

## Hosted Solutions Gain Traction - Welcome to Software as a Service

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Ask any small or mid-sized retailer for its technology wish list, and you'll find it looks a lot like a tier-one retailer's wish list. Such retailers have equally large technology appetites, but a significantly smaller budget. In fact, in today's retail environment, even tier one retailers have a hard time competing with real estate managers for scarce capital dollars. This explains retailers' fascination with hosted solutions, or in today's parlance Software as a Service (SaaS), or "on demand" applications.

Retailers participating in RSAG's research have been clear: SaaS is an important tool to overcome the internal obstacles they face when seeking to implement new technologies. Consider this: in RSAG's most recent study, "Driving Rapid Response and Gross Margin with Private Label Merchandise " 76 percent of retail respondents identified hosted solutions to reduce initial costs as one of the top three approaches they could use to overcome internal obstacles of ROI, technology complexity, and high costs.

For their parts, most software vendors are eager to hitch their wagon to the rising stars of small and mid-market retailing. The simplest way to gain entrée into this market is by offering SaaS. As an example, Reflexis Systems Inc. made a dual announcement this week. They announced the launch of a new offering, "Reflexis RetailAction SaaS" and also announced they have already signed three clients onto their new offering.

SaaS is a win for both retailers and vendors. For vendors, it represents both an "in" with up-and-coming retailers, and it also represents a recurring stream of revenue. For the retailer, they can get world-class applications for low up-front costs and predictable recurring costs, and can switch to a behind-the-firewall solution when it becomes financially sensible.

In general, mid-tier retailers are out-performing their tier one counterparts. SaaS gives them the opportunity to compete not just on product selection and customer service, but also by improving their operational competencies with world-class software. They are clearly the retailer winners of our time.