CSSE 578
Software Construction

Software-as-a-Service
An Introduction

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Software-as-a-Service (SaaS)

Software as a Service (SaaS) is a model of software deployment where an application is hosted as a service provided to customers over the Internet.

Deployment / Delivery Model

- hosted and managed by a vendor
- delivered over the Internet

Usage based pricing

- per user per month
- per transaction
- per GB of storage per month

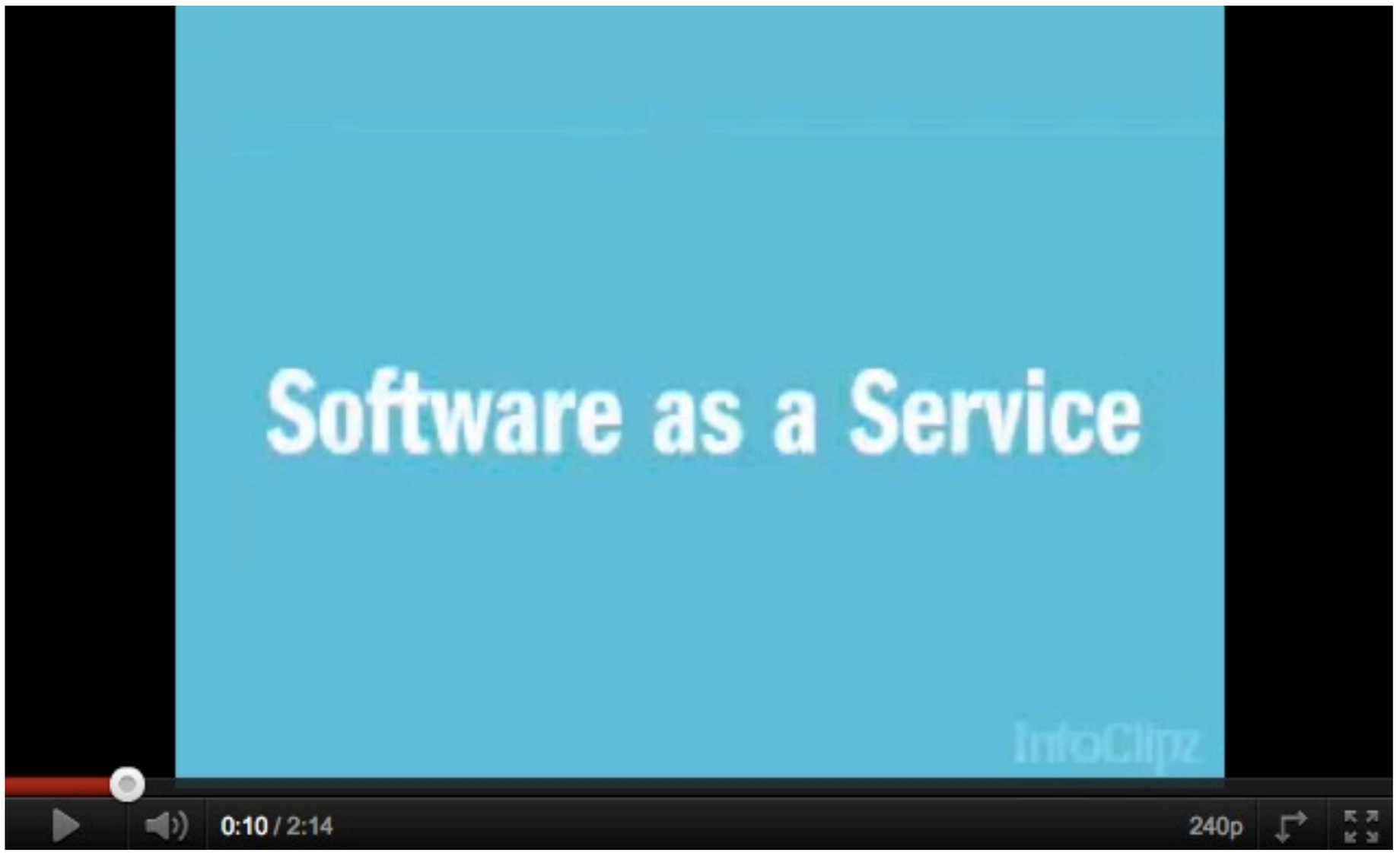
Traditional Software vs. SaaS

Build/maintain your own

vs.

plug-in
pay-per-use

Software-as-a-Service



Benefits for the customer

- Lower cost of ownership
- Customers can focus on their core competency
- The service can be accessed anywhere, anytime
- Customers have the freedom to choose
- Much more variety in applications are available
- Faster product cycles

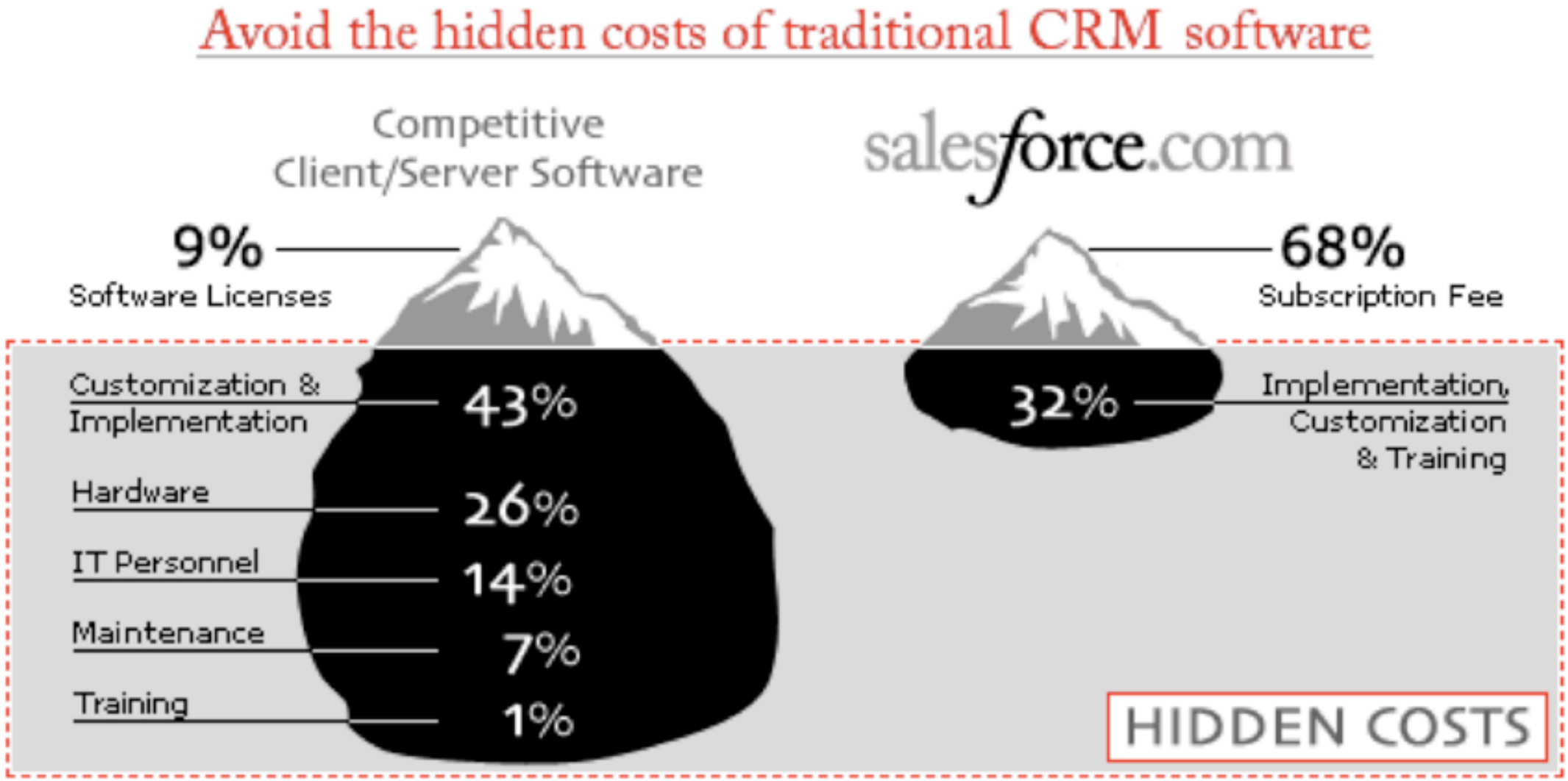
Benefits for the vendor

- A much larger available market
- Enhanced competitive differentiation
- Lower development costs and quicker time to market
- Effective low cost marketing
- Improved customer relationships
- Protection of Intellectual property

Software Products vs. SaaS

	Software as a Product	Software as a Service
Delivery	Installed	Hosted
Development	Longer cycle, “big bang”	Short, continuous cycle
Pricing	Perpetual license + maintenance	Subscription (all inclusive)
Allocation	Capitalized	Expensed
Additional Costs	Installation, maintenance, customization, & upgrades	Configuration
Platform	Multi-version	Single Platform
Updates	Larger, less-frequent	Shorter, frequent
Sales Focus	Close the deal	Prove value in first 90 days
Feedback Cycle	Long	Short
Profits	Initial sale	Ongoing
Success	New license revenue	Lack of churn

Software Products vs. SaaS



Top 10 **dos** for SaaS success

1. Choose a large market
2. Create a hub on the web
3. Accelerate organic growth
4. Craft a compelling story
5. Build the business into the product

Top 10 **dos** for SaaS success

6. Reach across the firewall
7. Monetize creatively
8. Enable mass customization
9. Open up to the cloud
10. Leverage your community

Top 10 **don'ts** for SaaS success

1. Chase elephants
2. Waste money marketing offline
3. Launch without online trial
4. Cover up shortcomings with people
5. Invest in channel partners too early

Top 10 **don'ts** for SaaS success

6. Bleed cash indefinitely
7. Ignore the long tail
8. Think you can control it
9. Fail to be creative
10. Depend on network effects

Microsoft

Bill Gates in 1995:

... Microsoft is unprepared for the “tidal internet wave”...

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...“services wave”...“the next sea change is upon us”...

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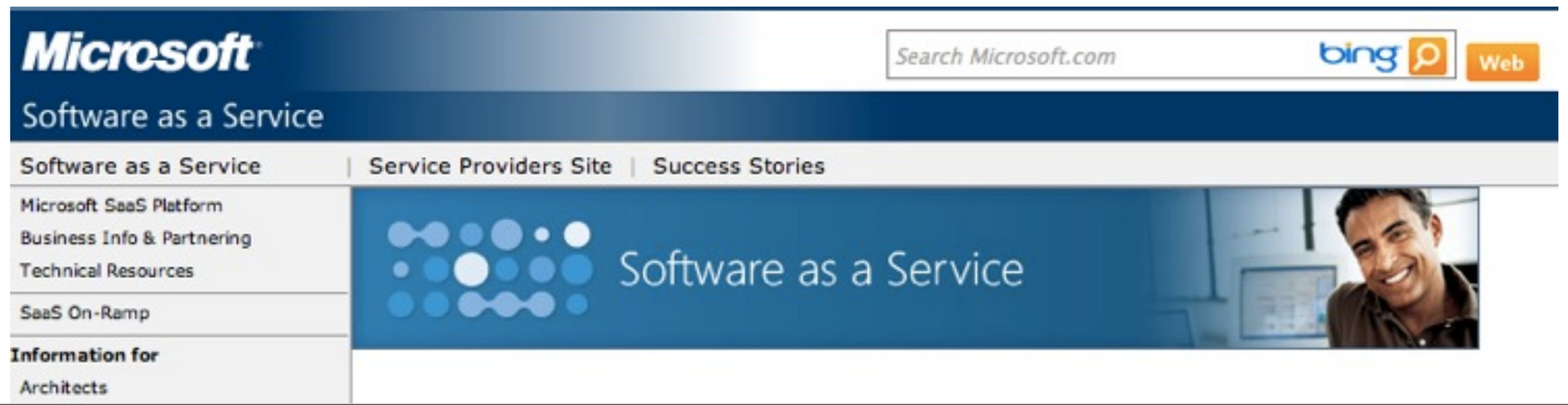

The McKinsey Quarterly

"Delivering Software as a Service" (June 2007)

- decreasing cost of bandwidth
- customer frustration with traditional software buying cycle (licence + maintenance + upgrade)
- perceived increase in control over the vendor relationship
- SaaS success stories: Salesforce, WebEx, etc.

IDC
Analyze the Future

"SaaS capabilities and Opportunities" (December 2007)

Surveyed over 300 members of the IAMCP (International Association of Microsoft Certified Partners) and also partners at an unnamed IT major

- 76% said that SaaS will "dramatically impact" the partnering landscape
- 70% view SaaS as a "big" opportunity (not a threat)
- Many firms already engaged in SaaS related activities

Gartner

July 7, 2011

- Global revenue from SaaS projected at $12.1 billion
- Projected to reach $21.3 billion in 2015
- “After more than a decade of use, adoption of SaaS continues to grow and evolve within the enterprise application markets.”

Tom Eid, Research Vice-President