The 2013 Softletter SaaS Report

Description: 587 pages of invaluable data and survey results on SaaS from the viewpoint of technology providers. “This report includes the most extensive benchmarking data available in the SaaS market today,” Jeff Kaplan, Managing Director of THINKstrategies, Inc. and the SaaS Showplace.

The Softletter SaaS Report is the most up-to-date source of metrics, benchmarks, and information available today on software publisher’s attitudes and best practice approaches to the SaaS tsunami sweeping the industry. If your business is SaaS-based or will be impacted by SaaS, this report is a must purchase.

SCOPE

Comprehensive study of all aspects of running a company on the SaaS business model. Report covers: revenue performance, trial and freemium conversion rates, churn and renewal rates, adoption of multi-tenancy, security standards, uptime guarantees, use of open source, pricing models, marketing and sales, pricing models, discounting, SaaS channels, and much more.

REASONS TO BUY

- CEO, CFO and COO’s - An invaluable resource for metrics and benchmarks for running a business based on the SaaS business model.
- A unique resource based on hard data that provides that guides you to business strategies and tactics most likely to succeed.
- If your company is either introducing a SaaS product or will be impacted by SaaS the Softletter SaaS Report is a required presence in your R&D, sales, and marketing toolkits.

Contents:

Introduction and Methodologies

- Report Highlights and Observations
- What is your primary market for your SaaS product?
- Did your company’s SaaS revenues grow from this period in 2010 to this period in 2011? *
- Company Profiles and Demographics
- Development stage of your company?
- Current gross revenue?
- For how many years has your company been selling SaaS systems?

Primary Market Results

- What is your primary market for your SaaS product?
- SaaS Revenues, Pricing, Upgrades and Installation
- Did your company’s SaaS revenues grow from this period in 2010 to this period in 2011?
- By what percentage did your revenues grow?
- What percentage of your revenues come from international markets?
- Is your SaaS company or business unit profitable?

Functionality and Updates

- Does your SaaS product offer more than one level of functionality?
- How many functionality levels do you offer?
- How often do you release a "major update" of your SaaS product to your customers? (A "major update" is defined as including significant new features and functionality, not just incremental improvements and bug fixes)
- Do you charge for major new product capabilities when they are introduced?
- Freemium and Trial Access Programs and Conversion to Sales
- Do you offer a "freemium" version of your SaaS system?
- Over the last 12 months, what percentage of your freemium subscribers converted over to any paid version of your SaaS system?
- Based on paid conversions from freemium versions, approximately how much do you charge per seat for your SaaS systems per month? (Please provide a monthly cost even if you have signed the customer to a subscription agreement that spans X period of time)
- Do you offer trial access to your SaaS software? (Trial access is defined in this survey as the process of allowing a potential subscriber or company to have complete access and usage to at least a basic version of your software that's completely functional. We do not define trial access as a system that cripples the SaaS software in some critical way, such as preventing the user of the system from storing records or marking the output of the system or labeling it in such a way that the system could not be used for commercial purposes.)
- Do you allow visitors to your SaaS site to sign up for trial access to your SaaS system without first speaking to a sales or marketing person in your organization?
- Over the last 12 months, please tell us what % of your trial access prospects converted to a paid version(s) of your SaaS product?
- If the trial period ends without a conversion to sales:

Pricing and Subscription Models

- Do you price your SaaS system on the basis of (please pick your PRIMARY method):
- Based on concurrent seats, what is the average size of your typical initial sale in seats?
- Based on concurrent seats, how many ADDITIONAL seats do you typically sell to the customer during the twelve months after the initial sale?
- Based on concurrent seats, approximately how much do you charge per seat for your SaaS software per month? (Please provide a monthly cost even if you have signed the customer to a subscription agreement that spans X period of time)
- Based on named subscribers, what is the average size of your typical initial sale in paid subscribers?
- Based on named subscribers, how many ADDITIONAL seats do you typically sell to the customer during the twelve months after the initial sale?
- Based on named subscribers, approximately how much do you charge for your SaaS software per month? (Please provide a monthly cost even if you have signed the customer to a subscription agreement that spans X period of time)
- On a per project basis, how much do you charge on a monthly basis? (Please provide a monthly cost even if you have signed the customer to a subscription agreement that spans X period of time)
- What is your most popular subscription length option?
- Please check all the subscription options you offer your customers

Discounting and Pricing Methodologies

- Do You Offer Discounts to Customers Who Sign Quarterly, Yearly or Multi-Year Contracts?
- Based on offering quarterly contract length discounts, what percentage discount do you typically offer over your monthly subscription pricing?
- Based on offering yearly contract length discounts, what percentage discount do you typically offer over your monthly or yearly subscription pricing?
- Based on offering multi-year contract length discounts, assuming a two year or more contract, what percentage discount do you typically offer over your monthly or yearly subscription pricing?
- Do you have different pricing and subscription models for each country you do business in?
- Do you typically create custom contracts for new customers or sign them up using standardized contracts?
- Do you publish your pricing schedule on your website?

SaaS Hybrid Models

- Do you allow your customers the option of installing your SaaS software behind their own firewall (on their servers, the licensed model) rather than on your servers?
- What percentage of your customers choose the option of installing your SaaS software behind their own firewall rather than on your servers?

SaaS Resubscription Metrics

- On a per annum basis, what percentage of your SaaS customer base resubscribes?
- On a per annum basis, what is the revenue renewal rate of your SaaS customer base? As a simplified
example, if you entered the year with 10 customers paying $1M, what were the revenues generated by those customers at year's end? If the revenue generated was $1.1M, that represents a 110% renewal rate or 10% gain. If the number is $900k, that represents a 90% renewal rate (or a 10% revenue loss/churn). Your answer to this question will help us understand how SaaS companies are managing the overall revenue value of their customer base.

Product Architecture and R&D

- Does your company implement "Agile" methodologies in its R&D?
- What is the principal Agile methodology used by your development group?
- Please tell us the primary business advantage of using Agile methodologies in your development cycle.
- Where does your SaaS client (the interface or "area" of the product with which a subscriber interacts) component execute?
- Do you provide third parties with a documented API for your system?
- Does your SaaS product incorporate Open Source software?
- Are you using third party components such as Boomi, Cast Iron, Pervasive, etc. to automate data and business process integration in your SaaS applications?
- Have you developed a “smartphone” mobile application interface for your SaaS system?
- Which of the following best describes your SaaS software architecture?
- How was your SaaS multi-tenancy architecture primarily implemented?
- Please tell us the primary reason you have not implemented a multi-tenanted architecture in your SaaS system?
- Is the primary development of your SaaS product done by an outsource (a third-party firm or firms hired for this specific task)?
- Are you developing a SaaS product on top of a "full SaaS stack" third-party platform (PaaS) such as Force (Salesforce.com), Servoy, NetSuite's SuiteFlex or similar system? (Softletter defines a “full stack” SaaS product as one in which the vendor supplies most, if not all, of the underlying infrastructure and middleware required to run a SaaS application. For example, a full stack SaaS development platform typically supplies the underlying hardware, database, and middleware an application needs to run in an online environment, in addition to the programming language/tools required to build a user interface and business logic.)
- Please tell us the primary reason you have not developed an application in a PaaS platform

SaaS Infrastructure Models

- Do you maintain your own hardware/software infrastructure (personnel, servers, storage, security, software, etc) for your SaaS system in-house? Or do you outsource your infrastructure operations? For the purposes of this survey, colocation, where you own servers stored at an offsite location, is regarded as an in-house infrastructure model.
- What percentage of your gross SaaS revenues do you spend on maintaining your SaaS hardware/software infrastructure internally? (Please include the cost of all hardware and software such as servers, routers, backup hardware, cost of your server OS, web server software, security monitoring systems, etc. Please also include the salaries of the personnel required to manage your infrastructure, including any security personnel costs, whether in-house or third party. For example, if your total revenues over the last 12 months were $1m and you spent $100k on your infrastructure costs, you spent 10% of overall revenues)
- What percentage of your gross SaaS revenues do you expend on outsourced infrastructure services supporting your SaaS product? (For example, if your total revenues over the last 12 months were $1m and you spent $100k on your infrastructure costs, you spent 10% of overall revenues)
- What type of outsource model do you use?
- Is your infrastructure company SAS 70 (SSAE 16) certified?
- Is your infrastructure provider ISO 27001 certified?
- Please tell us the name of the primary Cloud infrastructure provider you are using.
- What baseline percentage of uptime do you guarantee your customers? (All percentages assume 24/7/52 availability and also assume they have not contracted for additional or premium uptime service levels)

SaaS Security, Standards and Audits

- Has your firm undergone a SAS 70 (SSAE 16) audit?
- Please tell us what type of SAS (SSAE 16) audit you have undergone.
- Have you undergone a non-SAS 70 security and privacy audit by a third party?
- Are your internal or external billing systems PCI compliant?
- Is your SaaS system European Union Safe Harbor compliant?

SaaS Escrow and Fallover

- Does your company provide an escrow option for your customers in the event of a major service interruption or your company going out of business?
- Does your company provide a complete fallover ("failover") guarantee in the event your company goes out of business? (A fallover guarantee means a third party will take over operations, maintenance and provisioning of your system for X period of time until you can migrate your data and business processes out of the current SaaS application or until another entity can be found to maintain operation of the system)
- How is your fallover provision delivered?
- What percentage of your customers or potential customers require you provide an escrow or fallover service as a condition of conducting business?

SaaS Regular and Alternate Reseller Channels

- Do you have a recommender (agent) program for your SaaS product? (A recommender program pays an individual or company of record who recommends, but does not resell, your product)
- How much do you pay recommenders of record for subscription sales. (Please provide a % figure based on the value of the initial subscriptions for the the first 12 months of the subscription period even if you pay a fixed fee to the recommender; this will allow us to establish a baseline figure)
- Do you resell your SaaS product via an affiliate-label reseller program? (An affiliate label program allows other companies to resell your software, usually from a link on your website. Affiliate resellers are normally automatically paid via an affiliate management system such as SaaS Max. In an affiliate sale, your company normally "owns" the customer in terms of company contacts and future business)
- Do you resell your SaaS product via an aggregator? (An aggregator assembles a laundry list of SaaS applications for resale to their customer base)
- Do you resell your SaaS product on an OEM basis? (In an OEM sale, your product is directly incorporated into another application. Your product's core functionality can be altered to meet the OEM purchaser's requirements and your corporate and brand identity, with the exception of licensing information, set aside in favor of those of the OEM customer's product and services)
- Are you reselling your SaaS product via a distributor? (A distributor, such as Ingram or TechData, normally resells your product in turn to its resellers)
- Are you reselling your SaaS product via VARs (value added resellers)?
- How many VARs do you have?
- Does your VAR reseller program provide a branding option? (A branding option keeps your product identity intact but also incorporates the reseller's logo and company information into the SaaS system's initial login and/or operating screens)
- Do you require your VAR resellers to undergo a training and certification program?
- Do your VAR resellers offer professional services?
- Over the last 12 months, what percentage of your total gross SaaS revenues did your VAR channel generate?
- Do your resellers receive a one-time payment for a SaaS sale? Or do they receive a recurring payment from your company as long as certain performance goals are met?
- What is the one-time payment as a percentage of the total revenue generated by the sale?
- What percentage of the recurring revenue of the sale do you pay to your VARs?

SaaS Sales Metrics

- What is your primary means of selling your SaaS product?
- What is your most important secondary means of selling your SaaS product?
- Please tell us what percentage of your overall gross revenues are spent on your SaaS sales activities. (Please do not include the cost of marketing programs such as print advertising, website advertising, E-mail and snail mail campaigns, search engine optimization, social bookmarking and related programs. Also please do not include the salaries of marketing, marcom and product/community management personnel)

SaaS Marketing Metrics

- What do you believe is the primary reason your customers choose to subscribe to a SaaS system?
What do you believe is the main secondary reason your customers choose a SaaS system?

Please tell us the primary concern about subscribing to your SaaS system raised during the sales cycle by potential subscribers.

Please tell us the main secondary concern about subscribing to your SaaS system raised during the sales cycle by potential subscribers.

Who are the analysts most likely to influence purchases of your product? (Please pick all that apply)

When describing your system to your customers, which acronym/phrase predominates in your marketing collateral and during discussions with potential subscribers?

Please tell us what percentage of your overall gross SaaS revenues are spent on your SaaS marketing activities. (Please do not include sales salaries, expenditures for sales support software such as contact management/CRM, sales pipeline management, sales training, internal sales incentive programs and similar activities or costs)

SaaS Customer Service

Do you offer paid support programs?

Please tell us how many levels of paid support you provide your customers. (Please pick all that apply)

Please tell how your structure your customer support department in terms of personnel who provide customer assistance and service. (Please pick all that apply)

Please tell us what customer service metrics you track. (Please pick all that apply)

SaaS Initial Deployment and Professional Services

How do you charge for initial deployment services (these include training, application testing, and deployment)?

What percentage of your average initial SaaS sales revenue is derived from initial deployment services? For example, if the initial sale generates $1000, and the customer purchases $100 in basic training services, the percentage would be 10%

Do you have a professional services group?

What percentage of an average sale over 12 months of your SaaS system can be attributed to revenue generated by your professional services? (For example, if an average sale generates $1,000 in recurring revenue over 12 months and your customers typically purchase $3000 in advanced application training, the amount would be 25% ($12,000/$3,000). Please add all professional service options that you provide into this number)

Over the last 12 months, what was the highest percentage of a sale generated by your professional services organization?

What are your plans for your professional service group?

Community and Product Management in SaaS

Does your company employ product managers?

Does your company employ community managers? (In a SaaS company, community managers are responsible for creating and managing a SaaS community of customers and potential customers. Tasks associated with this responsibility can include transmitting customer requests for new capabilities to development, providing detailed reports on customer satisfaction with the company’s products and services to management, creating promotions and cross- and up-sells to the customer base, and leveraging the customer community to lower support costs)

Please describe the role of community managers at your organization

Integrated Requirements Management, Analytics and Communities

Does your product incorporate a “new features or capabilities” requirements request mechanism by customers directly within the SaaS application environment?

How are you implementing your requirements management system?

Does your product system incorporate a customer community management system directly within the SaaS application environment? (By “within” we mean the customer can access the community from within the SaaS system via either direct access to an integrated community module or a direct link to a third party module)

How are you implementing your customer community management system?
- Does your product incorporate a customer usage tracking analytic system directly within the SaaS application environment?
- How are you implementing your analytics management system?

Further Important Reading for SaaS Companies

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