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For Immediate Release

New Research into “On-Demand” Software Reveals Radical Changes Coming to the Enterprise Software Industry

Study by ChainLink Research cites fundamental, permanent shift in software economics as “disruptive” technology restructures the market

Cambridge, Mass., October 25, 2004 – The enterprise software industry will undergo a radical shift as new “on-demand” software services dramatically restructure the economics of developing, delivering, and supporting business software, reducing the total cost of ownership by over 50 percent.

Those are among the findings of a landmark study concluded recently by ChainLink Research, a supply chain technology research organization. Over the next 3-5 years, the growth of on-demand software will drive an evolution in how enterprise software is developed, delivered, and supported, recasting the vendor landscape and the relative power positions of today’s providers, according to Bill McBeath, Chief Research Officer at ChainLink.

The emergence of on-demand software is not an isolated trend, it is a fundamental, market-altering shift in how software is built, bought, delivered and used, noted McBeath. “It has already taken hold in the Customer Relationship Management market and quietly, but pervasively, in the Transportation Management software market,” he said. “We see adoption emerging also in PLM, ERP, and overall supply chain markets. The economics make widespread adoption of on-demand inevitable.”

The trends and opportunities revealed by the study are good news for business software consumers, said McBeath. “On-demand is driving down the cost of business software, and the risks assumed by the user,” McBeath predicted. “It will also create healthier, more efficient software companies with much more predictable financial performance.”

Study’s Findings Confirm Dramatic Impact of On Demand

The research report revealed widely divergent viewpoints over what is meant by On Demand. To bring clarity, ChainLink Research established three simple criteria for determining the degree to which a software offering is “On Demand”:

- 1) Pay-as-you-go
- 2) Instant Deployment
- 3) Single Instance

In addition to describing these criteria in detail, the report investigates a number of issues and factors, and provides useful guidelines for companies to consider in developing on-demand strategies. Among the areas covered:

- Economic impact model—how on-demand radically changes the underlying cost of developing, deploying, supporting, and enhancing software
- Expected adoption rates—by software industry sector
- Impact on software vendors—how a shift to on-demand impacts revenue streams, product development and delivery competencies, quality assurance practices, and relationships with their customers
- Impact on IT organizations— what on-demand means for anticipated reductions in headcount, how progressive IT organizations can embrace the inevitable shift to On Demand, IT roles changing from mundane tasks to strategy work and managing a portfolio of software-as-a-service providers
- Impact on end users—how this will empower organizations to get out from under the IT backlog and get solutions and results faster, much better alignment of vendor and customer goals, lower risks and capital expenses, and faster results.

The study interviewed global firms that today have deployed an on-demand software solution. Companies interviewed ranged in size from \$250 million to over \$4 billion in revenues. Among those interviewed was Mitsui O.S.K Lines (MOL), one of the world's largest marine transportation companies. MOL implemented an on-demand solution for

pricing, rating, and customer contract management. As with many enterprises, MOL's internal IT resources are finite and consumed with a large backlog of projects. "An On Demand approach was the only way to get this project done quickly, so that we could maintain our competitive edge," said John Gurrad, vice president, business planning and e-commerce for MOL. "Besides, we're not in the software business. We run ships. It was a better decision to bring in an expert to build and operate this technology for us, so we can focus on our customers, and on improving and excelling at what we do in our core business."

ChainLink will present the results of its research into On Demand software in a live web seminar, to be held this Tuesday, October 26th, beginning at 12:00 Noon EDT. The web seminar is open to the public. For more information or to sign up for the online seminar, visit http://www.clresearch.com/webinar/webinar_041026.htm.

A summary of the report can be obtained by sending an email to info@clresearch.com or calling 617-762-4040 x486.

About ChainLink Research

ChainLink Research is a supply chain research organization dedicated to helping executives improve business performance and competitiveness. ChainLink's unique approach to actionable research and high-impact decision-making allows their clients to enter new markets, expand market share, and achieve peak performance in their markets. For more information visit www.chainlinkresearch.com.

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