

NASSCOM's

Emerge Out 2009 Conclave

IT'S ALL IN THE CLOUD

The third edition of the Emerge Out 2009 Conclave, held in late August, brought together over 350 IT software and services industry CEOs, senior executives, investors and influencers to define the next phase of the Cloud Computing/SaaS era. Besides spotlighting the companies that were staking a claim on the Cloud, the conference also underlined the growing importance of the domestic mid-market.

The conclave, held in New Delhi, saw well-known speakers, analysts and industry visionaries share their views on the theme of the meet: 'Cloud Computing – A Wave of Opportunities for SMEs', with an animated and interactive audience. While the deliberations made it clear that the market was still in a very nascent stage – with most companies needing over 10,000 users (instead of the 3,000-5,000 they currently have) to make their operations sustainable – most panellists felt the future potential was huge.

Quoting recent research by Gartner, speakers pointed out that spending on IT Cloud services was expected to grow threefold – reaching USD 42 billion by 2012. Cloud Computing would account for 25 per cent of the net growth of technology from 2011-12, it was stated.

Strong interest in Cloud infrastructure, as a service, was expected to become a key trend among enterprises driven by factors such as

low cost, high operational efficiency, elasticity and scalability.

The Gartner Study, pointed out that by 2011, early adopters of Cloud Computing would forgo capital expenditures and instead purchase 40 per cent of their IT infrastructure as a service.

Commenting for the market for Cloud Computing in India, Kishore Madhyam, CEO of Bangalore based ImpelCRM, said it was huge. "There are 8 million SMBs in India with around 35 million employees and 10 million potential users of Cloud Computing, and this is only the urban market. I have not even touched rural India," stated Madhyam. ImpelCRM has developed an On-Demand CRM (Customer Relationship Management) product, debuting it around 15 months ago. Today, the company has a base of 6,000 users, of which 1,100 are paid. Its clients include large businesses as well as small companies.

Fledgling but growing strong

Dr Sridhar Vembu the founder CEO of Zoho Corp., a company that has built 'an entire suite on a shoestring' and invested in software going to the Cloud, kick started the event with a rousing opening keynote.

In his talk, he explored the future of software and the gradual emergence of the 'Cloud.' According to Dr Vembu, software applications delivered via the Internet (SaaS) were being driven by various factors including the proliferation of broadband,

"Over the next decade, we will see Indian consumers move to Cloud Computing in the same way they shifted from wireline to mobile phones. Today, the Internet is not only massive, but also mature, further catalysing this trend."

**Dr Sridhar Vembu,
Founder CEO,
Zoho Corp.**

maturing of Internet companies, the 'online' orientation of Gen Next, cheaper and faster to build web applications and the possibility of updating, and rapidly integrating these applications/services on a monthly basis.

"Over the next decade, we will see Indian consumers move to Cloud Computing in the same way they shifted from wireline to mobile phones. Today, the Internet is not only massive, but also mature, further catalysing this trend," Dr Vembu said.

Countering questions on corporate security in the Cloud, Dr Vembu stated that data centres, (the key infrastructure for Cloud Computing), were far more secure than the laptops of users, that had a tendency to get lost! The Cloud, he added, would commoditise software. Product vendors would witness an erosion of revenues, marking the end of an empire.

Sharad Sanghi, CEO and founder of NetMagic Solutions, reiterated Dr Vembu's viewpoint stating that low cost, high operational efficiency, elasticity and scalability would be the factors driving Cloud Computing in India. "As long as companies plan their capacity well, the Cloud will surely work for them." NetMagic is an IT services provider specialising in Internet data centres, managed hosting, remote infrastructure monitoring and management, mail and messaging services, and application hosting services.

The opening session set the tenor for the day-long meet, and the discussions to follow. Emerge 2009 featured presentations by several companies offering hosted solutions in areas including CRM and Human Resource Management.

The Cloud with a silver lining

In another session, Dr Jai Menon, Group CIO, Bharti Enterprises and Director (Technology and Customer Services) Bharti Airtel, spoke about the 'Cloud with the silver lining,' – taking a fresh look at Cloud-based services.

"A Cloud-based service is more than business applications running remotely on shared infrastructure, fully managed by a technology provider. Today's SMEs are seeking a one-stop-shop for their ICT stack. The industry ecosystem will have to bring in the combined strengths of the big IT players, the PSUs, small IT players and the service providers to make the Cloud a success," Menon said. Airtel is already offering a Cloud Computing stack for small and medium-sized businesses.

Other speakers also sought to 'demystify' the Cloud and share their own experiences with the latest phenomenon. "The Cloud is a pool of abstracted, highly scalable and managed computer infrastructure, capable of hosting end computer applications, billed by consumption,

and accessible on the Internet," was the description that Sanghi of NetMagic accorded to Cloud Computing.

Cloud Computing, Sanghi said, was synonymous with completely outsourced IT infrastructure. In the context of the Cloud, the models that existed were Infrastructure as a Service (IaaS), represented by Amazon; Platform as a Service (served by Google) and Software as a Service (SaaS), the highest layer, exemplified by companies such as Salesforce.com.

On Cloud 9

Companies also used the Emerge Out platform to spotlight their successes around Cloud Computing. Chandra Prabhakar Rao, Global Head, OnDemand Solutions, Ramco Systems, talked about the company's flagship ERP solution, that had been deployed by organisations within several industry verticals.

"Launched in India in the first quarter of 2008, the Cloud-based offering currently has more than 150 customers, 1,500 users, over 50 partners, a Pan India presence and a presence in 14 verticals," Rao informed.

Ram Prasad, Head Engineering of Google India shared his own perspectives on Cloud Computing and talked to attendees about the recent innovations that the company had made within this arena. Comparing Google's home pages from the earlier years to now, he said that as far as users were concerned, nothing had changed, than say, the Google logo. However, the inside story was completely different.

"Google has drastically improved the search experience and successfully developed applications for niche users", said Ram.

Ending his talk on an even more positive note, he said that the Cloud would become more accessible through powerful clients and pervasive connectivity and that all companies in the Cloud business needed to gain the trust of their customers.

Steve McWhirter, President, APAC, Salesforce.com also used the Emerge Out plank to speak about the success achieved by the company in reaching its low cost, zero-risk services to over 63,000 companies worldwide. "Salesforce.com is the world's most complete cloud application," he said.

McWhirter concluded by stating that, as with their global counterparts, Indian SMEs too were looking to grow their business, without increasing their costs, and were therefore beginning to explore Cloud Computing and SaaS.

SaaS for the mobile world

Chairing a session on how SaaS and the mobile world went hand-in-hand, Ankur Lal, CEO, Infozech Software stated that the mobile

"The Cloud is a pool of abstracted, highly scalable and managed computer infrastructure, capable of hosting end computer applications, billed by consumption, and accessible on the Internet."

**Sharad Sanghi,
CEO and Founder,
NetMagic
Solutions**

“In the SaaS model, the service provider interacts with the end-user directly rather than the IT department of the customer. The customer doesn’t have to worry about the hardware upgrade, storage upgrade or any memory upgrade. Instead, it is the provider who has to worry about the resource scaling and the support overhead.”

**Pankaj Bhargav,
CEO, HRmantra.com**

industry was gradually exploring the SaaS-based model. He referred to companies such as Airtel, that have chosen to outsource managed services (instead of simply procurement). Last year, Airtel went out and outsourced customer care too, providing a huge boost to the market.

Sanjiv Mital, CEO, Saarthi Enterprise, added yet another perspective to the discussion by speaking about the migration of software services to VAS products.

Small is Big in the Cloud Computing space

Rajdeep Sahrawat, Vice President, NASSCOM, moderated an extremely enlightening session on how companies could reinvent their business models using Cloud Computing and SaaS delivery methods. The discussions, featured talks by Alok Singh, CEO, Novatium and Srikanth Rao, CEO, Affordable Business Solutions – two companies extremely active within the SaaS space.

Describing Affordable as a self-funded, bootstrapped company with 54 customers in 11 industry verticals, Srikanth Rao said all its customers were from the SME segment.

Srikanth shared that Affordable’s shift in focus from software to services and its emphasis on speed of delivery, had significantly contributed to its success as well as the success of its customers.

Referring to how it was planning to scale from 54 to 54,000 customers, he added that its people (through reverse franchising) and “time for implementation of the service” would play an important role in undertaking this task. “Replicate versus Implement is the model we are using to accelerate the speed of delivery of our services,” Rao said. In the past, ERP took 12 to 18 months to implement, but “today, it is not being implemented, but replicated. And replications take only 45 days,” Rao added.

Alok Singh began his talk by reinforcing the need for SaaS in the current environment in which the Network was creating pressure on the Desktop.

In order to succeed in the Cloud domain, a company needed to “keep to the core of its idea, yet remain flexible enough to adapt to the needs of the market,” Singh said.

“If we want to provide computing to the next billion users, we will have to bring the computer to the level of the mobile device,” Singh added, justifying Novatium’s ‘desktop utility delivery model’ that provided computing as a service by making it simple and affordable. Under a novel scheme, Novatium customers can buy a used computer terminal for around USD 103 (INR 5,000) and then install the operating system and applications of their choice. Novatium charges a monthly fee of USD 6 to USD 8 (INR 300 to 400) for the service.

Today, Internet cafes and share trading outlets are among the company’s customers, with nearly 60 per cent of subscribers being home users.

Singh concluded his session by saying that three years from now, SaaS or Cloud Computing would drastically change the way computing was undertaken, especially for the end-user.

From software services to SaaS

The issue of how Indian IT services companies were now gravitating towards SaaS was taken up by Suresh Sambandam, CEO, Orangescape, Bhanu Chopra, CEO, Rategain.com and Pankaj Bhargav, CEO, HRmantra.com. The session, moderated by Chandramouli, Director, Advisory Services, Zinnov Consulting, focused on why SaaS, and then veered to the paradigm shift involved in moving from the services to the Cloud model.

“There is a change in paradigm while going from software services to Software as a Service. In the SaaS model, the service provider interacts with the end-user directly rather than the IT department of the customer. The customer doesn’t have to worry about the hardware upgrade, storage upgrade or any memory upgrade. Instead, it is the provider who has to worry about the resource



scaling and the support overhead. The service provider needs to put in place a strong Project Management team, which in India, is a tough task," commented Bhargav.

Talking about 'Go to market strategies,' Suresh Sambandam provided insights on the three pillars – the Customer eco-system, the Partner ecosystem and the independent ecosystem.

Bhanu Chopra of Rategain.com, meanwhile talked about how in the case of SaaS products, customers too were contributors in their development cycle. "They request for the features, see them developing and even report the bugs. In a way, they are a part of the development and testing of the product," he said.

Domestic market spotlight

While the existing domestic market for SaaS is in its initial stages, the future potential, speakers at the meet pointed out, was limitless. Currently, lack of knowledge of Indian workflows, lack of IT support and talent, absence of scale, good pricing models and product localisation were preventing global SaaS providers from focusing on the Indian market.

At the same time, it became clear at the conclave that a number of companies were training their sights on the domestic market. Possibly for the first time in the evolution of the industry one could expect a sustained focus on the home market – not as an 'also-ran,' but as the primary centre of business.

Within the domestic market, several companies were expected to target the mid-market. While traditionally this had been a fragmented, disparate and cost conscious segment that high profile services players avoided due to poor margins, the Cloud is expected to change things entirely. By leveraging the Cloud, companies can now offer high quality software at prices affordable for mid-market customers. In addition to the pricing factor, the adoption was stated to be low risk – in case of poor fitment, a SaaS contract can be terminated after a few months. Plus, the very nature of the technology was allowing the Cloud software companies to offer a 'Try and Buy' model.

Over the next few years, the mobile revolution and entry of large telecom players would also drive SaaS adoption in the Indian domestic market. Increasing IT and Internet penetration and the growth of data centre services, were expected to be the other spurs.

Cloud Computing and SaaS are already here in India. It is only a matter of time, before they emerge as a key trend driving businesses, especially SME players.

Felicitating the Emerge Out 50 leaders

Emerge Out 2009 opened with a welcome address by Som Mittal, NASSCOM President, followed by a talk by Krishna Kumar Natrajan of MindTree. Speaking to delegates, Mittal pointed out how, despite the period of uncertainty, entrepreneurship was taking a leap in India. He added that over the last couple of years, the IT-BPO industry's focus on emerging companies had increased.

"Over 150 best practices sessions have been held in the last year and more than 25 companies have been mentored," he said.

Addressing the gathering, Krishna Kumar Natrajan talked about how small and medium companies were the stars of tomorrow. Natrajan introduced the Emerge Awards and congratulated the group within NASSCOM, which made the initiative a reality.

The Conclave in fact began with the "NASSCOM Emerge 50 Leaders 2009" awards that acknowledged the top 50 emerging companies within the industry and felicitated the 10 truly outstanding organisations within the bunch. The Emerge awards were presented to gutsy entrepreneurs, who had led their companies to fame and fortune. The companies were selected on the basis of their unique value proposition, their organisational models and the fact that they had redefined the benchmarks of excellence for the next generation of SMEs. These companies had not just emerged as role models for their peers, they had also managed to build a strong presence in the Indian domestic market.

Going forward, NASSCOM will work with the Emerge 50 companies, guiding them and helping them scale up to the next level of growth.