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## Software Sales in 'SaaS' Transition

By David Needle  
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PALO ALTO, Calif. -- Enterprise software vendors take notice: Slick doesn't sell anymore.

That was one of the comments made at the Consumerization of Software conference here Thursday, co-sponsored by the nonprofit SD Forum tech industry association.

During one panel, corporate software vendors and venture capitalists described the radical shift in the way software is being sold -- a change brought about by new ways that technologies infiltrate the enterprise, courtesy of developments like social networking and Software as a Service (SaaS), which found their original footing in the consumer space.

"In the heyday of enterprise software, it was about charismatic sales people with solutions that really didn't work," said Kevin Efrusy, a venture partner at Accel Partners, a conference co-sponsor. "But it was sales by intimidation -- if you didn't buy their software you wouldn't be on top."

"It was like a Dilbert cartoon with end-users angry and frustrated by cumbersome products their bosses made them use," Efrusy said.

"Those models have stopped working," he added. "Companies won't buy on faith anymore."

Instead, he said that the software and services users want are getting in the enterprise through word of mouth -- "not just the back door, but the side doors and the floorboards."

The difference, Efrusy said, is that older-generation apps were designed to impress executives with features like colorful, well-formatted reports from database results. But they weren't designed for end users.

"The newer world of applications is focused on accomplishing tasks [and] helping the salesperson close a deal, not just to get a report to the CEO," he said.

Brendan Barnicle, vice president and senior research analyst at Pacific Crest Securities, agreed. He said the trend toward Software as a Service has greatly broadened access to useful productivity applications.

"At the end of the day, we're seeing what software was all about in the first place, getting [it] in the hands of the people that need it," he said. "You now have 30,000 Salesforce users at Dell (NASDAQ: DELL), for example, versus the 1,500 that used Siebel [a more traditional, on-premises CRM application] before."

Mike Maples, managing partner of VC fund [Maples Investments](#) -- jokingly calling himself a washed-up enterprise software guy -- weighed in with the vendor perspective from his tenure as a product marketing manager at Tivoli and co-founder of Motive.

"In the old enterprise days, we spent 80 percent of our revenue convincing companies to buy our stuff," Maples said. "Now, my belief is we're seeing a new set of companies emerge with machine-to-machine software technology and wildly efficient business models" designed to make services more accessible.

Still, panel members pointed out that SaaS has yet to establish a clear path to enterprise adoption. Barnicle noted that security remains the No. 1 concern of enterprise and IT buyers when it comes to the technology.

"The good news is we haven't had a major security violation related to SaaS, but the concern is there along with compliance and regulatory issues," he said. "It's a huge new area of opportunity."

### **Navigating uncharted territory: Selling SaaS**

Charles Carmel, vice president of corporate development at Cisco (NASDAQ: CSCO), said last year's \$3.2 billion purchase of Web-conferencing leader WebEx was "a great anchor to our broader unified communications strategy."

Still, there were some hurdles Cisco faced in coming to terms with its new SaaS unit. For instance, Cisco wasn't used to the way that WebEx, like many Web 2.0 companies, operated.

"We found out the top WebEx customer had never met" with the CEO of the company, Carmel said. "That idea -- that [the CEO] would never have met your biggest customer -- was like another universe for us."

While software is a key part of Cisco's portfolio, it's a relatively small portion of the \$40 billion company's overall business.

While Carmel said the rapid pace of SaaS adoption surprised him, despite its growth, "there are components that will never leave the firewall," he said.

"When you sit and talk with CIOs, they're concerned about keeping control of basic functions and the right mix of on-premise software on the network," Carmel said.

He added that SaaS is just a starting point for the networking giant to deliver more services. He did not provide specifics, however.

"We're looking at a broad range of opportunities and expect to be aggressive in this area," he said.



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