



A Chat with Revevol's Louis Naugès and Laurent Gasser
on European SaaS Market Adoption

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Summary One of the great pleasures of my recent business trip to Europe was meeting with two senior consultants in Paris one evening over dinner – Louis Naugès and Laurent Gasser – with whom I had a far-ranging and interesting conversation focused on key trends in SaaS, both in France and across Europe.

This *Strategic Perspective* provides a cleaned up transcript of a follow-up interview conducted with Louis and Laurent over the phone upon my return, with a drill-down focus on the adoption of Google Apps by large enterprises, based on some important client relationships that they have.

So What? While Saugatuck's general experience is that European adoption of SaaS lags the US by 18-24 months on average – with significant variations by country and industry – we are learning that a select group of large-enterprises in France may be in the vanguard of adopting and deploying next-generation Web 2.0 office applications from vendors such as Google.

Perspective **Bill McNee:** Louis and Laurent, thank you for taking some time to speak with me again this afternoon.

Louis Naugès: Hello, Bill. We appreciate you taking the time to interview us as a follow-up to your stay in Paris for the 2008 SaaS / ASP forum, and the briefing tour you conducted with IBM.

Bill McNee: You recently created Revevol. Could you please explain, briefly, what are your activities and your plans for the near future? (see Note 1 for Louis' and Laurent's backgrounds).

Laurent Gasser: [Revevol](http://www.revevol.eu) (www.revevol.eu) (**Revolution Evolution**) is a consulting company that we founded in 2007 focused on Enterprise 2.0, and implementing Web 2.0 solutions in large and medium sized organizations, worldwide.

We have a very clear strategy. We work with large innovative international organizations, and partner with the most important SaaS players: Google, Salesforce.com, et al.

Our vision: *revolution in usages, pushed by evolution of technologies*. We help our client achieve operational excellence, setting best practices in collaborative usages and solutions.

Bill McNee: What is your vision of the state of the SaaS market in Europe? What are some key differences with the US?

Louis Naugès: If we use Saugatuck's graphic depicting the three waves of



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The author invites your comments and inquiries on this *Strategic Perspective*.

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**Note 1
About Revevol**

Revevol (www.revevol.eu) guides enterprises through the revolutionary transition from existing legacy systems into the future era of web-based autonomic computing. Revevol assists clients with technical enablement and management of change and always seeks to be the trusted partner during the client's evolution.

Revevol's headquarters are in France, with offices and representatives across Europe.

About Louis Naugès In my 30 years of working as a consultant, most of the time I have been focused on innovation and the competitive advantage this can bring to enterprises. I run also a lot of seminars (60+ days per year) for senior business executives and IT managers, in French, English and Spanish. I have an engineering degree from a well know French school, Supelec, an MBA from Paris university and an MBA from Northwestern University (Chicago).

About Laurent Gasser: After starting an auditing career in Paris, I spent 18 years working in the US, Africa, Eastern Europe, China and Australia, managing Auditing and consulting companies, before returning to France to create Revevol with Louis. I have an in depth knowledge of collaborative practices in multicultural environments, with a focus around embracing Web 2.0 technologies to share information and knowledge across cultural and organizational silos.

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For Louis Naugès Blog, go to: <http://nauges.typepad.com>

(In french, but automatic translation of blog in English, by Google, is available.

growth of the SaaS market (see [SaaS' Third Wave: On The Road To Personalized Workflows](#), MKT-337, 18Apr07), we think that most large European organizations are not far behind their US counterparts. In 2007, we had a lot of "classical" questions on security, possible losses of data, offline usages... But today, we see fewer decision makers raising these issues and inhibitors, as possible reasons for not going the SaaS route.

Most of our clients today are in the industrial or distribution sector. They are already heavy users of "hosted" solutions and this may explain why they are comfortable with the SaaS model; they view it as a natural evolution of what they already have and understand the new benefits of it.

However, there is still a key concern with European CIOs and CEOs: the *dominance of US players in the SaaS landscape*. Today, all key infrastructures companies – Amazon, eBay, Yahoo, Google and Microsoft – are based in the US. They invest billions of dollars every year in new data centers. Let's hope that the fact that they are creating some of these data centers in Europe will decrease these fears. Microsoft is building in Ireland and Siberia, Google in Ireland and Belgium, and more will come. The three biggest SaaS software platforms, Google, Salesforce and Cisco-Webex are also US based.

For the moment, we have not seen signs that large European vendors are moving in this direction and investing heavily in infrastructures; will this come? It's too early to tell.

The US dominance of the SaaS market raise a second concern in Europe: confidentiality of data and the risk that *US organizations, like the NSA or Echelon, could access at will sensitive information*. We expect sectors like the military, defense and some federal and state governments to be very reluctant to move quickly to US based SaaS solutions. They have very bad memories of email interceptions in the late 90s!

At the same time, we have also witnessed that European based large System Integrators are embracing SaaS *faster* than their US counterparts. CapGemini, Atos-Origin and many more are quickly building expertise in SaaS applications and increasing the size of their teams dedicated to this promising market. At Revevol, we work often with these large integrators, every time a complete deployment project is launched.

There is also an interesting trend; some European start-ups are embracing SaaS with innovative products. Let us give you some examples:

- Entreprisefacile.com (Easyenterprise) has already over 5 000 clients for its SaaS offering, focused on very small businesses.
- [RunMyProcess](#) is building a BPM (Business Process management) solution on top of the key SaaS vendors like Salesforce.com and Google.
- [NetVibes](#), one of the best RSS aggregators worldwide, has been created by Takiq Krim, a young French entrepreneur, and has millions of clients, in more than 100 countries.

Bill McNee: What about smaller enterprise in France? And what is your sense of SaaS adoption in the UK, Benelux, and the Nordic countries – key



markets that often lead Europe in the adoption of new technologies?

Louis Naugès: This is a very good question! In Europe, SMEs are, and will be, moving faster to SaaS than larger organizations. There are three main reasons:

- 1) *Money:* Reducing IT costs, immediately, by a factor of 5 or 10 is quickly understood by managers and owners of these SME businesses.
- 2) *IT People:* Most SMEs have no or very few IT staff. They are unable to manage their infrastructures, applications, upgrades, security, anti-spams efficiently. SaaS vendors do that very well.
- 3) *Legacy Solutions:* Abandoning legacy solutions is not very difficult for SME. They often manage to do with very basic tools; spreadsheets or simple data bases like Filemaker.

We are working today on a very unique and interesting opportunity with a mobile telephone operator (it is too early to give its name, sorry). One of the most complex and costly issues concerning SMEs is finding an efficient sales channel. This operator is now offering fixed and mobile network access to SMEs. Adding basic SaaS services, like CRM, Office 2.0, RSS readers ... will allow them to increase their average revenue per unit or "ARPU," and the "stickiness" of its offering. Their clients will be happy to buy from a provider that they already know and trust.

Bill McNeer: Everyone is talking about Enterprise 2.0, and enterprises embracing Web 2.0 technologies. What role do you see in Europe for SaaS in this movement?

Laurent Gasser: Intranet vs SaaS solutions? We clearly see SaaS winning this one. Web 2.0 solutions and providers offer today SaaS solutions to the general public for blogs, Wikis, social networks, office solutions...

These solutions are "field tested", with millions of users. Some vendors, like [SocialText](#), offer "Intranet" solutions for the same functions. Initially, large organizations may start with these Intranet options, feeling that they are more secure, protected by the firewalls.

Ultimately and quickly, however, these organizations often discover that SaaS solutions are more advanced, cheaper and more robust than Intranet ones. We already see new vendors coming in and addressing the security issue. SXIP already offers a very strong SSO "On the Cloud"; [Worklight](#), and Israeli-US company, just announced Workbook, a product that will allow organizations to build a "private and secure" group on Facebook.

Most of our large clients were hesitant to use SaaS solutions for Web 2.0 usages in 2007; in 2008, we have already witnessed a faster than expected move to SaaS solutions by these early adopters.

Bill McNeer: Is this move toward SaaS solutions also impacting Office Solutions?

Louis Naugès: Oh, yes! After 15 years, the absolute domination of "client/server" solutions for office solutions is coming to an end. In my opinion, Office on the desktop, Exchange and Notes on the server side will



be replaced by browser based, SaaS based solutions. It's no longer an "if" question, but a "when" one. Most large IBM Notes users are faced with a dilemma: should I migrate to the new offering by IBM, which requires profound changes or should I change platforms and move immediately into a SaaS environment.

How quickly can IBM transition its users to a SaaS-based Notes platform? They will have to provide, very quickly, an answer or they risk losing their 80+ millions users. Announcements made at LotusSphere are in the right direction; but will they be sufficient? I am not sure.

Microsoft is doing a wonderful job... *pushing SaaS solutions!* How? By announcing big changes on the desktop, Vista and Office 2007, they oblige CIOs to make a decision and ... they have two main options:

First, they can keep going with fat clients, fat software, against the general move of all the IT industry toward browser based solutions. To do so, they would have to upgrade all their PCs, buy new expensive software licenses and... we have seen absolutely no user demand for these upgrades. If you add the change in format, the obsolescence of the .doc,.xls... formats, the need for retraining, this option does not make sense. A lot of forward-looking CIOs we meet understand this clearly.

Second, they can *switch to a new generation of office solutions. For the sake of convenience, let's call it Office 2.0.* Using a browser-based, Rich Web Client on the desktop, on a laptop, smart-phone or PDA, and SaaS solutions, CIOs and CEOs are now starting to understand the value propositions of these innovative solutions. Specifically, our clients are telling us that they see three main advantages:

- 1) **Cost reductions.** The high end solution of Google cost \$50/user/year, infrastructure and software included, with 25Gs of storage per person! This is between 10 and 20 times cheaper than Exchange or Notes based solutions.
- 2) **Group collaboration:** sharing a document or a spreadsheet on the Web, never again sending attached documents by mail, being able to work at the same time on the same document, to prepare a presentation which allow links to YouTube, Flickr, Wikipedia or any Web site... It does not take more than one month for *all users* to understand the huge value proposition of these tools and they will ... never go back to their now obsolete ways of working.
- 3) **Competitiveness.** At Revevol, we share all our documents with our clients and partners; working without the limits of a firewall we share expertise, content with everyone. We even prepare and share proposals with our clients, using Google Docs.

[*Bill McNee comment:* I can confirm the use of Google Docs – in fact it was the first time I used it, and it was pretty user friendly. Ultimately, however, we had to cut and paste into Saugatuck's research template which is currently WORD-based. Over time, we too will be switching to a new web browser / open source-based publishing model that will facilitate an RSS access to our research – both for our Research Alerts and our premium



subscription content].

We are convinced that Europe is ahead of the US and Asia in their move to SaaS based office solutions. When Google officially launched their Google Apps Premier Edition (GAPE), in February of 2007, they did it in ... Paris, France because a majority of their large enterprise early adopters are clients of Revevol – large international companies like Valeo, L'Oreal, Nexans and Essilor.

Ultimately (within 12 months), we anticipate very large enterprise deployments of GAPE, with tens of thousands of desktop licenses at these companies. If I had to give a firm number, I would guess that 8 to 10 European organizations with 5 000 or more users will have made the decision to switch to SaaS based Office 2.0 solutions before the end of 2008. Revevol is also working with organizations in Brazil, Africa and, of course, the US, on Pilot projects based, most of them, on GAPE.

It is also very interesting to note that the *first* large IT Integrator which as signed a worldwide contract with Google is CapGemini, a European-based company.

Bill McNee: In regard to the incoming battle of the giants – Microsoft vs. Google – how do you see this playing out?

Louis Naugès and Laurent Gasser: All our large clients are convinced that this is going to be a big one! Very few companies can compete, worldwide, with Microsoft, and Google is one of them, on infrastructures and solutions:

- *Infrastructures.* Google was one of the first companies to understand the strategic value of building huge and efficient data centers; they spend, every year, 14 percent of their revenues on new data centers.

Nicolas Carr's new book, "[The Big Switch: Rewiring the World, from Edison to Google](#)", explains very well why "IT factories", like the huge electrical utilities, will dominate the IT, and render obsolete most of the internal data centers run by organizations. It took a while for Microsoft to understand this tectonic shift, but they have reacted recently by doubling the amount of their investments in large data centers, worldwide.

- *Solutions.* Google is attacking the two "cash cows" of Microsoft, Windows and Office, by making the first one, Windows, irrelevant – and by offering alternatives to Office. Google Apps doesn't yet have all the "bell and whistles" of Office 2003, of course, but this is ... *good news!* Most users are fed up by "bloatware" like the new Office versions, and are looking for simpler and easier to use solutions. More importantly, "On the Cloud" solutions, like Google Apps, offer innovative collaborative functionalities which cannot be duplicated by old fashioned client/server solutions.

Bill McNee: If Google is becoming so important in SaaS, what is their weakest point, regarding large organizations?



Our clients don't question anymore the capabilities of Google in terms of infrastructures to host SaaS solutions. They are no longer worried by the quality of the applications; they understand that, even if applications today have a limited set of functionalities, Google will keep adding new ones at a very rapid pace. We use very often the Christensen model of innovation to explain this to CxOs, and they understand it very well.

However, our clients have difficulty understanding the new business models of organizations like Google, selling services at a very low price – combined with the fact that they have less experience in *how to deal with large organizations and their senior executives*, compared to IBM or Microsoft, who have been successfully managing these relationships over the last decades.

Bill McNee: Louis and Laurent – I want to thank you for your time today. Do you have any final comments?

Louis Naugès: SaaS is clearly the "fourth wave" of change in the IT world, after the Mainframe, the Client/server and the Web 1.0 generations. SaaS will have huge impacts on the IT market and many successful vendors of today will disappear. We have already witnessed these "Tsunami" before; Wang, Digital, Compaq... are all well known casualties of previous sea changes. Which vendors could become irrelevant in a SaaS world? We will let you guess!

For organizations, SaaS represent a huge and positive opportunity to build cheaper, more flexible and efficient IT solutions. The first companies which will embrace SaaS as a strategic alternative will gain a very strong and lasting competitive advantage. At Revevol, we are already seeing with our clients, early adopters, the premises of these benefits.

About This Research

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