



The rise of Software-as-a-Service (SaaS) and Cloud computing has been a major disruptive force in the enterprise software industry. In the past several years countless new SaaS and Cloud-based start-ups have emerged and traditional on-premise players have rushed to diversify their offerings.

Yet, SaaS and Cloud computing have primarily been considered delivery mechanisms, not fundamental changes in business strategy. In the coming years, SaaS and Cloud will be more prevalent and continue to transform the rules around how enterprise software companies are created, solutions are delivered, and customers are serviced.

For instance, Cloud computing has dramatically lowered the barrier of entry for start ups. Previously, entrepreneurs would have to raise a significant round of initial funding just to begin building an offering. This often came with the added cost and complication of relinquishing control over the company to the investing venture firms.

With Cloud-based platforms, such as salesforce.com's Force.com or Microsoft Azure, entrepreneurs can leverage an existing infrastructure to quickly innovate and deliver new solutions to market at a fraction of the time and cost. Companies building on these platforms will

be able to significantly stretch their angel investments and deliver a commercial product to market well before they need to pursue further venture funding (at just the right time given the post-recession venture environment). By removing such strenuous capital constraints, the balance of power will shift further away from venture capitalists and open the door to a wider spectrum of budding entrepreneurs. If the 185,000 applications on Force.com alone is any indication, we will see a flurry of new SaaS and Cloud-based applications and start-ups emerge in coming years.

Customer care and service are other areas SaaS and Cloud computing will transform. In the past, customers labored under bulky, expensive on-premise applications, and even heftier license fees. They would rarely hear from their sales representative after the sale was complete and would wait years for updates. This was in large part due to non-customer centric cultures and because traditional software vendors were forced to maintain different flavors of their applications to support a variety of operating systems, platforms, and configurations-making it laborious, expensive and restrictive to update solutions.

But times have changed, and so have customer expectations. We have become a "real-time" society. When we want news, movies, information - we aren't willing to wait. The same will become the paradigm for enterprise computing. Customers will demand that applications move with the changing dynamics of their business and SaaS and Cloud computing companies will rise to the challenge.

The beauty of multi-tenancy is there is one, maybe two lines of code (typically due to building solutions on multiple platforms, such as a Force.com). Changes can be loaded once and dispersed instantly to a company's entire customer base, leaving more time for customer-driven enhancements and innovations. Companies who claim to offer SaaS solutions - that are really no more than a hosted version of on-premise software -will struggle to keep pace with customer demands in a SaaS world, and will either need to "fish or cut bait" or risk becoming irrelevant.

Customers are in more control than ever before in this new world order. The limited upfront investment and contracts synonymous with SaaS and Cloud computing applications also means customers can switch vendors much more easily than they could previously. As reoccurring revenue is the lifeline of any SaaS or Cloud company - losing customers is business suicide. So, companies will now have to go to much greater lengths to ensure the happiness of their most profitable customers.

While technology will play a big role in facilitating all this - it will have to be an inside out transformation in the way companies foster their relationships with customers. At Xactly, we are driven by the notion that each customer's business must be earned anew every day - and that means consistently delivering great product and exceptional customer service. As I like to say, it's approaching each new customer relationship like you are interested in a lifelong marriage, rather than a one-night stand.

A big part of this transformation will come from compensating employees correctly to optimize the behaviors the company wants to see. Today, this is standard practice mainly in sales organizations, and is the very cornerstone of our business. In the coming years, I believe we will see this same concept of variable compensation extend further into the enterprise. Businesses will have to compensate teams and individuals based on new metrics that extend well beyond closing a deal - how long a customer stays, higher NPS scores, a customer's propensity to refer business or buy additional solutions, and an overall higher level of customer satisfaction.

In short, SaaS and Cloud computing have changed more than just how companies access the products they use every day. It has changed the way we think about software innovation and customer service and lowered the barrier and cost of entry for new players in the market. While it's anyone's guess what may happen next- we can be assured that SaaS and Cloud computing will continue to take enterprise software on an exciting and transformative ride in the coming years.

*This interview was published in SIIA's [Vision from the Top](#) , a Software Division publication released at [All About the Cloud](#) 2011.*