

Research Findings on SaaS/Cloud Computing Market 2009
Shrinking system integration market: Noteworthy new businesses in the era of cloud computing

➤ **Research Outline**

Yano Research Institute has conducted a study on the SaaS/cloud computing market as described below.

1. Research period: November 2008 to February 2009
2. Research targets: System integrators, software vendors
3. Research methodologies:
Face-to-face interviews with relevant personnel, supplemented by interviews via telephone and e-mail, and literature researches.

<What is SaaS/Cloud Computing?>

Following definitions are commonly accepted.

- SaaS (Software as a Service) : A model of software deployment whereby a provider licenses an application to customers for use as a service on demand
- Cloud computing: A style of computing in which various IT resources including software are provided as a service over the Internet

As to the market size estimation in this research, online use of ERP solutions (including ASP on hosting service) has been estimated.

➤ **Key Findings**

- ◆ **The market size of SaaS/cloud computing for ERP solutions was 21.3 billion yen in 2008.**
SaaS/cloud computing in ERP solutions market in 2008 was 21.3 billion yen, which accounts for 3.6 percent of the total market. The SaaS/cloud computing is expected to grow to about 28 percent of the total ERP solutions market in percent distribution by 2016, and to 177 billion yen in value.
- ◆ **Cloud integration business will start to grow while system integration market shrink.**
When SaaS has become fully popularized, a variety of new services will be introduced into the market. It is expected that the users will start using SaaS for some applications while keep using a portion of existing corporate systems. As a result, the ratio of cloud integration, such as data interaction between SaaS and existing application systems, is expected to gradually increase.
Also, future system integrators are expected to take on a role of service coordinators for selecting a suitable menu from various SaaS or BPO (business process outsourcing) services for the client enterprise and to offer a package.

➤ **Report format:**

Published report: "SaaS and Cloud Computing Market 2009"

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◆ Research Summary

1. Overview and future prospects of the market

SaaS/cloud computing in ERP solutions market in 2008 was 21.3 billion yen, which accounts for 3.6 percent of the total market. In the future, it is likely that the cloud computing will grow by absorbing the services of leading system integrators such as hosting business, and will gradually increase its ratio in the mission-critical application systems. Since ERP package vendors are also expected to start working on providing their package software on SaaS platform, the presence of cloud computing will keep increasing in the market.

In 2012, SaaS/cloud computing is expected to account for 11 percent of the total ERP solutions market, reaching to 69.1 billion yen in value. The CAGR (compound annual growth rate) from 2008 to 2012 is estimated to be around 34 percent. Then, SaaS/cloud computing is expected to grow to about 28% in percent distribution and 177 billion yen in value by 2016.

2. Market entry of the domestic system integrators, and crisis for the conventional business models

Overseas vendors have been leading the SaaS and cloud computing market, in which software is provided as an online service on demand instead of selling an application package, and various IT resources are provided in the same manner as well. Recently, however, a leading domestic system integrator has officially announced its entering into the market, and attracted public attentions.

In the domestic IT industry, system integrators have been taking a major role in the market, and have been developing the business of providing a package of the integrated information systems required by their client enterprises, including hardware and software. SaaS/cloud computing, however, can be a threat to the conventional business models of such system integrators as an user enterprise can procure software and IT resources directly from the vendors through the online network, bypassing the system integrator.

3. Noteworthy trends

3-1. System integration market will shrink with the growth of cloud computing

With the rise of cloud computing, it will become unnecessary for the user company to own many of the information systems required. Thus, business opportunities for the system integrators who have been providing system establishment services to their clients, such as hardware sales and software customizations will decrease and the system integration market will shrink in the future.

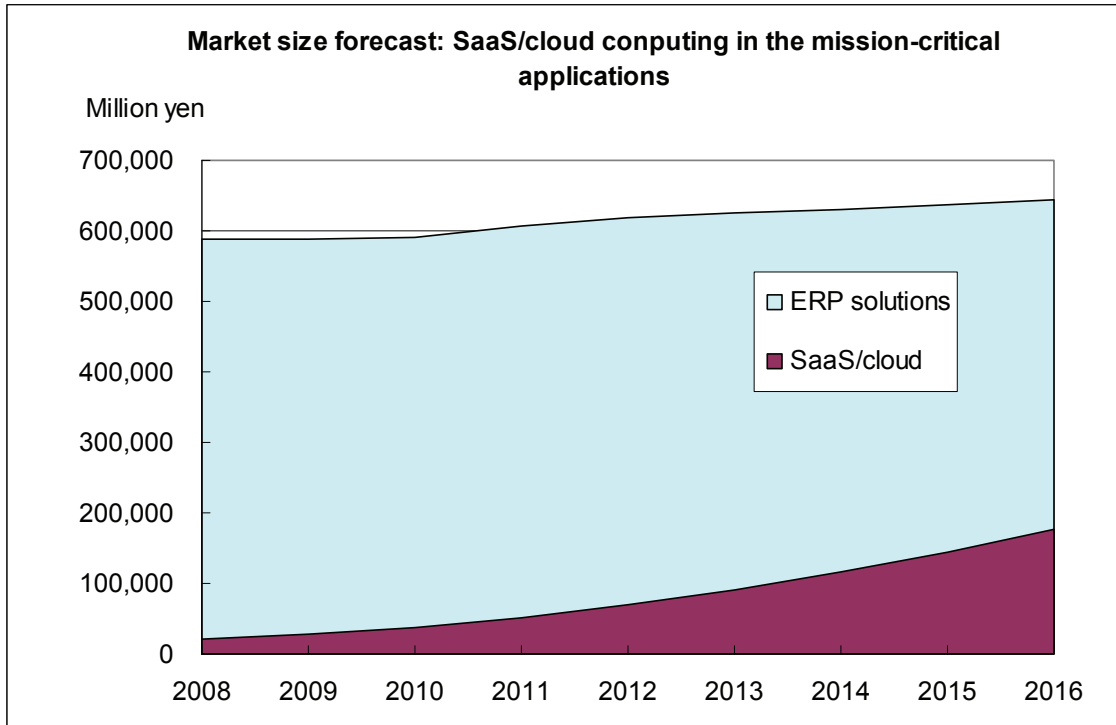
3-2. Transition from contract work to licensing business

As above stated, domestic major system integrators entered into the cloud computing market by having equipped themselves with IT infrastructures with virtualization technologies and SaaS platforms and so forth are expected to strengthen their activities on transforming their businesses from conventional contracted system integration business (work flow type business) to the new IT resources licensing and monthly fee collection (stock-base) business.

3-3. Cloud integration and service proposal are the keys for success

When SaaS has become fully popularized, a variety of new services will be introduced into the market. It is expected that the users will start using SaaS for some applications while keep using a portion of their existing corporate systems. As a result, the ratio of cloud integration, such as data interaction between SaaS and existing application systems, will gradually increase.

Under these circumstances, future system integrators is expected to take on a role of service coordinators, such as selecting a suitable menu from various Saas or BPO (business process outsourcing) services and offering as a package for their client enterprises.



Unit: Million yen

	2008	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
ERP solutions	587,900	587,900	591,500	606,400	617,500	624,600	631,300	637,600	643,500
Year/year		100.0%	100.6%	102.5%	101.8%	101.1%	101.1%	101.0%	100.9%
CAGR		0.0%	0.3%	1.0%	1.2%	1.2%	1.2%	1.2%	1.1%
SaaS/cloud	21,300	28,600	38,300	51,900	69,100	90,100	115,300	144,500	177,000
Year/year		134.3%	133.9%	135.5%	133.1%	130.4%	128.0%	125.3%	122.5%
CAGR		34.3%	34.1%	34.6%	34.2%	33.4%	32.5%	31.5%	30.3%
Ratio	3.6%	4.9%	6.5%	8.6%	11.2%	14.4%	18.3%	22.7%	27.5%

*Value is based on the end user prices.

(Estimated by Yano Research Institute)

* (F) indicates forecast.

* CAGR indicates the compound annual growth rate from 2008.

* ERP solution includes licensing, consulting, integration, support service, etc.