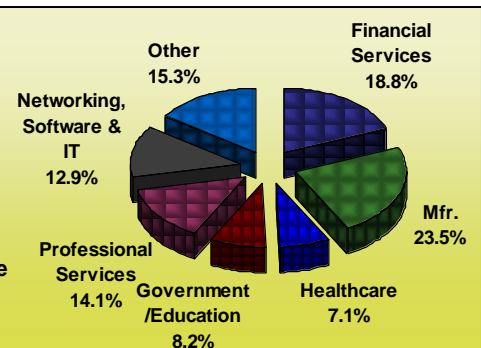
Company Size



Servers



Industry Verticals



For additional graphs and information please visit http://www.siliconvalleyrq.net/it_outlook/charts.htm

SOFTWARE AS A SERVICE

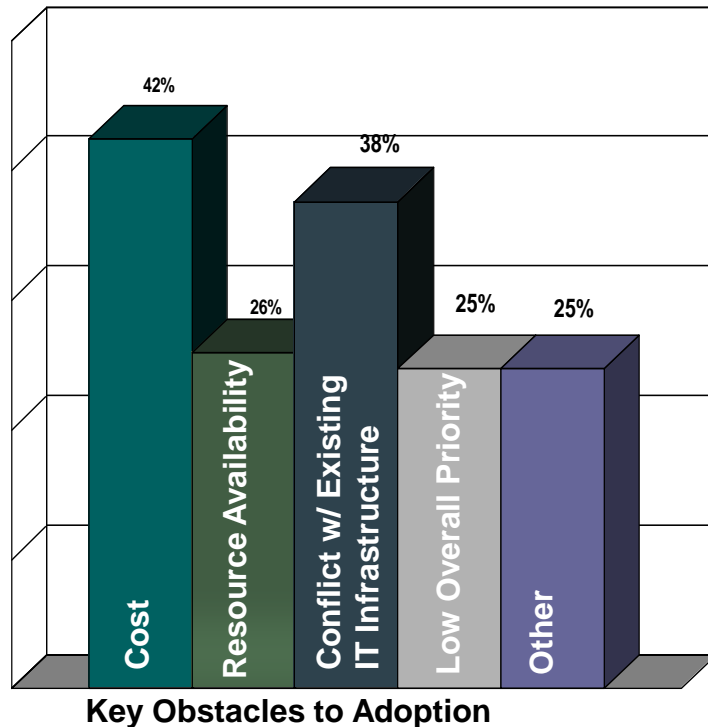
"I think as far as IT people, VPs, CIOs, and people in my position, there's an element of job security. If I host this and that, what am I going to do with all these people, what am I going to end up with? The service providers need to prove to the world that they can do a better job than we can internally."

-SVP, Real Estate Investment Firm

"We've got a pretty well developed IT group. As the IT strategist, I see lots of opportunities for hosted services, but it's a never-ending political battle."

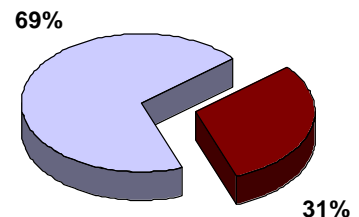
- IT Director, U.S. Manufacturer

Adoption of Software as a Service continues, but slowly – Although SaaS has been in the headlines recently, very few of those we interviewed were much interested. Hosted services may face an entrenched battle from some larger IT departments



Plan to expand hosted services?

In fact, the majority of respondents noted that they did not intend to expand their use of hosted software services in 2007.

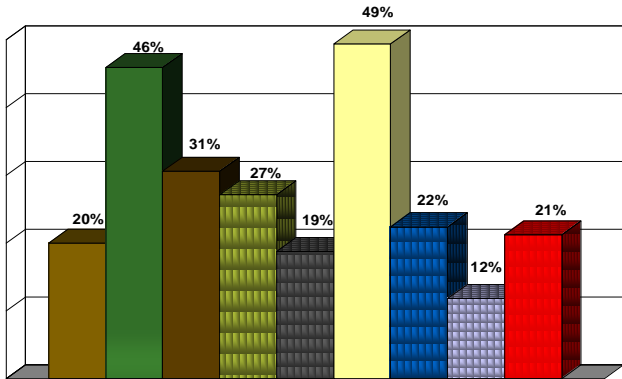


■ Yes ■ No

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Percentage of respondents using each hosted software service:

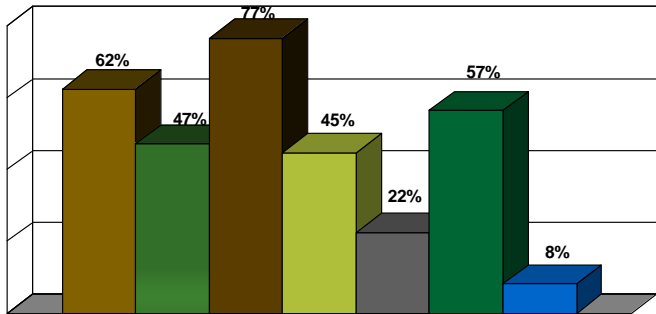
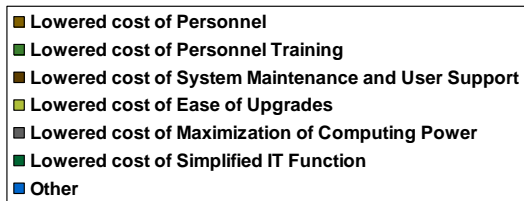
Hosted Software Categories



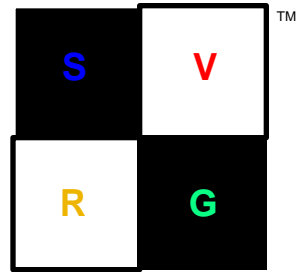
Respondents noted a variety of hosted services as being in use at their organizations. The most common uses of hosted services were in areas likely to be IT intensive or costly to maintain. Email and servers are the two most commonly hosted services.

As organizations plan for 2007, they indicate that hosted services around CRM, mobile device support, accounting, back-up and file storage will continue to be less utilized than hosted services for email and servers.

Key factors considered by organizations when calculating the ROI of hosted software:



“Three to four years ago we did a lot of research on outsourcing - and at that time our own infrastructure was more cost-effective. But as we grow and add more, it's making more sense to outsource.”
 - Director of Technical Architecture, Manufacturer (2500 employees) discussing Software as a Service



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