

SaaS – how do requirements differ from traditional software products?

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InnoTivum Consulting

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- **Focus** Consulting and Interim Management for software vendors and corporate IT organizations combining business and IT views:
Software product management, SaaS, CRM, BPM, strategy, sourcing
- **References** IBM, Sander & Doll, PPI, SoftwareLoft, Lycos, Deutsche Telekom, German Savings Banks, Haspa, dwpbank, Janssen-Cilag e.a.

- **Publications**



Agenda

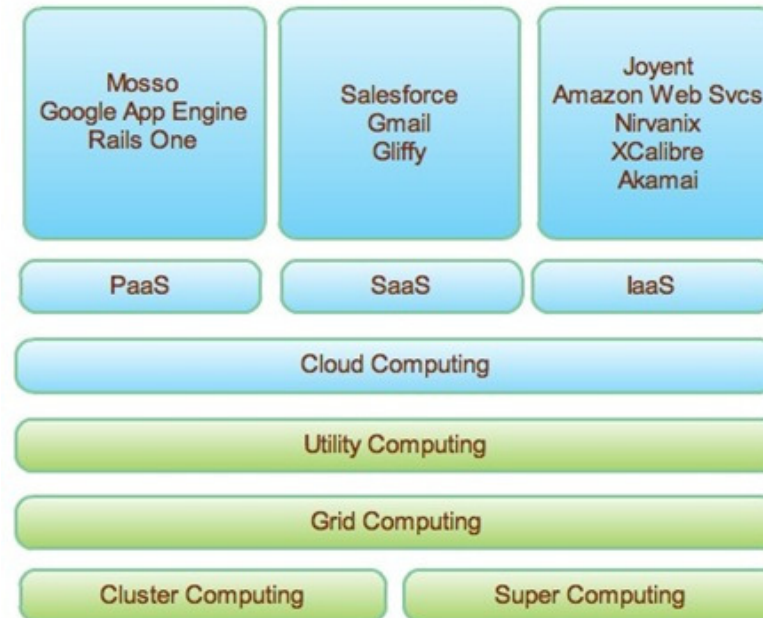
SaaS – how do requirements differ from traditional software products?

- 1. Relevant terms and scenarios**
- 2. Requirements and their differences compared to traditional software license products**

1. Relevant terms and scenarios



Cloud Computing



1.0 In blue you have what is lately called Cloud Computing. In green, some of the underlying work done that led to Cloud Computing. At the top are examples of each XaaS type.

1. Relevant terms and scenarios

Cloud Computing

- Service and delivery model for the provision of IT components through the internet based on an architecture that enables a high level of scalability, reliability, and fine-grained usage pricing.

Software as a Service (SaaS)

- Cloud computing for software.

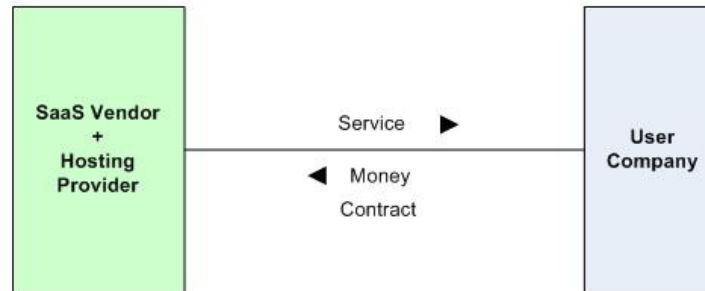
1. Relevant terms and scenarios

Drivers

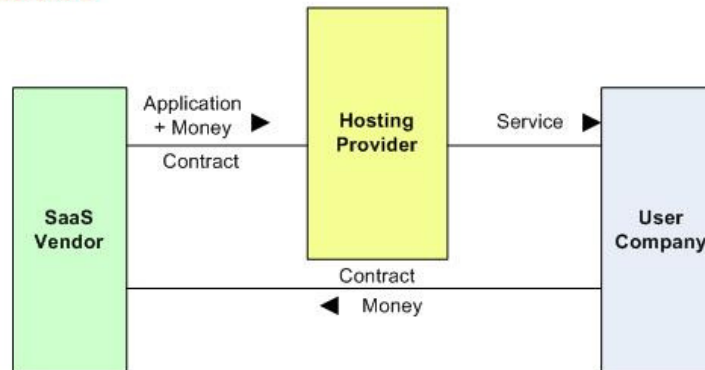
- Drastically improved price/performance of:
 - Network
 - Hardware (processor + storage)
 - New architectures and concepts enable new levels of scalability and resource sharing:
 - virtualisation
 - grid computing
 - service orientation
 - Internet access „anytime anywhere“
 - Vendors' interest in smoother revenue curve over time
-
- ➔ All the major players are adopting SaaS (SAP, Microsoft, IBM ...)
 - ➔ Plus significant new players (Amazon, Google, Salesforce.com ...)

1. Relevant terms and scenarios

Scenario A



Scenario B



2. Requirements and their differences compared to traditional software license products

Software Requirements

- Multi-tenancy (multiple strictly separated clients on the same run-time instance of the software) including backup, restore and restart for individual clients
- No software limits towards scalability
- Fine-grained run-time monitoring capabilities (for operations and pricing)
- Online sales, registration, and access management (both for vendor and clients)
- Extended customizing capabilities per client
- Broad spectrum of standard interfaces

2. Requirements and their differences compared to traditional software license products

Operations Requirements

- Backup, restore and restart for individual clients on demand
- Non-disruptive scaling (up and down)
- Continuous run-time monitoring (for operations)
- Non-disruptive approach for maintenance and version migration per client

2. Requirements and their differences compared to traditional software license products

Legal and Management Requirements

- Service contract, not license
- Liability different due to operations responsibility
- Compliance issues
- Highly flexible low-cost billing
- Smooth cooperation between vendor and hosting provider

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Backup

Pros and Cons for Vendors

Pros

- Bigger piece of the cake
- Lower entry hurdle for new customers
- Smoother revenue curve over time
- Once customer on integrated service much harder to change products
- Protection against piracy and unwanted usage
- Finer granularity in price differentiation

Cons

- Revenue not upfront
- Price visibility
- Operations overhead and infrastructure cost

Risks

- More responsibility (liability)
- No direct influence on internet availability
- Outages and other weaknesses have immediate public visibility

Pros and Cons for User Companies

Pros

- No effort for operations → lower personnel requirements
- No CapEx, only OpEx, i.e. lower entry hurdle
- Total cost advantages
- Immediate scalability
- Service level agreements vs. Product warranty

Cons

- Limited customizing; harder to incorporate proprietary value-add
- More difficult interfacing with other applications
- Vendor switch possibly more difficult

Risks

- More critical dependence on partner (solidity, data safety)
- Compliance
- No direct influence on internet availability