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BUSINESS INSIGHTS FOR SOFTWARE DEVELOPERS & PUBLISHERS

Softletter SaaS Survey: Summary Results, Part II

We continue with our analysis of the summary results from our SaaS survey.



This issue of Softletter offers a fall cornucopia of data with more summary results from our SaaS survey, as well as the summaries from our User Experience Survey.

What is the average length of your SaaS subscription contracts with your customers?

	Totals	%
Monthly	20	17.5%
One year	53	46.5%
Two years	12	10.5%
Three years	21	18.4%
Four years	3	2.6%
Other	5	4.4%

Do you allow your customers the option of installing your SaaS software behind their own firewall rather than on your servers?

	Totals	%
Yes	55	48.3%
No	59	57.8%

These numbers represent a shift from last year, when 58.2% of respondents reported they allowed their (the software firm's) SaaS system to be installed behind the customer's firewall.

If you answered "Yes" to question 20, then please tell us "What percent of your customers choose the option of installing your SaaS software behind their own firewall rather than on your servers?"

	Totals	%
1 to 10%	23	41.9%
11% to 30%	9	16.4%
31% to 50%	6	10.9%
50%+	17	30.9%

The high numbers for the 1 to 10% cohort continues a trend seen in the 2006 survey, where 33.7% of those responding indicated that 1 to 10% of their customers chose to install behind their firewall (the 11% to 30% and 31% to 50% cohorts were correspondingly larger. The

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number of companies reporting 50%+ is also higher than 2006's 26.4%; we will be drilling down deeper into this number via our cross tabulations.

Are you using commercial SaaS components or services in developing your SaaS system?

	Totals	%
Yes	44	38.6%
No	70	61.4%

In 2006 we projected that these numbers would shift strongly to the "yes" column over the next several years; they have in fact **lost** ground to 2006's 39.8%. Despite the furor over mashups and Web 2.0, the large majority of SaaS firms still seem intent on developing their technology internally.

In our last issue 11.4% (14) of our respondents told us they'd undergone a SAS 70 audit. We drilled down deeper with our follow-on questions:

If you answered "Yes" to question 32, please tell us what type of SAS audit you have undergone.

	Totals	%
Type I	3	21.4%
Type I and II	11	78.6%

Please tell us the total cost of your SAS 70 audit

Median cost of a SaaS 70 audit: \$40,000

Only eight respondents chose to provide us with audit numbers, so this number should be used as a guideline, not a statistically valid norm. The cost of the audits provided ranged from \$10k to \$250k; we believe the actual median to be closer to \$70k.

Have you undergone a non-SAS 70 security and privacy audit by a third party?

	Totals	%
Yes	13	11.4%
No	101	88.6%

Please tell us the total cost of your non-SAS audit

Median cost of a non-SAS 70 audit: \$25,000

As with the SAS median, this number should be used as guidelines, not statistically valid benchmarks; however, we believe this median is close to the statistical norm. We also asked the respondents to name the firms that conducted the non SAS audits—names provided included Deloitte, Microsoft, Verisign, AT&T, Watchfire, PCI and AIE. Based on feedback from attendees at Softletter's SaaS Seminar in Santa Clara, we feel quite comfortable in predicting that many more companies will be undergoing privacy and security audits in the fairly near future.

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Do you have a recommender program for your SaaS product? (A recommender program pays an individual or company of record who recommends, but does not resell, your product.)

	Totals	%
Yes	52	45.6%
No	62	54.4%

Do you resell your SaaS product via an affiliate-label reseller program? (An affiliate label program allows other companies to resell your software, usually from a link on your website. In an affiliate sale, your company normally “owns” the customer in terms of company contacts and future business.)

	Totals	%
Yes	34	29.8%
No	80	70.2%

Do you resell your SaaS product via an aggregator? (An aggregator assembles a laundry list of SaaS applications for resale to their customer base.)

	Totals	%
Yes	16	14%
No	98	85.9%

Do you resell your SaaS product on an OEM basis? (In an OEM sale, your product is directly incorporated into another application.)

	Totals	%
Yes	33	29%
No	81	81%

Are you reselling your SaaS product via a distributor? (A distributor, such as Ingram or TechData, normally resells your product in turn to its resellers.)

	Totals	%
Yes	11	9.7%
No	103	91.4%

These numbers give rise to several observations. The first is that with the advent of the SaaS model, channel observers have asked what is the relevance of traditional distributors in a SaaS environment? The answer appears to be very little. The relatively strong numbers for OEM reflect the observations of Siamak Farah, who at our Santa Clara SaaS seminar

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“In the 09/30/2007 issue of Softletter we neglected to provide the answer to “Three” in our question “If you answered yes to question 11, how many functionality levels do you offer?” The answer from our survey respondents was: 13 answering three, for a % of 24.1% .”

—Softletter



Benchmarks: The Softletter/TechSmith User Experience Survey, Summary Results

Our 2007 Softletter/TechSmith User Experience survey, conducted in August and September 2007 was sent to approximately 23k companies over a period of six weeks. The survey, which consisted of 16 questions (including one table), was conducted entirely via the web and results were processed with the SurveyMonkey system. The survey received 211 valid responses, indicating the intense interest in this topic within the software industry. The largest group of respondents reported that their title was either CEO, president, vice president or some variant of the aforementioned : **44** in total. 32 respondents identified themselves with a “CX” title. 26 respondents identified themselves as being director level and an additional 28 as being product managers. Only 24 respondents failed to provide a title. Numbers of particular interest have been bolded. Decimals have been rounded off to one degree of precision and may not equal 100%.

What type of software does your company create? (Check all that apply)

	Totals	%
Enterprise/Client Server	122	58.9%
SaaS	90	43.5%
Retail/Desktop	56	27.1%
Custom-built Applications	59	28.5%
We do not create software	12	5.8%

What is your company’s annual revenue ?

	Totals	%
\$0 to \$999,999	32	17.1%
\$1,000,000 to \$4,999,999	45	24.1%
\$5,000,000 to \$9,999,999	24	12.8%
\$10,000,000 to \$14,999,999	21	11.2%
\$15,000,000 to \$24,999,999	8	4.3%
\$25,000,000 to \$49,999,999	13	7%
\$50,000,000 to \$99,999,999	9	4.8%
\$100,000,000 +	35	18.7%

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How many employees are in your company?

	Totals	%
1 to 9	33	17.7%
10 to 49	48	25.7%
50 to 99	35	18.7%
100 to 249	20	10.7%
250 to 499	12	6.4%
500 to 999	8	4.3%
1000+	31	6.6%

Is your organization involved in User Experience practices?

	Totals	%
Yes	143	76.5%
No	44	23.5%

What do you picture User Experience including? (Check all that apply)

	Totals	%
Usability Testing	39	86.7%
Focus Groups	30	66.7%
Prototyping	31	68.9%
Surveys	27	60.0%

Please match the User Experience practice below with the individual in your company who primarily facilitates that practice.

	Don't do this	User Exp. Mgr.	Design Team	Product Mgr.
Usability tests	10.8% (15)	20.9% (29)	15.1% (21)	25.2% (35)
Focus groups	39.6% (53)	9.0% (12)	9.0% (12)	24.6% (33)
Prototypes	6.6% (9)	10.3% (14)	28.7% (39)	17.6% (24)
Surveys	12.5% (17)	8.8% (12)	10.3% (14)	28.7% (39)
Ethnography/Field Research	35.3% (47)	18.0% (24)	8.3% (11)	21.8% (29)
Other Practice	62.1% (36)	8.6% (5)	12.1% (7)	6.9% (4)
	Project Mgr.	Develop. Team	Marketing	QA
Usability tests	6.5% (9)	10.1% (14)	2.9% (4)	8.6% (12)
Focus groups	1.5% (2)	0% (0)	16.4% (22)	0% (0)
Prototypes	6.6% (9)	27.9% (38)	1.5% (2)	0.7% (1)
Surveys	1.5% (2)	0% (0)	37.5% (51)	0.7% (1)
Ethnography/Field Research	3.8% (5)	1.5% (2)	11.3% (15)	0% (0)
Other Practice	0% (0)	3.4% (2)	5.2% (3)	1.7% (1)

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How does your organization conduct usability tests?

	Totals	%
Internal Employees	129	70.9%
External Consultant	20	11.0%
We do not conduct usability tests	33	18.1%

Please select all answers that apply to the following question. "My company would consider doing (more) usability testing if the process was..."

	Totals	%
Cheaper	56	39.7%
Easier	74	52.5%
Able to provide meaningful results	57	40.4%
Less time consuming	80	56.7%
None of the above	12	8.5%
Other (please specify)	11	7.8%

"Other" answers included "easy to communicate to management," "An area where we had someone with expertise," "More customer commitment," and "If we had more people and time to do it."

Has your organization conducted usability tests in the past?

Yes	7	21.2%
No	26	78.8%

Please feel free to share any other comments that you may have regarding User Experience practices and/or usability testing.

This question, designed to elicit in depth commentary from our survey respondents, generated some very interesting comments and commentary. Notable among the responses was:

"It always seems as an afterthought and much re-work is done in future versions of our product. We have a full time UX designer now, and much of the process is internal. I'd like to see more external involvement of our user base but logistics seems to hamper that."

"Right now usability testing requires a specialist to guide the process from start to finish, even to interpret the results. The need for a specialist is a bottleneck and a barrier to increased adoption across all business lines."

"In my experience it is far preferable to have a professional do usability testing. It is a very specific skill that few people have. Unfortunately, no budget is available at my company to do things that way."

"Usability is a baseline of design involvement. It is essentially working to stay out of the user's way. Frankly, as designers and developers we have larger fish to fry. Creating sites and applications that increase our reach and enrich the experience is far more important for market gains. Usability is merely table stakes."

urged companies to actively seek OEM opportunities. The relatively high popularity of recommender programs indicates your company may be missing a bet if you have not implemented one.

Does your reseller program provide a branding option? (A branding option keeps your product identity intact but also incorporates the reseller's logo and company information into the SaaS system's initial login or home screens).

	Totals	%
Yes	30	63.9%
No	17	36.1

What types of professional services do your resellers offer their customers?

	Totals	%
Implementation (initial product setup and product training)	10	22.7%
Implementation and integration (data and/or product integration)	7	15.9%
Implementation, integration, and consulting (best practices, optimized use, etc.)	27	61.4%

Please tell us what percentage of your overall gross revenues are spent on your SaaS marketing activities. (Please do not include sales salaries, expenditures for sales support software such as contact management/CRM, sales pipeline management, sales training, internal sales incentive programs and similar activities or costs.)

Median % spent on marketing: 10%

How do you charge for initial deployment services (these include training, application testing, and deployment)?

	Totals	%
We charge up front for deployment services.	38	33.3%
We roll these costs into our subscription fees.	76	67.7%

If you answered "We charge up front" to question 58 above, please tell us "What % of your SaaS revenue is derived from the sale of initial deployment services?"

	Totals	%
1% to 5%	15	34.9%
6% to 10%	10	23.3%
11% to 15%	8	18.6%
16% to 20%	7	16.3%
21%+	3	7%

In our 2006 survey we made the observation that rich margins from maintenance and deployment with SaaS were doomed; the 2007 initial deployment numbers bear this observation out.

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Do you have a professional services group?

	Totals	%
Yes	71	62.3%
No	43	37.7%

What service options does your professional services group offer (please check all that apply).

	Totals	%
Hardware deployment and integration	89	79%
Infrastructure outsourcing	23	20.2%
Software and business process integration with existing applications and other SaaS systems	63	55.3%
Advanced application training	57	50%
Other	11	9.7%

Responses to "Other" included "business consulting," "data importation and report customization," and "configuration and best practices consulting."

What percentage of an average sale over 12 months of your SaaS system can be attributed to revenue generated by your professional services?

	Totals	%
1% to 5%	15	20.8%
6% to 15%	20	27.8%
16% to 30%	19	23.4%
31% to 40%	10	13.9%
41% to 50%	1	1.4%
51%+	7	9.7%

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What are your plans for your professional service group?

	Totals	%
We are expanding it	43	56.6%
We are contracting it	2	2.6%
It is staying the same size	31	40.8%

The role that professional services plays in the SaaS environment has been, till now, something of an unknown quantity; the data collected here indicates that professional services has a strong revenue role in SaaS.

Does your company implement "agile" methodologies in its R&D?

	Totals	%
Yes	65	57%
No	49	43%