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SaaS & the Indian SMB

Indian SMBs are taking to Software-as-a-Service (SaaS) when it comes to applications such as CRM or e-mail. The market has expanded over the past year on the back of strong user demand and an expanding ecosystem of vendors, partners, and third-party service providers. **By Manjari Juneja**

India is the fastest growing market for SaaS in the Asia Pacific. According to recent studies by Springboard Research, the Indian SaaS market is estimated to reach $352 million by 2012 up from $105 million in 2009. According to Zinnov, the Indian Cloud computing market is going to experience a tenfold growth by 2015. According to the firm, the current Cloud computing market is $110 million today with, approximately, $66 million coming from SaaS a market that's dominated by applications such as collaboration apps, CRM and ERP.

Current economic conditions also make this sort of an on demand model attractive to smaller organizations, even mid-sized ones for non-core applications. The biggest advantage here is that there are no initial resource commitments, rather, organizations pay per use. Organizations can forget about upfront infrastructure costs and move their applications to the Cloud. SaaS, PaaS and Cloud computing are expected to have excellent growth prospects as they provide flexibility and cost control to the industry.

Asheesh Raina, Principal Research Analyst, Gartner, said, "The SaaS market has matured over a period of time and a lot of applications are being built to be delivered thorough this model."

Kaushik Bellani, CEO, Saviance Technologies, said, "SMB spending in India on Software-as-a-Service (SaaS) is anticipated to rise by a sizable 43% in 2011 according to an AMI Partners study."

Ajay Goel, Managing Director, India and SAARC, Symantec, said, "SaaS is expected to rapidly proliferate in the next 18-24 months, the reasons for its adoption in India are zero or low maintenance followed by ease of use. The low penetration levels of software applications among Indian enterprises, especially in the SMB segment, are expected to drive the market for SaaS in India."

> "SaaS is expected to proliferate in the next 18-24 months in India thanks to the low maintenance and ease of use."
>
> **Ajay Goel**
> Managing Director -
> India & SAARC, Symantec

Applications being offered

SaaS has become a common delivery model for most business applications including accounting, collaboration, CRM, ERP, invoicing, HRM, content management and service desk management.

Applications from the likes of Microsoft, salesforce.com, Citrix, Cisco and Google are all gaining traction in India.

Shreekanth Joshi, Associate Vice President, Practice Head for SaaS and Cloud, Persistent Systems Ltd., said, "Today most applications are moving away from the desktop to the Cloud. Salesforce.com paved the way by being the first most successful B2B application on the Cloud. Today there are many examples of B2B applications ranging from Lotus Live to Zoho to Google Business Mail. Multiple platform providers are competing for applications from Force.com to Microsoft Azure to Amazon Web Services. Economics is the primary driver in the adoption of Cloud computing. Much of the savings are due to the fact that the business world is grossly over-provisioned. Moving to a Cloud-based model can reduce hardware costs by 33-70%, maintenance costs by 50%, support costs can be reduced as much as 33% and floor space can be reduced by 33-50%. These significant costs savings will fuel the explosive growth of Cloud over the next year or two."

Lucius Lobo, President - Security Services, Tech Mahindra, said, "Typically, the applications have been in the field of Web services and hosting, which gave service start-ups an opportunity to reduce their time-to-market. We believe that the next wave of SaaS adoption will be around authentication services and managed services for perimeter security. These are complex services where enterprises will have to widen their circle of trust outside their direct scope and control."

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Security-as-a-service

Security-as-a-Service is widely prevalent and well established for enterprises in areas like content filtering and anti-spam. New solutions are emerging in the area of Cloud-based authentication and Cloud-based managed services for perimeter protection. Most of these help enterprises reduce costs with the added value of a higher degree of security expertise. In the above areas, there is a distinct trend for enterprises to outsource. Adoption rates are fairly low but they will increase as enterprises reduce cost and new enterprises seek to enhance their protection at a reasonable value. From a market point of view, these services will come bundled through telecom service providers making it simpler and more attractive for enterprises to buy bandwidth, networking and security as an integrated solution.

Organizations find it difficult to trust a third-party to manage their applications and data. Issues like companies losing direct control of the proprietary data and the integrity of data become the biggest worries of a CIO. But with the increasing penetration of Cloud computing there is a visible shift taking place. Vendors have started prioritizing this concern of their customers, which has resulted in strategic partnerships with security vendors and robust SLAs, which are slowly gaining the customer confidence.

Lucia Mikasa, Senior Director – Marketing, Narus, said, "There is increased interest in the uptake of Security-as-a Service. Enterprise IT is challenged with keeping its networks secure fighting off the increasing number of cyber attacks. The dynamic nature and increasing complexities of cyber threats affects the nature of solutions that are designed to combat these threats. We all know that, in spite of this, security breaches continue to grow. Hence, companies see the external security services as more effective than in-house solutions. More enterprises are electing to adopt Security-as-a-Service, to ensure that their networks are monitored by cyber security experts who utilize innovative

solutions such as the real-time traffic intelligence solutions."

Govind Rammurthy, MD & CEO, eScan, said, "The Security-as-a-Service model offers a number of benefits like constant updates of virus definitions that are not dependent on the user, enhanced user security typically available within the organization, faster and effective deployment and the inclusion of a Web interface that allows for the in-house administration of selective tasks along with an overview of the security environment."

> "The Security-as-a-Service model offers user-independent updates, faster deployment and a Web interface for in-house administration."
> **Govind Rammurthy**
> MD & CEO, eScan

Factors fueling growth

SaaS provides a faster and more economical way for organizations to deploy, run and utilize software. The low penetration levels of software applications among Indian enterprises, especially in the SMB segment are expected to drive this market. In a price-sensitive market such as India, enterprises would give preference to a reliable Cloud service that is more economical than managing their own solution. However, users in India tend to be highly aware so a good track record and reliability of the service would be an important additional factor in adopting SaaS services. The process of adoption can be expedited if these services were bundled through the telecom services offered by service providers. This would significantly increase the confidence level of an enterprise in the reliability of the new service, leading to quicker adoption.

Also one of the leading reasons for SaaS adoption in India is zero or low maintenance, followed by ease-of-use. SaaS offers a simpler method to adopt and administer essential business software applications such as CRM. It also makes it easier for end-users to access and use these applications via the Internet. SaaS does not require additional IT infrastructure investments in new servers and databases to store data, or private networks to permit user access. Instead, companies can leverage the SaaS provider's hosting facilities and take advantage of Web-based access.

Patrick Mathias, Vice President, Sales –West, Cisco India, said, "It's easy to see why SMBs have been among the most aggressive adopters of SaaS. By purchasing software as hosted- or subscription-based services from third parties, businesses are freed to do what they do best. They can focus on their businesses while using SaaS to help expand customer relationships and improve productivity without requiring an IT overhaul."

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> **Patrick Mathias**
> Vice President (Sales - West), Cisco India

Moorthy Uppaluri, General Manager, Developer and Platform Evangelism, Microsoft India, said, "The single largest driver for SaaS adoption is the opportunity to spread costs over an OPEX model, rather than be burdened by the erstwhile compulsion of planning for and paying for technology investments upfront and thereby incurring CAPEX. The Indian enterprise is embracing the Cloud in all its forms with gusto and innovation. The drivers for SaaS adoption vary by segment and customer. SMBs and entrepreneurs are looking for enterprise class applications that offer affordability, flexibility and the scalability that are necessary for a growing

enterprise. Larger enterprises are motivated by similar goals but are also looking to SaaS providers to offload non-mission critical applications. Consolidation of IT resources and cost rationalization becomes an increasingly important factor as the size of enterprise increases."

"BPOS already has over 1,300 customers and this number is growing," he added. Microsoft recently announced the availability of Office 365, the next generation of its SaaS offerings, in India.

Live@Edu has over five million active student users in over 2,000 academic institutes across India, while other offerings such as hosted ERP, hosted Exchange and CRM Online have also been adopted widely.

Startups are leveraging Cloud models for e-mail, ERP and collaboration so that they can focus on their core business in the initial stages without the need to make huge upfront investments in IT infrastructure or resources.

Although the bigger companies are loath to embrace SaaS as they perceive licensed software to be cheaper and consider SaaS applications to be less mature from a technological standpoint and concerns about security exist, for smaller companies and even non-critical applications in mid-sized businesses, SaaS makes a lot of sense which is why among the three public Cloud offerings that are available in the market—Software-, Platform- and Infrastructure-as-a-Service—it is the front-runner.

An interesting SaaS model for physicians

Xtremum Solutions is a product development company working in the enterprise mobility domain. It offers a next-generation, Cloud-based Practice Management Software (PMS) with an integrated point-of-care native iPad-based EMR application. The PMS is catered towards doctors and medical practices with various specialties.

This SaaS offering called Praxify (derived from Practice Simply) would help doctors to automate, streamline and digitize their practices. The value proposition of this pay-as-you-go model is simple. Doctors need not pay upfront for buying software nor put a lot of effort and cost in maintaining their data backups. The doctor has the added advantage of mobility and on-the-go medical records with Praxify.

With a cost of just about Rs.2 per patient appointment a month the doctor can now reduce a lot of administrative costs with paper-based records, increase revenues by optimizing scheduling and patient reminder systems (SMS) and, in turn, increase the productivity of the practice.

> Doctors using this SaaS offering can view their schedule of the day with respect to multiple locations that they visit, view all patient medical records, medical history, billing details, x-ray reports, lab results, etc on the iPad.

Hurdles to adoption

Sunil Kumar, CEO, GreeneStep, said, "Nagging security concerns in the Cloud, the greatest of which is the protection of sensitive data, reliability and availability of the remote system, theft of data over the Internet, is slowing the adoption of SaaS."

Having said that, as workforces grow in geographically diverse locations and employees work outside the corporate network, companies are starting to encourage employees to access, modify and disseminate information that's often stored on the Cloud by using their own devices.

Another hurdle is the lack of robust connectivity beyond the top tier cities. With the rollout of BWA expected in 2012, some of these issues would be addressed.

Rohit Madhur, Director - Business ByDesign, SAP India, said, "The primary factor preventing companies from adopting SaaS is the level of comfort that organizations have with on-premise applications and the lack of recognition of the business benefit. The reasons ranges from enterprises are still not fully conversant with the SaaS model; therefore, while SaaS familiarity is high, it exists largely at the conceptual level, with many Indian enterprises are yet to make a fully informed decision on the merits of this IT model. Barriers like bandwidth limitations and user concerns regarding moving mission-critical applications to the SaaS model are other factors inhibiting adoption. Low awareness has been the single biggest challenge. SaaS providers are now building a direct sustained effort to educate the market about the benefits SaaS can provide."

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Neeraj Dotel, Managing Director, Compuware India, said, "Some important factors obstructing the SaaS adoptions levels include ongoing discussions on total cost of ownership and challenges related to Web application performance and stability. Today Web applications have evolved from a single point of delivery to composite applications incorporating numerous third party services that take users down rich paths of functionality without requiring them to ever leave the Web page. Together these functionalities comprise a highly interdependent application delivery chain, and poor performance at any step can bring down performance of the entire application. A SaaS provider can't afford to have performance become a barrier to user adoption or new business. They must actively manage all the components feeding into their Web sites and applications, including those beyond their own firewalls."

Raina said, "For SaaS, we also require infrastructure because this is something which is delivered remotely through Internet. In Tier I cities, to a large extent, it is very much possible to have

infrastructure in place but in smaller markets there could be potential blockage in terms of infrastructure."

Sunny forecast for SMB adoption

SaaS has been deployed by many SMBs and the adoption of these solutions by this sector will only grow as the availability of inexpensive smartphones and tablets next year coincides with the rollout of BWA and expansion of 3G.

Another important trend that SaaS will spur in India is the spirit of entrepreneurship with startups leveraging Cloud models for their e-mail, ERP and collaboration requirements so that they can focus on their core business in the initial stages without needed to make huge upfront investments in IT infrastructure or resources.

Vinish Kathuria, Head Consumer and Business Applications, Ericsson India, said, "If you look at the entire consumer VAS Market in India, you will realize that most of it has been running on the SaaS model. Both in India and globally, we see products and services on the mobile and the Internet running on SaaS."

Abhijit Gupta, CEO, Xtremum Solution, said, "SaaS has bright prospects in India as our country is growing with a huge number of SMBs being added each year."

Sunil Jose, Vice President, Applications, Oracle India, said, "The initial SaaS providers focused on building Web-based applications that seek to replicate the functionality offered by on-premise vendors over the Internet. These moves to on-demand together with changes in how software is sold have resulted in the first upsurge of SaaS. However, the next generation of SaaS applications will have to evolve. Just as on-premise applications are evolving and expanding in functionality, so too, SaaS applications also need to evolve in

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> **Sunil Jose**
> VP - Applications, Oracle India

order to stay competitive, not just with on-premise but with other SaaS options also. They must meet demands by customers for increased productivity and user-friendliness, enhanced manageability and additional flexibility. To enable this, next generation SaaS offerings have features such as embedded business processes, Web 2.0 style user interactions with Rich Internet Applications and embedded in