

Venture Funding & The Cloud

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Feb 2011



CloudConnect



Agenda

- Section 1: Key drivers of cloud 1.0
- Section 2: Current cloud trends – what's next?
- Section 3: How to create value in the cloud



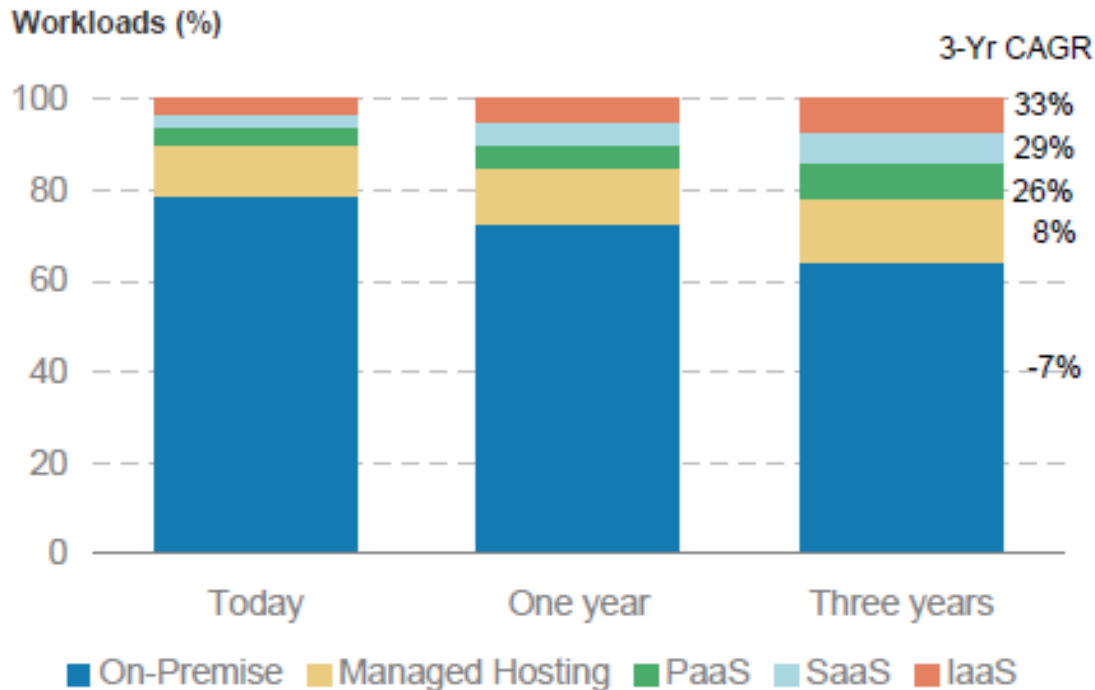
Section 1

KEY DRIVERS OF CLOUD 1.0



Workloads Migrating to Public Cloud Environments...

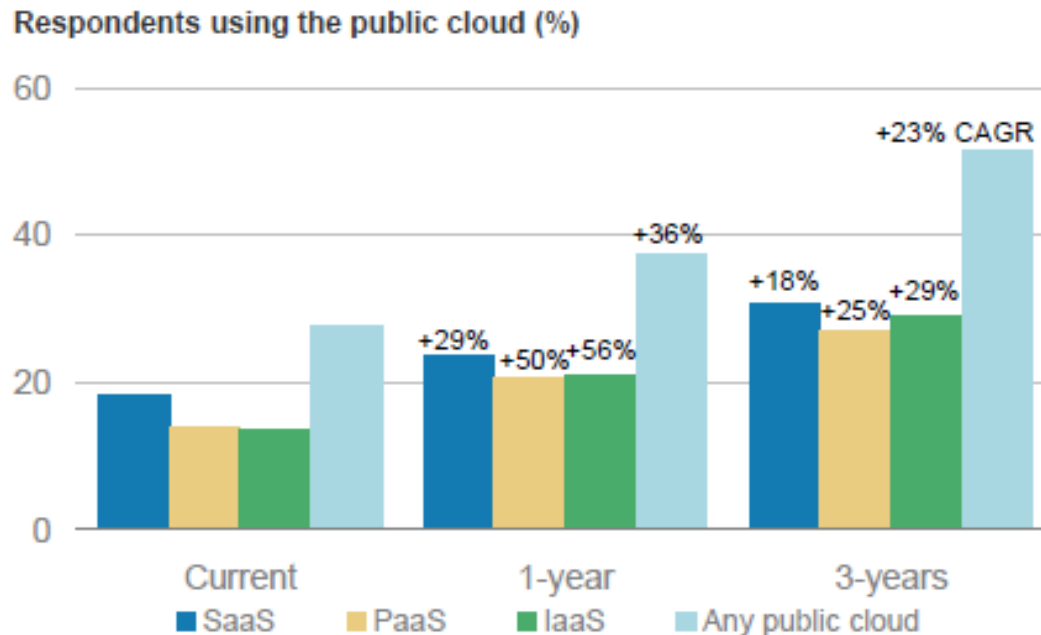
Global Survey Reveals a Robust Migration of Workloads to Public Cloud Environments...



Source: AlphaWiseSM, Morgan Stanley Research

... with Broadening Usage

...and Broadening Usage, with Over 50% Expecting to Use Public Clouds within Three Years



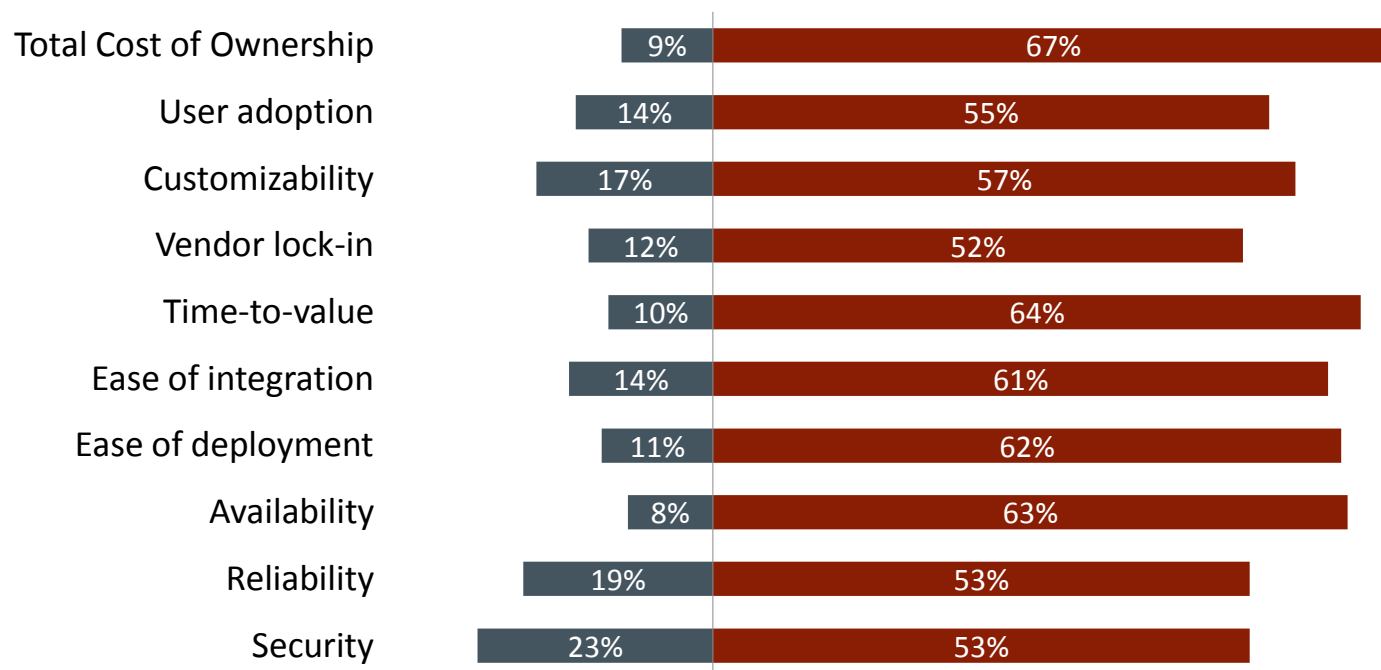
Source: AlphaWiseSM, Morgan Stanley Research

The Virtues of Cloud Computing Are Creating Converts...

How do Cloud Apps Compare to On-Premise?

% of Respondents

■ Somewhat/Significantly Better ■ Somewhat/Significantly Worse

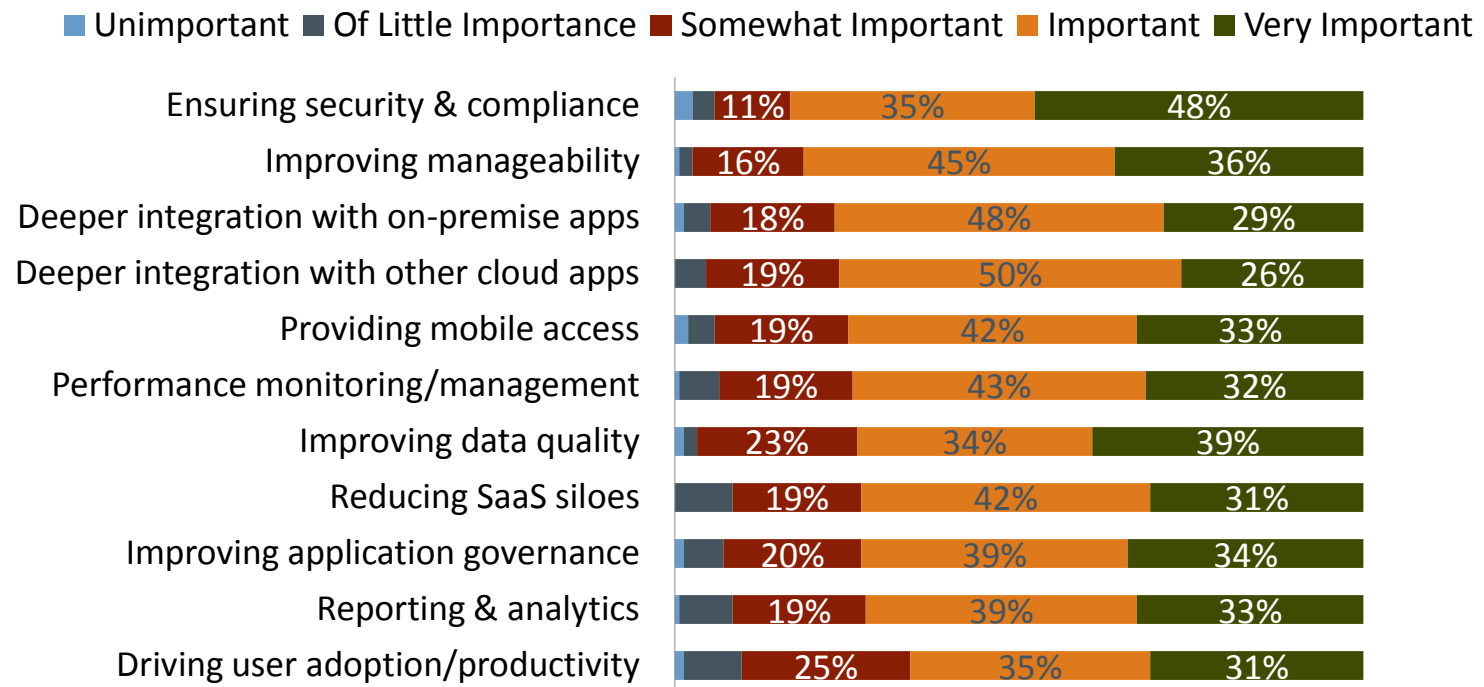


Source: 2010 Appirio State of the Public Cloud Survey

...And There is Still Plenty of Room for Innovation

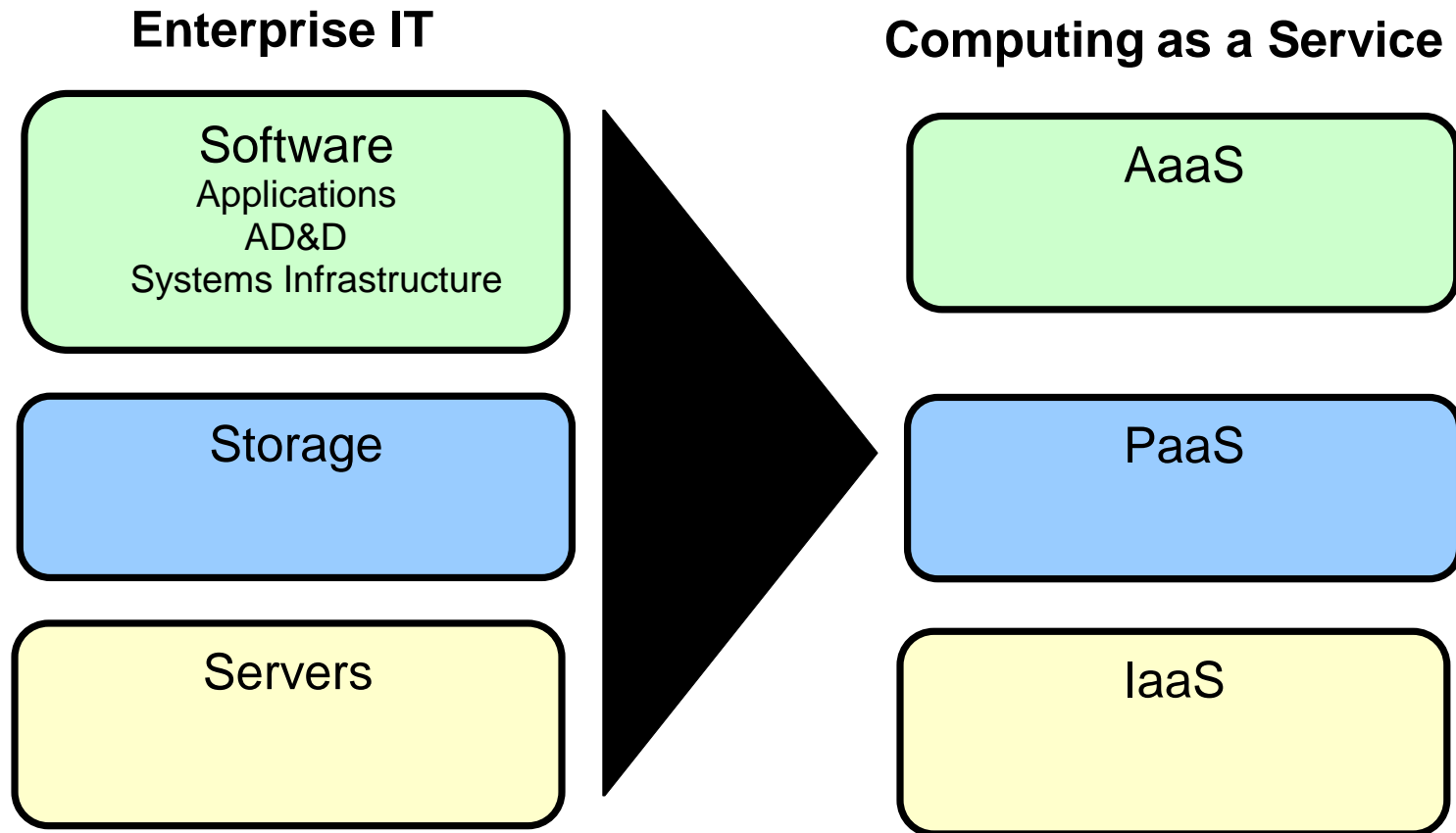
Priorities for Improving Cloud Apps

% of Respondents



Source: 2010 Appirio State of the Public Cloud Survey

With Cloud Comes New Paradigm...



Source: JMP Securities

... And a Growing Ecosystem

Layers

Leaders

Rising

Why it Matters

Software as a Service (SaaS)

			  
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Better Apps,
Lower TCO

Platform as a Service (PaaS)

			 
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Build Better,
More Scalable
Apps at a Lower
Cost

Infrastructure as a Service (IaaS)

			
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Eliminate
Hardware and
Software
Infrastructure

SaaS 1.0 has Created A Lot of Value Breaking Open Existing Markets...

- CRM



- Financials



- Support



...Serving Previously Rationed Markets

- Talent Management
- Virtual Conferencing
- Professional Marketing



... and Expanding into Verticals with Rapid Delivery of Content

- Doctor's Office



- Retailer



- Auto Dealer



Section 2

CURRENT CLOUD TRENDS – WHAT'S NEXT?



Recent Trends

1. **Rise of SaaS 2.0:** Consumerization of the enterprise; low friction, distribution model; SMB-ready
2. **Impact of Mobile:** Mobile usage increasing at a rapid pace, flooding into the enterprise
3. **Storage in the Cloud:** Virtualization leads to I/O blender problem, scale up vs. scale out architecture
4. **Big Data Analysis:** Massive amounts of data – both unstructured and structured – is altering analytics demands



1. RISE OF SAAS 2.0

Distribution Models are Becoming Blurred



Source: Morgan Stanley

SMBs are Starting to Turn to the Cloud

- **SMBs adding services.** 39% of SMBs projected to pay for 1+ cloud services in three years; current 29%. SMBs with cloud services will be using 3.3 services in three years; current 2 services.
- **Hybrid model.** Within three years, 43% of workload will be on paid cloud services, 28% on-premise, 29% free / bundled.
- **SaaS and IaaS adoption.** SMBs adopting SaaS and IaaS services are larger, more growth-oriented companies

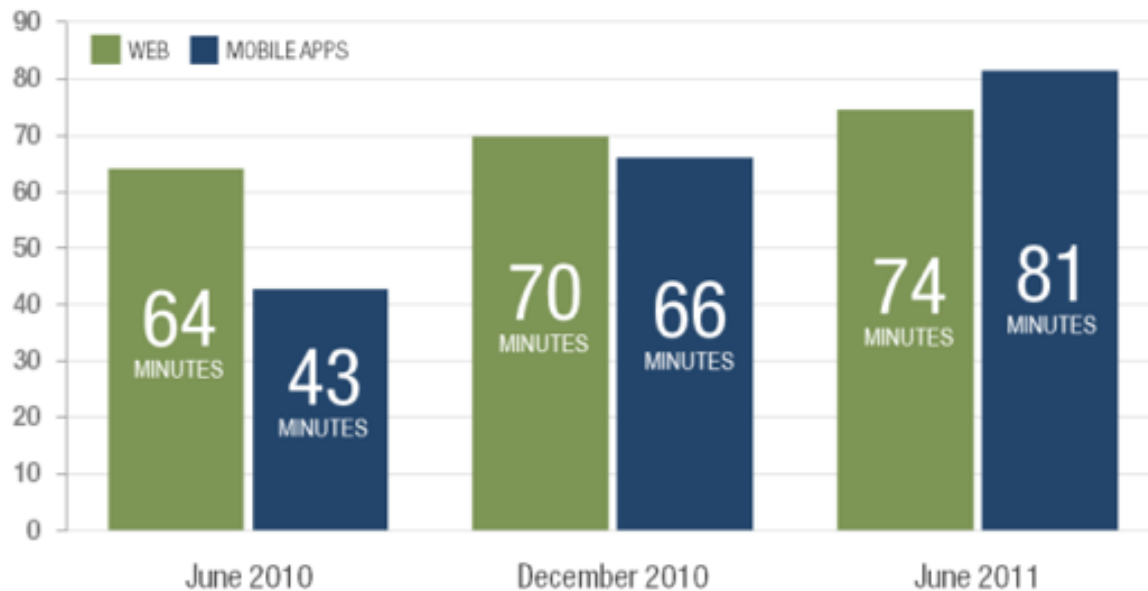
Source: Microsoft SMB Cloud Adoption Study 2011 / William Blair

2. IMPACT OF MOBILE



Mobile App Consumption Outpaced Web Consumption in 2011

U.S. Mobile Apps vs. Web Consumption, Minutes per Day



© FLURRY

Sources: comScore, Alexa, Flurry Analytics

BYOD Changes Enterprise Needs

- IT organizations are seeing the "bring your own device" trend rapidly growing as an increasing number of employees want to use personal consumer devices to connect with corporate email and data
- Garner forecasts that by 2014, **90% of organizations** will support applications on personal devices

Source: Gartner

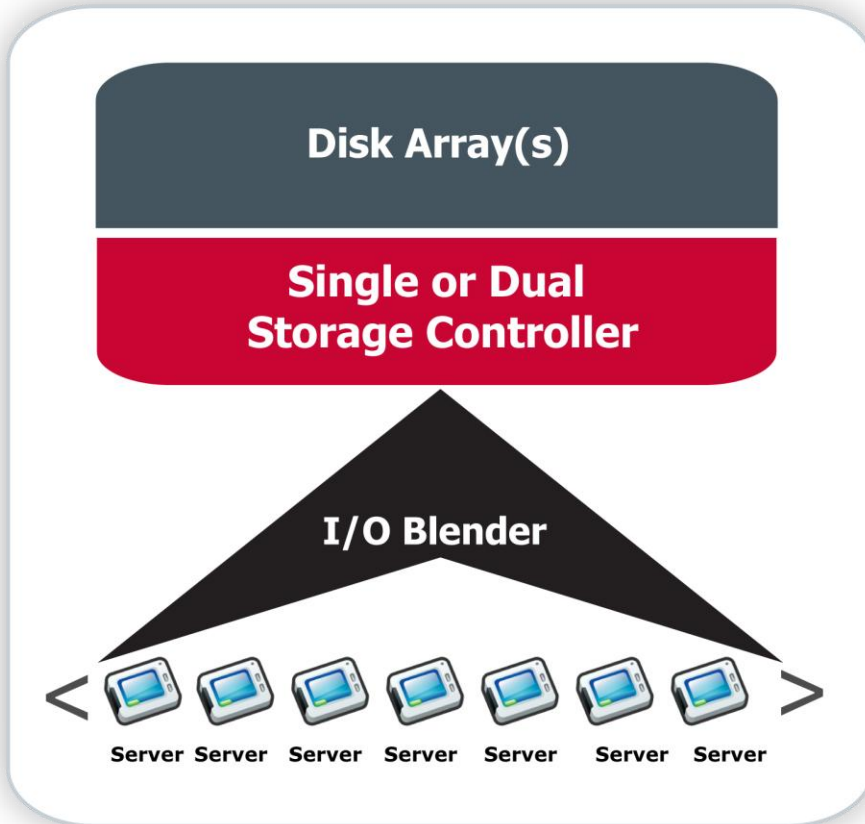


3. STORAGE IN THE CLOUD



Traditional Storage is Stale

Monolithic Storage

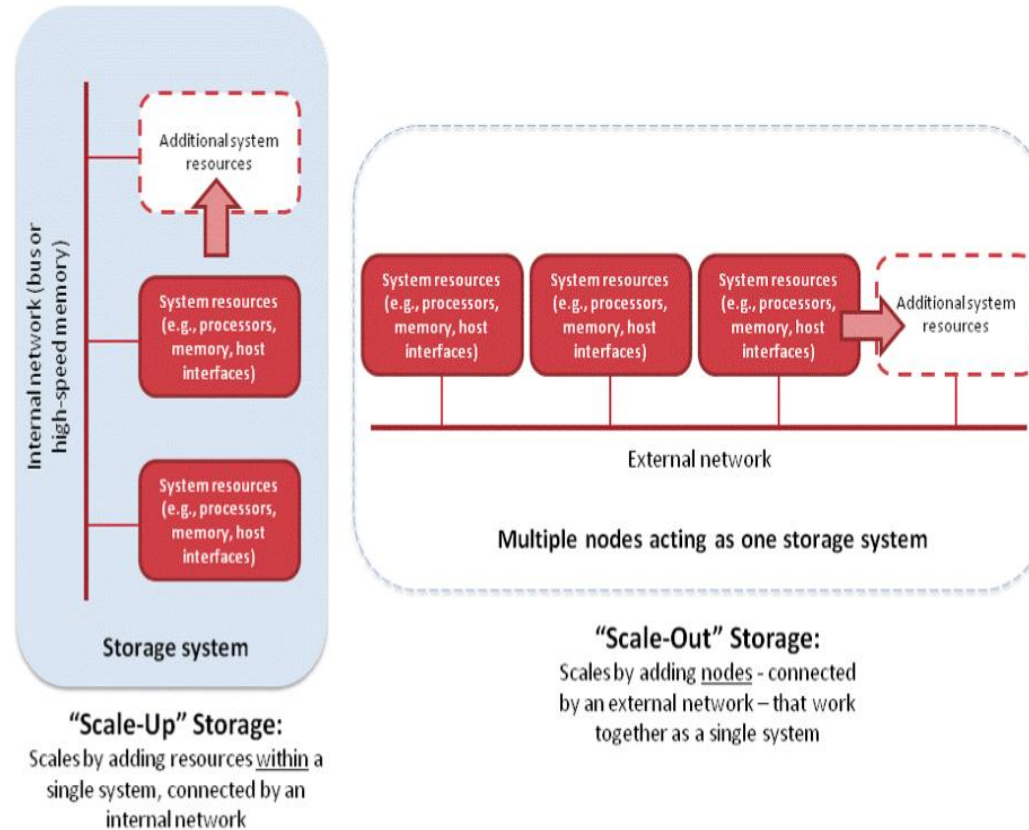


Monolithic Storage of 90's is Obsolete

- Storage is at least 5-6X normalized cost
- Complexity layered on Complexity
- Optimized for the 15% of core apps
- Reached limits of scale up

Scale-Up vs. Scale Out

Figure 1. Scale-up vs. Scale-out Storage



Source: Enterprise Strategy Group, 2011.

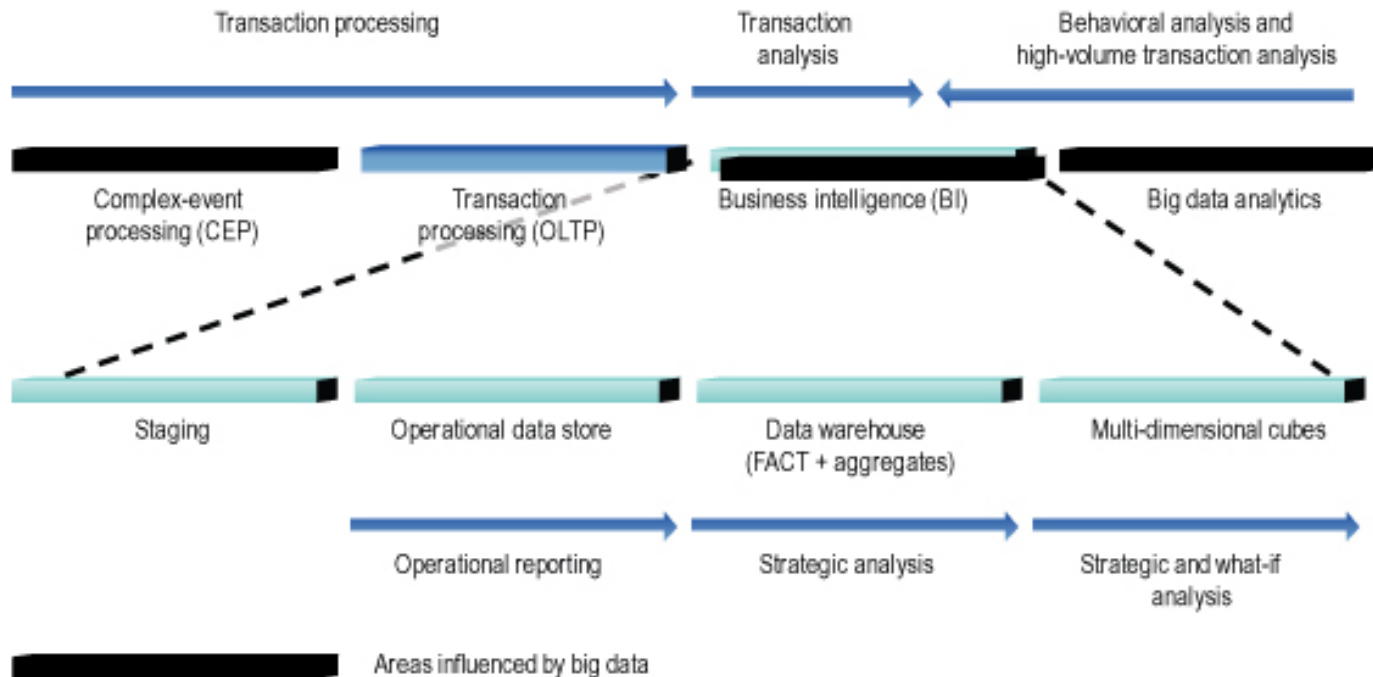
4. BIG DATA

Data Growth at 40-60%

- Data growth in both structured and unstructured data at 40-60%
- Attributed to compliance requirements, sensor-enabled and instrumented enterprises, etc.
 - *Retailers*: clickstream data from website interactions
 - *Healthcare*: healthcare data is being digitized (e.g. electronic medical records)
 - *Financial services*: larger volumes through smaller trading sizes, increased market volatility, and tech advancements in trading
- Increasing data complexity through unstructured data
- Changing analysis complexity – e.g. behavioral analytics from web clickstream data vs. traditional transaction-based analysis

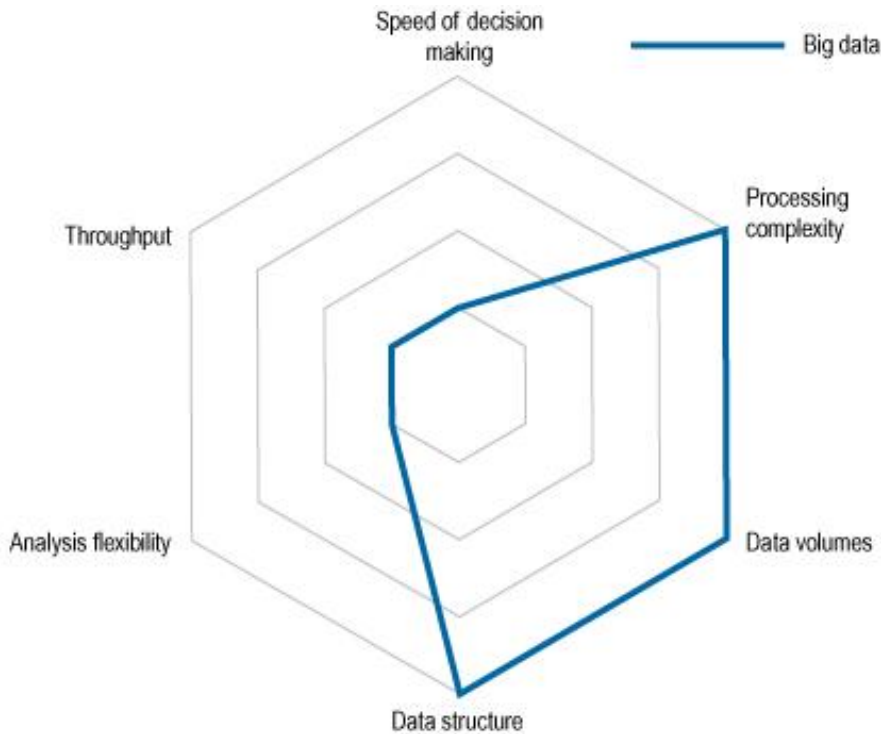
Source: Gartner

Big Data Expands Traditional Data-Processing Pipeline



Source: Gartner














Increasing Focus on Big Data



- Growing awareness of this technology
- Enterprises are actively looking at the application of the big data analysis tools and techniques
- Big data analytics is undergoing huge change and innovation; is new and has few best practices

Source: Gartner

Funding / M&A Activity

Area	VC Funding / M&A		
SaaS 2.0	 <i>Every brand needs a budd</i>		 BUSINESS EXECUTION SOFTWARE 
Mobile			
Storage			
Big Data			

Section 3

HOW TO DRIVE VALUE IN THE CLOUD



Five Key Areas of Focus

1	Your Market Opportunity is Large Top-down and bottoms-up, “niche” markets can be huge Use proven customer / geo / cohort metrics to extrapolate a huge market
2	Drive Unit Economics & Lifetime Value of a Customer Fundamental to getting investors to believe in LT profit model Quantify upgrades / usage / cross-sell/high renewals
3	Change the Economics of Selling Disruptive channels (telesales, SEM, freemium) are happening Unique sales / service / renewal economics are a huge opportunity
4	Link Culture / Operational Excellence to ROI Everyone talks culture, few link it to quantifiable economic benefits Culture creates real competitive advantage and strategic value
5	Longer-term, Leverage DATA Data is the future of software / Internet, insight and analytics will be as important as functionality.

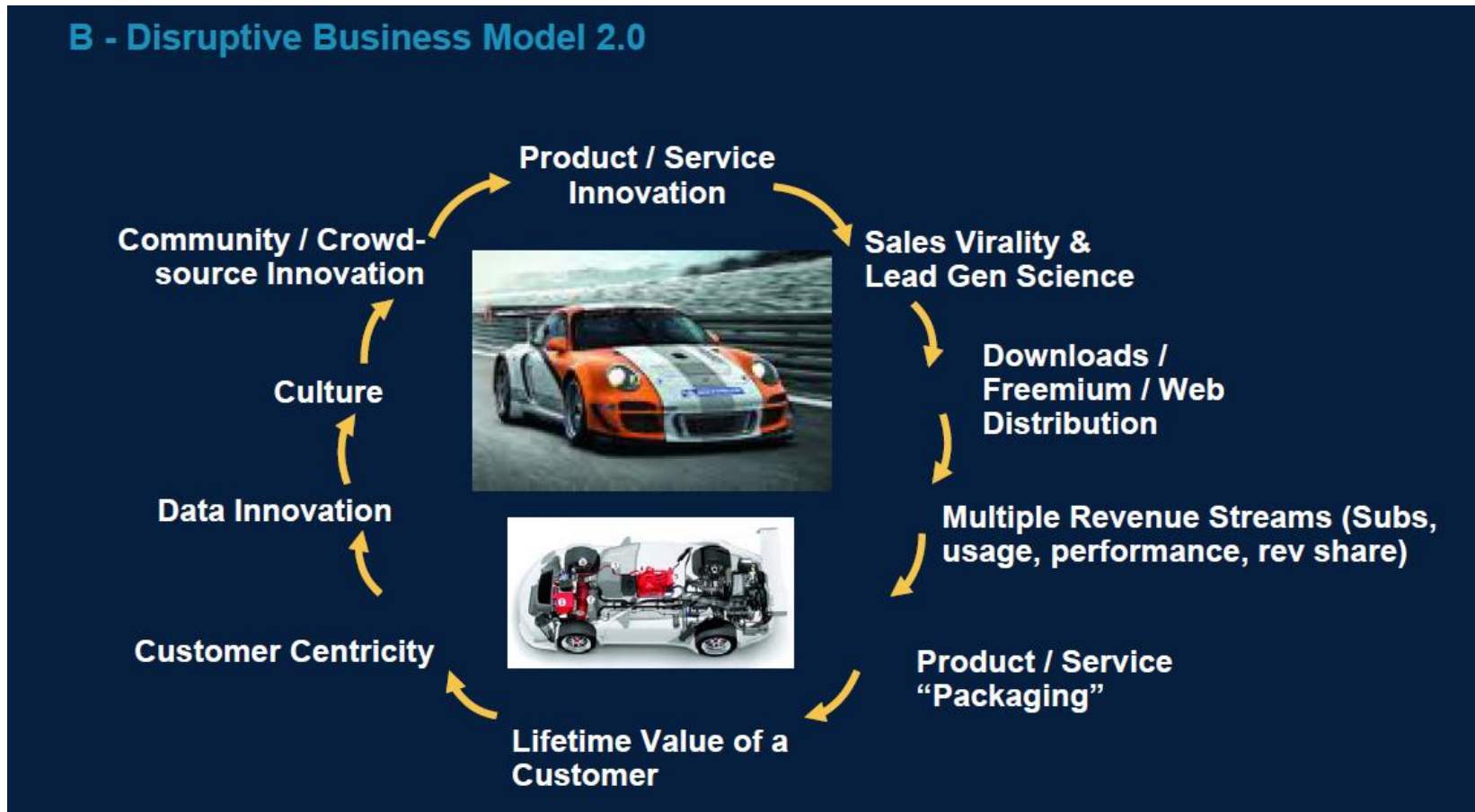
Source: Morgan Stanley

Tech Business Model 1.0



Source: Morgan Stanley

The New Tech Business Model



Source: Morgan Stanley

The Three Stages of High Growth SaaS

