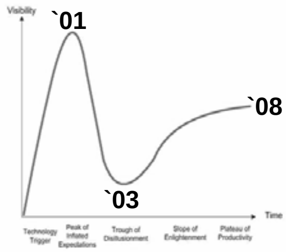
ASAP

Annual Conference

January 25, 2008
Amelia Island, GA

SaaS Is (Finally) Here



Notes:

AGENDA

MCG

1. SaaS? By example; perspective; technology evolution
2. Pros and cons for using SaaS
3. Strategic application stages for SaaS (1.0 to 3.0)
4. Radically reduced retail business model case
5. Summary

SaaS = Software-as-a-Service

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SaaS BY EXAMPLE

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1. WebEx; Mysites.com (?)
2. Functional support for "BPO"
   -- Payroll; HR, Expense Mgt.
   -- Design & Estimating
   -- Industry/Channel: Mck. "ASP"; ship/debit
3. Entire ERP? NetSuite now, others to follow (?)

BPO – Business Process Outsourcing

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SaaS BY PERSPECTIVE

Adoption Profile	X Occupation	X Strategic View
2.5% Innovators		a. Attack core
13.5 Change Agents	Software V'dr	
34 Pragmatists		b. Alt. offering
24 Skeptics	Not SV	1. Efficiency
16 Traditionalists		2. Effective's
		3. Transform'l

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Notes:

MIGRATE FROM NW TO SE

	Ind.	Dept.	Co.	Inter Co.	Supply Chain
Efficient	(NW)				
Effect					
Transf.					(SW)

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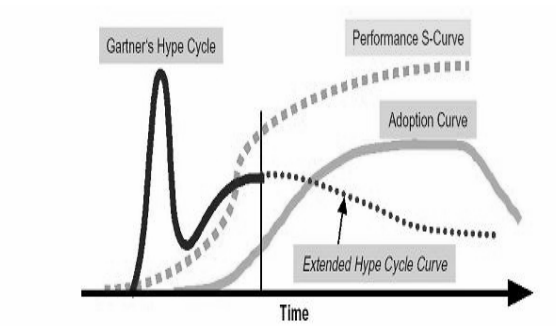
SaaS's PROGRESS ALONG HYPE CURVE



Source: Gartner Research (May 2003)

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"EVOLVING TECHNOLOGY/VOCAB"

"ASP"

- **I. Run custom app. remotely to browser**
- **II. Run your web native app. remotely**

"On-Demand" to SaaS:

- **III. Share same config. software + : multi-tenancy; security; metadata; pricing options; etc."**
- **IV. Scalability, reliability (increase); store-width costs (decrease)**

"Cloud Computing Visions" (and/both)

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Notes:

SaaS PRO's

1. **Internet marketing availability**
2. **Fast deployment (cheap, trial-run testing)**
3. **Reduce dependence upon internal IT people**
4. **Flexible consumption**
5. **Simplified pricing models**
6. **ROI predictability (total costs of ownership (TCO)**

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SaaS CON's

1. **Standard product for all; limited customization**
2. **True scalability: a few SMBs to many (?)**
3. **Quick product maturity for apps. in NW corner (Workday aims to equal SAP in 18 months)**
4. **Security (a misperception that is fading)**
5. **24/7/365 reliability (a concern that is fading)**
6. **Not tangible (empty boxes @ Staples)**
7. **ISV's are not racing to be VARs (disintermediation fears fades)**
8. **Ellison's Oracle view with NetSuite hedge**

ISVs - Independent software vendors

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STRATEGIC THINKING STAGES

SaaS 1.0: Get quick efficiencies (NW corner) for low TCO

SaaS 2.0: New business models for effectiveness

- Adam Smith's "division of labor" extended to
- Radical outsourcing to #1's in the world, so we can be #1 at what we choose to focus on
- Low-end, "innovative disruptor", no legacy, greenfield start up formats?

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Notes:

ROBA* RETAIL FORMAT CASE

- Local, technical entrepreneur
- (NetSuite platform) ERP solutions with built in:
  - a. VMI*, paperless replenishment (stock)
  - b. My Web Catalog ordering from 2 facilities for next day pick up with master DC goods cross docked
  - c. End-user, web-native design/functionality vs. legacy fur ball
- 10% of normal footprint: 5% of stock; 1000%+ virtual SKUs.
- $1500/month TCO for IT platform
- Etc.

ROBA – Radical Outsourcing of Business Activities;
VMI – Vendor Managed Inventory

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ROBA RETAILER QUESTIONS

1. New model(s) breakeven; ease of manning; scalability for:
   - a. Sales per square foot
   - b. Gross margin per full time employee equivalents
2. New location, distribution points & partnership possibilities:
   - a. What type of smaller towns & urban niches
   - b. In-store kiosks with Walgreens and Wal-Mart(s)

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ROBA RETAILER QUESTIONS

3. Cherry pick local elephant or two as cost+ agent?
4. Could a “channel utility platform” emerge? Or, will bigs succeed with their own hi-switching cost, proprietary systems?
5. Outsource core ERP platform to (NetSuite) supply chain VAR/integrator?

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Notes:

SaaS 3.0 VISION(S) ELEMENTS

1. How far will cloud computing scale?
2. Costs of store/width are heading to “free”
3. What are other intersecting IT trends?
4. SaaS platform effects?
5. Won’t all costs of start-ups failing forward drop?
6. Long-tail of new customer opps. for ISVs to pursue.

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INTERSECTING (GARTNER) SOFTWARE TRENDS*

1. Increased use of BPO (5 yr. growth: $144B to $235B)
2. Increased use of SaaS (25% of all software sales by `11)
3. Growing open source software (OSS) movement
4. CH-India + SOA components
5. Pricing resistance in greenfield countries
6. Rise of CH-India software firms to serve there & here

BPO – business process outsourcing; SOA – service oriented architecture; for more google: Gartner + “seven key trends” + software)

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TIME OUT FOR SOME QUESTIONS

1. For all firms in attendance:
   a. What could/should you ROBA?
   b. What new business models could you create (SE corner; Ex. A)?
   c. What new, "long-tail" customer & supplier integrations emerge?

2. For ISVs: what transformational changes should you make?

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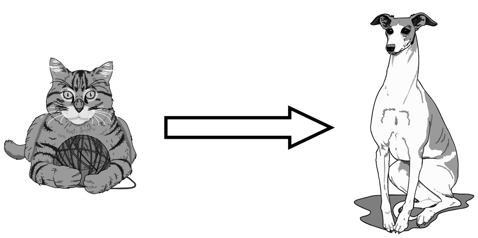
Notes:

HOW TO RECONSTRUCT A NEW ANIMAL



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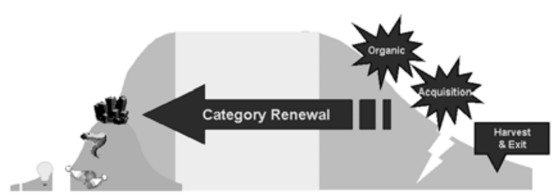
Innovation Types for Declining Markets
Leveraging Category Renewal



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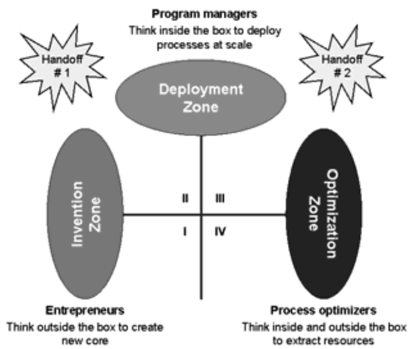
Resource-Recycling Zones



Notes:

REWEAVE THE KINETIC CHAIN (X ROBA)

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Sustainable Profit Power

7. Incentives
6. Assets (Tools)
5. Education
4. "Good People"
3. Systems
2. Strategy
1. Great "Leadership" - Management

See Article # 2.1 at www.merrifield.com

SUMMARY THOUGHTS/QUESTIONS (1)

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1. Innovation imperative? Go from reactive to proactive?
2. SaaS/software trends + internet performance, store-width costs = WOW
3. What is our team's "adoption profile"? Move to at least "change agents"?
4. How do we score at many aspects of "Innovation Management"?

Google images for "innovation management" for more "aspects".

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SUMMARY THOUGHTS/QUESTIONS (2)

5. Pick the best life-cycle categories for our firm?
6. See the future of SaaS/software trends convergence first?
7. Experimenting with (new) business model tools?
   a. Doblin's 10 strategy levers (see Exhibit A)
   b. Ideo's 10 Faces of Innovation

Google images for "innovation management" for more "aspects".

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Notes:

SUMMARY THOUGHTS/QUESTIONS (3)

8. What IM processes have we tried? How well?
9. Overhaul corporate change "memes" (culture) & people?
10. Recycle resources (weed dying to feed living)?

Google images for "innovation management" for more "aspects".

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WHO IS BRUCE MERRIFIELD

An independent consultant who focuses on:

- High performance service management
- Innovation and intrapreneurship
- Supply-chain SaaS solutions

For more on his services and published areas of expertise go to www.merrifield.com

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SaaS – Software as a Service

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Exhibit A

10 X 10 INNOVATION

Opportunity Area

10 Types of Innovation .... **[X]** .... **10 Faces of Innovation**

Finance
1. Business Model
2. Networking

Process

3. Enabling process
4. Core process

Offering

5. Product performance
6. Product system
7. Service

Delivery

8. Channel
9. Brand
10. Customer experience

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Theoretical
Prisms to
Work
Through

1. Anthropologist
2. Cross-pollinator
3. Experimenter
4. Hurdler
5. Collaborator
6. Director
7. Experience architect
8. Set designer
9. Storyteller
10. Caregiver

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