

South China Morning Post

NetSuite Expects Robust Demand in Greater China

Greater China's nascent market for online subscription-based business management automation software could soon heat up, as NetSuite launches its service in Hong Kong this week ahead of a planned move into the mainland.

Demand in this segment, known in the industry as software-as-a-service (SaaS), will continue to be driven by small firms and business users inside the departments of large companies, according to NetSuite chief executive Zach Nelson.

The opening of a Hong Kong office by the US-based firm follows its introduction of new flagship product OneWorld in Australia, New Zealand and Singapore earlier this month. "Asia has been great for us, and we see huge potential for our offering in Greater China," Mr Nelson said.

Sales from international markets, of which Asia-Pacific has the fastest-growing rates of adoption, comprised 20 per cent of NetSuite's total revenue of US\$36.6 million in the second quarter.

He said the company would launch its service on the mainland next year, by first establishing ties with strategic local partners to ensure profitable operations in key cities.

A recent survey by Forrester Research found that 61 per cent of Hong Kong and mainland firms plan to adopt SaaS within the next year.

NetSuite will also introduce OneWorld in Hong Kong this week for subscription over the internet at HK\$18,000 a month.

OneWorld allows companies to manage their multinational and subsidiary business operations in real-time globally. It integrates the key business management functions, including customer relationship management, enterprise resource planning and e-commerce.

In a research note ThinkPanmure said: "We estimate [OneWorld to be] a US\$40 million to US\$50 million per year opportunity within [NetSuite's] installed base."

The global SaaS market is projected to reach US\$19.3 billion by 2011, representing annual growth of about 25 per cent, according to Celent. It forecast the mainland's SaaS market to hit US\$3.8 billion by 2011, up from US\$1.3 billion last year and US\$899 million in 2006.

By comparison, the total mainland software market was worth US\$3.7 billion in 2006. "Although SaaS awareness has reached a peak, deployments in the region demonstrate that the market is still in its

early stages, as most customers have deployed SaaS applications in isolation and have not integrated these with other enterprise applications," said Balaka Baruah Aggarwal, senior manager at Springboard Research.

"Vendors must therefore continue to invest further in educating customers on the best ways to derive the benefits of SaaS, especially in China, the Asean markets and India."

Ms Aggarwal said Salesforce.com continued to dominate the SaaS market in the Asia-Pacific. Other prominent regional offerings include NetSuite, RightNow Technologies, Cisco Systems' WebEx, Citrix Online and those from larger market players including Microsoft, Oracle and SAP.

Educating potential customers on the mainland and across the rest of Asia has become increasingly important for NetSuite amid the global financial crisis, which could impact information technology spending by companies. "During bad times, SaaS delivers cost savings for companies because there is less cash upfront and no big infrastructure to be added when adopting the service," Mr Nelson said.

Ronald Tse, director at Vita Green Health Products, a leading provider of vitamins and health products, said: "Because NetSuite is a managed system, we are able to grow without adding more equipment and manpower to maintain servers and support new software."