



IS YOUR CLOUD DELIVERING WHAT YOUR
CUSTOMERS AND STAKEHOLDERS NEED?
A GUIDE FOR SOFTWARE EXECUTIVES

F R O S T  S U L L I V A N

An Executive Brief Sponsored by Microsoft

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INTRODUCTION

Cloud computing has ushered in a golden era for software companies. The cloud's low barrier to entry allows creativity to flourish, especially for software developers who are creating applications directly on cloud-based infrastructure. Cloud-based infrastructure enables developers to do what they love: solve business problems and bring innovative new ideas to life, using their choice of tools. In a Software as a Service (SaaS) model, applications can easily be deployed to a cloud service, and delivered to clients who appreciate the ease of access and low cost. The cloud model relieves the developer and the enterprise IT professional from the burden of managing or maintaining capital-intensive infrastructure.

But the cloud's low barrier to entry also allows competing software providers to enter the market every day, from every sector. Independent software vendors, or ISVs, are pressured by increased competition to deliver their applications faster, with greater functionality and ease of use. Their development teams also face increasing user expectations for availability and accessibility. Furthermore, mounting competition for customers can squeeze software developers' revenue and margins.

If the cloud model is responsible for introducing high levels of competition into the software market, it can also be the answer to how an ISV differentiates itself. When they think of Infrastructure as a Service (IaaS) as a business differentiator, ISVs can demand more from their cloud service provider—to look beyond leased compute capacity and toward innovative, new, and business-enhancing functionality and support.

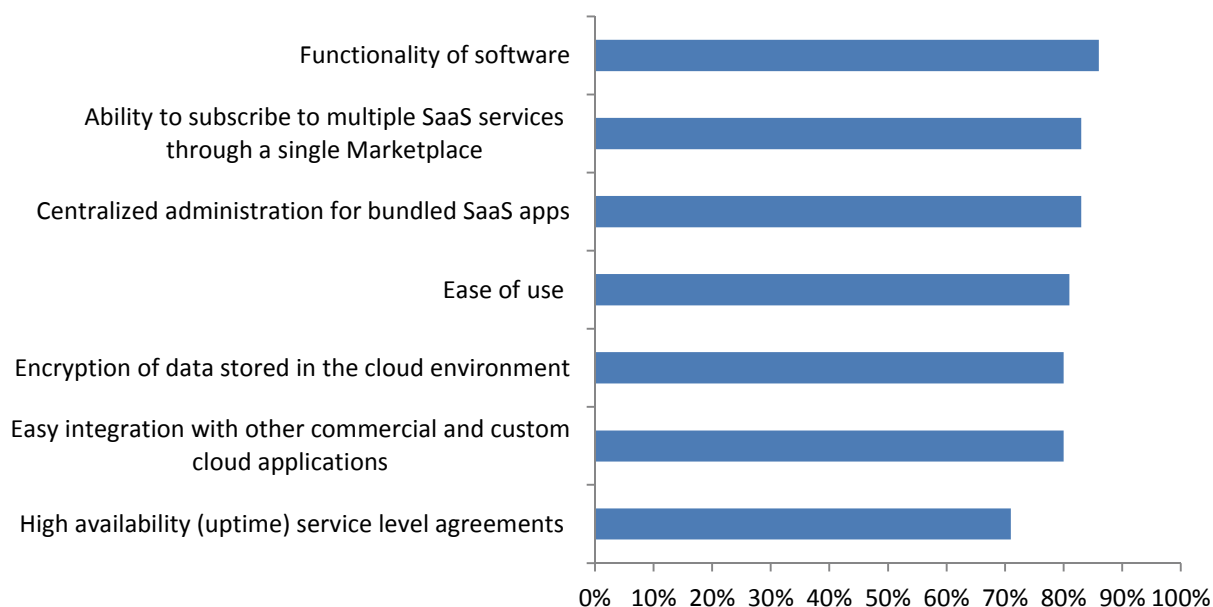
In this paper, we identify five attributes that the right cloud service provider will offer to support software development businesses. If you're not getting them, it may be time to consider new options that can better support your development processes and, ultimately, your business.

WHAT CUSTOMERS WANT FROM SAAS PROVIDERS

A great idea, even elegant code, is not enough to guarantee success for your software product. Instead, customers have high expectations regarding application functionality, accessibility, and ease of use; and they will give their business to the software firm that best meets those expectations. For ISVs, the right IaaS partner can offer the value-added tools, knowledge, and support that will put you on a path to success.

In a recent Frost & Sullivan survey of business decision makers responsible for selecting SaaS for their organizations, respondents cited important criteria for choosing one SaaS provider over another. Not surprisingly, "functionality of software" is the top criterion, cited by 86%. Other important criteria include: easy, centralized administration (83%); encryption of data to ensure security (80%); and application availability—including service level agreements that guarantee uptime (71%).

Criteria Important to IT Decision-Makers When Choosing a SaaS Provider



Source: Frost & Sullivan, 2017

Your business success relies heavily on achieving these key customer criteria—which, in turn, depends on your choice of a cloud infrastructure service partner. Capabilities of a strong infrastructure service provider include:

- **Functionality:** A sophisticated cloud platform supports agile development, while also enabling advanced technology like big data analytics, the Internet of Things, and machine learning, among others. It provides open frameworks and Application Programming Interfaces (APIs) to integrate external data, applications, widgets, and microservices, which further expand the value of your applications. The best cloud platforms also make it easy to launch mobile and Web applications, extending the usefulness and reach of your services.
- **Marketplace:** As shown in the survey results, IT decision-makers are looking for ease of purchase via a comprehensive marketplace. Like consumers who prefer to shop for a variety of goods in a supermarket or mall, IT decision-makers and their users look for the convenience of one-stop shopping and consolidated billing. In addition, the right cloud marketplace offers a broad ecosystem of complementary partner solutions built on a common platform; which often enables the applications to integrate well to form a cohesive business solution.
- **Ease of administration and integration:** When you choose to build applications on a broadly used and trusted platform, your customers benefit. Business customers want the familiarity of tools that they already know and depend on in their own organizations—like Active Directory for administering permissions, and SQL Database for managing data. Many customers also want the flexibility to integrate your application with other off-the-shelf or custom-built applications and services. When you deploy your software on a well-known platform, your cloud service provider can assist with the right APIs to enable your solution to work with others deployed on its platform.

- **Security:** Your business customers know that in the event of a data breach, their company—not the SaaS or IaaS provider—would likely be legally responsible, and would certainly take the reputational hit. In fact, concern about security is the top reason enterprises choose *not* to use the cloud for sensitive workloads. In order to earn and retain customers' trust, software developers often seek a platform that is inherently secure, with a history of protecting sensitive customer data.
- **Availability:** A wide-scale cloud outage is not only front-page news, but can even cause a noticeable decrease in SaaS subscriptions. Look beyond the industry-standard IaaS availability service level agreements (SLAs), and consider how to configure your SaaS to maintain high availability at the lowest possible cost. Ensure that your choice of provider has cloud centers in the geographies where your customers are located, both in the US and internationally, as your company grows. Additionally, think through your options for backup and recovery. A provider that supports a true hybrid strategy—enabling you to deploy their cloud platform in your private data center or co-lo facility, as well as in a hosted cloud—offers the greatest flexibility, while helping you manage costs.

FIVE QUALITIES OF A SUCCESSFUL SAAS PROVIDER—AND HOW THE RIGHT CLOUD PLATFORM CAN DELIVER THEM

For a software provider, the cloud should be more than an infrastructure option. It should be a strategic foundation that supports a new way of doing business. Adopting that transformational model requires a partner with a far-reaching vision and a record of executing on it; a partner that understands both the technology and the business model behind building a successful SaaS business.

To enable you to thrive as a SaaS provider, your cloud service partner should support five key strategic goals:

1. **Innovation:** To help you continually innovate your software, your partner should offer you access to the latest technologies. Choose a partner that integrates advanced analytics, machine learning, and AI functionality into the development platform. To enable you to quickly leverage best-of-breed functionality from multiple sources, look for a platform that can support open tools and API integration.
2. **Speed to market:** Any IaaS provider will point to how easy it is to deploy and scale your applications in the cloud. But the right partner understands that bringing your product to market is more than placing it in a cloud service. Look for a partner that supports your current agile development environment. You will benefit most from a provider that not only enables developers and stakeholders to easily and continuously collaborate, test, and launch new software, but one that supports both on-premises or cloud-based deployments that customers demand—and not every provider can accommodate both scenarios. Furthermore, the right partner will provide resources and support to help you market your software, as well as a marketplace of services for customers to easily access your software.
3. **Customer reach:** Your software should be where your customers are, geographically and per device. Make sure your cloud partner offers the data center footprint you need, now and as you grow, to serve customers without performance degradation. The platform should also enable you to easily build mobile and Web apps to meet the needs of your remote and travelling customers. Finally, the provider should offer analytics and support services that help you target and market to the customers who are most likely to benefit from your software.

4. **Security/data protection:** Most cloud providers simply ask you to trust them. But because of the high stakes (a breach can damage both your company's finances and its reputation, possibly beyond repair), we prefer the approach of "trust, but verify." Look for a provider that is open about its security measures. Providers that publish detailed information about the security, privacy, and compliance practices inherent in their cloud services can help you better achieve your own security requirements. The right cloud service provider should also produce audit reports and other materials to help you verify that their claims are in fact valid; and to understand where their responsibilities end, and yours begin.
5. **Return on investment:** Whether you're a startup or a growing software provider, your bottom line is critical, and you likely keep a close watch on costs to ensure that margins remain high. But "cloud costs" are a source of misunderstanding for many ISVs and other businesses, which tend to equate frequent IaaS price reductions with lower costs. In truth, the "costs" associated with running a SaaS business extend far beyond price-per-VM. Contributing to the total cost to run a cloud workload are factors such as customer support, costs to manage your cloud instances (whether internally by a staff member or by your provider), orchestration software, security, licensing, and fees to back up your workloads in a secondary location. As you look at cloud service providers, consider how you can maximize the return on your cloud investment. Support for agile development; flexible deployment options, both in the customer's data center (hosted or on-premises) and in a cloud; and access to next-generation intelligence and analytics all increase the value your business will gain from your chosen provider.

THE LAST WORD

Your cloud infrastructure is more than just a place to park your software; it represents an investment in the success of your business. If you look only at the price and scalability of your infrastructure provider, you could be missing out on significant benefits that the right platform can offer. By looking more critically at the available infrastructure options, you will quickly see that more strategic partners can boost your business's potential for success.

The right infrastructure provider should understand and support the SaaS business model, and offer tools that help you innovate. From advanced functionality services like analytics and machine learning, to support for open-source tools and APIs, to business support for your marketing and sales enablement efforts, the right partner brings more to the partnership than just a cloud data center. By choosing a provider that understands the SaaS business model, you'll gain a partner that can help decrease your time to market, increase your customer reach, and support your sales and marketing efforts—all of which maximizes the return on your cloud infrastructure investment.

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