



LONGJUMP

Profiting Today from the Cloud Economy

How Resellers Can Deliver Game-Changing SaaS Applications Now and Position Themselves for a New Phase of Growth

For Solution Providers, VARs, and MSPs, the Cloud Computing phenomenon might represent a looming threat. Virtualized infrastructure and applications that businesses can turn on and off like utilities – that are sold on-demand and at significantly lower cost than physical products – could be more competition for even the largest solution providers. But as Gartner predicts that enterprise software delivered in the cloud as a service will total over \$12B by 2012 and grow at 17.7% each year, there is also ample opportunity for the Channel to scale their delivery capabili-

ties and usher their customers into a new era of more powerful web-based services.

This whitepaper will identify key points for Resellers to:

- Evaluate SaaS technology vendors
- Differentiating themselves as a player in the space
- Apply their solutions to effectively gain revenue and a profitable stake in the cloud economy.



The Incredible Shrinking IT Channel

The Cloud, Virtualization, and SaaS have changed IT forever. The flexibility, affordability, and scalability they offer have made servers and services more like utilities. As such, the need for experienced guidance that most VARs and MSPs provide is being reduced at the infrastructure level. At the very least, the Cloud's delivery mechanism cuts into the margins of solution providers limiting them to providing implementation or other tangential services.

What can solution providers do to ward off the threats of the Cloud? Surprisingly the answer is to embrace the Cloud. That's because there are SaaS vendor offerings that are actively looking to engage with the channel. The key is selecting the right vendor or vendors that enable the reseller to control their own destiny and allow the reseller to maximize the relationship with their clients.

Choosing the Right Applications to Resell

Historically, the success of SaaS solutions has relied on key business applications that are outside of the standard "word processor, spreadsheet, presentation" productivity suites. These including operationally or departmentally focused backend applications such as CRM (customer relationship management), HRM (human resource management), and accounting. The reasons are that they serve a specific purpose and improve productivity.

As a SaaS offering, these applications are very web friendly, requiring little or no infrastructure changes. They also offer fairly affordable subscription-based pricing so that SMB customers (or even larger enterprises) can "pay as they grow." For resellers, these applications may be the first SaaS applications you offer your client base.

And as both the solution provider and its clients become more acclimated to operating in a SaaS environment, the SaaS platform vendor should provide a means to further extended and build out applications for other areas of the business (e.g. expense management, PTO tracking, hiring and recruitment).

Differentiation is the Key

While selling a CRM or HRM application can be profitable, it can also be challenging and expensive. That's because there are literally hundreds of CRM and HRM software vendors out there. For the solution provider, the single most important strategy to maximize the chance for success is to establish key differentiators that can approach their clients on. These include:

From SearchITChannel.com

"Paul Chisholm, the chairman and CEO of mindSHIFT Technologies Inc., a Waltham, Mass.-based MSP, said his business is growing as more SMBs need new services but don't have the internal IT staffs to do it themselves. Cloud computing is adding more ways for mindSHIFT to deliver those services, he said. 'It's something that is positive to us,' Chisholm said. 'Cloud computing makes people aware of a lot of different things,' including their needs for security, consistent performance and 24/7 uptime. 'The MSP business has always been a cloud-like business. This is nothing that's going to hurt our business. I see it as a natural extension rather than a brand new strategy. Anything in the marketplace that brings credibility to what we do is going to help us.' (Nov 25, 2009).

- **Verticalizing applications for a specific industry**
 - Most CRMs and HRMs are fairly generic. This requires businesses to then customize them for specific business processes related to their industry. However, industry specific versions of these applications can streamline the effort, improve both adoption and entrenchment, and may even warrant a higher premium.
- **Localizing applications for a specific region**
 - English is the most prevalent language in CRM and HRM applications, particularly as they are delivered via SaaS. Yet, the worldwide SaaS market is incredibly untapped. Localizing an application can provide VARs with a larger presence. It is also similar to the effort of verticalizing an application.
- **Whitelabeling applications** – Businesses buy from a reseller because they have a service relationship with them. Offering self-branded versions of the applications can reinforce the VAR's existing relationship with the client. This also enhances the value-add proposition.

To help solution providers differentiate service offerings, the SaaS vendor should enable resellers to quickly and easily verticalize, localize, or whitelabel applications. In fact, it is best if the SaaS vendor provides a multitenant platform for VARs to easily manage each client independently while providing a common application set. The SaaS vendor should also support the concept of “packaging” so the reseller does not have to redo common customizations for every customer.

Enhancing Profitability

For solution providers to make this effort worth their while, the value proposition should be attractive. The lucrative nature of SaaS comes from recurring revenue and any partnership a reseller engages in must include a portion of that repeatable income.

Solution providers should seek out those SaaS vendors that offer high margin, recurring revenue. In fact, the most attractive offering is a flat user rate from the SaaS vendor whereby the solution provider can determine their own pricing on top. Also, solution providers should have confidence that the SaaS vendor is not out to compete directly with their partners.

Staying in Control

The danger of a SaaS environment where the vendor is involved is the loss of control. Many SaaS vendors stipulate a certain amount of control over pricing, billing, and to some extent, own the actual customer relationship. This leaves the solution provider out as the fifth wheel, and can ultimately minimize their influence and impact with the customer. Also, the VAR can provide that personable, instant communication with the client. A vendors' support team doesn't have the same familiarity with the client, especially if the customer came via the channel.

Another benefit of whitelabeling a solution is that the customer has a single point of contact with the solution provider. Resellers should then seek out SaaS vendors who can provide as much control as possible over that relationship – including billing and pricing. This gives the reseller the most flexibility to provide an engaging level of service to their clients.

How the MSP Model Works in Multi-tenant SaaS

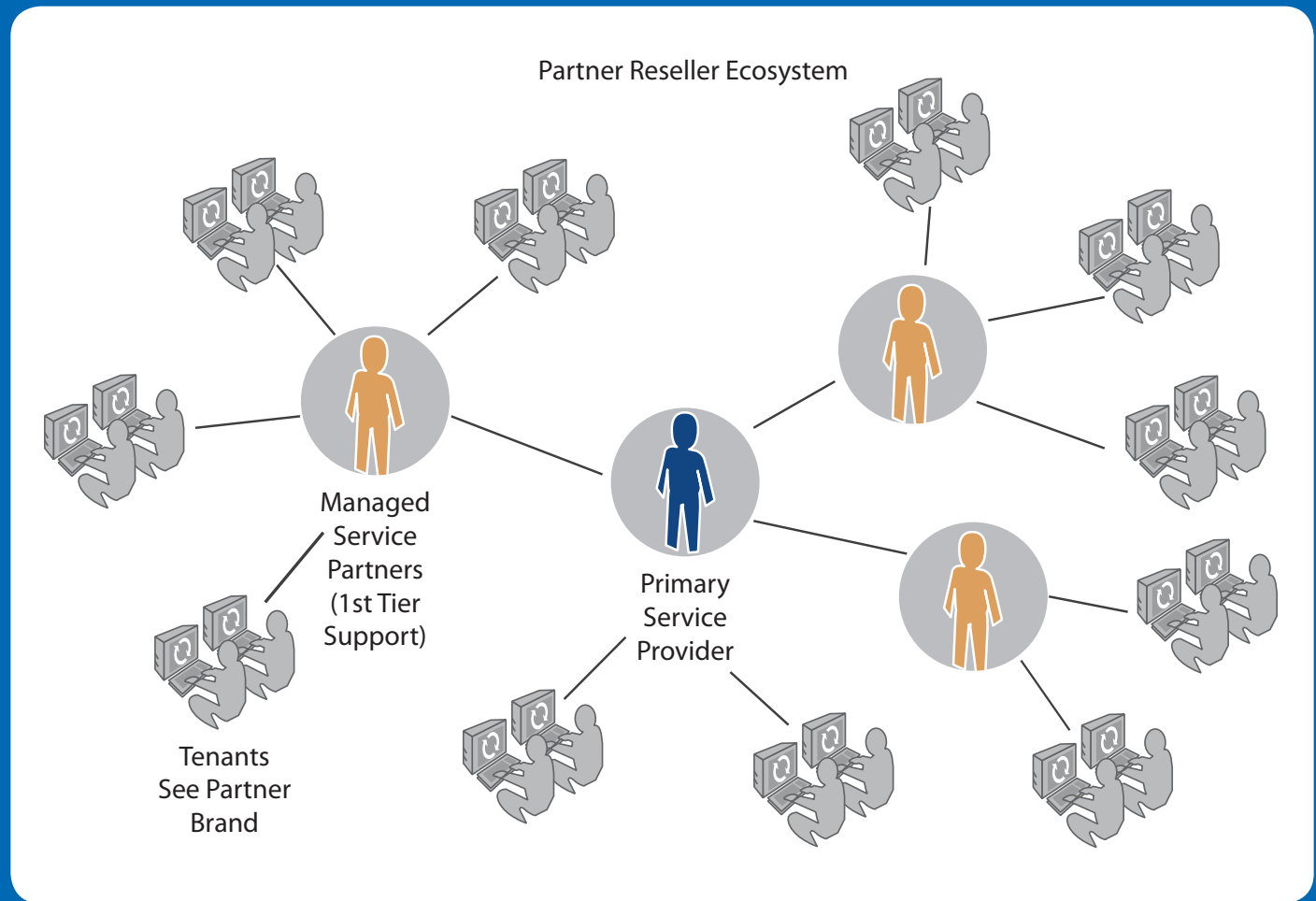
The MSP reseller model in SaaS environments is unique because of multitenancy. For the MSP's clients, they see their services being delivered and branded by the MSP and have no awareness of the primary service provider.

The MSP benefits by not having to invest in their own architecture and immediately gaining access to the service provider's library of applications. They can also maintain control of the client relationship, including possibly the ability to set their own pricing – thus establish their own profit margin. Each tenant can then be customized by the MSP for specific processes, data, industry, language without affecting any other tenant.

The MSP can managed these tenants as if they were the service provider including:

- proxy log in to systems to troubleshoot, make configuration changes, customize the applications
- answering trouble tickets or questions from the customer
- installing or creating new applications for the client

As the provider updates their systems, the MSP and their clients benefit from those updates. The service provider also acts as a technical backup to support platform issues and do so in the background.



Ensure Reliability

It is imperative that solution providers determine applications are delivered on a reliable, secure, and robust hosting and computing environment. If they are going to put their name behind the service, they will ultimately bear the brunt of poor performance.

SAS 70 Type II is one of the highest forms of certification for hosting environments and the SaaS vendor should be aligned with hosting partners who provide that level of service. In addition, the SaaS vendor should be able to provide a complete operational guide to indicate their processes when issues arise.

It is also helpful to know how long the vendor has been offering SaaS products, how many customers they currently service, and that they are attuned to the needs of their channel partners.

Minimize Startup Risk

Any new venture can be time-consuming where it takes away from existing business or have some risk. Finding the right reseller program will help mitigate some of the risk. Some SaaS vendors may provide the option to get started with little or no investment of precious IT resources. This allows resellers to essentially become MSPs (managed service provider) partners where they can leverage the vendor's cloud computing environment and grow their business. As an MSP, solution providers can manage their own clients, operate semi-independently, and get started immediately.

Bring a Product to Market Fast

Being able to get started immediately is crucial. That's because the likelihood that existing customers would be enticed by another on-demand offering are high. Everyone wants to be more productive for less and the cloud

economy is moving more and more business on the web. When evaluating a SaaS solution, some vendors provide the ability to reduce the time to market from months to a matter of days. This allows the solution provider to focus instead on marketing and client selling strategies, rather than technical setup of the service.

Sell Professional Services

One aspect of selling CRM and HRM applications is that most organizations, particularly if they are unfamiliar with these backend processes, do require guidance and expertise. That provides ample opportunity for VARs to continually engage with their client with various services that go beyond technical support, including:

- **Implementation** – Ensuring that legacy data is migrated into the new applications and that the applications are integrated into existing business processes
- **Customization** – Refining the base application to meet the needs of each unique organizational process or integrating the application into other systems
- **Training** – Helping guide the client and staff to fully maximize their effectiveness with these applications
- **Delegated Administration** – Offering a suite of concierge-type services where the VAR can remotely log into the client's tenancy and perform system administration services (adding users, configuring reports, modifying automated processes, etc.)
- **Business Process Improvement** – Providing long-term coaching and process consultation to leverage the application and optimize operations

A SaaS vendor that provides assistance, training, and documentation on these add-on services can help position the solution provider for ongoing success.

Evaluate the Vendor Partner's Responsiveness

Unlike reselling a printer or a computer system where service and feature questions are fairly predictable, selling and supporting software applications require an understanding of business processes and information management. When a reseller cannot resolve a problem or answer a question themselves, they will need help from the vendor.

A committed SaaS vendor will be able to provide technical backup for a vendor's customer-driven sales effort, and also be available as a second-tier support team to help resolve issues for the client. They would also be willing to work "in the shadows," to further provide the reseller the ability to present a comprehensive, experienced image.

Continuing towards Other Cloud Application Services

Once the foundation for first-wave, critical business applications is delivered, there is even more opportunity in other areas of the company. As more business functions become available to be managed over the web, resellers can look to add those to their catalog of services.

Some SaaS vendors provide a platform for delivering a compelling range of software solutions, from vendor and event management, expense approvals and tracking, or even IT services and asset management. Solution provider should work with those vendors who have a flexible platform and a broad range of existing solutions that can be sold to other departments of a client, or where the

solution provider themselves can easily and seamlessly create applications on the platform for delivery.

Summary

The Cloud and SaaS market is redefining business in a fundamental way with more affordable, powerful application tools and unique subscription-based pricing all delivered instantaneously. For solution providers, there is great opportunity to help their clients navigate their options as well as for experienced, entrepreneurial resellers to capture a larger client base.

The key is finding the right SaaS platform vendor partners who understand the goals and nuances of the channel and develop compelling programs that enable solution providers to maximize their options and control their own destiny.



The Cloud Applications Platform

For solution providers, VARs, MSPs, and ISVs looking to take advantage of SaaS and cloud computing to deliver new services to their clients, LongJump can significantly reduce their time to market. LongJump enables businesses to develop, deploy, and host highly-adaptable web applications in a fraction of the time.

LongJump can also white-labeled for greater entrenchment and relationship recognition for the reseller. The platform can be installed in virtually any hosting environment to provide control over security, scalability, and service levels, or resellers can become branded MSPs leveraging the LongJump multitenant architecture.

With over 30 million user hours in production supporting large and small enterprises, the LongJump cloud applications platform has proven to be flexible and reliable.

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