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SaaS set to flood the local channel

CRN's reseller voice, **Mathew Dickerson**, tries to avoid a crocodile attack to discuss SaaS from the recent Microsoft Australian Partner Conference

In case you were ever in any doubt, crocodiles and golf are not meant to go together. For a start, the croc has legs that are just too short to hold the clubs properly!

Earlier this month I travelled to Port Douglas for the Microsoft Australian Partner Conference and, as is tradition for Gold Partners, the conference started with a golf day. In theory, this sounds like a great idea. The Mirage Country Club has a Peter Thompson-designed course that regularly features in Top 100 lists of courses in Australia.

The theory starts to go slightly southward when you hit the back nine of the course. This moves the course inland to water hazards, thick brush and ... crocs. These aren't just any crocs. These are big salties. There are some benign signs around the course that try and play down the crocs on course. The signs say 'Estuarine Crocodiles may be present', which is a nice little euphemism compared to the reality. The signs should say 'Watch out! Big mother saltwater crocs are lurking'.

Of course, the golf is only a distraction, with the important component of the conference being the ability to talk to other resellers and partners and see what other people are doing. After the first hole I knew that I was obviously playing with a group of people who were very talented in the field of IT because it was rather evident that none of us spent enough time on the golf course.

The serious side allowed me to find out more about what other people are seeing in reseller land.

Obviously many resellers are talking about Software-as-a-Service, with one Australian organisation telling me they had engaged an independent consultant to review their entire

business model to see how it will need to change to take advantage of the upcoming changes. Research shows that 25 percent of all new application development will be web-based by 2010 and 33 percent of businesses will evaluate SaaS in the next three years. These are worldwide numbers. The specific results from the Australian firm that engaged the consultant – Australia simply does not have the connectivity speed and reliability to push heavily into SaaS – yet.

One example given was the recent Optus failure where all Optus customers in southeast Queensland lost all connectivity to their Internet after a contractor dug through a cable. Without enough redundancy in our Internet connectivity, one mistake can bring down an entire system. More speed and better redundancy is required before we will see SaaS take off in Australia.

If we don't believe that SaaS or S+S will eventually come, then we need to get out now. In the first three years, 70 percent of SaaS revenue will come from new clients. Some of this new revenue will be delivered simply because some of the upfront costs will be removed.

One reseller talked about a novel way to start moving toward that final outcome. SPLA is a licensing model that removes the upfront cost of the Microsoft software and allows the software to be 'leased' for the length of time that the end-user wants to use it. I am sure you are familiar with the model. The great part about this model as a stepping stone or transition is that it starts to get clients used to the concept of paying for software on a monthly basis rather than a one-off basis. Microsoft certainly talks about the attraction of always having the latest version of the software licensed to the client, but in

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reality, this is not a driver for most clients.

Most clients will typically buy their new servers and their new network, have the current software installed on it and leave it alone for three years. If new software is released 12 months into the life of the network, the typical client does not want to apply that new software to their network. There is potentially some additional installation cost, there is downtime, there is a learning curve for staff. In general, the feedback is that it is often not worth the hassle.

The real benefits of setting up a client on a system such as SPLA are both short term and long term. Firstly, it removes some of the upfront costs from a client when performing an upgrade. Research has shown that clients, especially in the SMB space, are more likely to upgrade if the upfront cost is lower. I know it seems obvious, but often research has to be done to prove the obvious.

Secondly, it starts to make clients feel comfortable with paying for the software on a monthly basis. The client of yesteryear wanted to pay a once-off upfront fee and install his IT system and never touch it again – and more importantly never pay for it again. We started to get clients comfortable with renewing their infrastructure every three years and, although some leased the equipment, many still paid a one-off fee.

Now we need to make clients comfortable with paying an ongoing monthly fee for their software and an ongoing monthly fee for their maintenance and, eventually, an ongoing monthly fee for their SaaS and complete IT needs will be a natural progression.

Once SaaS becomes mainstream, it will not be a hard sell. Crawl, then walk, then run.