CloudFutures Software Vendors SaaS Migration Conference USA 2009
San José, CA
December 07, 2009

M. R. Pamidi, Ph. D.
Senior Editor
IT Newswire

Jeffrey Kaplan, THINK Strategies, said that the current economy is driving customers to cloud computing (CC). Software as a service (SaaS) will eventually expand from business applications to IT management. Cloud rush is expanding but, just as in clean/green/solartech, many companies won't make it.

Bill McNee, Saugatuck Technology, forecasts the market for CC and SaaS remains strong through 2011, despite the current economy, and noted the biggest long-term benefit of CC is not financial, but rather fewer management headaches and agility. Sweetest spot for CC is a low-to-midsized SMB with 100-499 employees, followed by upper-midsized SMBs with 500-1,000 employees. Not every application is suitable for CC and should not move to the cloud. About 35% of traditional ISVs are 'SaaSifying' their products; however, the journey will be long and rocky for most because they neither are financially prepared nor fully grasp the breadth of changes that need to be addressed and overcome. What does this mean to ISVs that are still stuck in the traditional perpetual-licensing model? Huge drop in revenues vis-à-vis CC/SaaS vendors who will have predictable revenue streams. Also, users are smart and ahead of vendors in terms of CC expectations.

The IT landscape is going through radical changes. Levi's is reportedly spending $100 million deploying SAP. Isn't it better off exploiting a cloud vendor? "Cisco sells a 10 GbE box for $6,000 to $8,000; Taiwanese manufacturers make it for $10," says McNee; and Vyatta is shipping fully open source routers, firewalls, VPN concentrators, and intrusion prevention devices at a fraction of the cost of comparable Cisco products. "Look at Vyatta and short CSCO," said McNee.

Be careful when you, as an ISV, partner with CC vendors. For instance, according to CEO of one ISV, on October 28, 2009 Amazon told its ISV partners that it would drop its prices by 15% on October 31. This is great, but many states in the U. S require a 15-day notification to customers of any price changes!

The biggest obstacles to cloud adoption are security, management, performance, economics, portability, and interoperability. As we have stated before, portability allows customers to switch from one CC vendor to another. Interoperability enables customers to run their applications on different CC vendors. We are long ways from achieving these dreams. Also, if all your data are stored in a cloud in a foreign country, what rights does the foreign government have over that data? It's cloudy right now, but when it rains, can you make money? VCs clamor for rapid customer nonlinear, hockey-stick growth AND revenue recognition. This may be realized from a *fremium* model, where the basic product is free, but customers pay for premium service. In the current economic conditions, don't count on an IPO. Mainstream adoption of CC is two to five years away. In fact, many VCs in Silicon Valley are hesitant to invest in CC startups until the market matures and the vendors duke it out.

