



May 5, 2010

Real-World Insights Into SaaS Implementation Success

Satisfied SaaS Buyers Share Their Dos And Don'ts

by **Liz Herbert**

with Christine Ferrusi Ross and Elizabeth Rose

EXECUTIVE SUMMARY

As more firms examine software-as-a-service (SaaS) as an option for strategic enterprisewide deployments, SaaS buyers are weighing the tradeoffs between the appeal of fast deployment, flexibility, upfront cost savings, and reduced dependence on internal IT resources against concerns over risk, security, and total cost of ownership. Forrester recently spoke with several satisfied SaaS clients about their deployments in order to get details about the selection process, their reasons for moving to the cloud, and the successes and challenges they've faced thus far. These cases offer actionable advice for sourcing and vendor management (SVM) professionals who are deciding whether SaaS makes sense for their solution needs and wondering how to make SaaS deployments successful.

FIRMS SHARE BEST PRACTICES AND LESSONS LEARNED FOR SAAS SELECTION

To help SVM professionals considering SaaS options, Forrester talked with customers of leading SaaS providers in a variety of application areas; the providers included GoodData, Hubspan, McAfee, NetSuite, and Workday. This report is a follow-up to our recent document, "SaaS Valuation Criteria."¹ The firms we spoke with weighed the potential gains against the potential risks associated with their respective SaaS options; these interviewees share tips and lessons learned from their experiences. (see Figure 1).

Cost And Flexibility Of SaaS Offerings Entice Firms

The firms we spoke with felt compelled to consider SaaS because of the following factors:

- **Attractive pricing.** SaaS solutions eliminate the need for hardware, greatly reduce application support costs, and avoid expensive upgrades. Furthermore, SaaS solutions built on a multitenant architecture offer disruptive price points because they benefit from economies of scale. Pay-as-you-go pricing models shift budget requirements from capital expenditure (capex) to operational expense (opex) and allow firms to conserve cash.
- **Speed-to-delivery in the cloud.** Client references cited the fast implementation and deployment associated with SaaS as a key driver for selection. Beyond initial implementation, ongoing rollout of new functionality and rollout to new groups mean the solution can more quickly align with changing business requirements.



Headquarters

Forrester Research, Inc., 400 Technology Square, Cambridge, MA 02139 USA
Tel: +1 617.613.6000 • Fax: +1 617.613.5000 • www.forrester.com

- **Customer service.** Having fought for attention from their prior large on-premise vendors in the past, customers we spoke with were “swept off their feet” when the CEOs of the respective SaaS vendors showed up at their doors during the request for proposal (RFP) stage. Additionally, SaaS vendors typically have a more hands-on approach after the initial deal because they profit most from satisfied clients who renew subscriptions year after year.

Major Inhibitors Weigh Heavily On SaaS Buyers

SaaS clients we interviewed had concerns about the total cost of ownership (TCO), security, privacy, performance, and integration.² Key areas of concern — about which firms typically conducted significant investigation during their selection — included:

- **Security and business continuity.** Disaster recovery was particularly important for many of the clients we spoke to, especially regarding SaaS vendors with data centers located in earthquake-prone zones. Companies also expressed concerns about security and information privacy.
- **Uptime and performance.** SaaS buyers were concerned about application availability and performance. Beyond uptime, some SaaS buyers were worried that their users would find Web-based solutions sluggish. One client, which operated call centers and tracked a lot of invoices, had concerns that SaaS would struggle in its high-transaction environment.
- **Vendor viability.** A number of the customers we spoke to were worried that the SaaS vendors they were dealing with weren't financially sound. Because the vendors were backed with venture capital, clients expressed concern that vendors might lose expected funding. Smaller vendors raised red flags as well; interviewees saw them as potential acquisition targets (which could disrupt business) or as being too small to survive and thrive (thus risking failure).

Figure 1 Real-World Success Stories Using SaaS

Case study 1: food manufacturer

Scenario	<ul style="list-style-type: none"> • Needed to find more economical HR and payroll applications • Wanted additional functionality and better customer service
Initial concerns	<ul style="list-style-type: none"> • Security (particularly data privacy) • Uptime/performance • Newness of vendor/newness of technology
Results	<ul style="list-style-type: none"> • IT believes data is more secure than ever. • Good uptime, performance, and customer service • Agility and rapid upgrade cycles
Remaining concerns	<ul style="list-style-type: none"> • Some integration issues • Developers are getting pulled in many directions.
Pricing model	Quarterly subscription fees based on headcount

Case study 2: financial services provider

Scenario	<ul style="list-style-type: none"> • Looking to get everything on a single platform with enterprise resource planning (ERP) solution • Looking for better reporting capabilities • Wanted reduced IT dependence
Initial concerns	<ul style="list-style-type: none"> • Disaster recovery/business continuity • Uptime
Results	<ul style="list-style-type: none"> • Lower upfront costs • Greater end user visibility and usability • Better customization of workflows and processes
Remaining concerns	<ul style="list-style-type: none"> • Organizational change has been a challenge. • Disaster recovery/business continuity is still a concern.
Pricing model	Ongoing subscription pricing model; three-year contract

Case study 3: retail company

Scenario	<ul style="list-style-type: none"> • Needed support from an integration standpoint • Wanted quick implementation
Initial concerns	Financial backing and resources of small vendors
Results	<ul style="list-style-type: none"> • Satisfied with cost savings • Strong customer service and relationship management • Strong analytical capabilities
Remaining concerns	Will the vendor have enough resources for integration support?
Pricing model	Fixed price based on number of integrations; one-year contract

CLIENTS FIND SAAS MEETS AND EXCEEDS EXPECTATIONS — IN MOST AREAS

Forrester asked interviewees how their selection considerations ultimately mapped to results and satisfaction.

SaaS Clients Validate Anticipated Benefits — And Then Some

Clients we spoke with were generally satisfied across areas they had initially cited as concerns:

- **Speed to deploy.** Firms found that speed-to-delivery met their expectations. Initial deployment was fast, and, moreover, once the software was up and running, SaaS models allowed for rapid upgrade cycles to roll out new functionality.
- **Attention from vendor.** Most interviewees felt that their SaaS vendors were responsive and proactive. Because some SaaS vendors are fairly new and fairly small, clients have greatly benefited from the opportunity to help drive development of these SaaS vendors' road maps.
- **Cost.** Most clients were satisfied with initial costs around subscriptions and implementation. Many SaaS clients were still determining whether the long-term TCO made sense for them, but several customers felt that they were saving millions based on a net present value model.
- **Innovation.** One key benefit that firms highlighted was their vendor's ability to drive fast-paced innovation. SaaS vendors are often small and nimble, which allows them to react quickly to client demand or changing market trends. In many cases, SaaS vendors also foster a culture of innovation — from employees as well as from partners and customers.
- **Security.** The majority of the customers we interviewed revealed that their SaaS vendors were doing more to secure their data than their own IT departments could do. One reference said, "Our greatest fear became our biggest confidence."
- **User interface and accessibility.** Most clients felt that the visibility and access across business units for SaaS applications is great; typically, all you need is an Internet connection in order to access the application. Many clients also highlighted the ease of use and the modern look and feel of SaaS interfaces, which drive adoption and reduce the learning curve.

But SaaS Clients Also Warn Of Concerns And Challenges

While the customers we interviewed were happy overall, they also cited key areas for improvement:

- **Ability to follow through on functional requests.** Some SaaS clients felt there was a gap between input into road maps and the vendors' ability to follow through. While most clients felt that SaaS vendors were very responsive, and some perceived the added benefit of helping to drive the road map by being an early customer, some SaaS clients felt that smaller vendors struggled to follow through on all their requests in a short time frame.

- **Integration issues.** Some clients complained that they lost prior functionalities and tools they'd been using when they transitioned to SaaS. Although integration is possible in most cases, some clients struggled to find tools, prebuilt connectors, and skilled developers, compared with on-premise integration capabilities.
- **Breadth of functionality.** Many SaaS vendors are newer and therefore are still building out core functionality. In many application areas, there is still a gap between functionality available on-premise and SaaS options. On the flip side, some firms find that SaaS functionality is enough to meet their needs and that reduced functionality can simplify and streamline implementation and eliminate expensive rollouts of features that ultimately go unused.

RECOMMENDATIONS

KEY AREAS OF DUE DILIGENCE TO GAIN ANTICIPATED BENEFITS OF SAAS

The customers Forrester interviewed decided that the potential benefits of going with SaaS outweighed their concerns — but only after a careful selection process. Critical success factors include:

- **Closely assessing vendor management teams and strategies.** SaaS clients advise taking a close look at vendors' management teams, including their vision of the company and their go-to-market strategy. While this is a good idea for on-premise purchases as well, SaaS investments are even more dependent on ongoing service, upgraded road maps, and growth of the ecosystem of partners and other customers.
- **Requesting detailed documentation around security.** SaaS vendors should be able to share security documentation. One customer requested a 45-page treatise outlining the vendor's approach to data security. SaaS vendors should also provide proof and details of relevant audits, like the SAS 70 Type II (at both application and data center layer) or the ISO 27001.
- **Evaluating APIs and relevant documentation.** One seasoned cloud customer expressed his partiality to vendors with open application planning interfaces (APIs) that were well documented to ensure smooth integration. Some firms also investigated integration partners, such as Informatica, Boomi, and Cast Iron Systems, as well as depth of prebuilt connectors. Beyond application and data integration, SaaS clients also advised investigating how the product integrates with your firm's approach to identity management and single sign-on, such as Lightweight Directory Access Protocol (LDAP) and Active Directory Integration.

ENDNOTES

- ¹ Firms are increasingly sourcing SaaS strategically for enterprisewide deployments that span mission-critical deployments — email, customer support, and financial applications. Firms making SaaS decisions of this magnitude should scrutinize vendors carefully across key dimensions relevant to SaaS and cloud — security, privacy, backup, vendor viability, product road map — but also weigh the tradeoffs versus finding a nimble, flexible, full-featured, fast deployment option that meets their needs. See the February 22, 2010, “[SaaS Valuation Criteria](#)” report.
- ² While the typical criteria are still highly important for SaaS purchasing, SaaS differs from traditional software in several key ways. See the February 22, 2010, “[SaaS Valuation Criteria](#)” report.