



*What Will the Software Industry Look Like in Three, Five, Even 10 Years from Now?*

Over the next few years, we can expect more technology that's completely browser- and Internet-based, such as the new Google Chrome OS appliance. These will be laptops and tablets without many of the characteristics of a typical computer or operating system, as computing continues to shift from "on-terminal" to everything being housed in the cloud.

This doesn't come without consequences. As we move closer to this, we become more vulnerable, not just from a business perspective, but as a society. The hackers of the world would love the challenge of disrupting thousands of users with one fell-swoop, and may start targeting the massive data centers. A virus infecting a few computers is bad, but an assault on a large data center can affect GDP and cost billions in lost revenue, productivity and lawsuits. It's a scenario that both our industry and society will need to address.

*What Customer Demands and Business Trends Will Drive Changes in Software Products, How They're Developed, and the Industry That Provides Them?*

It used to be that consumers and businesses cared about who developed their software, making name recognition an important part of the buying decision. This is no longer the case. This definitely benefits software developers, but creates potential problems for users. There is often uncertainty about who's developing the software and from what part of the world. Thus, a host

of geo-political issues come into play, such as the fear of not knowing where your data is being housed, if it is safe, and what, if any, security measures are being administered.

The business-to-business software industry, which is the focus of our company (StormSource Software), continues to evolve in interesting ways. For example, take enterprise-level solutions, where big companies have traditionally had large budgets for software and technology. Now, we see decision-makers at these companies are looking for ways to save money and increase efficiency by implementing more affordable solutions. Although this can affect a SaaS provider's profit margins, it also creates huge opportunities. A related trend is department or unit-level SaaS adoption. Departments understand that getting the central IT department involved in software-purchase decisions is often a death sentence for getting their problems solved in a timely manner. So, we are finding more of them moving ahead with unit-level solutions, thereby making quicker decisions and being more willing to try new concepts.

Regarding financing, the venture capital and angel markets have seen plenty of change, including a recent tightening of standards. But the model still works, and there is an abundance of investment money available. This is due in large part to the way investors look at businesses. These are people who simply love business. They get a rush out of finding and participating at the strategic level of companies doing interesting things or developing game- or world-changing concepts. Sure, they are in it to make money, but their love of business is what makes it fun for them.

Conventional business rules will continue to be challenged. There are lots of examples of this. Take pricing, for example. There used to be a time when low cost meant cheap or inferior. Now, many successful companies offer very useful, high-quality apps at a very low cost or even for free. This is good for consumers, but can be tough on businesses, especially startups. Companies using the popular freemium model have had a difficult time getting the free users to move to the fee-based versions, so many companies have ended up eliminating their free versions. So here we see how a conventional business rule holds up pretty well: it is hard to make money when you are giving away your product. But the software industry is dynamic and entrepreneurial, so we will continue to see the testing of conventional business rules, with interesting results.

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