

Software providers transitioning to SaaS need to consider new approaches to rapid SaaS enablement, including a plug-and-play SaaS operations automation platform for core as-a-service capabilities.

Transform the SaaS Journey and Accelerate Recurring Revenue with a Plug-and-Play SaaS Operations Automation Platform

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Introduction

As the longest-standing segment of the cloud market, software as a service (SaaS) has transformed every industry and functional market. SaaS is single-handedly responsible for businesses successfully transitioning from work performed in a primarily centralized location to a massively distributed workforce while increasing worker productivity.

SaaS is vital in enterprise digital transformation, enabling firms to leverage embedded automation to adapt and thrive during disruption. There are abundant SaaS solutions for every application category. IDC estimates that by 2026, SaaS applications will reach \$377 billion, growing at a CAGR of 15%. Much of this growth comes from the long tail of software providers, representing more than 60% of global software revenue. Given the rapid acceleration of SaaS adoption, due in no small part to the disruption caused by the pandemic, it is easy to assume that most commercial and enterprise software providers have completed the transition to multitenant SaaS.

There is a common misperception that any software that can be subscribed to is SaaS. But this story has two sides.

To the subscriber, all SaaS provides essentially the same benefits:

- » Convenient to purchase
- » Replaces capex with opex
- » Transfers to the SaaS provider the burden of running, maintaining, and updating applications

AT A GLANCE

KEY STATS

According to IDC's *CloudShare Global ISV Survey*:

- » 43% of ISV revenue is from multitenant SaaS.
- » 26.9% believe hybrid cloud is the future.
- » 84% of buyers are willing to spend more on next-generation SaaS applications.
- » On average, it takes three-plus years for each ISV to develop its own efficient, fully automated SaaS delivery and operations platform.

KEY TAKEAWAY

Software providers, including ISVs and enterprise developers, must embrace a new approach to rapid SaaS enablement and operations that leverages automation platforms for core operational as-a-service capabilities.

To the provider, the responsibilities can be overwhelming, especially without the required skills and platform to help manage the commercial aspects of SaaS, including subscription plans, payments, and tenant management.

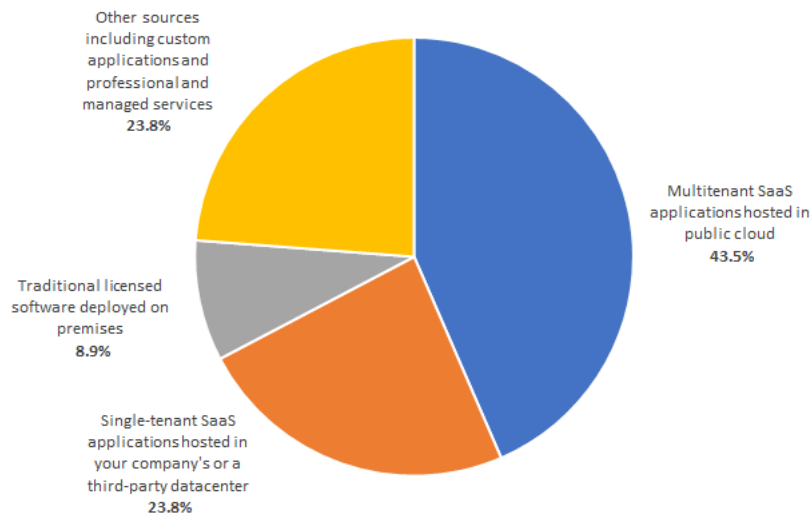
The critical question is how efficiently and cost-effectively a SaaS provider can deliver its next-gen SaaS offerings. The key metric to aim for is a marginal cost of onboarding and managing a new tenant with multiple users that approaches zero.

Figure 1 highlights the significant growth potential for multitenant SaaS, currently representing 43% of ISV respondents' total revenues. These providers must navigate the cost and complexity of transitioning the company to an automated delivery platform with minimal disruption and without the benefit of the considerable resources of top-tier ISVs. The complexity is compounded by growing customer demand for greater flexibility to deploy application workloads across multiple clouds and edge locations.

According to IDC's CloudShare research, 16.7% of ISVs support customers that run on multiple clouds and 26.9% say hybrid cloud is the future for SaaS applications. Adding to this challenge is that these businesses must invest the two and a half years it takes to transition to SaaS, on average. Many of these businesses rely on first-generation SaaS applications, a replatforming of their existing software technology. Currently, 48.5% of SaaS provider applications are cloud native. ISVs must embrace a rapid approach to developing fully instrumented next-generation SaaS applications that leverage composable architecture, intelligent automation, low- and no-code tools, and operations automation platforms to accelerate time to value.

FIGURE 1: **Multitenant SaaS: Number 1 Source of ISV Revenue**

Q In the past 12 months, what percentage of your company's total revenue has come from each of the following offerings?



n = 445

Source: IDC's CloudShare Emerging ISV Global Survey, 2022

SaaS Buyers Prefer Next-Generation SaaS Applications and Digital Channels

The pace of change has quickened to the degree that business processes stuck in analog and a reliance on manual interventions expose the organization to greater risk, whether from cyberthreats, operational inefficiencies, or lost revenue due to poor customer experiences. Businesses must ensure rapid adoption of next-generation technologies, including SaaS applications that leverage AI and machine learning, advanced data management, and composable architecture to sense and respond to disruptions and changing conditions.

A case in point references a major airline that experienced significant systems-related disruption during a peak travel period, causing significant pain for travelers and revenue loss for the carrier. According to a CIO of a multinational, who highlighted this problem in conversation as an example of a major corporation needing to modernize 15- to 20-year-old systems and create a more secure platform, "I find it very hard to believe no one saw this coming. There's a lot of finger-pointing; management trying to save costs and no one really paying attention, kind of asleep at the wheel. It's just astounding to me that no one saw this coming. I wonder if a [SaaS operations (SaaS Ops) platform] solution was known to them, if they could have preempted this. They're probably looking at traditional pathways to modernization that are very costly and time-consuming."

IDC's SaaSPath buyer research shows how vital these capabilities have become as part of the SaaS buying decision, with 84% of buyers indicating a willingness to pay more for next-generation SaaS applications and 38% willing to spend a lot more. To keep up with changing buyer needs and demand for continuous application performance improvement, SaaS providers must rely on production ecosystems to deliver core and value-added services that drive efficiency and better customer experiences. Participating in a SaaS production ecosystem allows for rapidly integrating new embedded features, including multicurrency payment processing, metering, and more sophisticated pricing models. Other features include:

- » SaaS life-cycle management
- » Multicloud, multiregion SaaS enablement
- » Continuous performance optimization
- » Usage-based microbilling
- » Tenant local data residency for country/regional compliance
- » Automated DBaaS and PaaS service integration

Cloud Marketplaces

The new generation of SaaS buyers prefers the ease, speed, and quick time to value cloud marketplaces offer. IDC research shows that 45% of buyers use a cloud marketplace to purchase SaaS applications, and 49% use a commerce-enabled website. SaaS providers have the arduous task of preparing SaaS applications for sale in multiple cloud marketplaces. The undertaking can take months of detailed API-level programming to get a reasonably sophisticated

application published on a single marketplace. The good news is that there are SaaS Ops platforms that leverage automation to reduce the time and effort of publishing an application on multiple clouds, SaaS, and distributor marketplaces and, as an ongoing benefit, allow a centralized view of all tenants and activities.

The Next-Generation SaaS Operations Platform

Delivering applications as-a-service efficiently requires considerable time and skilled resources that would be better reserved for continuous improvements in application performance. In the past, this painful compromise would be unavoidable. Today, platforms are built expressly for resolving the time and resource constraints experienced by many emerging SaaS businesses.

Akin to hypervisor, which transforms physical machines into multiple virtual machines in the cloud, a SaaS operations platform rapidly transforms software applications into a SaaS offering using SaaS-enablement automation and low-code tools. The platform enables the SaaS business to prioritize investments in innovative value-added features and GTM while leveraging the platform for capabilities including tenancy and subscription management, monitoring, metering, monetizing, usage-based billing, reporting, security, and compliance, as well as multiregion, multicurrency, multichannel, and multcloud support.

A next-gen SaaS Ops platform accelerates the journey to SaaS and cloud marketplaces.

Business Value of SaaS Operations Platforms

- » Enterprises can see faster times to SaaS recurring revenue and automation of ongoing operations toward a much more profitable SaaS business.
- » Enterprises can transform internally developed applications into private SaaS offerings for highly efficient internal operations and transform the office of the CIO from a corporate cost center to an internal profit center.
- » Enterprises can also create public SaaS offerings from their homegrown and internally vetted applications and offer them to the public through a subsidiary, hence transforming their IP assets into an external profit center.
- » Global SIs/larger managed service providers (SPs), cloud SPs, and digital infrastructure providers can offer a SaaS operations platform to clients in the same way they provide other key enabling software platforms.

Considerations

ISVs and enterprise developers looking to create or expand a SaaS applications portfolio should evaluate adding a SaaS operations automation platform provider to their production ecosystem. When choosing a SaaS operations platform, ensure that it provides a complete end-to-end solution for enabling, provisioning, running, and operating SaaS applications:

- » Supports multiple tenancy models
- » Can be implemented with no or only minor reversible changes to the application
- » Adapts to evolving cloud services (e.g., VMs, PaaS, containerized and serverless architectures)

- » Supports massive scalability
- » Is lightweight in terms of any additional load it puts on the application infrastructure

Conclusion

ISVs and enterprise developers looking to create or expand a SaaS applications portfolio should consider adding a SaaS operations automation platform provider to their production ecosystem. When choosing a SaaS operations platform, ensure that it provides a complete end-to-end solution for enabling, provisioning, running, and operating SaaS applications on multiple key cloud platforms and cloud marketplaces.

About the Analyst



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Frank Della Rosa is Research Vice President responsible for SaaS, Business Platforms, and Industry Cloud. Mr. Della Rosa's core research analyzes current market conditions and trends and provides strategic guidance to technology suppliers and midmarket and enterprise technology buyers.

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To learn more about SaaSops, including a two-minute video, please visit: www.corenttech.com/SaaSops.html



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