

---

## SaaS momentum continues to accelerate

Posted by abhijit\_dubey - 2008/10/23 02:16

---

SaaS (Software as a service) continues to gather momentum. The market has grown at greater than 40% over the last five years and is poised for 30% GAGR over the next three years. Behind the growth is increase adoption by both SMB and Enterprise customers. A recent McKinsey survey shows that 46% of US SMBs have adopted one or more SaaS solutions and that adoption peaked in the 2006-2007 period. Over the last eight years the sector has received \$7 billion in venture capital and there are now 800-1000 pure play SaaS vendors in the marketplace with the space is likely to consolidate. Most incumbent players have either introduced new SaaS offerings or announced they will do so.

In the enterprise market, interest in SaaS adoption is very high. In a recent survey only 14% of CIOs categorically rule out SaaS for their portfolio of applications. But SaaS still represents only a small portion of applications (typically less than 5%) despite the 25-50% five year TCO reduction SaaS can deliver, several factors seem to be driving the low adoption to date. Among them are sunk investments in existing systems, discomfort with core enterprise data moving out of the enterprise firewall, and mission criticality of applications.

Another obstacle is the fact that current SaaS solutions not yet enterprise ready: There are integration challenges with other SaaS applications and on-premise applications, a lack of identity integration, and feature sets that aren't yet enterprise ready.

Given this state of play, a couple of question arise:

1. What is the role of SaaS in your application portfolio today? 2-3 years out?
2. If you haven't adopted SaaS for any part of your application portfolio, why not?

=====