

Title **On the Road in Germany: SaaSKon and the Growth of the Cloud**

What is Happening? Last week, Saugatuck Technology founder and CEO Bill McNee spoke at the SaaSKon conference in Stuttgart, Germany. Like many events that Saugatuck participates in throughout world, the 2-day conference was a terrific venue to gauge current and local market conditions, and receptivity to the key and emerging trends driving change in enterprise computing.

This *Research Alert* summarizes some of the key takeaways from this event, along with a short interview with Dr. Gerrit Tamm of SRH University, a leading academic thought-leader in Germany, and Hassan Hosseini, who recently joined Saugatuck as a member of our EMEA-focused research and consulting practice.

Why is it Happening? Amid a busy week of custom consulting and other business activity throughout Europe, Saugatuck's McNee participated in and delivered one of the keynote addresses at [SaaSKon](#), November 11-12. The turnout of more than 100 provider and user professionals was slightly higher than we expected. However, unlike many of the Cloud Infrastructure and SaaS-focused conferences in the US, SaaSKon was a breadth of fresh air in terms of the mix of the attendee's – as more 40 percent were senior business and IT professionals (as well as a handful of academic thought-leaders), rather than solely the domain of vendors and services providers.

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The authors invite your comments and inquiries on this *Research Alert*.

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Previously, Mr. Hosseini worked for Pierre Audoin Consultants (PAC) in Germany as a Managing Consultant, and prior to that spent 10 years as a consultant and in marketing with SAP.

McNee's Day 2 keynote updated the attendees on Saugatuck's current SaaS and Cloud Infrastructure adoption scenarios, as well as calling out key market drivers and preferences. In addition, it included an update to our forecast as it concerns future growth for SaaS and traditional on-premise ISVs in light of a recovering global economy. McNee stated that Saugatuck is in the process of revising its recently published model comparing two global market baskets of publically traded SaaS and on-premise ISVs (see *Research Alert* RA-650, "[SaaS Vs. On-Premise Growth: Before and After the Crash](#)," published 08 Oct. 2009) based on recently announced Q309 financial results.

McNee suggested that the SaaS market basket that Saugatuck is tracking would likely rebound to greater than a 30 percent annualized revenue growth rate by 2011 (up from 20 percent in 2010). While Saugatuck's market basket of traditional on-premise ISVs will likewise rebound (from the depths of the new license revenue collapse experienced by many ISVs worldwide during calendar Q2-Q3 2009), at most Saugatuck anticipates top-line revenues to grow 10 percent by 2011, which may be a high-water mark in terms of revenue growth for this sector thereafter.

More importantly, Saugatuck walked away with two key takeaways from the conference, specific to market conditions in Germany:

- **The Time is NOW For German ISVs Get on the Cloud Bus:** Throughout the conference, Saugatuck gained the strong sense that traditional ISV and infrastructure providers recognize the need for, and are now in the mood to make the move toward the Cloud. The recent economic turmoil only reinforced the shift in future buyer

behavior – which is like handwriting on the wall. Having attended and spoken at last year’s conference, Saugatuck’s Frank Sempert (Senior Program Executive, Germany) shared that “the level of urgency among the vendors has dramatically increased.”

- **Users Will Embrace Hybrid Cloud Architectures:** In both the main tent sessions, and in hallway conversations, it was very clear that the user executives that we spoke to realized that “the Cloud” was not just market hype, but an important longer-term trend. We see this as an important sign-post given the conservative heritage of technology adoption among German user executives (see below). More than a third of those that we spoke to were planning targeted 2010 investments that would test the viability of emerging hybrid architectures – both in the form of mega-vendor driven initiatives from companies such as Microsoft and SAP, as well as through their own integration efforts that are bridging pure-play SaaS assets (that they either have or will be acquiring), and on-premise data and processes.

In support of some of these themes, we thought it would be helpful to share highlights from an interview / conversation that McNee had with Professor Gerrit Tamm, Business Informatics at the [SRH University](#) in Berlin, and the founder and CEO of [Asperado GmbH](#) (as well as several other research institutes that he directs) while at the conference. Joining McNee was Hassan Hosseini, who recently joined the Saugatuck team in Germany. As “on the ground” experts on German SaaS adoption, McNee asked Tamm and Hosseini four key questions:

- 1) MCNEE: *In your opinion, what is the state of SaaS and Cloud Infrastructure adoption in German today?*

TAMM: While the potential for SaaS and Cloud Computing in Germany appears large, the transition still is in the early stages, due to the economic crisis and long decision processes. However, the potential for cost savings could stimulate interest in the short-term.

HOSSEINI: While Germans often believe that they are behind the US in terms of technology adoption, recently completely Saugatuck research suggests that this might not always be the case – as anticipation for when Cloud Infrastructure services will be “mainstream” was much sooner in Germany than in the US. Most likely private clouds will be of greater interest in Germany than public clouds in the beginning – given security and privacy issues. This is in contrast to SaaS, where adoption has typically been 12-18 months slower than in the US (except for the UK, Benelux and the Nordic countries).

- 2) MCNEE: *How is adoption in Germany different than elsewhere in Western Europe?*

TAMM: More so than elsewhere in Europe, there is a “hold-up” problem. German senior executives – especially medium sized businesses – are typically reserved in doing investments, and traditionally do not make fast decisions regarding key business



changes.

HOSSEINI: Many of the firms in Germany are in manufacturing, which are often conservative in terms of technology adoption. They will look to new start-ups, but often seek comfort vendors. This is why vendors such as SAP are now developing hybrid architectures.

- 3) MCNEE: *What are the key drivers and inhibitors to SaaS and Cloud Infrastructure adoption today, and how quickly will they be overcome?*

TAMM: Major drivers in business today are the same ones as internationally: getting business processes enabled by IT cheaper, faster and better. A first wave of “mainstream” transition to the Cloud shall take place not earlier than 2011-2012 in Germany.

HOSSEINI: I totally agree with Dr. Tamm. German companies want variable pricing, and a platform to cost-effectively collaborate with their business partners globally. Cloud Infrastructure will be a great enabler. It will not be a question as to whether they want Cloud Infrastructure – their businesses will demand it given the global nature of the manufacturing sector.

- 4) MCNEE: *In your opinion, who are some of the leading pure-play SaaS and Cloud Infrastructure companies from Germany today?*

TAMM: Right now, there is no light-house success-story in Germany like Salesforce. Instead, there are a lot of start-ups in the market (www.unipark.de, www.reporta.ag - you can find more on www.asperado.de).

HOSSEINI: So far, there are no clear leaders today, although US-headquartered SaaS providers have the most visible market penetration in Germany. There are some interesting emerging SaaS (see Note 1), but the market will be a mixture of SaaS pure-plays, 800-pound gorilla’s such as SAP and Microsoft (if they can manage the channel), and a variety of existing German-focused ISVs migrating to SaaS (e.g., GUS Group).

Market Impact

It is increasingly clear that SaaS and Cloud Infrastructure services have gone global, and will no doubt become “mainstream” during the next three-to-five year planning horizon.

With a heritage as an important fast-follower market to track in terms of technology adoption, evolving provider and buyer behavior in Germany points toward a highly integrated and orchestrated hybrid architecture that combines the best of the new with what remains of the old.

Note 1
 Select List of German SaaS Companies

- [Alex & Gross Group](#) (CRM)
- [Brainloop AG](#) (Doc Mgmt)
- [energy GmbH](#) (CRM)
- [Esker Software GmbH](#) (PaaS)
- [e-vendo AG](#) (Merchandise Management)
- [INTRAPREND GmbH](#) (ERP)
- [Sciforma GmbH](#) (Portfolio Management)
- [visionapp AG](#) (ERP)

