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## **BENCHMARKING: ON-DEMAND SOLUTIONS**

### **THE BOTTOM LINE**

**On-demand solution adoption is growing: a Nucleus survey finds 51 percent of organizations are using some on-demand solutions today. Both small and large organizations are adopting on demand to support CRM, project management, content management, e-commerce, and other efforts. However, the on-demand buyer should still beware: many vendors marketing on-demand solutions don't really have them.**

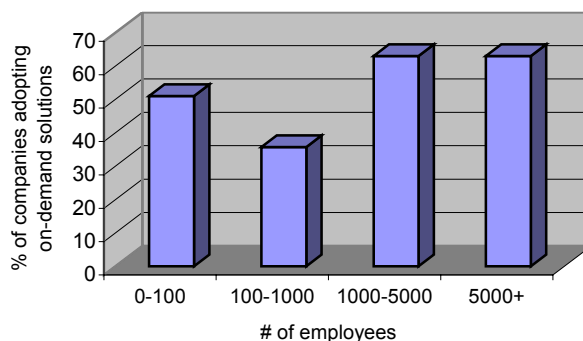
On-demand has emerged as a key disruptive technology, enabling companies to leverage technology faster and at a lower cost than previously possible for greater usability and broader benefit. To explore user adoption of on-demand solutions, Nucleus and KnowledgeStorm conducted a survey of 198 organizations to identify who is using on demand today, what solutions they're using, and what they plan to do in the future.

Fifty-one percent of organizations are using an on-demand solution today.

### **It's not just the little guys**

Contrary to popular belief, on-demand solutions are not just for small and midsize companies. In fact, Nucleus found 63 percent of companies with more than 1000 employees had adopted some on-demand technology, compared with only 46 percent of those with fewer than 1000 employees.

**Figure 1. On-demand solution adoption by company size**

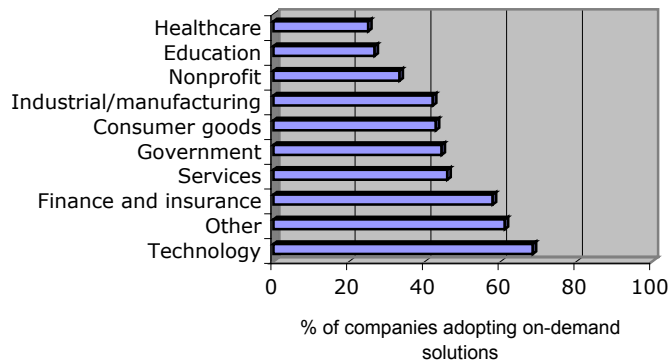


The technology and finance and insurance sectors lead the pack in adoption today, followed by government, manufacturing, and services organizations. Healthcare

organizations and educational organizations have the lowest adoption, with fewer than one in three using on-demand solutions today.

Technology companies and finance and insurance companies are the broadest adopters of on-demand solutions today, where more than one out of two companies have adopted.

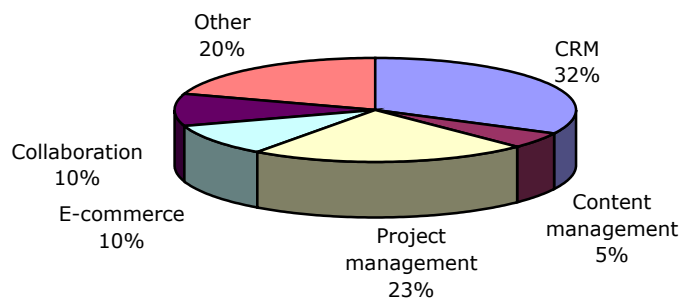
**Figure 2. On-demand solution adoption by vertical**



### It's not just CRM

Although on-demand CRM is the most oft-touted on-demand solution area, fewer than a third of the companies using on-demand solutions today are using on-demand CRM. Other key areas of on-demand adoption included project management, e-commerce, collaboration, and content management.

**Figure 3. On-demand solution adoption by technology area**



### It's not just about TCO

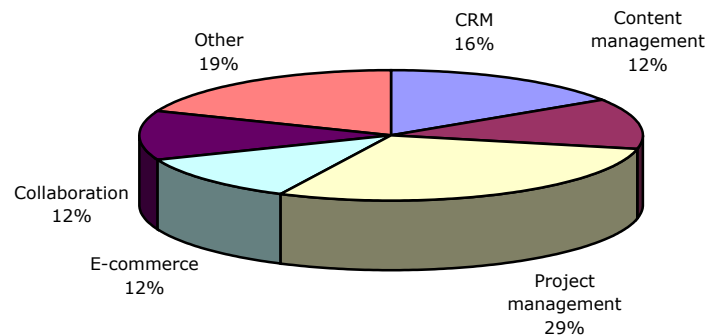
Although the early marketing pitch for on-demand solutions was about lower initial and ongoing cost, only 9 percent of companies selected an on-demand solution because of low total cost of ownership (TCO). In fact, nearly one in four companies cited rapid implementation as the key motivation for going on demand; one in five cited ease of use.

One in four companies selected on-demand solutions because of rapid implementation; one in five picked on demand because of ease of use.

### It's not waning

Sixty-four percent of companies plan to consider implementing an on-demand solution in the next 12 months. Key areas of focus include project management and CRM.

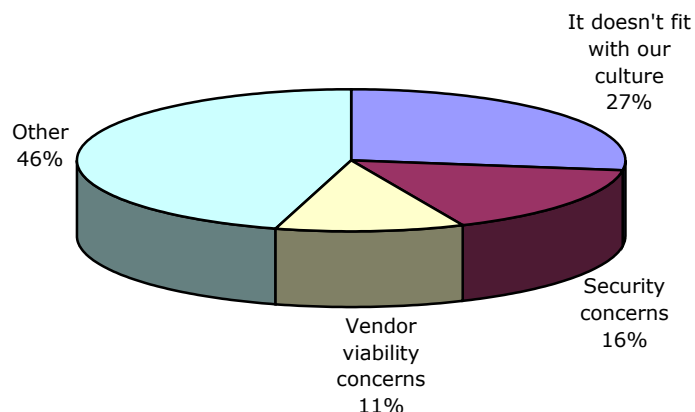
**Figure 4. Future on-demand solution buying intentions**



### There are still some naysayers

Despite all the benefits of adopting on-demand solutions, there are still some companies not willing to consider on demand — but for different reasons than you might think. Fewer than one in five companies avoid on-demand solutions because of security concerns; even fewer avoid on-demand because of vendor viability concerns. Although Nucleus did not ask respondents to specify, other responses could include lack of familiarity with the technology or that an on-demand solution was not currently available to meet a respondent's needs.

**Figure 5. Reasons for not adopting on-demand solutions**

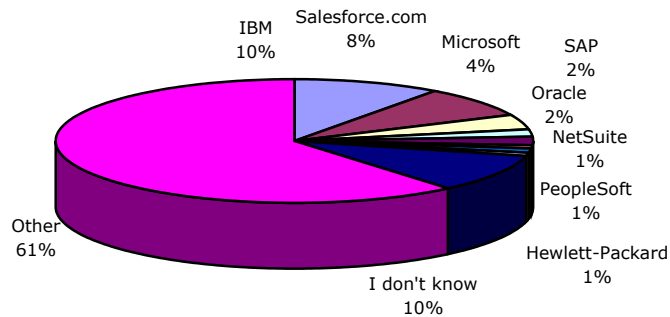


### It's still misunderstood

The growing popularity of on-demand solutions for areas including CRM, content management, project management, collaboration, and e-commerce has a number

of vendors clamoring for a share of the on-demand market. However, not all of the solutions they're marketing are truly on demand. That doesn't mean they're bad solutions; it simply means that you may not really be getting the benefits of on-demand. Ensuring you know which model you're actually getting will help you effectively plan for ongoing support and upgrades.

**Figure 6. Vendors most closely associated with on-demand solutions**



In fact, Nucleus's survey found that 10 percent of respondents couldn't name a vendor they associated with on-demand technology, and with the exception of Salesforce.com, three of the most commonly identified on-demand vendors named in the survey — IBM, Microsoft, and SAP — don't deliver on-demand solutions today.

In the on-demand model, the software is supported and managed externally by the vendor and users access it via a Web browser (or in some cases a thin client). Multiple customers are accessing a single instance of the application. The benefits of multitenancy with on demand include avoided support costs, but customers also benefit from the vendor's ability to amortize the development, support, upgrade, and functionality improvement of the solution across multiple customers.

On-demand solutions are multitenant, meaning multiple customers access the same instance of the software. Individual customers may customize or configure their own interface to view the software but they cannot make changes in the source code.

On-demand customers benefit from both vendor support of the application and shared development, support, and upgrade costs across a broad multitenant architecture. Key questions to ask to determine if your vendor's solution is really on-demand include:

- Is it multitenant or single tenant?
- Are upgrades and new functionality delivered for each individual company or on a broad basis?
- Was the solution built as an on-demand solution or rearchitected from an existing software package?

**Hosted — not on-demand**

The hosted or ASP model has been around for a long time: companies essentially outsource the support and development of their application to an outside vendor. The key difference between hosted and on demand is that in the hosted model each customer is accessing their own single instance of the application. This means the vendor is effectively supporting, developing, and fixing bugs in an individual instance of the application for each of its customers — so customers only get limited benefit from the economies of scale they experience in a multitenancy on-demand model. Examples include SAP's CRM on-demand, Microsoft CRM on-demand, and Oracle E-Business Suite On Demand.

Neither SAP nor Microsoft deliver on-demand solutions today.

**On-premise**

In the traditional on-premise model, a company purchases and deploys software internally on its own servers that it supports.

**Hybrid**

In hybrid solutions, customers may deploy an instance of the application internally but may also access an on-demand version of the application. This can be because of a rapid deployment strategy (deploy quickly today with on-demand and bring it in-house later when we complete development) or a strategy to support multiple sites or user groups with different needs and IT resources. This enables companies to leverage the benefits of the application across a user base with different needs or IT infrastructures while best managing cost and risk. For example, Digitech Systems provides both on-demand and on-premise versions of its content management system — enabling customers to manage content for their central offices on local servers while supporting remote offices without IT staff with on-demand content repositories that can be synchronized on a regular basis.

**CONCLUSION**

Adoption of on-demand solutions is accelerating, particularly in the areas of project management, content management, and e-commerce. Although companies will continue to invest in on-demand technologies for other areas such as CRM and collaboration, vendors will be challenged to show not just that they deliver a reliable on-demand solution but that they can deliver on the on-demand promise: to leverage economies of scale in a multitenant model to deliver greater innovation and value over time.

Nucleus looks to Salesforce.com and its AppExchange model to further innovate in delivering value in the CRM area as well as becoming a broader development platform for internal IT developers and a partner network of component developments.

The more interesting battle in the near term, however, may be for the e-commerce dollars, as companies start to look to on-demand providers such as Venda and Demandware to replace their costly and inflexible traditional e-commerce Web environments.

Smaller companies and nonprofits can reap considerable benefits from content management, project management, and other on-demand solutions to help them streamline operations and improve global coordination and communication without complex IT demands. Expect on-demand analytics and on-demand business intelligence as well as more on-demand database marketing and other solutions to provide affordable, rapid-to-deploy solutions for a broader range of customers.

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