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User Survey Analysis: Usage Plans for SaaS Application Software, France, Germany and the U.K., 2009

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Gartner surveyed nearly 100 IT and business leaders in 3Q08 to better understand their plans for software as a service in 2009. Here we examine their levels of SaaS adoption, buying trends and expectations for the applications.

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Key Findings

Key findings are as follows:

- Respondents in France and the U.K. were significantly ahead of those in Germany in terms of adoption of software as a service (SaaS) applications.
- Overall, CRM is the most popular SaaS application, ahead of ERP; content, communications and collaboration (CCC); and supply chain management (SCM).
- Total cost of ownership (TCO), ease of deployment and internal resource constraints were the top three reasons for considering the use of SaaS in 2009.

Recommendation for SaaS Application Providers

Our recommendation is as follows:

- Focus on providing differentiated business value when marketing your products. But provide a balanced view when discussing the advantages and disadvantages of SaaS. Our research shows that organizations generally expect a wide-ranging discussion rather than emphasis of a particular advantage, such as the deployment model.

INTRODUCTION AND SURVEY OBJECTIVES

Gartner commissioned a user survey in June and July 2008 to examine usage patterns and key trends for SaaS (see Note 1) within the enterprise application markets. The survey focused on reasons for SaaS adoption, use within organizations and investment intentions to identify worldwide trends and shifting deployment models. The survey was developed to provide greater insight from a buyer perspective and ranged across eight countries and three major regions. This document highlights key findings from respondents in France, Germany and the U.K. See "User Survey Analysis: Software as a Service, Enterprise Application Markets, Worldwide, 2008" for the worldwide analysis.

METHODOLOGY STATEMENT

Gartner surveyed 99 individuals in France, Germany and the U.K. as part of a larger global survey of 258 respondents. Qualified respondents were individuals personally involved in the implementation support, implementation, planning and/or budget decisions related to the purchase of enterprise application software. The sample was drawn from an external panel of IT and business management professionals, the Dun & Bradstreet database, and other customized databases. We aimed to have a third of respondents from each country for this report. The actual mix was 34% from France, 31% from Germany and 36% from the U.K., which is still a diverse sample base.

GARTNER RECOMMENDATIONS BASED ON FINDINGS

All SaaS application providers should:

- Focus on the differentiated business value when marketing your products. But don't forget to discuss other traits of SaaS, such as capital expenditure, operating expenditure, deployment times and human resources needed for maintenance. Potential customers generally expect a balanced argument rather than emphasis of a particular advantage.

- Ensure there are compelling and quantifiable examples of TCO, deployment timelines and professional services availability in your marketing and sales pitches.
- Be as open and flexible as possible during contract renegotiations to encourage customer loyalty.
- Establish a strong and localized go-to-market strategy to complement your localization and legal compliance efforts (which are essential if you wish to sell in Europe). Telesales from a distant location and implementation "in the cloud" should be backed with local "in country" resources to provide a more personal and higher-touch experience. (This is especially desired in Continental Europe.)
- Recognize the different adoption levels in the major country markets, and plan sales targets accordingly. Adoption of SaaS in Europe will not be as rapid as in North America.

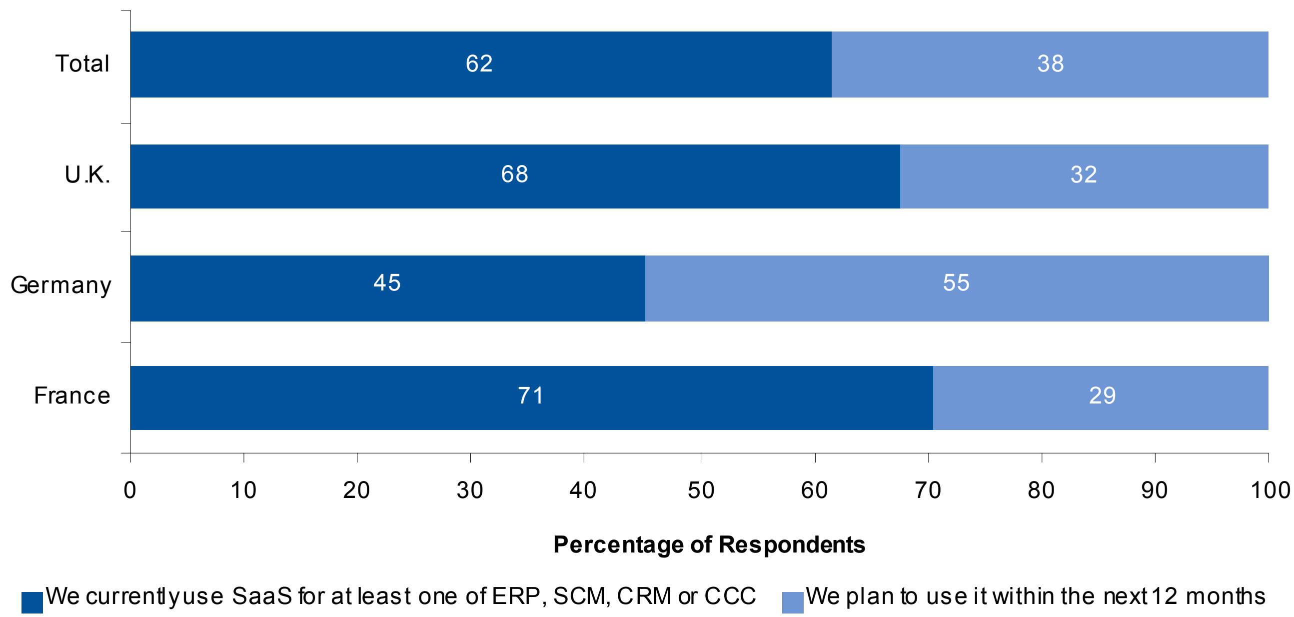
DATA INSIGHTS

Users in France and U.K. Lead Those in Germany in Adopting SaaS Applications

The survey responses in Figure 1 show that companies in France and the U.K. were significantly ahead of those in Germany in terms of adoption of SaaS applications. But the responses from Germany suggest that the difference in adoption levels will shrink if users follow through on their plans for SaaS adoption during 2009.

Responses about the length of time that SaaS applications have been in use across the three countries further indicate that France has a slight lead in terms of adoption. Only 4% of French respondents said they had used SaaS applications for less than a year, compared with 17% in the U.K. and 21% in Germany. This runs slightly counter to the traditional assumption that the U.K. is more advanced in terms of SaaS adoption. We believe North American SaaS vendors have enjoyed greater success in the U.K. because less effort is required to localize products and sales and marketing strategies. But it should be noted that other areas of Europe are also willing adopters of SaaS applications and that international vendors not already active in the French and German markets should certainly investigate opportunities for growth here.

Figure 1. Which of the Following Best Describes Your Organization's Use of SaaS for Enterprise Applications?

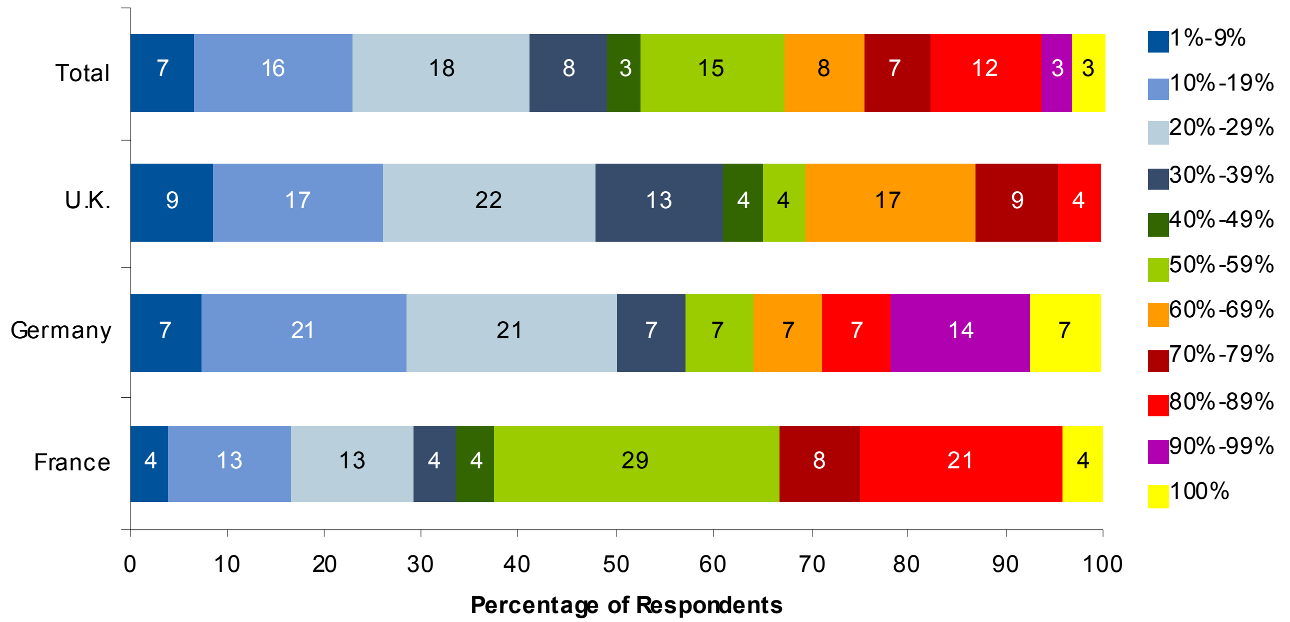


Number of respondents = 99

Source: Gartner (February 2009)

Part of our survey looked at the actual levels of SaaS use compared with the number of users an organization could have using SaaS. It is apparent that the penetration of SaaS varies across region (and also by size of company), but at the total level it is highest within the "20% to 29% of the company" category. There are observable differences across the three countries, but the results again indicate a higher level of usage and adoption of SaaS applications within businesses in France compared with the U.K. and Germany (see Figure 2).

Figure 2. Of the Total Users That Could Use SaaS in Your Organization, Approximately What Percentage Are Currently Using It?



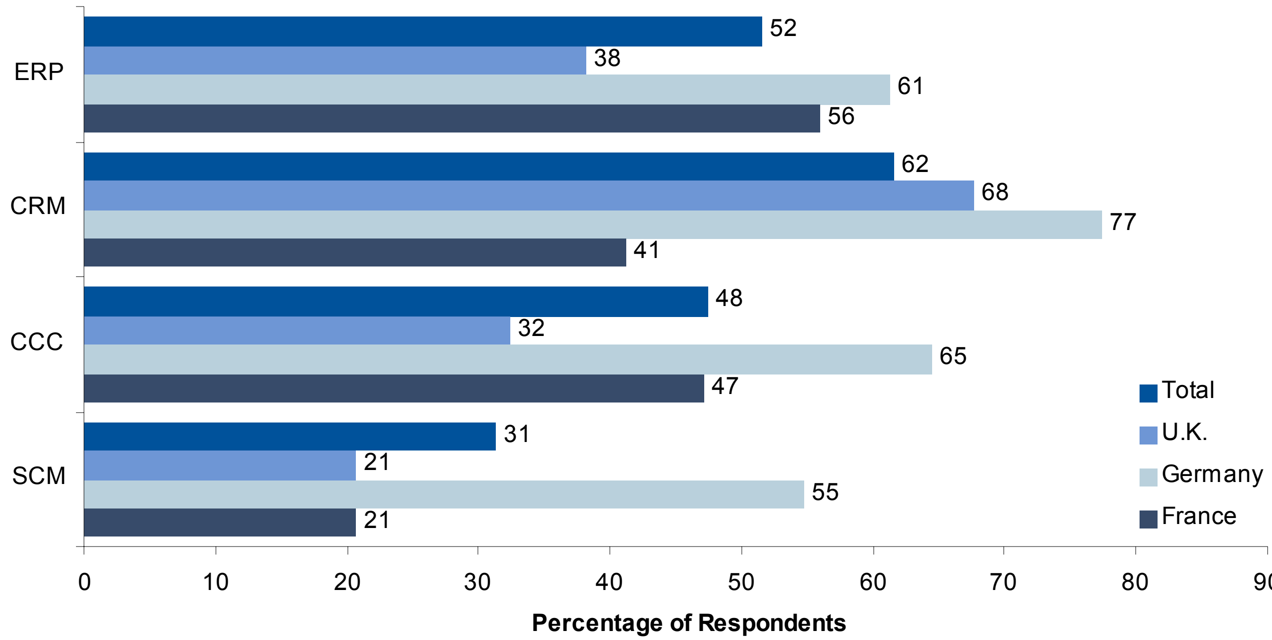
Number of respondents = 61

Source: Gartner (February 2009)

Figure 3 shows the results for overall SaaS use across the three countries. CRM is the most popular application, followed by ERP, CCC and SCM. This pattern is repeated in Germany and the U.K., but the ranking in France has ERP as the leading application, followed by CCC, CRM and SCM. CRM's popularity is likely a result of the media exposure of high-profile vendors, such as salesforce.com. CRM SaaS applications also tend to cover a wider range of functions in common processes, such as sales automation, marketing automation, and customer service and support.

SaaS applications such as ERP, CCC and SCM tend to focus on specific areas of business process support, such as expense management, talent management, recruitment, Web conferencing and procurement. While there are many more vendors offering SaaS in these domains compared with CRM, media exposure has generally been less conspicuous. But the penetration and use of CCC, ERP and SCM applications should not be underestimated. Many businesses have some use of these applications within a part of their business. Thus, vendors looking to sell SaaS applications should find that most businesses are more open to using SaaS in their organizations than five years ago.

Figure 3. Which of the Following SaaS Enterprise Application Software Solutions Are Currently Used Within Your Organization?



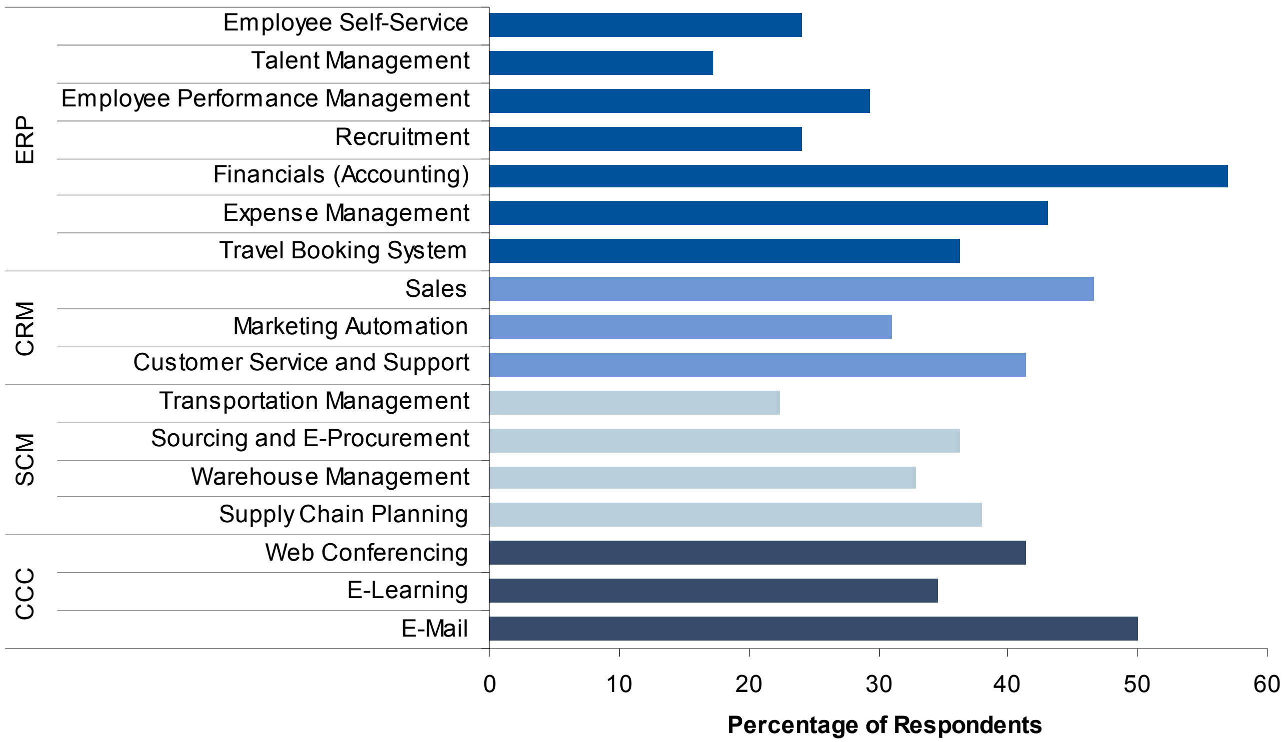
Number of respondents = 99

Source: Gartner (February 2009)

Figure 4 shows that use of SaaS within the major application categories of CRM, ERP, CCC and SCM varies greatly by function or business process. For example, SaaS tends to be used most for finance and expense management within ERP, while e-mail and Web conferencing are the most commonly deployed SaaS applications within CCC. As recessionary pressures intensify in Germany, France and the U.K., SaaS providers should ensure they can demonstrate the business value of their applications for cost containment and efficiency drives.

The high response for SaaS accounting may appear surprising, given its lower popularity in other major areas, such as North America. The underlying data reveals that most of the usage here is by respondents in France. Although we did not speak to respondents individually, our knowledge of the region leads us to believe the strong response here is mostly attributed to small businesses that are operating and sharing their accounts with their local accountants.

Figure 4. Which SaaS Enterprise Application Software Solution Is Your Organization Currently Using?



Number of respondents = 58

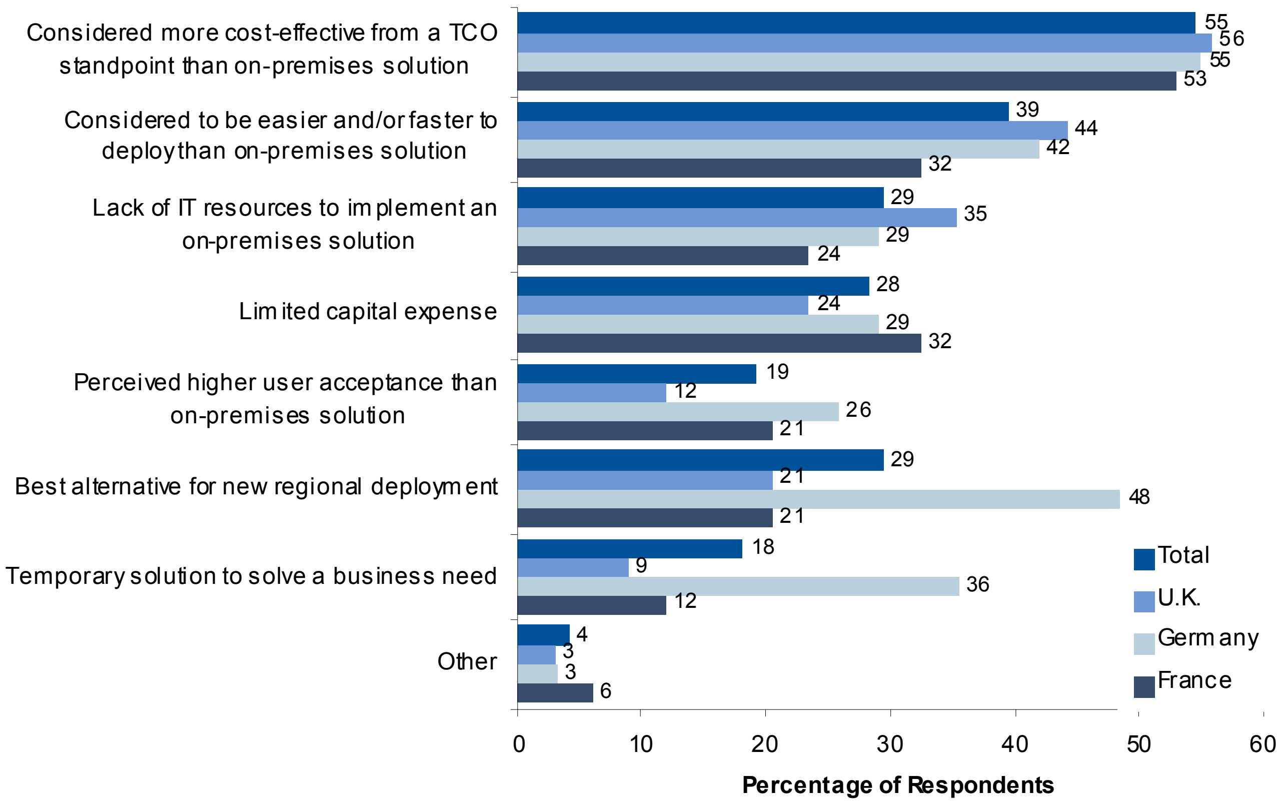
Source: Gartner (February 2009)

TCO, Ease of Deployment and Internal Resource Constraints Were Top Reasons for Considering Using SaaS

Respondents were united in many of their major motivations for using or considering SaaS in 2009. Most chose SaaS because they considered it more cost-effective than an on-premises application (see Figure 5). Other reasons included ease of deployment and internal resource constraints.

Discernible differences at the country level concerned the use of SaaS for a new regional deployment or as a temporary solution. These were rated much higher by German respondents than French or U.K. respondents. Anecdotal evidence from Gartner inquiries suggests this may be because many German companies have subsidiaries and branch offices in surrounding countries, such as Austria and Switzerland. In these situations, it is sometimes easier to provide a standard application for a smaller branch office operation via SaaS than via a separate instance at that location or terminal server connections to the company headquarters.

Figure 5. Why Is Your Organization Using or Planning to Use SaaS in the Next 12 Months?

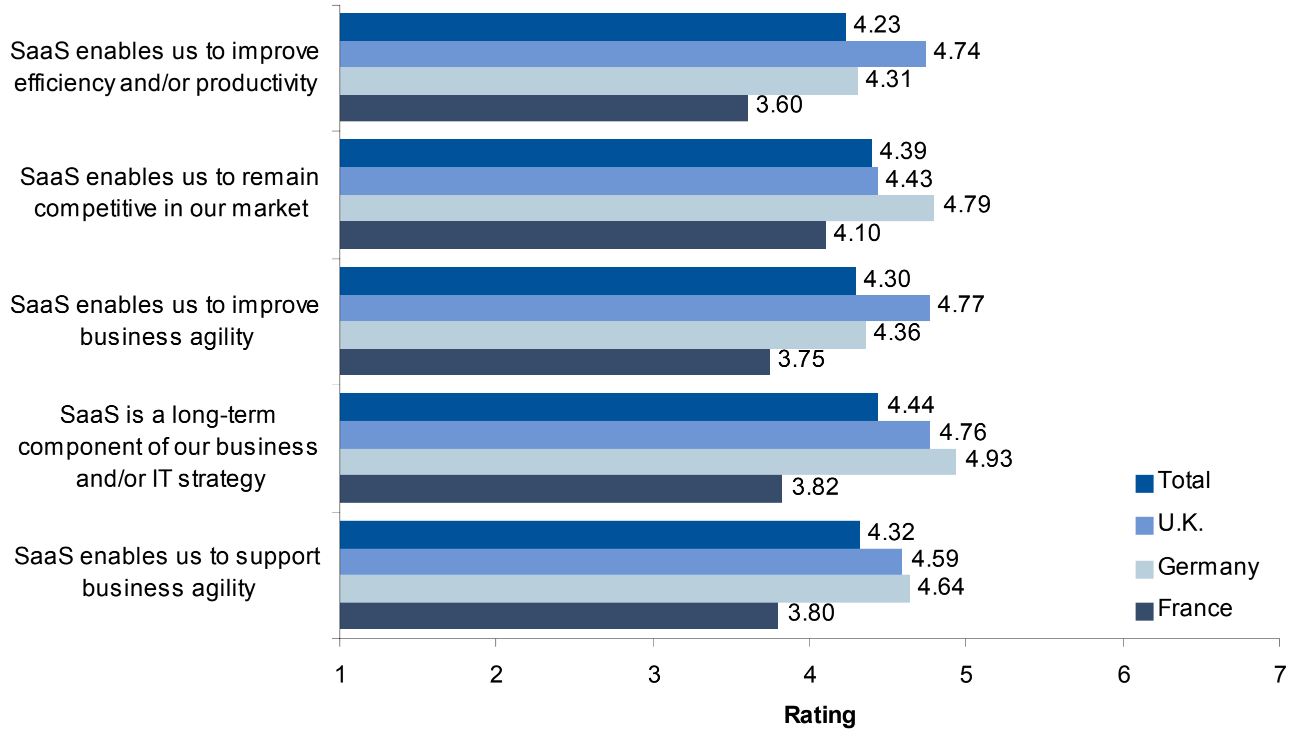


Number of respondents = 52

Source: Gartner (February 2009)

We asked respondents to rate whether they agreed or disagreed with a number of business justifications for using SaaS. Figure 6 shows that there was no single overwhelming factor or motivation. Respondents tended not to strongly agree or disagree with any of the statements. SaaS application providers should therefore be prepared to provide their prospects with a balanced argument rather than placing too much emphasis on a particular advantage.

Figure 6. To What Extent Do You Agree or Disagree With the Following Statements Describing the Current Role of SaaS in Your Organization?

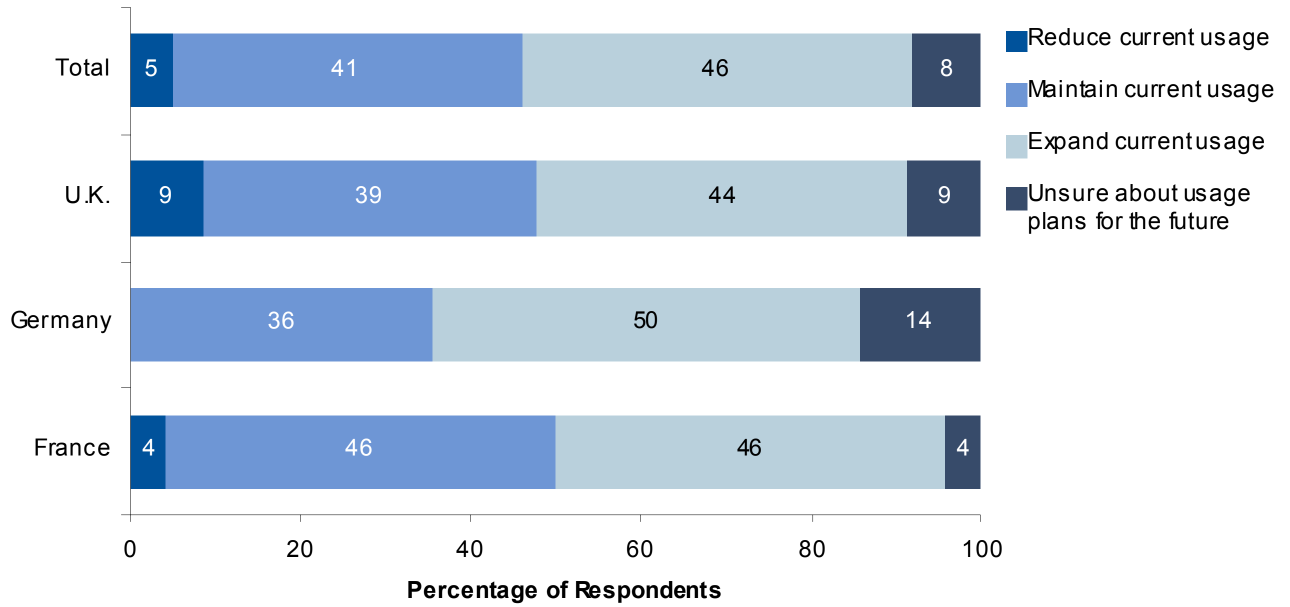


Number of respondents = 59
Note: 1 = strongly disagree; 7 = strongly agree
Source: Gartner (February 2009)

According to the results from our survey, the outlook for SaaS application providers in France, Germany and the U.K. seems bright. Figure 7 shows that 41% of respondents expected to maintain current use and investment levels, while 46% were looking to expand their use of SaaS.

Only U.K. and French respondents were considering reducing their use of SaaS. This is likely because organizations in these countries are slightly ahead in terms of their use of SaaS. Thus, the responses reveal signs of maturity in the markets, with U.K. and French respondents now looking to optimize their investments in SaaS. Although the economic downturn will likely accelerate these optimization and cost reduction efforts, it's important to note that this is an evolutionary step for SaaS adoption in these countries rather than a reaction to the current economic conditions.

Figure 7. What Are Your Organization's Plans for SaaS Usage in the Future?

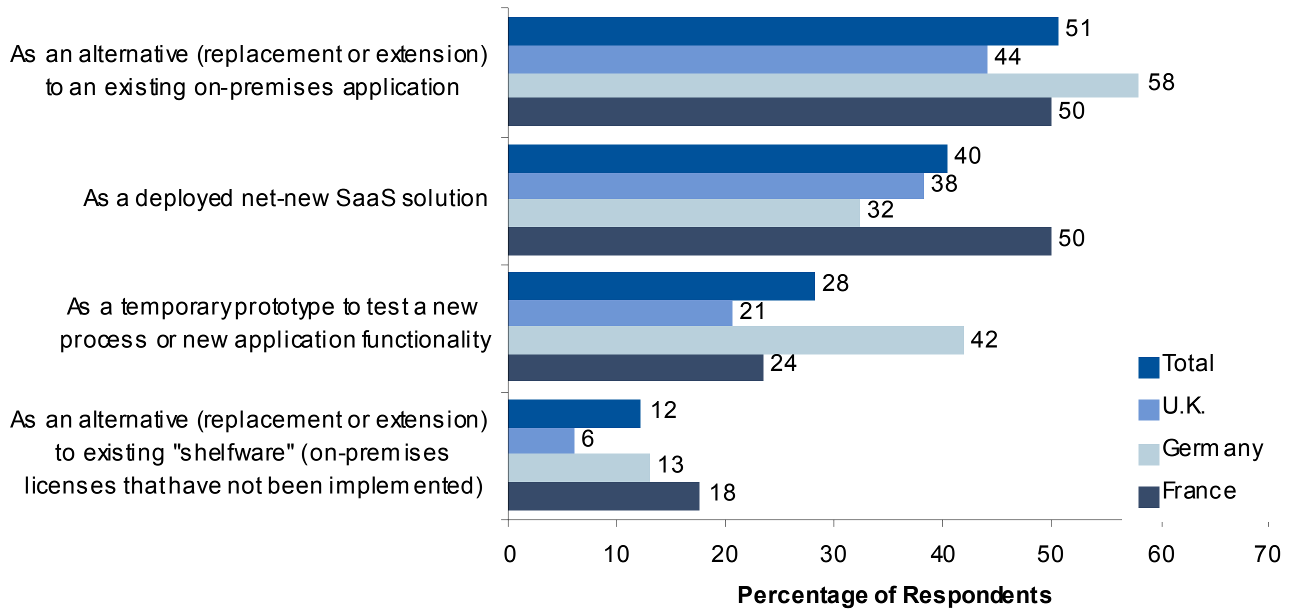


Number of respondents = 99

Source: Gartner (February 2009)

Our survey also indicates that SaaS applications will see increasing attention and penetration in businesses in France, Germany and the U.K. More than half of our survey respondents saw SaaS as a viable alternative to an existing on-premises solution (see Figure 8). Furthermore, 40% saw SaaS as a complementary addition to their IT environments, with the delivery of new functions and/or support for a business process. SaaS providers should view these as positive indicators for the market and highlight such customer successes when talking to prospects that are unsure if SaaS applications can be an integral part of their IT and business infrastructure.

Figure 8. How Is Your Organization Using Its SaaS Solutions/Planning to Use Its SaaS Solutions in the Next 12 Months?



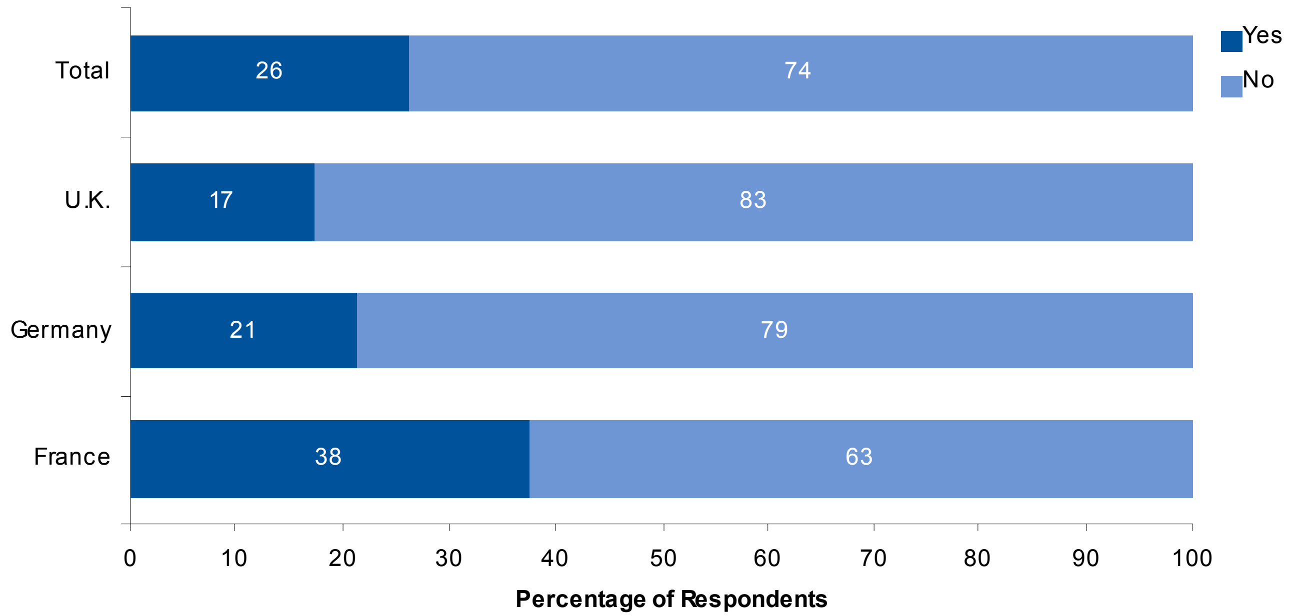
Number of respondents = 99

Source: Gartner (February 2009)

Insights Into Respondents' Contract Negotiations

Our survey reveals that the majority of respondents did not renegotiate their SaaS contract before it ended. However, some 26% of our survey base did renegotiate their contracts (see Figure 9). Gartner's examination of the business models of the main SaaS application vendors indicates that SaaS contracts typically run for two to three years. Some level of renegotiation is to be expected — 100% adherence to a contract term without any renegotiation is unlikely because of events such as merger and acquisition activity. This is confirmed by the results of our survey.

Figure 9. Has Your Organization Renegotiated Any SaaS Contracts Before They Reached the End of Their Term?



Number of respondents = 61

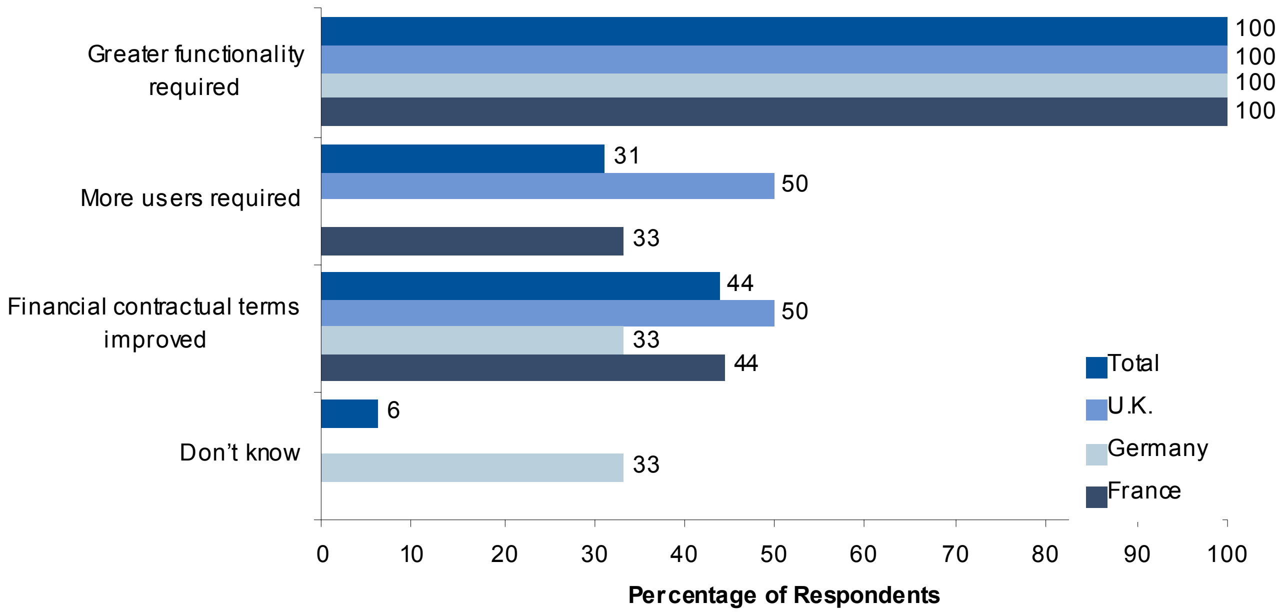
Source: Gartner (February 2009)

Figure 10 shows that the top three reasons for renegotiating contracts were:

- To add greater functionality to existing agreements
- A desire to improve the financial terms
- A requirement to add more users

U.K. respondents were more likely to renegotiate contracts to include more users than were French or German respondents. U.K. and French respondents were also more inclined to renegotiate their contracts when it came to improving financial terms. This suggests that German businesses may be more cautious and forward-looking when it comes to expected user numbers in their contract negotiations.

Figure 10. Why Was the Contract Renegotiated?



Number of respondents = 16

Source: Gartner (February 2009)

Conclusion

The survey results indicate that adoption of SaaS application software in three of the largest country markets in Europe continues to evolve. This means that opportunities for SaaS application software vendors are still present. End-user organizations will focus even harder on TCO, return on investment and rapidity of deployment issues in the current recessionary environment. The good news is that, to varying degrees, SaaS can confer advantages in each of these areas.

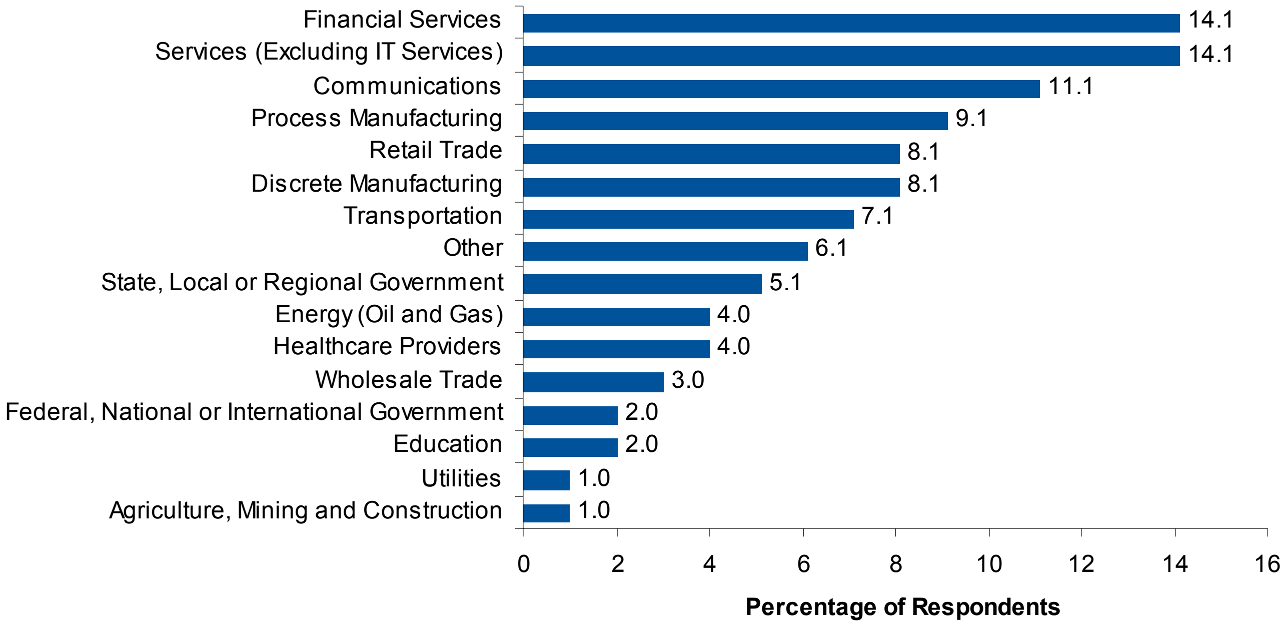
METHODOLOGY

Gartner conducted an enterprise application survey during June and July 2008 to understand trends in the movement to SaaS. This study was conducted to gain insight into where the lines of business are spending their software budgets. Gartner combined spending trends across the enterprise application markets. Additionally, we wanted to gain further understanding about SaaS usage patterns, trends, adoption and why people choose not to adopt, as well as understanding what regional differences exist in this market. Qualified organizations were those currently using or planning to use SaaS in the next 12 months, within at least one of the following enterprise application software markets: ERP, SCM, CRM or CCC.

Qualified respondents were those individuals within these organizations personally involved in the implementation support, implementation, planning and/or budget decisions related to the purchase of enterprise application software. The sample was drawn from an external panel of IT and business management professionals, the Dun & Bradstreet database, and other customized databases. The survey was conduced using online, computer-assisted telephone interviewing and face-to-face interviewing methodologies, depending on the country. The questionnaire was developed collaboratively by a team of Gartner analysts who follow this market, and it was reviewed, tested and administered by Gartner's Primary Research Management team. The survey had a total of 15 questions, many with multiple subsections.

We attempted to obtain a wide sample from across a variety of industries, as shown in Figure 11. No single industry represented more than 14.1% of total respondents. The number of respondents from some industries, such as utilities, government and energy (oil and gas), seems low compared with other industries, but this is to be expected, given the high regulation and security requirements that generally preclude SaaS applications for these industries.

Figure 11. Survey Respondents by Industry



Number of respondents = 99

Source: Gartner (February 2009)

RECOMMENDED READING

"User Survey Analysis: Software as a Service, Enterprise Application Markets, Worldwide, 2008"

"User Survey Analysis: Uncovering Regional Differences in SaaS Adoption for Enterprise Applications"

"Dataquest Insight: The Status of Business Application Deployments via SaaS in France, Germany and the U.K., 2007"

"Market Trends: Software as a Service, Worldwide, 2007-2012"

"Essential SaaS Overview and Guide to SaaS Research"

"Expanding SaaS in Customer Service Contact Centers Has Long-Term Effects"

"SaaS Integration: How to Choose the Best Approach"

"SaaS Solutions for IT Financial Management"

"SaaS Impact on Sales Force Automation"

"Hype Cycle for Software as a Service, 2008"

"Hints and Tips on Using Gartner Numbers When Reviewing IT Spending Plans"

Acronym Key and Glossary Terms

CCC content, communication and collaboration

SaaS software as a service

SCM supply chain management

Note 1
Gartner's Definition of SaaS

SaaS, which is also sometimes referred to as "software on demand," covers three main elements:

- An application owned, delivered and managed remotely by one or more providers
- Where the provider delivers an application based on a single set of common code and data definitions, which are consumed in a one-to-many model by all contracted customers at any time
- An application provided on a pay-for-use basis or as a subscription based on usage metrics

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