Transition to SaaS: An ISV Cookbook

Description: Software-as-a-Service (SaaS) is increasingly considered “enterprise grade” by many IT buyers, and a viable choice to achieve reduced costs, improved service, and ongoing timely functional currency. As a result, many established independent software vendors (ISVs) are faced with strategic questions that will determine the future of their companies: Will buyers continue to purchase and deploy new perpetual licensed-based software? Should our company begin developing SaaS-based offerings? – If so, when? What is the best roadmap to follow to “SaaS-ify” my business?

Not surprisingly, most software providers are eager to avoid mistakes by learning from others who have already made the transition to SaaS. This Research Report provides guidance to ISVs in transition, with a goal to share the key critical success factors and best practice learning from the 300+ ISVs, system integrators, hosting providers, and pure-play SaaS providers that we have either conducted deep-dive briefing as part of our on-going research agenda (over the past 18 months), or with whom we have conducted various engagement work.

Our research indicates that the decision by a traditional ISV to invest in SaaS should be approached the same as any other strategic business investment. Any such evolution or transition will no doubt affect every aspect of the ISV's business, and will require development of – and most likely, partnerships for – new competencies and capabilities.

Our research indicates that for many software providers, the technical aspects of the transition are often fairly well understood – even if the roadmap for success may take some time. However, what is less understood are the changes that are required in other areas of the business that are typically much deeper and harder to execute, and often entail much more risk. What many do not understand is that making the transition is more than just re-architecting the software. It is often a fundamental re-examination of the business itself to fully understand the organizational and cultural transition issues that are required for a company shifting from a product- to services-based focus.

Read this report to learn:

-What are the most important business and technology model considerations and challenges when adopting a SaaS or Cloud Computing strategy?

-Can hybrid models work? How viable are interim managed services-led and virtualization-driven approaches?

-What are the best strategies to avoid revenue cannibalization?

-What strategies and best practices exist to successfully transition product-centric organizations and cultures to the services-led world of SaaS and Cloud Computing?

-How should ISVs identify, assess and select potential partners for winning SaaS and Cloud strategies?

Research Highlights:

-The cultural aspect of transitioning to a service company may be the single largest hurdle for a traditional ISV to overcome – rather than business model or technology (re)architecture.

-The most successful ISVs transitioning to SaaS are those that identify a new or adjacent business opportunity – rather than replicating traditional on-premise offerings.

-Don't forget about the IT infrastructure; it is a key means by which you can continuously lower your per-units costs and increase customer value.

-Focus on keeping your customers happy and continuously measure your success. Renewals are the lifeline to long-term growth and profitability. Quality of service and service improvement as well as investing in continuous innovation, are critically important.
- Pick your battles – in terms of what you need to own or control, and what you can rely on 3rd parties to help support the business.

About The Research:

The research for this report was developed as part of our ongoing Software-as-a-Service market research programs. We conducted a primary research survey, briefing and interview programs as an integral part of our IT market and strategy consultancy practice.

Since 2002, we have performed a series of user executive and vendor executive research programs, including web-based surveys, telephone interviews, and briefings, on the most disruptive and influential IT developments in the marketplace, including: IT Virtualization, Cloud Computing, Software-as-a-Service, and Open Source software. In addition, our annually surveys more than 500 business and IT executives as part of its annual user IT trends research program.

This report represents key analysis and insights developed from our ongoing research and in-depth vendor briefings dedicated to the adoption and evolution of Software-as-a-Service. The core research for this report was developed from our 2007 and 2008 Software-as-a-Service research program. The program included interviews and briefings with more than 300 traditional on-premise ISVs, system integrators, hosting providers, and pure-play SaaS providers and dozens of user IT executives. We also incorporated data and analysis from the associated research program, including our open source and cloud computing research.

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