



Making the Transition

# From ISV to SaaS

with Xterity Wholesale Cloud



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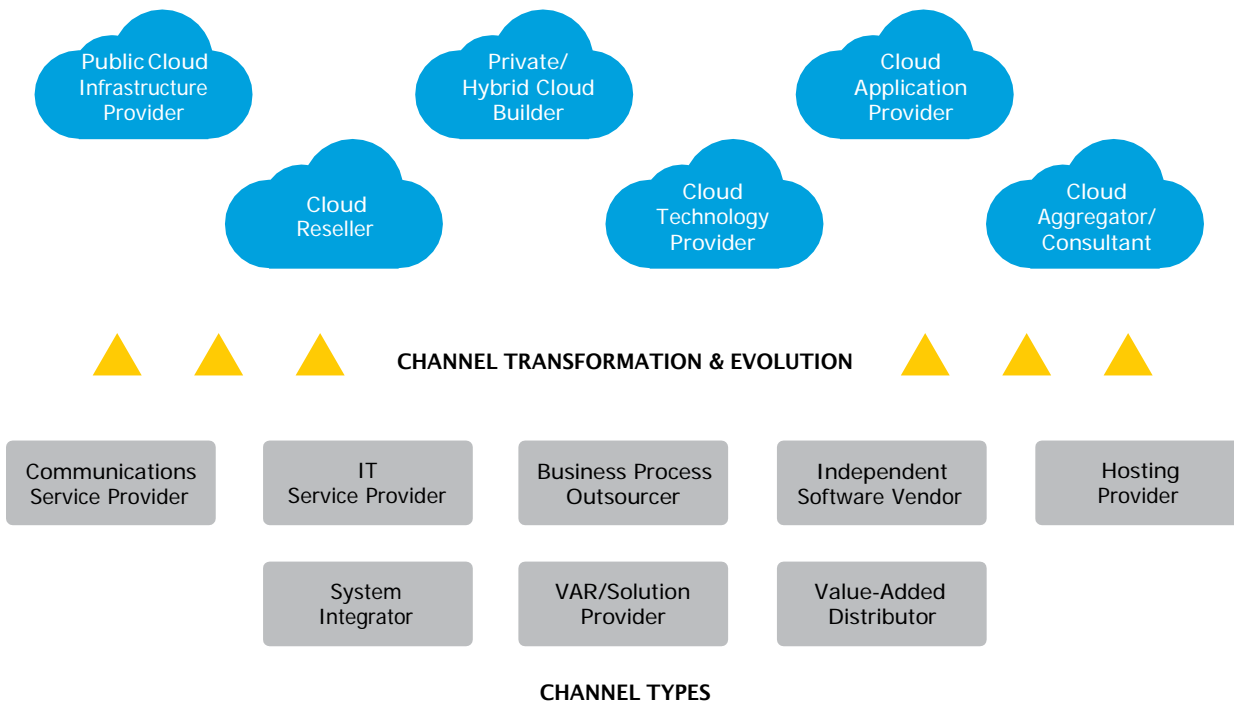


# The New Business Model

Cloud computing is impacting every segment of the technology industry. Enterprise IT organizations are implementing private and hybrid clouds. IT services companies like VARs and distributors are reselling cloud services. Managed Service Providers (MSPs) are moving their business to the cloud, as Cloud Service Providers (CSPs).

Independent software vendors (ISVs) are also reacting to the cloud by transitioning from delivering packaged software to Software as a Service (SaaS). Adobe's Creative Cloud and Microsoft's Office 365 are evidence of two large-scale software applications that have embraced the cloud. While Microsoft continues to offer packaged software, Adobe took a different tack, announcing their cloud only strategy in May 2013.

## KEY CLOUD BUSINESS MODELS



While the projections for the growth of the enterprise software market is in single digits per year, SaaS is forecasted to grow at 19% per year. In many application areas, new companies are entering the market offering only cloud-based applications. Established vendors see an opportunity to expand their business by adding SaaS delivery of their applications to their product offerings, enabling customers to choose what works best for their business.

What is driving this transition to SaaS? A perfect storm:

- **Shortcomings of legacy software implementations**

It's no secret that many large software implementation projects fail. Industry analysts have noted that over 30% of software deployment projects are cancelled before they're completed, and more than half of all projects wind up costing twice as much as planned.

- **New customer attitudes and expectations driven by our experience as consumers as well as the mobile workplace, BYOD (bring your own device) and BYOA (bring your own apps)**

Our experience with mobile apps has conditioned us all to expect near instantaneous access to whatever applications we want. Just click and download and we are done. This has dramatically shifted our expectations in the workplace also. SaaS allows faster access, cost based on usage over time, and faster access to upgrades that provide more functionality.

- **Emergence of enterprise app stores**

In response, and with a goal to ensuring security and adherence to company policies, we are seeing the emergence of enterprise app stores. These are internal to an organization, and enable users to easily access approved business applications.

- **Enabling technologies and services**

The rise of the cloud and expansion of SaaS has been enabled by a variety of technologies and services – from cloud provisioning and management products, to the adoption of virtualization and orchestration software, to workload management products that enable dynamic scaling to improvements in system reliability and performance. All of these have contributed to the perfect storm of an explosion in cloud usage and made SaaS possible.

# Business Challenges

For ISVs, moving to a SaaS delivery model has many implications on their business, from sales to marketing to product development to customer support. Some of the most difficult challenges are business, rather than technology, issues.

The change has broad impact on the company. Among the things that can change are target customers, how products are priced, how they're sold, how they're supported, and how the development process works.

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## CLOUD BUSINESS CHANGES



From Product to  
Service-based business



Different  
revenue model



Much faster  
product release cycles



Different  
customer  
expectations



Your business is based  
on the performance  
of your data center

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From a revenue perspective, moving from the traditional ISV product delivery method to an ongoing SaaS subscription model impacts when revenue is received and accounted for. Rather than having large upfront license fees with annual maintenance, the Cloud is entirely different— it is a services-based business that delivers recurring revenue. For ISVs who choose to entirely change their delivery model this can mean a huge impact on revenue during that transition. The good news however is **more predictable revenue** each month, and for ISVs who offer both on-premise and SaaS, the Cloud presents an opportunity to **drive revenue from new customers**.

SaaS vendors have different **development and delivery timeframes**. Instead of the traditional waterfall approach to development that results in new major releases every year or two, the SaaS development timeline requires fast, iterative releases. This has caused a transition to agile development processes to ensure that new features and bug fixes are rolled out on a regular basis, with minimal impact to customers. The upside of this is competitive advantage, as important new features are delivered to customers faster, without requiring work on the customer's part to do upgrades. This also eliminates the need to support old product releases, which can **reduce support costs** considerably.

Another important difference is in regard to **services**. ISVs are experienced providing application support to their customers. With a SaaS model, the ISV is now responsible for supporting and maintaining everything from the hardware to the network and all the software from the operating system up to the application. This is not only a matter of availability - meeting performance levels are key to satisfying customers. This is likely to require new IT expertise and resources that weren't necessary before, and for many ISVs, outsourcing the computing infrastructure is an attractive option.

The benefits of centralizing the infrastructure and moving it from the customer to the ISV can be significant. It **eliminates both the cost and the time for the customer to install and test the application**, both of which could be significant barriers to adoption. Instead, new customers can quickly adopt SaaS applications.

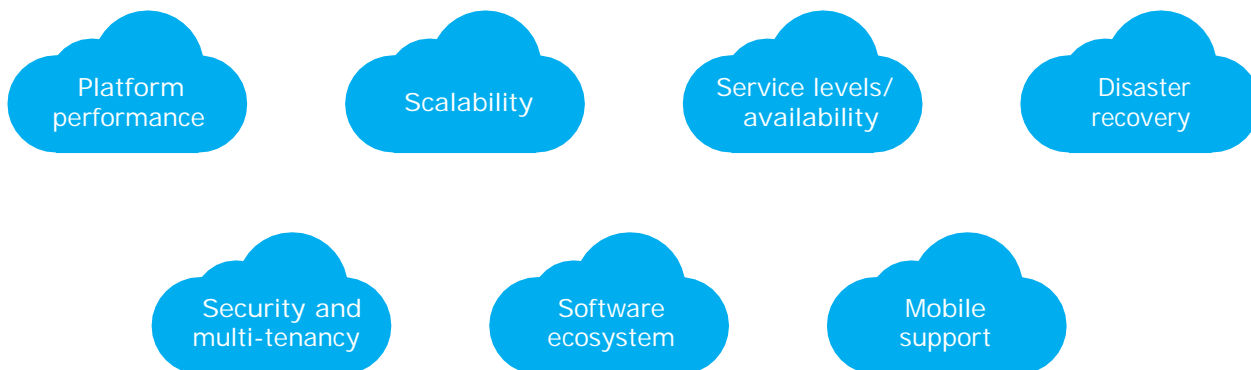
# Technology Challenges

Transforming existing on-premise applications into reliable, scalable software capable of supporting many customers simultaneously is not a trivial task.

Building, or re-building, software for the Cloud requires new, often different technologies, and a focus on continual improvements and fast time to market. This means that new development and testing methodologies and approaches will be required, which in turn will require new and different skills.

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## CLOUD TECHNOLOGY CHALLENGES



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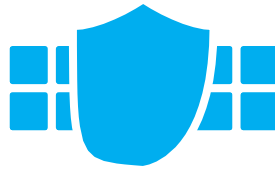
Issues such as performance, scalability, availability, DR and security become much more crucial as a SaaS vendor will be supporting many users and many companies on their platform. While some of these concerns fell more on the enterprise IT staff previously, they are all now critical concerns for the SaaS provider. This requires an entirely new approach – and to be economically feasible, needs to be accomplished in a way that doesn't break the bank. This means ensuring that systems utilization and efficiency, dynamic scalability, cost-effective HA and DR strategies are put in place.

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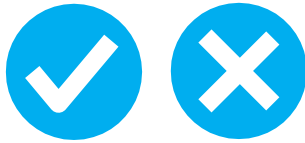
## CRUCIAL CLOUD ISSUES



Performance



Secure Multi-tenancy



Availability



Scaling

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### 1. Performance

For companies who are launching a new service, it is very hard to predict how much capacity and performance will be required over time. A lot will depend on the uptake of their service by users, as well as the impact of each additional customer that is added.

What's important is to have a strategy and a process to quickly add capacity to ensure performance levels meet goals and SLAs. If money were no object, it would be much easier – just install a lot more capacity than you think you need. Since money is always a critical factor, getting the most out of every system, and being able to scale as you go, requires underlying technology to support this.

### 2. Secure Multi-tenancy

Concerns about security are always the number one issue cited by companies considering cloud services. The good news is that it is becoming less of a concern than it used to be, but prospective customers will want to know how you can assure the privacy and security of their data. Building a service on a platform that guarantees isolation of customers instances and data is a must and without having to have separate physical infrastructure for different customers, which is economically infeasible.



### 3. Availability

In a SaaS model, the cost of downtime goes way up. If the application fails while running in a customer's datacenter, it affects only users at that organization. When a SaaS service goes down, it can affect all of the users of all customers. Ensuring that all levels of the infrastructure have redundancy built in and recovery processes are established is critical.

Redundancy alone however is not enough. Delivering services that require 100% uptime requires the ability to know when there's a problem – or that there is a problem likely to come in the future. It is also critically important to be able to do this without having 20 different management products. The management system should also be able to report on performance levels, as that will be a key aspect of ISV SLAs.

SaaS providers need to meet the SLAs their customers require without having to double computing infrastructure or add staff to implement HA and disaster recovery (DR). In many cases companies will have a mix of hardware platforms, so they need to be able to failover individual servers or even entire datacenters across different platforms and configurations.

### 4. Scaling

How capacity is added, and how long it takes is also key. ISVs certainly don't want to take their service down to do so, and most ISVs need to be able to react almost instantaneously and add capacity on demand. Building the service on a platform that can automatically add computing capacity as needed will let ISVs scale their business more easily as they acquire new customers.

# Xterity Wholesale Cloud Services

## Our Cloud. Your Brand. The Cloud Platform Built for SaaS.

Xterity provides the ideal cloud platform for ISVs moving to a SaaS model.

The Xterity infrastructure has been designed using the same philosophy that drives the rest of our business: Combine **best in class technologies** with people who are highly motivated and dedicated to providing **superior customer service**, and deliver a set of cloud services that exceed the expectations of the most demanding customer...at a price that is affordable by all. When your business depends on the availability, security and performance of your infrastructure, you need a partner you can count on.

The Xterity platform delivers what ISVs need:

- Secure multi-tenancy
- High availability
- Assured disaster recovery
- Dynamic scalability and assured performance
- Priced for the channel

Xterity's comprehensive functionality make it easy to create secure cloud instances that support your customers' needs. Our intuitive drag and drop self-service portal makes it easy to design and build new cloud services, and the integrated billing, invoicing, pricing, ticketing, monitoring and tracking capabilities can manage and charge for resources as they are consumed.

**For ISVs, this means the ability to focus on core competencies: developing and testing software, selling solutions and supporting customer needs, all without the risk of having to buy, build and manage a cloud of their own.**

## WE CAN HELP

Xterity Cloud Services deliver a full range of dedicated, managed, private and hybrid cloud infrastructure as a wholesale cloud service to the IT reseller and ISV ecosystems.

Contact us today.



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