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INSIDE ENTREPRENEURSHIP

So you want to be an SaaS star

Now that Software as a Service (SaaS) has changed the rules of the software game, independent software vendors (ISVs) are the rising stars of the industry. As the big software OEM's like Microsoft, Oracle and CA ponder SaaS, wannabe SaaS companies are burning the midnight oil and some venture capital, getting their on demand apps up and running.

What many of these start ups may be forgetting is that the last "S" in SaaS stands for "Service." ISVs need to know how to size up SaaS platform vendors and models, and how to successfully use them in

building their on demand services, instead of being used by them.

There are three major categories of SaaS platforms:

Category 1—"Members Only" ecosystems. Examples: **Salesforce.com Inc.** and **WebEx Communications Inc.** These companies provide provisioning, single sign on, enterprise end user administration, ecosystems and marketplaces, and other technical and business infrastructure (billing is planned). Salesforce goes one step farther by making available a Web services development platform mashups of ecosystem apps opens up the ISV customer base beyond SMBs to include larger corporations. Salesforce and WebEx review all ISV applications for marketing and technical compatibility.

Sound like these companies are the answer? Here's where they fall short. While the marketplaces allow for test drives, customers must link to the ISV's corporate site where the ISV sells subscriptions. ISVs assume all other customer facing responsibilities. Yet the ISVs service levels and terms must be approved by the platform. Neither Salesforce nor WebEx hosts ISV services; ISVs must contract for hosting on their own.

Bottom line: Ecosystems open up the ISV SaaS market to larger customers who want user admin and mashups, but they also

extract substantial direct and indirect costs for simply associating with the platform brand, without shared marketing or assumption of liabilities.

Category 2—"Get It To Market" enablers. Examples: **Jamcracker Inc.** and **StrikeIron Inc.** Enablers like these companies market themselves as "instant" on demand application storefronts, billing and provisioning systems, first level support and established channel sales programs. They resell ISV services either themselves or through channels.

This SaaS model sounds great on first take. But it presents significant business and

GUEST COLUMN



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legal issues. The apps these Enablers support are limited to simple live data feeds and database query services, and there are no mashups. As with Ecosystems, ISVs must contract for their own hosting and provide their own SLAs and user terms, making the legal relationships muddled. The sales channels are not vetted VAR programs but rather rebranding or linking to the platform's online marketplace.

Bottom line: The Enabler model helps ISVs without capital sell simple, stand alone data services on the Internet fast, but in a confused way and through unknown third parties.

Category 3—"We Do SaaS" managed hosting companies. Examples: **OpSource Inc.** and **USinternetworking Inc.** These companies host ISV services, but vary in how much they support SaaS.

OpSource is more SaaS-centric than other hosting companies. It offers a system oriented architecture platform designed for on demand apps (storefront, billing/provisioning, and advanced application management). The company has the

ISVs should focus on these keys:

What kind of data do you process and how? Processing customer and third party data opens up more serious liabilities and demands greater compliance and customer assurances.

Who are your customers? SaaS quality of service can range from "No, No, No" (no SLAs, no support, no refunds) to meeting mission critical standards in highly regulated industries.

What is your value proposition? SaaS service levels and infrastructure can easily be as important as the application.

What risks will you undertake? Third party providers can leave ISVs highly vulnerable and impotent to address service problems.

distinction of being a Salesforce and and disaster recovery capabilities.

WebEx certified ISV host. USi puts a

twist on SaaS by marketing consulting

services for remotely hosting software

systems and for integrating hosted software

and on demand apps with on premise

systems. In essence, USi both supports

SaaS as a third party service and as an

internal system, or "reverse SaaS." Like

all hosting companies, these two services

offer very high SLAs, enhanced security

Bottom line: Traditional hosting

companies offer ISVs the most flexibility

for building on demand services and

responding to customer requirements, but

they require the most up front capital

without providing SaaS ops infrastructure

or any marketing.