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Looking for a Managed Hosting Company for Your SaaS Solution? *Four Keys to Unlocking Your Success*

Larry Steele, Technical VP, SaaS
SAVVIS, Inc.

Software-as-a-Service (SaaS) continues to gain in popularity as a new business model. This is due, in part, to the fact that independent software vendors (ISVs) and SaaS infrastructure hosting companies have arrived at effective processes to develop, deliver and refine many of the essential enabling elements of SaaS. Consequently, ISVs and their customers now expect that these capabilities, such as consistent uptime, rapid system response time and broader solution functionality, will be "built in" to the standard SaaS infrastructure offering.

A high-performing technology infrastructure is critically important to an ISV's ability to develop and sustain long-term business success; however, today's end users have increasingly higher expectations for the features and services their ISV alliances provide. In turn, ISVs are demanding more functionality from their hosting providers. This article will discuss the best practices ISVs can employ to ensure their hosting providers have the right capabilities to support new, cutting-edge features and resources that will benefit end users as the next waves of SaaS implementations approach.

ISVs: Caught in the Middle of a SaaS Shake-Up

Recent trends within the SaaS marketplace are creating new challenges for ISVs. To start, many ISVs face difficulties internally when building their SaaS offering. Currently only 20 to 30 percent of mid-market ISVs have started a SaaS program¹. In some cases, the cost associated with implementing SaaS is an inhibiting factor. Others may not understand the SaaS infrastructure that is necessary to support their customers' specific needs. This suggests that ISVs will rely more on their hosting providers to deliver an exceptional IT infrastructure and will require consultative and advisory services to support end users' transitions to a SaaS delivery model.

ISVs that are seeking a hosting provider to help them meet their own needs and the changing needs of their customers face a shifting marketplace of hosting offerings. Some hosting companies are simply putting a "SaaS" label on their products to leverage the

buzz surrounding this software model. This scenario creates increased competition and makes it more difficult for ISVs to differentiate among the growing field of IT service providers. Amid the confusion, some ISVs might decide to self-host their applications; however, this distracts them from focusing on their "core", application development, which drives greater value for their customers and promotes business growth.

Finally, end user demands continue to evolve rapidly. Next generation functionality, improved internal and external collaboration and leading edge technology from SaaS providers are now the essential SaaS table stakes, but they will likely change quickly. ISVs that simply adapt to these and other trends as they arise could lose ground to more aggressive competitors. Those that anticipate new developments and understand how they will impact their value proposition are better prepared to introduce services, capabilities and technologies that enable their clients' business to leapfrog the competition.

Four Keys to Unlocking Your SaaS Success

Although ISVs may face several challenges that could impede the launch of a successful SaaS program, there are several steps that they can take, working with their hosting provider, to develop a SaaS offering that is flexible, robust and scalable.

Understand the Forces that will Shape the Next Waves Of SaaS

The structure and functionality of the SaaS marketplace continues to shift in scope and potential as more end users begin to adopt a SaaS delivery model. For example, customers are now beginning to seek more complete integration with their on-premise architectures.

While it may be difficult to pinpoint the direction SaaS will take next, it is clear that changes are inevitable. Therefore, ISVs must have insight into the ways in which SaaS might evolve so they can help anticipate the upcoming challenges end users could face. Hosting companies can play an essential role in providing guidance to ISVs as they adapt their offering to address their customers' SaaS requirements.

Continue to Evolve Your SaaS Offering

The SaaS model has unfolded in stages over the past few years. Currently, according to Saugatuck Technology, the industry is in the midst of Wave Three. During this time, SaaS will develop into a more mature business model as basic capabilities, uptime, rapid system response time, etc., give way to broader functionality. Customization, integration, data sharing, content management, APIs and others will promote more ubiquitous adoption of SaaS technology and will lead to workflow-enabled business transformation. By 2014, the SaaS model will likely change again to adapt to the rise of cloud computing models.

These progressions will happen quickly and will require ISVs to make significant modifications to their infrastructure to deliver the most up-to-date and efficient capabilities for their customers. One of the key factors enabling these major and rapid changes is the strength of the ISV's hosting provider. If they are focused on the needs of ISVs, the hosting provider will evolve offerings to exploit infrastructure advances to the direct benefit of its ISV customers.

As ISVs begin to shape or continue to refine their SaaS offering, they should evaluate whether their hosting provider has the scale and expertise already in place to implement and manage a SaaS deployment quickly and cost-effectively. Additionally, it should be clear that the provider understands how to package, price and promote profitable managed services. Selecting a hosting company that has widespread and established credibility in running a standard global enterprise infrastructure is essential to ensuring smooth and successful transitions across the various waves of SaaS implementation.

Distinguish the Leading Hosting Providers from the Pack to Create a Stronger Advantage in the SaaS Space

For ISVs, selecting the right hosting provider can be a daunting task, particularly as it becomes harder and harder to differentiate one SaaS offering from the next. There are several hosting capabilities that ISVs should evaluate to ensure they have identified the most appropriate hosting company.

First, ISVs should look for a provider that has managed hosting at the core of its business. SaaS then becomes a natural extension of its primary expertise, not just a loose grouping of products or capabilities packaged together to capitalize on a trend. Enterprise-grade hosting services that have been tested and validated by enterprise buyers is an indication of maturity and flexibility in these services.

Next, ISVs will benefit from a hosting provider that understands SaaS as a service model, as well as a software delivery system. This means that ISVs should seek out hosting providers that can deliver the necessary technical resources, as well as demonstrate operational expertise, advisory services and a willingness to collaborate. Although a scalable, flexible infrastructure and technical resources are critically important, today's frequent shifts in SaaS technology also require consultative and assessment services to help ISVs facilitate their transition to a SaaS delivery model. The hosting company must be willing to learn and understand their customer's culture to implement a solution that is ideally suited to helping the ISV meet its business objectives and enabling customers to continue to grow their operations.

Third, ISVs should identify a hosting provider with an extended network of alliances that can offer a breadth of services and deploy the right resources when and if needed. This structure allows the

ISV to focus on its core responsibilities. Infrastructure maintenance, security and other activities that do not add value to the ISV or its customers, known as "context", are best left to the hosting company and their alliances. It also enables the ISV and its customers to access additional technologies to address new or changing requirements.

Beware of the Pitfalls that can Impede Successful SaaS Implementation

As ISVs evaluate potential hosting providers to support and advance their SaaS services, they may encounter several red flags that should signal an incomplete or inadequate offering. Understanding and avoiding these potential pitfalls can save ISVs time, money and reputation as it relates to their SaaS offering.

- **"We'll support everything."** Be wary of hosting companies that claim they can get to know a customer's entire software package. It is very difficult to understand the intricacies and nuances associated with each individual software program and to provide all the various levels of support necessary to ensure consistent uptime and response time. This expertise will and should remain core to the ISV.

- **"We do everything."** Similarly, many hosting companies tout their capabilities to address a customer's every requirement or preference. This is difficult to accomplish since these needs are not universal and are highly variable. Thus, a diverse network of alliances is essential.

- **"We only offer basic services."** As discussed above, hosting providers that offer only the "speeds and feeds" may not deliver the complete and comprehensive solution that many ISVs require, particularly as the need for consultative and advisory services increases. Additionally, an undifferentiated offering will often translate into undifferentiated service during capacity expansions or equipment failure, which won't meet the requirements of an ISV or its customers.

Conclusion

As the rapid evolution of SaaS continues and end users demand increased capabilities from SaaS, it is imperative that ISVs work together with their hosting providers to understand and prepare for changes. While it may be difficult to predict how the next waves of the SaaS evolution will impact end users or what features will be essential to success, ISVs must be able to quickly adapt their existing SaaS model. An effective hosting company can provide the right combination of proven technology infrastructure, reliable services and a broad network of alliances that ISVs need to build their SaaS offerings and, in turn, help end users grow their businesses.

References

1 Bill McNee, Saugatuck Technology, "SaaS and the Third Wave," internal SAVVIS meeting, St. Louis, MO, June 3, 2008.

Larry Steele brings more than 18 years of experience in technology to his role as vice president of SaaS for SAVVIS Inc. Mr. Steele leads the overall global strategy in delivering SaaS solutions to meet client needs. Prior to joining SAVVIS, he was the CTO for Edward Jones, a leader in the financial services industry.