

‘Software as a Service’ Sparks ‘Service as Software’ and Revolutionizes the Role of the Solution Provider

Executive Summary

Solutions providers are vital to small and mid-sized businesses (SMBs); they provide the technical expertise and assistance that SMBs need to meet their business goals. Today’s solutions providers are more than just resellers of software solutions; they are the trusted partners of the small and mid-sized businesses. However, the role of technology technician often overtook the role of business value provider, limiting the ability of solution partners to reach their own growth and margin potential.

Today’s Software-as-a-Service (SaaS) providers such as NetSuite are revolutionizing that business model. SaaS applications, which are delivered as an Internet service, provide several distinct advantages for solution providers. Among these is the ability:

- To provide higher-level business services, focusing exclusively on improving the customer’s business processes, rather than low-level technology infrastructure services;
- To provide higher margin vertical industry solutions to a national or even global base of clients rather than generic horizontal solutions to a local-only customer base; and
- To build replicable software solutions which can be leveraged across numerous clients.

Together, these advantages of SaaS allow solution providers to develop process expertise and industry expertise and embed this intellectual capital — their industry best practices — in software. These best practices are reflected as seamless customizations and extensions to the enterprise business management applications. Solution providers can then provide those customizations and extensions in the form of industry best practice software templates to other clients in similar industries, effectively delivering their ‘Service as Software’ (SaS). This white paper addresses the new value proposition for solution providers offering Service as Software to their SMB clients.

The ‘Service as Software’ Advantage

Solution providers who develop industry best practices become trusted business advisors rather than solely technology advisors. Those who embed their intellectual capital in software can deliver their “Service as Software” in a repeatable fashion providing enhanced value-added customizations to their clients. Thus, industry best practices are reflected as customizations and extensions, seamlessly integrated into the enterprise business management suite.

Software as a Service (SaaS) changes the way a company can run its business. SaaS users access their business applications over the Web — as a service — rather than a product installed in their local data center. And the solution provider has a new role in this model. There’s no hardware and infrastructure software to procure and install and configure. There’s no installing updates and upgrades to any of the hardware, infrastructure software or the applications themselves. The SaaS provider takes care of all the infrastructure and rolls out the updates and upgrades to the applications. This frees the solution provider to accomplish higher value business-critical activities with the customer.

This new value proposition for solution providers creates myriad opportunities for business success. The move from technologist to real business solution provider changes the previous business model. The new model frees the solution provider to focus exclusively on higher-value, higher-margin services like changing and improving the customer's business processes; mapping those processes to a business management application; and configuring and customizing the application accordingly.

Expanding Horizons: From Local Support to Vertical Expert

The SaaS paradigm revolutionizes the business model for solution providers in several ways. In yesterday's model of selling applications for deployment on-premise, the solution provider rarely built up any industry expertise because it is difficult, if not impossible, to find a critical mass of customers in one industry in the local area. The on-demand model now allows these solution providers to focus on vertical solutions because they can just as easily service a customer remotely — even globally — as they can a customer locally.

Since there is no physical delivery of technology, unlike yesterday's on-premise model, there is no need for the solution provider to be physically present to implement an on-demand application. Freed from geographical constraints, the solution provider can focus on vertical solutions.

In sum, the solution provider changes from "local" solution provider to "industry" solution provider; the solution becomes a value-added, industry-specific, business solution. Solution providers can move from a horizontal, local-only customer base to higher margin vertical industry solutions and attain the ability to support clients in any location.

The Transition to "Service as Software"

The capturing of industry experience gained over time and the substantiation of that experience in software allows software providers to advance from reiterative one-off customizations to mass customization. Capturing these customizations to provide complementary functionality or applications to a software solution such as NetSuite, places a resalable "product" in the solution provider's arsenal. This new solution can then be acquired and purchased by companies worldwide, downloaded from the software solution provider's library.

Also revolutionary is how today's solution providers can define their skills and deliver their services. For the first time, solution providers can build repeatable customizations, leveraging solutions across a broader customer base. Unlike customizations that had to be re-built with every new release of an application, SaaS applications maintain customizations over upgrades and new versions of the software. This in itself creates value for the solution provider and the customer.

The SaaS Advantage:

- The intellectual capital of the solutions provider is converted to replicable industry best practices — encapsulated in software.

Examples of Verticalized NetSuite Solution Providers

- **Epiphany, Inc.:** low voltage contractor industry and the flooring industry
- **zeroedin Solutions:** specialty retail
- **Kuspide:** windows and doors dealers
- **Marketworks:** online multi-channel retailers
- **Skyytek:** CAD resellers

- Customizations are persistent; they have long life cycles, unlike those for on-premise software. Thus the investment in time to create them pays off — customers receive better developed and tested solutions from their providers that have a long life-span.
- Customizations are reusable: the value-added application or function created for one customer is likely to be of use to another. Providers can attract new clients in similar industries and leverage their prior development efforts over a broad range of clients.

Behind the Theory

Solutions providers aren't about to enter the software development and distribution business. Rather, value is derived from customer or industry-specific additions of features or functionality to the core enterprise business solution. The greatest impact springs from industry-specific concentration or specialization, leading to the ability to provide solutions to a more greatly distributed range of customers.

And solution providers are not going to become job shops of coders. That is already a model of the past. The embodiment of services in repeatable distributed value-add functionality can only be successful under certain conditions. Here are some key criteria:

1. The core enterprise application has to be easily extensible, with exposed interfaces
2. The application should have widespread acceptance to best leverage the solution provider's investment in adding functionality to it
3. The toolkit provided for extending the application to meet the needs of vertical industries should be stocked with tools, documentation, and access to support when needed
4. A test-bed must be available for trial runs, trouble shooting, and integration checking
5. Access to the remote application is required — a solution provider should not have to invest in a hardware and software infrastructure to succeed in the move from a service to software.
6. The SaaS application architecture has to provide a layer of abstraction between the core application and the customizations the solution provider has created for the customer. This insures that those customizations will automatically carry forward to the next version of the application without intervention on the part of the solution provider.
7. A centralized, readily accessible library with documentation for each script should be available through which to experiment and sell the applications created to customers.
8. For maximum value, the added functionality should be able to be built within the core application as opposed to outside of it. Solutions built outside the application require the extra work and cost of maintaining integrations into that core.

Benefits of “Service as Software”

Both customers and the solution providers that support them benefit from Software as a Service and the ability for solution providers to create service embedded in software customizations.

Customers win in this model:

- Customers want to work with solutions providers they can trust, who they perceive as partners in their business. Customers want to work with suppliers who understand their business, speak the language of their industries, and who will sell them business solutions, not just products

- Customers want to standardize their business processes based on industry best practices
- Customers want rapid time to market
- Customers want low cost implementations
- Customers want references from other companies in their specific industry

Solution providers win in this model:

- Customers know others in their industry and provide on-going referrals
- Verticalization creates competitive advantage as opposed to the horizontal competition of “all VARs look alike.”
- Marketing expenditures decreased from word of mouth “advertising”
- An improved lead-to-close ratio through verticalization
- An accelerated sales cycle because with a vertically focused solution there is far less discovery and far fewer custom demos.
- Higher margins from repeatable implementations
- Growing market presence as solutions providers create a bank of referenceable implementations in their industry

Conclusion

The Software-as-a-Service model allows solution providers to the middle market to also move further up the value curve into the realm of optimized business processes and ever-deepening vertical-market expertise that customers are demanding. Today’s solution providers can provide higher value business services when their clients subscribe to software as a service solutions because infrastructure development and management is provided by the SaaS provider, freeing the solution providers to better address the business needs of their customers.

Solution providers now are able to apply the best practices learned with their many customers into replicable solutions, providing a higher level of service through increased industry focus. They can leverage this intellectual property through easily-created applications and customizations that can be used by a far broader community of clients — thus providing their newly created “service as software (SaS)”.

With this new business model and with the vast span of the software-as-a-service infrastructure today, solution providers can target other clients in a very similar business niche who need the same business solutions. Today’s solution providers’ new-found scope can be far-reaching — they can service customers far beyond their locale with their solutions, with Web-enabled support for a world-wide franchise of value.

The NetSuite Advantage: SuiteFlex

Many of NetSuite's solution providers today are adding more and more sophisticated (and higher margin) consulting services, changing the customer's business processes to improve efficiencies based on best practices. NetSuite provides an application development platform, SuiteFlex, which enables solution providers to embed their industry best practice knowledge — traditionally delivered as one-off services — into the actual Netsuite application and sell those best practices over and over again in the form of software.

Beyond simply tailoring fields, or gluing together disparate applications, NetSuite provides its partners with the ability to customize the NetSuite enterprise application to the requirements of their particular customers. This is a significantly different level of customization than that available for most SaaS players today: in NetSuite, solution providers can customize the business logic of the application. Other solutions that purport to offer customization capabilities are limited to changes in the data schema — the data logic — not the process logic.

NetSuite provides tools that allow solution providers to tailor their customer's business processes, accomplished through SuiteFlex, its application development platform. SuiteFlex allows solution providers to create vertical applications and customize business processes within the NetSuite environment, and to make them widely available through NetSuite's SuiteSource library of business solutions and SourceForge, a collaborative Open Source development environment.

SuiteFlex's SuiteBundler provides the basis for solution providers to deliver their services as software (SaaS). SuiteBundler allows solution providers, ISVs and system integrators to embed their industry best practices — as a software application — into the NetSuite enterprise business application.

Because SuiteScript, the world's first on-demand programming language, provides a complete toolset that supports business process customization, solution providers' on-demand customers can run their businesses the way they want to, with customized business processes to meet their particular needs. Built on industry standard JavaScript, SuiteScript provides customization of even the most complex processes.

Critical to businesses, SuiteScript customizations are automatically maintained when the application is upgraded. This has very positive implications for solution providers, ISVs, system integrators and in-house IT professionals in that their effort to create an application or a unique business process for a client never needs to be considered short-term again. The ramifications are several: better economics — build once and keep the customization as long as needed without reinvesting in its recreation for each new release; higher quality customizations because they can be built to last the first time; and risk mitigation because the customizations can be tested outside the customer's production environment to ensure the applications and functions work with their NetSuite system as anticipated — without fear that they could affect the production version of NetSuite adversely.

SuiteFlex is both a methodology and a toolset; it includes the environment for the solution provider to experiment and test customizations once they are built. The result for the customer is infinite tailorability of his environment to meet precise requirements; the result for the solution provider is resalable business objects that do not require reiterative re-creation or re-installation with every new release of NetSuite. Thus, in an on-demand model, the solution provider offers true business solutions, not just technology solutions.