



A Primer for IT and Business Decision Makers:

*Understanding the Planning and Deployment Requirements of
Today's Software-as-a-Service Solutions*

A Primer Sponsored by SAP



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Executive Summary

Organizations of all sizes are facing escalating business challenges as a result of a combination of intensifying market trends. These trends include:

- Rising customer expectations
- Increasing competitive pressures
- Changing workplace requirements
- Growing economic and ecological concerns

Customer loyalty is fleeting. Competition is rising due to globalization and eCommerce. Employees are being encouraged to work from home or forced to spend more time on the road meeting with customers and partners face to face. In addition, rising fuel costs combined with tightening credit is forcing organizations to tighten their operating and capital budgets to withstand these uncertain times.

In response to these trends, THINKstrategies is finding a growing number of organizations of all sizes are investigating and adopting 'on-demand' Software-as-a-Service (SaaS) alternatives to traditional, on-premise systems to meet their rapidly changing business needs.

SaaS solutions offer a number of important benefits which have a strong appeal to businesses in any situation, but are especially attractive in today's extremely challenging economic environment, particularly for mid-size organizations:

- Minimized capital expenditures and reduced total cost of ownership
- Accelerated time-to-value through rapid deployment of web-based applications
- Improved access to software innovations without lengthy and expensive upgrade cycles
- Freed IT resources which can be reassigned from mundane software support tasks to more value-creating corporate initiatives

Because of the growing track record of success of SaaS solutions, Gartner predicts that 25% of new business software will be delivered as SaaS by 2011.¹

However, many midsize businesses are learning the hard way that most enterprise SaaS applications are not truly 'on-demand', but instead

require upfront consulting and specialized customer support services in order to be properly implemented and optimized to achieve their corporate objectives.

This whitepaper will describe the critical consulting and support services required to successfully select, deploy and fully utilize SaaS solutions to achieve your business objectives and safeguard your mission-critical applications and data.

Defining SaaS

Software-as-a-service (SaaS) is a software deployment and subscription pricing model in which an enterprise application is delivered and managed as a service by a software vendor to meet the needs of multiple customers simultaneously.

A widely recognized example of a SaaS solution is the service model used by ADP to provide payroll and other business services to multiple organizations to meet their common needs.

SaaS solutions are delivered via a network, most often the Web. They are priced on a subscription service basis, often based on the number of users or transactions.

SaaS solutions transfer the burden of implementing, maintaining and keeping the application up to date and running from the customer to the vendor. This approach eliminates the added costs and complexities of installing and integrating additional hardware to support the software, and hiring additional staff to support the application on an ongoing basis.

As a result, SaaS solutions permit users to more quickly and fully leverage the software functionality and reduce the 'time to value' without having to deal with the hassles and risks of deploying and managing the software and systems themselves.

SaaS solutions also enable users to immediately benefit from the software vendor's latest technological features without the disruptions and additional costs typically associated with software updates and upgrades.

¹ "Gartner Says 25 Percent of New Business Software Will Be Delivered As Software-as-a-Service by 2011", October 3, 2006. (<http://www.gartner.com/it/page.jsp?id=496886>.)

The Key Business Benefits of SaaS Solutions

The key benefits of SaaS solutions are:

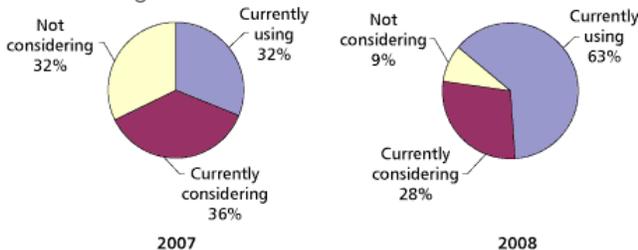
- Accelerated software deployment and application upgrading with less risk.
- Lower upfront software license and staff costs.
- Simplified application integration through open standards.
- Continuous enhancements via ongoing updates and upgrades.
- No additional hardware requirements.
- Higher productivity/ROI, at a lower total cost of ownership (TCO).
- Greater agility to scale software to meet changing business requirements.
- Quicker time to value.

As a result of these benefits, **Gartner predicts the SaaS market will grow at a compound annual growth rate (CAGR) of 22.1% through 2011, twice the rate of the overall enterprise software market.**²

SaaS Adoption Spreading Across Every Industry

Over the past three years, THINKstrategies has seen a steady increase in customer interest and adoption of on-demand SaaS solutions. Our most recent survey of over 100 companies conducted in October 2008, in conjunction with Cutter Consortium, found 63% of the companies had adopted a SaaS solution—*nearly double the percentage in 2007!* (See, Figure 1.)

Figure 1: Percent of Companies Using and Considering SaaS Solutions



Source: THINKstrategies/Cutter Consortium 2008.

² Gartner/Dataquest Insight: "SaaS Demand Set to Outpace Enterprise Application Software Market Growth", 08/03/07.

Another indication of the growing interest and acceptance of SaaS is the rapid growth in the number of SaaS solution providers targeting nearly every aspect of an enterprise's operational needs.

THINKstrategies' SaaS Showplace (www.saas-showplace.com), an online directory of SaaS solutions and best practices, now includes over 950 SaaS providers offering over 3500 SaaS offerings across over 80 application, industry and enabling technology categories.

This 'gold rush' affect gives customers plenty of SaaS solutions to chose from, but it also creates another set of challenges for IT and business decision-makers who must select the right solution and provider to satisfy their technical and operational requirements.

These are even more important concerns as today's economic climate raises the specter of an industry shakeout among the growing number of SaaS players which could place users of these SaaS applications at risk.

These concerns are especially important to mid-sized businesses who have limited in-house experience deploying and administering enterprise applications, and are seeking simple, SaaS solutions that can be implemented quickly and managed easily to meet their needs.

SaaS Scalability, Integration and Alignment Considerations

Although SaaS solutions are often referred to as 'on-demand' services, they will often require a series of steps to be successfully deployed and fully utilized.

While SaaS can simplify many of the traditional challenges of software deployment and administration, SaaS doesn't resolve all of these issues. Therefore, there are a number of questions IT and business decision-makers should ask SaaS vendors to assure that they are making the right vendor selection and taking the right steps to satisfy their business and technical requirements.

Specifically, IT and business decision-makers must consider a number of critical success factors such as SaaS scalability, integration and alignment with existing applications, databases and business processes to ensure the new SaaS solutions can succeed in extending their current capabilities.

First, can the SaaS vendor work with IT and business decision-makers to establish clear business objectives for their SaaS initiatives so they can properly determine their scope and identify the right metrics for success?

Second, can the SaaS vendor help IT and business decision-makers develop realistic use-cases and user profiles so the SaaS solution can be properly configured to ensure user adoption and satisfaction?

Third, can the SaaS vendor help IT and business decision-makers define the technical requirements which limit the need for customization of relatively standardized SaaS solutions, and fully anticipate the integration, data security, availability, performance, disaster recovery, and support requirements?

These steps are essential to create a realistic plan, implement an effective service level agreement (SLA) with the SaaS vendor, and avoid hidden costs.

Here are some additional questions mid-size businesses should ask themselves and their prospective SaaS vendors to determine if they are properly prepared to thoroughly evaluate their needs and SaaS solution alternatives:

- How do I evaluate my organizational readiness to adopt an SaaS solution?
- What are the IT connectivity, security and management requirements to optimize the performance of a SaaS solution?
- Do I have the right skills and resources to implement and administer a SaaS solution?
- How do I ensure my corporate data is protected and its integrity is maintained when I deploy a SaaS solution?
- What do I need to do to properly integrate the SaaS solution into my existing applications and data sources?
- How can I ensure that the SaaS solution is properly configured to meet my unique business requirements and is properly aligned with my business processes?
- How do I ensure that I can afford the SaaS solution on a long-term basis as my business requirements evolve?

SAP's SaaS Services

The SAP® Business ByDesign™ (ByD) solution, SAP's, SaaS solution, is built to help ensure ease of deployment, and designed to allow the customer to perform most of the configuration on

their own. SAP ByD is a solution providing end-to-end business process management versus a point solution that continues to leave clients with siloed systems and/or the need for expensive integration initiatives.

SAP offers a life cycle of services to help mid-size businesses evaluate, implement, run and adapt their SAP ByD solution. The SAP service portfolio has been designed with the main objective of reducing total cost of ownership, providing cost predictability and reducing project time, as well as minimizing the impact on constrained customer resources.

In addition, SAP's approach aims at providing greater service pricing transparency across the ecosystem by allowing the customer to plan their implementation project via the web, so they can fully anticipate their costs depending on the service approach selected.

From a service delivery perspective, SAP's key benefits lie in its focus on business value vs. IT infrastructure, and its scenario-based vs. functional area approach. SAP has also established a productized service model with fixed pricing.

SAP offers a range of go-live services that help the customer take full advantage of the solution's ease of deployment. Customers can choose to manage the majority of go-live tasks and phases internally, with the assistance of a trusted SAP adviser – or engage SAP to manage most of their deployment activities and deliver a ready-to-run application.

The following are the two main services of the SAP ByD Portfolio which each offer different benefits for customers (Table 1):

Go Live Assistance (GLA) – A series of assistance workshops, checkpoints, and Q&A sessions designed to help mid-size businesses thru each phase and milestone of the SAP ByD Go-Live methodology.

Go-Live Execution (GLE) – A SAP managed deployment project based SAP ByD Go-Live methodology, designed to deliver a fine-tuned business application for mid-size businesses.

In addition, the following technical services are also part of the SAP ByD solution:

Data Migration: an affordable and proven methodology to ensure this critical process is completed quickly and reliably

Integration: an efficient method of automating business processes; rapidly exchanging data with partners; and streamlining collaboration.

Content Services: the ability to adapt or extend standardized forms and reports to fit the customer's requirements.

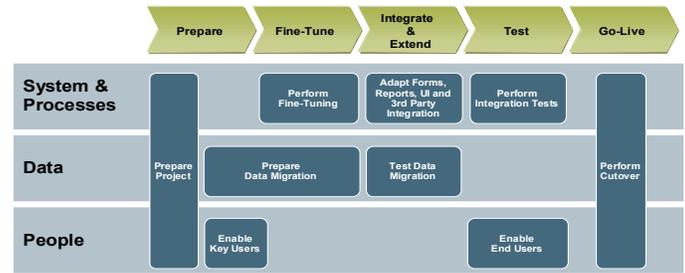
Table 1: The options which Go-Live Assistance (GLA) and Go-Live Execution (GLE) for SAP Business ByDesign offer mid-size businesses

	Go-Live Assistance	Go-Live Execution
Your Go-Live approach	You deploy your SAP® Business ByDesign™ solution with your own internal resources and with expert guidance from SAP. It's a cost-effective but carefully structured road map to a successful software installation.	You take possession of a ready-to-run solution optimized for the greatest value to your organization by letting our go-live specialists manage your SAP® Business ByDesign™ deployment for you.
SAP will provide	<ul style="list-style-type: none"> Assistance workshop, verification checkpoints, tools and accelerators Proven implementation methodology Dedicated SAP Go-Live Advisor 	<ul style="list-style-type: none"> Project management, product and business expertise, power workshops, tools and accelerators Proven implementation methodology Experienced SAP Go-Live Advisor, led by a project manager
You will provide	<ul style="list-style-type: none"> Project Manager driving your project Key Users for business decisions and go-live activities 	<ul style="list-style-type: none"> Project control coordinating your resources Key Users for business decisions
SAP delivery mode	Mostly Remote	Onsite and Remote
Your Required Skills	<ul style="list-style-type: none"> Solid knowledge of your business processes In-house project management skills Control total implementation cost by managing the project with internal resources 	<ul style="list-style-type: none"> Solid knowledge of your business processes Minimize time to value by leveraging reliable expertise
Your benefits	<ul style="list-style-type: none"> Minimize project risks by having SAP subject matter experts verify project deliverables 	<ul style="list-style-type: none"> Limit staff workload by outsourcing to an experienced team of service advisers

SAP Business ByDesign Go-Live Methodology



Game-changing reduction of system deployment effort



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Serving as the foundation for all services is the SAP ByD go-live methodology as the framework that governs how all SAP ByD projects are implemented, and go-live services are designed and delivered.

The methodology describes the tasks that have to be performed during the implementation to set the solution live and the sequence in which they have to be executed. The methodology includes accelerators, the set of activities that need to be performed, and the roadmap of how they need to be executed. (Figure 2)

Figure 2: Go-live methodology for SAP Business ByDesign

Summary and Conclusions

A combination of market forces are driving organization of all sizes to adopt SaaS alternatives to traditional, on-premise applications so they can achieve their business objectives in an increasingly challenging business climate.

SaaS can accelerate the software deployment process and eliminate many of the upfront costs and risks associated with traditional, on-premise applications.

SaaS also shifts much of the burden of ongoing management from the customer to the vendor. It eliminates the need for additional hardware and staff. These benefits can translate into,

- Quicker time to value
- Lower cost of ownership
- Higher return on investment
- Greater scalability and agility

However, selecting the right SaaS solution and properly deploying it requires more upfront planning and ongoing support than most organizations realize.

SAP's extensive experience, longevity and sustainability are additional qualities that companies of all sizes must consider during this economic climate which will likely produce an industry shakeout among the growing number of SaaS players.

Furthermore, the SAP portfolio of go-live services is a good example of a vendor providing customers with the upfront consulting and ongoing customer support services they need to successfully deploy and fully utilize today's SaaS solutions.

About SAP

SAP is the world's leading provider of business software, offering applications and services that enable companies of all sizes and in more than 25 industries to become best-run businesses. With approximately 75,000 customers (includes customers from the acquisition of Business Objects) in over 120 countries, the company is listed on several exchanges, including the Frankfurt stock exchange and NYSE, under the symbol "SAP." (For more information on SAP, visit www.sap.com. For SAP Business ByDesign specific information, visit www.sme.sap.com)

About THINKstrategies, Inc.

*THINKstrategies is a strategic consulting services company formed specifically to address the unprecedented business challenges facing IT managers, solutions providers, and investors today as the technology industry shifts toward a services orientation. The company's mission is to help our clients re-THINK their corporate strategies, and refocus their limited resources to achieve their business objectives. THINKstrategies has also founded the **Software-as-a-Service Showplace** (www.saas-showplace.com), an easy-to-use, online directory and resource center of SaaS solutions organized into over 80 Application, Industry and Enabling Technology categories. The Showplace also includes information and insights regarding industry best practices. For more information regarding our unique services, visit www.thinkstrategies.com, or contact us at info@thinkstrategies.com.*

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