

## Beyond the Platform: Choosing the Right SaaS Delivery Partner

A Stratecast Whitepaper  
Sponsored by IBM



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### Introduction<sup>1</sup>

For most Independent Software Vendors (ISVs), discussion on the Cloud has moved from “whether” to “when and how.” On paper, at least, there’s little question of the value of the Cloud, which promises to facilitate the development process, streamline delivery, and closely align investment with revenue. The allure is also felt by enterprise customers, who are attracted to the cloud as a flexible, low-maintenance delivery model.

But as is usually the case, there’s a large gulf between concept and implementation. For start-ups and companies looking to add software to their product portfolios, launching a successful cloud delivery model requires a solid business plan that includes development, production, and go-to-market approaches. For well-established ISVs, the challenge is no less daunting. They may find that adopting the new delivery model requires far more time, money, and research than anticipated – and that it can disrupt business processes far beyond the development. Yet, the risk of taking no action is as great as the risk of taking the wrong action. How, then, can ISVs successfully integrate the Cloud into their businesses?

In this paper, Stratecast examines the fragmented and still evolving cloud-based Software as a Service market. We look at the pitfalls and benefits to ISVs, along with considerations to guide the decision to enter the cloud. Finally, we look at the IBM SaaS Specialty Program as a high-value option for helping ISVs build and execute a SaaS strategy.

### **Why Cloud?**

As defined by many in the industry, the commercial Cloud comprises three layers: Infrastructure layer (which supports Infrastructure as a Service), Platform layer (Platform as a Service), and Application layer (Software as a Service, or SaaS). Unlike the previous generation of the model, in which multiple, dedicated instances of the software were hosted by the provider on behalf of clients, cloud-based SaaS is a single instance, multi-tenant delivery model. This decreases the provider’s labor and infrastructure requirements, which leads to lower costs for clients.

For most ISVs, the most compelling driver to look at SaaS models is that enterprises are increasingly choosing web-based software over packaged software. According to Stratecast’s 2010 Cloud End User Survey, 21 percent of enterprises currently use SaaS in their businesses. More important: the market is expected to double in the next two years, as an additional 22 percent of businesses adopt SaaS applications.”

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<sup>1</sup> This white paper was prepared by Stratecast on behalf of IBM. Please note that the insights and opinions expressed in this assessment are those of Stratecast and have been developed through the Stratecast research and analysis process. These expressed insights and opinions do not necessarily reflect the views of the company executives interviewed.

According to the Stratecast study, the primary reasons enterprises select cloud-based software include:

- **Easy accessibility by remote users (cited by 44% of respondents):** The traditional client-server model of delivering software to employees has been dealt a blow by the increase in remote workers. Traveling and home-based employees; distant partners; global customers all are accessing business software. With fewer users in the same location as their applications, it's an easy leap to entrust the software to the developer's data center.
- **Decrease in time/cost for software maintenance (38%):** As business processes become increasingly automated, IT departments face an increase in scope and responsibility without an increase in staffing. Time spent loading, upgrading, and patching software becomes difficult to justify. In a SaaS model, the vendor is responsible for maintaining and delivering software to all users.
- **Deferral/avoidance of hardware purchases (37%):** Especially in tough economic times, capital budgets are tighter than operating budgets. By outsourcing software to a cloud environment, IT is not responsible for purchasing, installing, and configuring server capacity to handle new and growing applications.

### ***Adopting a Cloud (SaaS) Delivery Model: Challenges for ISVs***

While SaaS delivery may be an interesting solution for enterprises, adopting the delivery model creates challenges for ISVs. Software engineers want a development environment that minimizes routine coding “grunt work” and shortens the delivery cycle, while providing professional quality tools to do their job. Project managers look for processes and tools for ensuring software quality and compatibility. Marketing needs to find a way to license and sell the new service to a new market. Finance looks for a predictable revenue stream, one that is aligned with expenses. And, because packaged software will continue to be highly desirable for the foreseeable future, all this while supporting a dual environment. No wonder the decision to choose a partner is so critical.

ISVs contemplating the Cloud should remember four things:

- **There is no “Cloud,” but rather many “Clouds.”** Enterprises operate in multiple data center environments: on-site and remote, shared and dedicated. This is driving the development of hybrid clouds that span on-premises and hosted environments. **For maximum exposure and market reach, ISVs need to select a cloud partner that can make it easy for businesses to use their software in a hybrid environment.**
- **It’s not just about the platform.** Make no mistake: the middleware platform that enables SaaS delivery is crucially important, and software engineers should be encouraged to select a robust platform that meets their needs and preferences. But that’s where the decision should start, not end. **Management tools, go-to-market strategy, and pricing are all part of the overall SaaS package, and these crucial business processes can be facilitated or hampered by the choice of a cloud partner.**
- **Cloud adoption is a long-term investment.** Despite oft-repeated reports of rogue developers bypassing IT to play in a cloud provider’s no-strings dev/test sandbox, cloud adoption is a business-critical decision that should not be made lightly or haphazardly. Just as enterprises are learning that the Cloud must be considered as part of a comprehensive data center strategy, so should ISVs understand that a sustainable, optimal cloud-enabled business model cannot be attained through short-term decisions. **ISVs must develop a comprehensive cloud strategy that anticipates the future of software consumption and delivery.**
- **The Cloud should enhance your applications – not just deliver them.** The cloud makes it possible for ISVs to add functionality that would be expensive or impossible to incorporate in premises-based software. Like collaboration tools and business analytics – value-added capabilities that provide a competitive differentiator for the software and additional revenue from enterprises that are willing to pay for tools that increase their productivity and control. To drive business growth, ISVs should align their cloud strategy with their software development strategy, thus ensuring that they leverage the enhanced functionality made possible by the cloud model.

## Evaluating a Partner Program: IBM PartnerWorld SaaS Specialty Program

The cloud market is broad and fragmented, with thousands of suppliers offering products and services that fulfill niche needs. As such, ISVs are often daunted by the process of researching providers' and consultants' offers and attempting to kluge them together into a cohesive, sustainable market-facing SaaS offer.

In this chaotic environment, the **PartnerWorld SaaS Specialty program** offers a welcome alternative: a one-stop, full-solution program that not only provides a powerful technology platform and tools for developing and delivering SaaS, but also offers the expertise and support to help developers bring it to market. Reflecting IBM's long heritage of working with partners, the program ties together products, services, and solutions from across IBM's divisions, presenting, packaging, and pricing them in such a way as to appeal to potential partners at many levels.

IBM partners benefit from the program's broad reach and depth of support in a number of business-impacting areas:

### **Technology: Platform and Tools**

IBM's open standards-based cloud platform is built on the proven technology of **Websphere** and **DB2 software**. The core stack is well suited to SaaS delivery, supporting dynamic and interconnected workflows in a scalable, multi-tenant environment. IBM's **Rational software tools** provide management support.

In addition, the company offers a number of tools – its own and via partnerships – that make it easier for ISVs to develop and deliver their cloud software. The **IBM Smart Business Development & Test Cloud** shortens time-to-market by facilitating development and QA testing, and enabling a smooth transition to the production environment. **SaaS Blueprints** offer free-of-charge templates as development shortcuts. **Ecosystem partners**, such as Wavemaker, provide simplified interfaces for enabling multi-tenancy. IBM also offers tools for developing **applications to run on Amazon Web Services**.

Unique among cloud providers, IBM also offers a common service management platform and set of tools for managing across private and public clouds. Based on the robust Tivoli platform, the company's **Integrated Service Management** offers user-friendly, self-service tools that automate service management functions. This enables ISVs to change and grow their hosting environment – from on-premises, to dedicated hosted, to cloud, and back again - without changing service management tools.

ISVs that prefer a self contained on-premises solution, may also appreciate the simplicity of **IBM Cloudburst**, an all-inclusive cloud development appliance. Cloudburst comprises server hardware preloaded with a comprehensive set of Tivoli-based Service Management capabilities, including virtual machine templates that simplify the development and deployment processes. The WebSphere Cloudburst Appliance can be used to quickly dispense software patterns to the cloud and easily manage images and upgrades.

### ***Service and Support***

IBM offers its ISV partners access to the company's broad expertise and market position to provide not just technology value but also business value to partners. Many of the value-added support options are free of charge to partners.

**IBM developerWorks is the front door for any IT professional interested in cloud development.** The online resource serves as an open development community, providing access to IBM's suite of development tools and options, other commercial development tools and resources, as well as professional community networking opportunities for connecting, sharing, and collaborating.

**IBM Innovation Centers** – In IBM's 38 partner centers worldwide, ISVs can meet face to face with IBM experts, including IT architects and specialists focusing on the architecture, integration and migration of software solutions on IBM platforms.

**IBM Cloud Consulting Services** are also available to ISVs that are looking for a higher level professional engagement as they develop their cloud strategies. The IBM experts will provide an assessment, roadmap and timeline for the migration and support of a SaaS-based business model.

**IBM Integrated Service Management** solutions are available for ISVs seeking to ensure superior alignment of business service level delivery with cloud deployments. ISVs benefit from a comprehensive set of Tivoli tools that help them deliver IT services to meet customer SLAs in a public, private or hybrid cloud. IBM provides standards based tools that will support deployments on traditional, cloud or mixed environments.

### ***Go-to-Market Assistance***

As any business manager understands, having a good product is only the start. To be successful, the product has to be marketed to a receptive target audience. To assist partners in developing and implementing their marketing strategies, IBM offers go-to-market benefits for its SaaS specialty partners.

The go-to-market program provides a host of marketing and demand generations tools and support. Qualified partners are assigned an IBM marketing resource manager who helps plan and support demand generation activities such as client events. In addition, the partner can brand its software with the IBM "Powering On Demand Applications" logo, leveraging the IBM reputation for reliability, trust, and innovative technology.

## Extending the Value of Your Applications

To be successful in a competitive market, an ISV must continually tweak and enhance its applications to provide maximum value to customers – and command premium revenue for the ISV. The challenge is to do so while minimizing development time and costs.

IBM makes it easy for its ISV partners to extend and enhance the value of their applications through the addition of functionality highly prized by enterprises: business analytics, integration, and collaboration. By integrating IBM's best in class business solutions into their applications, ISVs can provide tangible, marketable benefits without investing in custom ground-up software development.

IBM currently offers its partners the opportunity to integrate with three of its business software solutions:

- **Integration:** ISVs can take advantage of platform based integration tools from Cast Iron Systems (acquired by IBM earlier this year) to quickly and easily integrate their software with on-premises apps such as SAP. This enables them to quickly respond to enterprise requests to integrate on-prem and cloud applications with a proven, replicable model.
- **Business Analytics:** Many enterprise applications collect and present huge volumes of data – which businesses have neither the time nor expertise to make sense of. That's why they are increasingly willing to invest in business analytics software to help shape business decisions. IBM allows ISVs to integrate business analytics tools from IBM Cognos into their software, providing a premium option for enterprise customers.
- **Collaboration:** The web 2.0 world values collaboration, and enterprises increasingly are looking for tools that will allow employees, business partners, and customers to communicate and share information. To enhance the value and functionality of business applications, IBM partners have the opportunity to enhance their applications by connecting to the IBM LotusLive collaboration platform.



## Why IBM PartnerWorld SaaS Specialty Program?

More than 200 ISVs are participating in the IBM SaaS Specialty Program. Benefits include:

**Multiple Delivery Options** – IBM understands that most enterprises prefer – and will continue to prefer – to operate in a hybrid cloud environment; that is, they will choose to maintain a combination of private and public cloud facilities. To attract and retain the largest number of customers, the successful ISV will need to deliver applications that can operate on-premises, in a public or private cloud, and in a hybrid environment. And it must do so using a common toolset, or risk a prohibitive cost model. Designed to deliver software in any type of private or public cloud, including a premises-based environment, the IBM solution allows ISVs to serve the maximum number of customers, at the lowest possible cost.

**Integrated Applications** – ISVs are challenged to continually enhance their applications to make them more valuable to enterprise users, while minimizing development time. IBM's platform facilitates integration not only with IBM's widely used business software applications, but also to other cloud and premises-based commercial software applications. ISVs that leverage this option to enhance their own software can acquire a competitive edge in the enterprise market, as well as maximize revenue.

**Flexible Pricing Options** – For ISVs that closely monitor their return on investment, there is a strong need to align expense budget with revenue. IBM makes this possible through flexible pricing options for its middleware and software licenses, based on anticipated usage. ISVs can choose to “rent” their software stack on an as-needed basis – either hourly (via Amazon Web Services) or monthly. ISVs that can predict their usage can opt for standard perpetual licensing models.

**Trusted Brand** – As a leader in both premises-based and hosted infrastructure and software, IBM is a trusted partner to many global enterprises ISVs want to attract. By choosing the IBM platform, ISVs can leverage the company's base of loyal customers. In addition, the ISV can incorporate IBM's reliability and security in its own marketing messages, giving customers another reason to rely on the ISV's SaaS solution.

## **IBM Helps E-ON Integration Reach New Markets**

E-On Integration didn't respond to the worldwide recession by scaling back operations. Instead, the Athens-based provider of integrated accounting and business process software sought ways to expand its reach to enterprises who were themselves dealing with a harsh new business environment. The answer was to introduce a cloud-based version of their applications, which would appeal to businesses looking for an affordable solution that didn't require hefty up-front costs. A long-time IBM partner that exclusively uses IBM infrastructure, e-On chose to build its new SaaS delivery model on the reliable DB2 platform. The platform's scalability extends the functionality of e-On's integrated applications, as users in a supply chain ecosystem (e.g., customers, suppliers, tax authorities) can be aggregated on the same platform.

After the SaaS option was launched in 2008, e-On looked beyond its national borders to penetrate the U.S. market. Understanding that the European and U.S. markets are different, the company turned to IBM's partner program for assistance in developing a go-to-market approach. Whereas its European sales primarily targeted enterprises with private cloud environments, in the U.S. the company is focused on sales to Managed Services Providers and VARs who manage the SaaS software on behalf of their clients. To develop an effective ecosystem of U.S.-based businesses, e-On is working with IBM and its extensive partner network.

The adoption of SaaS delivery and the entry into new geographical markets was not without challenge, but President/CEO Costas Louropoulos points to the cooperative relationship and ongoing dialogue with IBM experts as key to success.

"We know we can build miracles with IBM," Louropoulos says. For a growing business, that's what a successful partnership is all about.

## Stratecast The Last Word

For a new software vendor, building a SaaS-based business model presents all the challenges of any new business venture. What's the best way to enhance product value without adding unnecessary cost? How can the business minimize development time without compromising quality? What's the most efficient way to enter the market? Where can it go to find customers?

For an established ISV, the decision introduces different, but equally significant challenges that go well beyond technology choice. Can the business afford to divert resources to SaaS while still supporting its traditional software? How can it attract sufficient new customers to justify the investment, while retaining its existing base? How can it minimize duplication of effort in developing and upgrading software in two models? How can it handle today's needs while preparing a foundation for the future?

**The IBM SaaS Specialty Program offers a unique blend of technology and know-how to help ISVs not only develop and deliver, but also market their software to a new generation of SaaS-savvy users.** The company offers tools and services that can ease the transition from software provider to SaaS-and-software provider, with a focus on how enterprises are purchasing their applications. In addition, IBM helps ISVs enhance their software, by integrating with other IBM and commercial software applications. With pricing options designed to minimize the strain on the ISV budget, IBM's program can help ISVs build and deliver a framework to facilitate short-term and long-term success. Whether you're just starting to explore the SaaS opportunity or you have an existing solution you'd like to offer, IBM can support you every step of the way. For more information on SaaS for IBM Business Partners visit us at: [ibm.com/partnerworld/saas](http://ibm.com/partnerworld/saas) or contact us [directly at saas@us.ibm.com](mailto:saas@us.ibm.com).

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