



## Software's year ahead

To say that 2006 promises to be a pivotal year for the enterprise software market would be a gross understatement

By: Ryan B. Patrick

Computer World Canada (20 Jan 2006)

Gone are the days when organizations were hooked into making huge software purchases, and were more enticed by vendor promises than the actual return on investment (ROI). Those days have long been replaced by smaller, incremental investments in software with an unyielding eye on the bottom line.

Within this environment, organizations have been becoming more open and receptive to new ways of using software. While software as a service, service-oriented architectures (SOA) and the impact of Microsoft's soon-to-be-launched Vista OS are likely to dominate the IT discourse in 2006, the spotlight should remain firmly fixed on IT productivity and on how enterprises can get more out of their existing infrastructures.

While the "on-demand", or software-as-a-service (SaaS), concept has been around for a while, lately it has been gaining a lot of traction. Expect this to continue in 2006.

Hosted vendor Salesforce.com Inc. increased its revenue more than 80 per cent for the first nine months of 2005, as the subscriber count for its hosted, subscription customer relationship management (CRM) service grew to more than 350,000.

And the industry has taken notice. Vendors of all sizes have launched on-demand offerings, and every top-tier vendor has developed some sort of strategy for countering Salesforce.com success. For example, industry giant SAP AG late last year announced it will have an on-demand product sometime this year.

According to David Turk, executive director of the Saint John Sea Dogs, his New Brunswick-based sports organization is quite content using hosted software as its main communication tool. The small-sized organization uses a Web-based ASP product from San Mateo, Calif.-based NetSuite Inc. for its ERP and CRM needs, specifically its back office, inventory control, ERP and finances.

"The software is always up to date...it's hassle free," Turk says. "On a recurring basis the cost of using an ASP may be a little bit more, but over the long haul it will probably be a bit cheaper because we're not changing over software packages."

While there are the usual concerns over security and Internet connectivity, the reality is, Turk noted, there are similar concerns with traditional software — and if the organization attempted to purchase the similar off-the-shelf ERP software it is likely there would have been a huge capital cost involved.

Cory Eaves, CTO for Chicago-based ERP vendor SSA Global, notes the recent popularity of on-demand. "I think it's inevitable that you're going to see more and more products offered that way and more customers decide they want to license it that way."

But it's yet to fully take off, Eaves said. "I think it's one of those things where the trend is there and companies are certainly evaluating it in 2006. But, with a few notable exceptions, you don't see any major ERP vendors, SSA included, who are betting the business on it."

Stephen Ibaraki, an IT professional based in Vancouver, agrees. "There will be a lot of buzz around (the ASP model) in 2006, however, practically it will be three years before it makes a significant impact in its pervasive availability for enterprises. This moves the roadmap for wider-scale adoption in the post-three-year time frame," Ibaraki says.

Along with on-demand, the Internet will continue to play a huge role when it comes to software in 2006. This is going to be the year of Web 2.0, says David Senf, an analyst with Toronto-based IT research firm IDC Canada Ltd. Web 2.0 refers to the continuing evolution of the Internet, a transition of Web sites from isolated information silos to sources of content and functionality, in effect becoming a computing platform serving web applications to end users.

"Web 2.0 promises abound of a user experience that goes beyond HTML and the browser thin-client model to a far richer interactive environment. This spells revenue opportunities up for grabs, as people do more online from any type of device," Senf says. "But Web 2.0 is evolving very slowly, so don't expect overnight changes."

QuickLink 069385

