



How will SaaS evolve over the next few years?

From our perspective, SaaS will evolve in six fundamental ways over the next few years.

To set the stage for discussing these six areas of transformation, first allow me to briefly discuss the many challenges that are currently facing software vendors who want to deliver their software as SaaS.

While some of the challenges facing software vendors are technical in nature, many are operational, administrative and service management related that software vendors never had to face when selling traditional software licenses. A SaaS provider, by definition, is a service provider, and that requires a level of operational capability and expertise in order to support the necessary business activities and manage their cost of service delivery. These are not capabilities that ISVs typically have available to them.

These capabilities include automated tenant provisioning, tenant management, subscription management, subscription-based billing, application usage metering and monitoring, business activity reporting, and application lifecycle management to name a few. In addition, many SaaS business models will best be optimized for low cost of service delivery and scalability by supporting multi-tenancy, another new, unfamiliar, and complex technology and architectural model for conventional software vendors to deal with.

These SaaS oriented, tenant centric capabilities must either be built into the original application, or built independently as a business model enablement and support system. Many refer to this next step in transformation as 'SaaSification' or 'SaaS-Enablement' of a software application,

(that is very different than a simple and standard “Cloudification” of a software application to run on the cloud.) As many industry veterans have experienced, transforming applications to scalable SaaS can be very expensive, time and energy consuming, and distract a company from its core application mission, key differentiations, and main domain expertise.

Given the above challenges and opportunities lead us to our six key predictions about the way the SaaS industry will evolve in the next few years:

Software vendors will adopt SaaS Enablement technologies.

The ISVs who are transforming to be SaaS Providers will acquire SaaS Operations and Management capabilities to enable the SaaS specific business functions, rather than use their own scarce resources to develop those capabilities themselves. (will focus on developing their Core and acquire their Context).

This is primarily a function of speeding time-to-market and keeping focus on core application/industry competencies. SaaS Providers have additional responsibilities over their prior role as software vendors, and must be able to provision and manage their tenants, define and manage subscription offerings, monitor and report operational status, perform metering and billing functions, and upgrade the tenant applications.

The buy vs. build decision for those SaaS-Enablement capabilities will tilt towards buy.

SaaS Providers will start with an Isolated-Tenancy then move to Multi-Tenancy model.

The proportion of ISVs who go to market as SaaS using an Isolated Tenancy model will increase. By avoiding the changes to make their software Multi-Tenant, ISVs can defer that investment until the right time. As their SaaS business expands and validates their market, the significantly lower cost of service delivery in multi-tenant mode may encourage them to make the investment to transform their software to support Multi-Tenancy.

Support of Multiple “Tenancy Models” will become the norm for SaaS.

In order to support existing customers and their application customizations, to differentiate offerings and to meet specific market requirements, SaaS Providers will support a hybrid approach where tenants can choose the SaaS tenancy model that suits them best.

This requires an approach to SaaS enablement capable of handling tenants simultaneously in both Isolated and Multi-Tenant modes in order to enable a smooth transition.

SaaS becomes multi-cloud and multi-geography.

The ability to manage a SaaS environment that extends across multiple Public, Private or Hybrid clouds will become increasingly important. Since SaaS offerings are inherently available worldwide, it is advantageous to be able to centrally manage tenants, while locating applications geographically in order to maximize performance for customers.

This capability will also be critical for locating instances of applications and their data in countries that impose compliance, privacy or other legal restrictions on the physical location of data.

“Private SaaS” will emerge within the enterprise.

The techniques used to provide SaaS will be applied to large enterprise applications, especially those global ones who have many separate divisions, regions or countries that use the same software application. The SaaS model as applied in this context of Private SaaS can be offered by the office of the CIO and effectively treat the corporations' sub-entities as tenants. Private SaaS will enable better insight and control of the provisioning, operation and management of the applications centrally by the office of the CIO resulting in significant cost savings and efficiencies across the enterprise.

The Private SaaS model can be extended to outside entities such as franchisees, suppliers and partners of the enterprise, to establish invitation-only communities to a SaaS application, and will become a mechanism to strengthen enterprise relationships.

Cloud Providers will offer SaaS-Enablement/Management Capabilities to attract SaaS Providers.

As the overwhelming influence of SaaS on total cloud usage becomes more apparent to Cloud Providers, they will increasingly be looking for ways to attract SaaS Providers to their cloud. This ability to attract ISVs, software resellers and integrators who wish to offer SaaS solutions, will become a key value proposition to attract more SaaS Providers, and thus, more users, to their cloud. To accomplish this, Cloud Providers will augment their standard PaaS services with new set of 'PaaS for SaaS' capabilities.

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