

## WHITE PAPER

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### **SaaS in Hong Kong: Cost Saving Starts With Collaboration**

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The Software-as-a-Service (SaaS) delivery model has been steadily gaining awareness in the Asia/Pacific region in the past few years. IDC conducted a survey to find out more about the motives behind Hong Kong organizations in adopting and planning for SaaS. The key findings include:

- ☒ 12% of respondents were current SaaS users while 14% were exploring and planning to use the SaaS delivery model. The remaining 74% indicated they had yet to decide on SaaS. Organizations with 250-499 employees were the early adopters of SaaS.
- ☒ Collaborative applications were widely adopted among the current SaaS users, particularly email (26%) and web conferencing (15%) software. Similar trends emerged among the future SaaS users, where 26% were planning to subscribe to SaaS for web conferencing software while 25% had plans to move to SaaS-based email applications.
- ☒ Pricing (cost of solution) was the prime factor when choosing a SaaS vendor. Additionally, respondents rated concerns with performance and availability as the most significant barriers to SaaS adoption. Data security concerns followed closely behind.

## IN THIS WHITE PAPER

This IDC White Paper provides insights into the current and future adoption trends of the SaaS delivery model among Hong Kong organizations, as well as the types of applications that are more commonly delivered via the model. IDC also examines the key factors driving Hong Kong organizations to consider SaaS model.

## METHODOLOGY

IDC interviewed 250 Hong Kong-based organizations. The organizations have fewer than 500 employees, and cut across the following industries:

- Finance, Banking and Insurance (FSI)
- Manufacturing
- Professional Services
- Retail and Wholesale
- Transportation and Logistics

### *IDC's Definition of SaaS*

Software-as-a-Service (SaaS) is a model of software deployment where applications built specifically for network delivery are hosted, provisioned and accessed by users over the Internet. The price for SaaS applications is typically an "all-in" fee which rolls up the usual application license cost, software maintenance cost, and the support costs (infrastructure and IT staff expenses associated with running, servicing, and provisioning the application) into a monthly per-user subscription fee.

## SITUATION OVERVIEW

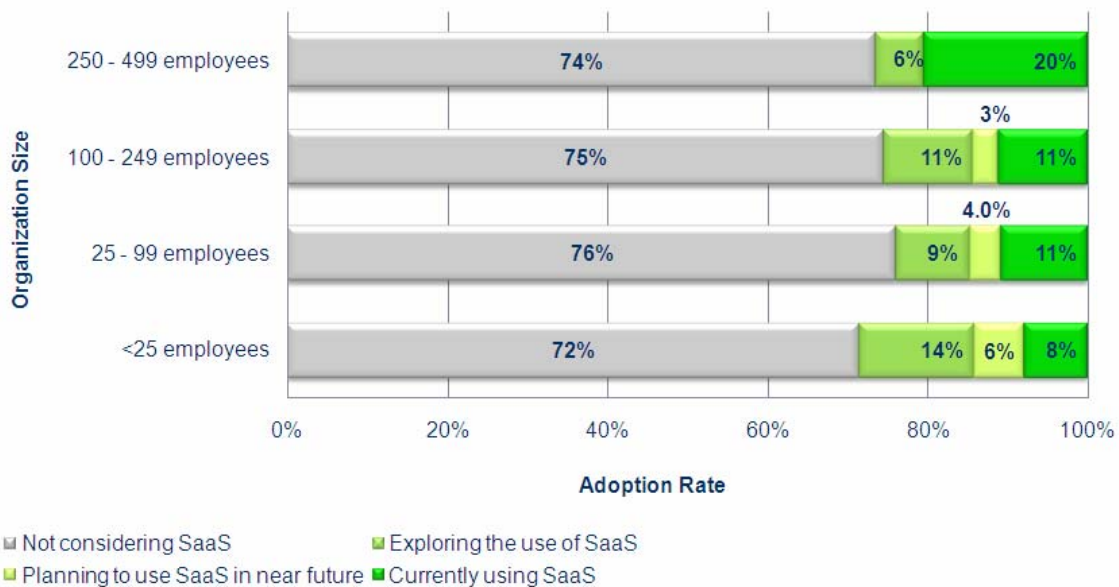
In the survey, 12% of the 250 organizations indicated they had already subscribed to the SaaS model. Additionally, 14% said they were exploring this delivery model and planning to adopt it in the foreseeable future.

Among the early adopters, organizations with 250-499 employees were found to have the highest SaaS adoption rate, as shown in Figure 1. IDC believes these organizations were typically more receptive towards IT deployments and thus could easily understand the benefits of SaaS delivery model.

**FIGURE 1**

Current Status And Future Plans On SaaS Delivery Model By Organization Size

Q: Which of the following statement best represents your organization's current involvement with SaaS?



N=250

Source: IDC, 2009

Although the adoption rate was relatively low among the other organization sizes, nonetheless they indicated an increasing interest in subscribing to SaaS in the near future. Between the different categories, organizations with fewer than 25 employees seemed most interested. As they have considerably limited IT budget in general, IDC expects them to be more open to SaaS once they have a better understanding of the benefits of the delivery model.

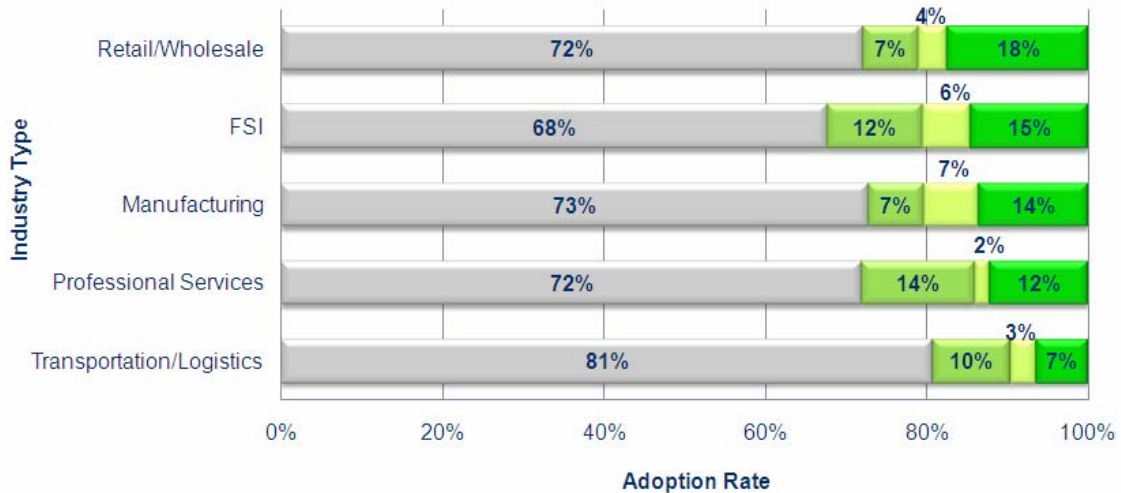
In terms of industry segmentation, the retail and wholesale sector showed the highest current adoption rate of SaaS at 18%, as shown in Figure 2. This was followed closely by the financial (15%) and manufacturing (14%) sectors.

As for future plans, interest among the financial firms was higher than other sectors. About 18% of the financial firms surveyed cited plans to explore or subscribe to SaaS in the near future, followed next by the professional services (16%) and transportation and logistics (15%) sectors. IDC believes the increased interest within the financial sector was driven by the global economic gloom, which pushed them to consider alternative IT deployment and cost maintenance models. Additionally, the successful references from the early adopters, like retail and wholesale users, were expected to improve the level of confidence and acceptance of the delivery model among the professional services and transportation sectors.

**FIGURE 2**

**Current Status And Future Plans On SaaS Delivery Model By Industry Type**

*Q: Which of the following statement best represents your organization's current involvement with SaaS?*



- Not considering SaaS
- Exploring the use of SaaS
- Planning to use SaaS in the near future
- Currently using SaaS

N=250

Source: IDC, 2009

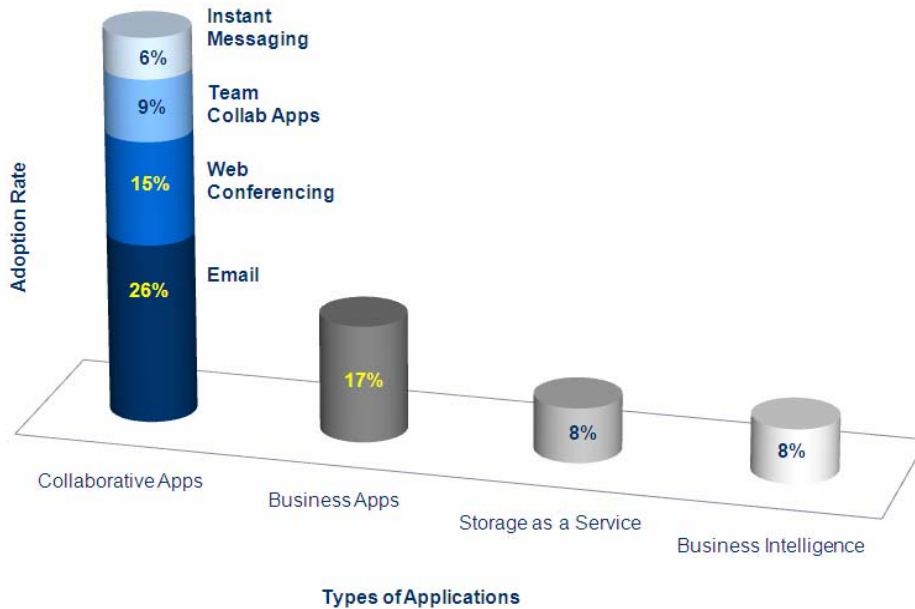
**Adoption of collaborative applications (via SaaS) was high**

The survey revealed that the most widely adopted applications via SaaS were collaborative applications, as shown in Figure 3.

**FIGURE 3**

**SaaS Current Adoption By Type Of Applications**

Q: For each of the following applications, how would you describe your plans to adopt SaaS? -  
We currently subscribe to the application via SaaS



N=65

Source: IDC, 2009

IDC believes that the global economic crisis has encouraged organizations to seriously consider the SaaS model as an approach to reduce their IT cost structure. Companies have focused on software that is being used pervasively including collaborative applications such as Messaging, Instant Messaging and Web Conferencing. As shown in Figure 3, email was the most popular with 26% of current SaaS users subscribing to it. Web conferencing software was also very popular, at 15%. Another popular application to be delivered via SaaS is business applications (17%), which include ERP, CRM and SCM.

## FUTURE OUTLOOK

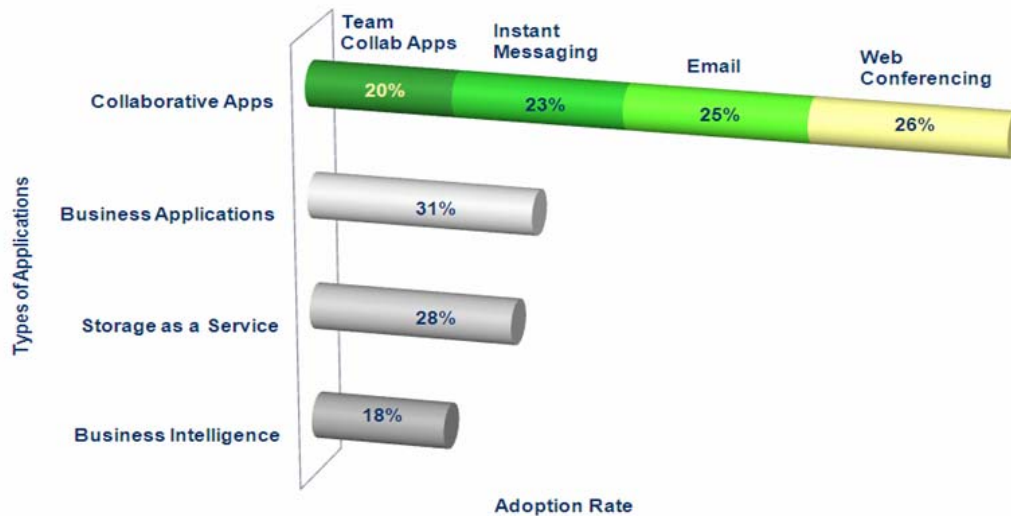
### *Collaborative applications on SaaS model will continue to be in high demand*

In terms of future SaaS adoption, collaborative applications ranked the highest, as shown in Figure 4.

**FIGURE 4**

#### SaaS Future Adoption Plans By Type Of Applications

Q: For each of the following applications, how would you describe your plans to adopt SaaS? – Planning to subscribe within 18 months



N=65

Source: IDC, 2009

Among the collaborative applications, web conferencing software was expected to lead in terms of future SaaS delivery plans. IDC believes this could be a result of the increasing restrictions on travel expenditure that organizations face. Email was another collaborative application that showed a high rate of future SaaS adoption.

Also increasingly sought after (for SaaS subscription) was instant messaging software, as its pervasive use among individuals would compel more organizations to formalize policies for corporate use. However, adoption of collaborative applications will take time as this application is generally targeted at the larger organizations with complex collaborative needs.

## ADOPTION DRIVERS

### *Performance, Reliability and Service Levels of vendors' SaaS offerings are key considerations*

The current SaaS adopters rated price (cost of solution) as the top factor when considering a SaaS provider, as shown in Figure 5. Besides price, the respondents also ranked performance and availability highly in their decision-making criteria. IDC expects that performance factor would be a prime differentiator for SaaS providers to highlight once they could no longer rely on price differentiation alone.

Another highly rated factor, customer service (SLAs), further proved the significance of assuring organizations with high service quality. Clearly, organizations preferred providers that could guarantee first-rate service levels for delivering SaaS.

### FIGURE 5

#### Top Five Factors When Considering SaaS Providers

Q: What are the major factors when considering SaaS providers?



N=65

Source: IDC, 2009

### *Financially based SLAs can offer peace of mind*

Concerns with performance and availability factor were ranked the highest barrier to SaaS adoption. Hong Kong organizations were generally anxious whether the SaaS delivery infrastructure would compromise on critical factors such as reliability and security. IDC urges organizations considering SaaS providers to review the provider service-level agreements (SLAs) and check that these are financially backed. This would offer peace of mind in judging the viability of a SaaS delivery model.

## ESSENTIAL GUIDANCE

IDC recommends the following to organizations that are contemplating SaaS delivery model:

- ☒ *Look beyond price.* Price point (cost of solution) is always a major factor when making any IT purchases decision; however, mature IT users should look beyond the price factor when choosing a SaaS provider. Performance and reliability are critical success factors that can assure organizations that they are subscribing to applications made available on stable and secure infrastructure. As mentioned, vendors that offer financially backed SLAs can help provide that much-needed peace of mind.
- ☒ *Start simple.* Organizations should start with applications that provide simple or straightforward functionality. Software that requires little or no customization (e.g. email and web conferencing software) is a good start for this delivery model because they are easy to install and can demonstrate the investment value quicker.
- ☒ *Re-evaluate the software management approach.* SaaS delivery model may not necessarily apply to every organization's software needs, but it can serve as a strong reason for IT executives to assess the cost-effectiveness of their current software deployment and management approach.
- ☒ Early adopters of SaaS in Hong Kong are seeing real value from adopting core collaboration software as a SaaS but the vast majority of the market still does not recognize the value. The market requires a SaaS provider that addresses the core needs of the customers such as reliability, security, strong SLA and a great price.

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