

The Australian
23 May 2006

Terror threats make future of SAS secure

Selina Mitchell
Software

THE chief of one of the world's largest privately owned software companies is not entirely happy with the 10 per cent revenue growth of SAS last year.

His goal is to reach 15 per cent, and he is quietly optimistic, as the performance management business alone is expected to be worth \$US23 billion (\$30 million) this year. Areas of growth in the business intelligence and analytics market include anti-fraud, detection of money laundering, and predictive analysis, Dr Jim Goodnight told *AustralianIT* in Geneva last week.

He's not concerned by increasing competition in a sector with a confusing number of players and customer challenges.

Neither is he worried that massive growth in SAS's financial services arm will dry up when banks complete compulsory Basel II installations.

"There will probably be a Basel III, there was a Basel I."

If not, there are other areas of growth, such as detection of credit card fraud and analysis of credit risk, he says.

The increased threat of terrorism has been a key driver of growth for SAS research and products, and will continue to drive demand, he says.

Tools to detect and stop money laundering were created "because of terrorism", he says.

Another key area is modelling to detect people trying to break in to the US Navy's computer network.

"Most of that is classified, but the Navy is using SAS models to protect their computer networks," he says.

"The last thing you want is to start a war and somebody hacks into your network and shuts you down."

Dr Goodnight says he doesn't expect skills shortages and concerns about high costs of ownership will hinder take-up of business intelligence and analytics systems, as some analysts such as Gartner have predicted.

"That's why we're in Geneva, we are here to solve those problems," he says.

Research released at the Forum shows "our business intelligence has the lowest total cost of ownership and this interface we have written makes it extremely easy to use, so I think we have solved that problem." A business intelligence system could be up and running in a couple of days, he says.

In the financial services area, business intelligence challenges include Basel II projects, credit and operational risk, and solvency issues for insurance companies.

"It varies from industry to industry. There is a lot of interest in our business intelligence, which allows the user to use simple query and reporting tools to do analysis," he says.

"All of these things have pretty much the same driving point.

"More and more organisations are needing analytics to help analyse the vast amounts of data they have.

"The amount of data keeps doubling year after year, so it is a huge asset for a company if a company knows how to use that information."

Business schools are adding analytics to their degree programs, he says.

Data analytics is the "proper replacement" for intuition, and will lead to impressive profits, he says.

"So many companies for years have been driven by intuition," he says.

"Would you like to use your intuition to set the price of every item of every store across the country?"

"What could you do intuitively — say mark it at 50 per cent and let that be the price? That is all your mind can do, you certainly can't get down to the individual item in each store and make that judgement.

"You need to have some powerful computational tools."

The top-tier market, SAS's focus, will not become saturated in the near future,



Code cutter: Dr Jim Goodnight is still writing programs for the company he helped start in the 1970s

he says. SAS has begun thinking about opportunities in the small and medium business sector — a market that Microsoft is aggressively targeting.

SAS has just begun a reseller program for agents to offer its business intelligence tools to small and medium businesses he says.

That move will leave plenty for SAS to do at the top end of town, he says.

As for Microsoft entering the low end of the market: "Bring it on. We love competition."

SAS will partner with competitors when it needs to — such as testing SAP enterprise resource planning products to make sure they work with SAS software — and "take the gloves off" when competing in areas such as data warehousing and Basel II.

There will be no bundling or joint products, he says.

SAS revenue hit \$US1.7 billion last year. "We have a huge base of money we call renewal money, and it represents about 80 per cent of our revenue. "You cannot grow that at more than 3 or 4 per

cent because it consists of licence fees that users pay every year," Goodnight says. "Only with new revenue can you really grow — so to go up 15 per cent we need to at least double new sales.

"Our new low-end business intelligence tool puts us in head-to-head competition with Cognos and Business Objects, with our high-end tools we are ahead, and in the credit card fraud area we have so many products and new ones to come. With all of that our potential for growth is tremendous over the next four or five years."

Sales have increased more than 100 per cent this year and renewal revenue is up 10 per cent.

Despite the veteran leader answering the question on hundreds of public occasions, a ubiquitous and constant query for staff, customers and business analysts across the globe is still: "What happens when you leave?"

On his own estimate Goodnight will continue to "enjoy" leading his company for another 20 years, possibly racking up 50 years at the top. "Do I

look that old," he says. "I hate this, especially when a woman asks me that question," he says. "I reckon I got another 20 years in me and I am having a lot of fun right now, but we have lots of good leaders in the company.

"A corporation is a corporation. It has its own life, it moves forward.

"You just have to replace certain people and it goes forward. We have enough people to make it go forward."

Goodnight, who started the company in a southern US university in the 1970s, is still writing programs, including one last year to read 100 million records and compute customer profitability.

SAS is determined to control the business intelligence market, as well as business intelligence, which executives say has been confused by some companies offering simple reporting systems.

"People can buy the equivalent software from us and look what else they get: they get all the incredible depth of the analytics that can be added on top of the simple query and reporting system."