Making SaaS Strategies Work for Your Business

Presented by

Montclair Advisors and

OpSource

April 2010

Agenda

- Why is the SaaS business model so different?

- Common SaaS terms

- Types of SaaS companies

- Six business dimensions of SaaS

- Tips & tricks

- Q&A

SaaS & Cloud Best Practices

Why is the SaaS Business Model so Different?

SaaS is kind of like Southwest Airlines

- Started as the low cost leader
- Focused business: planes, routes, peanuts, approach
- Continuous, incremental improvement
- They are profitable
- Employees are key to their success
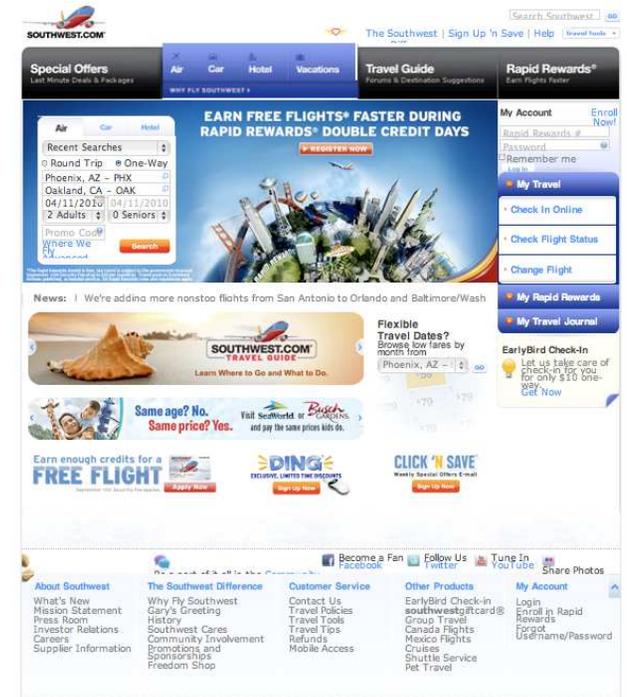- Customers love them
- …. Now businesses love them

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SWA – Continuous Improvement

Example: Southwest Website

- Informational

- eCommerce

- Community

- Marketplace

- Easy to use

- Frictionless adoption

- Alerts and notifications

SWA vs. United

	Southwest	United
Initial Target Customer	Individual Consumer	Business Traveler
Coverage	Regional Carrier	Global Carrier
Workforce	Happy	Grumpy
Continuous Improvement	Yes	Limited
Pricing	Clear, Cheap	Complex, High
Customer Satisfaction	High	Mixed
Sales	eCommerce	Mixed
Measured	Yes	Mixed
Profitable	Yes	No!
	SaaS	**On-Premise**

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SaaS vs. On-Premise

	Salesforce.com	Siebel
Initial Target Customer	SMB	Enterprise
Functional Coverage	SFA > CRM	SFA > CRM
Workforce	Happy	Grumpy
Continuous Improvement	Yes	Limited
Pricing	Clear, Subscription	Complex, Perpetual
Customer Satisfaction	High	Mixed
Sales	Mixed	Direct
Measured	Yes	Mixed
Profitable	Yes	Yes > Then No

Top SaaS Buzz Words

Helpful SaaS Terminology

	Definitions
SaaS	Software-as-a-Service: multi-tenant software delivered over the Internet and customers consume the product as a subscription service that is delivered on a pay-as-you-go basis.
PaaS	Platform-as-a-Service: solutions are development platforms for which the development tool itself is hosted in the Cloud and accessed through a browser.
Cloud Computing	A utility computing method that shares many types of resources through virtualization and delivers an elastic computing environment over the Internet.
Multi-tenant	A software architecture where a single instance of the software runs on a server, serving multiple client organizations (tenants).
CAC	Customer Acquisition Costs: A business metric that measures the effectiveness of sales and marketing efforts.
CMRR	Contracted Monthly Recurring Revenues
Churn	A business metric that measures the loss of subscription customers on a monthly or annual basis
Private Cloud	Uses Cloud Computing principles within an internal network. The term implies use of the same virtualization and highly flexible and scalable methods used in massively scalable Internet-based enterprise datacenters.
SLA	Service Level Agreement: A SaaS provider contract guaranteeing application availability and up-time.

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What are the Different Types of SaaS Companies?

The SaaS Continuum - Traditional

PeopleSoft

SIEBEL.

ORACLE®

bea®

SAP®

bmcsoftware

LAWSON™

Traditional Software Company

sage

- ✓ On-Premise
- ✓ Perpetual License
- ✓ Waterfall Development
- ✓ Single Tenant
- ✓ Big Releases & Upgrades
- ✓ Heavy Services
- ✓ Complex Customizations
- ✓ Difficult to Integrate
- ✓ Deploy in Months or Years
- ✓ Enterprise Sales & Marketing

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The SaaS Continuum - Hybrid

ORACLE

SAP

bmcsoftware

ca

LAWSON

MAGIC SOFTWARE
Do it Once. Do it Right.

jive

CAST IRON SYSTEMS

Hybrid Software Company

Traditional Software Company

✓ On-Premise & ASP

✓ Perpetual License & Subscription

✓ Waterfall Development

✓ Single Tenant

✓ Co-Lo, Virtual Cloud or Public Cloud

✓ Big Releases & Upgrades

✓ Heavy Services

✓ Customizations & Configuration

✓ Moderately Complex to Integrate

✓ Deploy in Weeks or Months

✓ Enterprise/SMB Sales & Marketing

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The SaaS Continuum – Cross Over

X-Over Software Company

Hybrid Software Company

Traditional Software Company

- ✓ On-Premise & SaaS
- ✓ Subscription
- ✓ Waterfall & Agile Development
- ✓ Single Tenant & Multi-Tenant
- ✓ Co-Lo or Cloud
- ✓ Small Releases
- ✓ Lightweight Services
- ✓ Configurable
- ✓ Packaged Integration
- ✓ Deploy in Days or up to Months
- ✓ SMB > Enterprise Sales & Marketing

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The SaaS Continuum – SaaS

Pure SaaS

X-Over Software Company

Hybrid Software Company

Traditional Software Company

Salesforce

workday™

NETSUITE®

Intacct.

SuccessFactors
Business Execution Software

Cornerstone OnDemand

Cisco webex

OpenAir®
A NETSUITE COMPANY

BOOMI®

- ✓ Only SaaS
- ✓ Subscription
- ✓ Agile Development
- ✓ Multi-Tenant
- ✓ Cloud Computing
- ✓ Continuous Releases
- ✓ Lightweight & Self Services
- ✓ Highly Configurable
- ✓ Packaged Integration
- ✓ Deploy in Minutes > Weeks
- ✓ SMB > Enterprise Sales & Marketing

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Differences Between SaaS & Perpetual Models

1. Revenues and Cash flows

2. Contracts

3. Customer satisfaction and renewals

4. Specific business metrics

5. Management objectives

6. Distribution channels

7. Sales compensation

8. Internet marketing and social networking

9. Development methodology and release management

10. Hosting infrastructure and management

Six Business Dimensions of SaaS

Bessemer's Top 10 Laws of SaaS

1. Key monthly business metrics: **CMRR**, **Churn** and **Cash flow**

2. **Customer Acquisition Costs** (CAC) and **Customer LifeTime Value** (CLTV) are best indicators of long term value creation

3. **Tune Before You Scale**.

4. Separate **'Hunters'** and **'Farmers'**.

5. Focus Your Business Development Efforts on **Business Service Channels**.

6. Savvy **Online Marketing** is a Core Competence.

7. **Stay Local** - Prove Your Business in North America First.

8. **Single Instance**, **Multi-Tenant**, **Single Datacenter**.

9. The Most Important part of Software-as-a-Service isn't 'Software' It's '**Service**'.

10. Be Prepared to Cross the Desert.

Source: Bessemer Venture Partners, 2008

Aligning SaaS Dimensions

Software Business Dimensions

Unified SaaS Business Processes

Operations

Business Strategy

Product & Development

Sales & Marketing

Support

Services & Training

SaaS Transformation

Aligned SaaS Business

Aligning SaaS Business Dimensions

Examples of Different Business Processes

	Traditional	**SaaS**
Products & Development	Semi-Annual Releases	Continuous Releases
	Single-Tenant	Multi-Tenant
Sales	POC or Pilot	30 Day Trial
	Cast of Thousands	Self-Service
	Complex Pricing	Transparent Pricing
Services	Deploy in Months or Years	Deploy in Minutes, Hours or Weeks
	Customization	Configuration
	PSO or SI	Self Deploy
Marketing	Tradeshows	Social Networking
	Is an Art	Is a Science
Operations	On-Premise	Cloud
Finance	CapEx	OpEx

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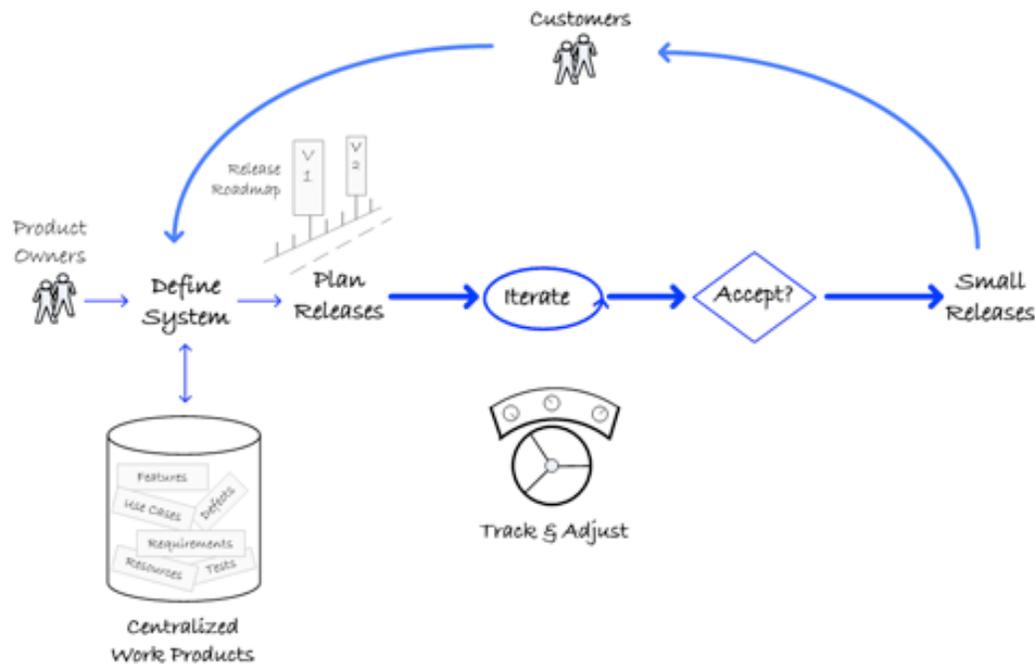# Tips & Tricks

Keep Things Simple

Measure Everything

Transparency is Critical

Customers Want To Do Things For Themselves

Continuous Improvement – Just Faster

Think on a Massive Scale

Lower Customer Acquisition Costs

Build a Profitable Model

Just Get Started

Contact Us Today

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Montclair Advisors provides personalized Software-as-a-Service advisory services designed to help SaaS-based and non-SaaS-based software companies to optimize their business models, improve revenues, control costs and deliver world-class software.

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