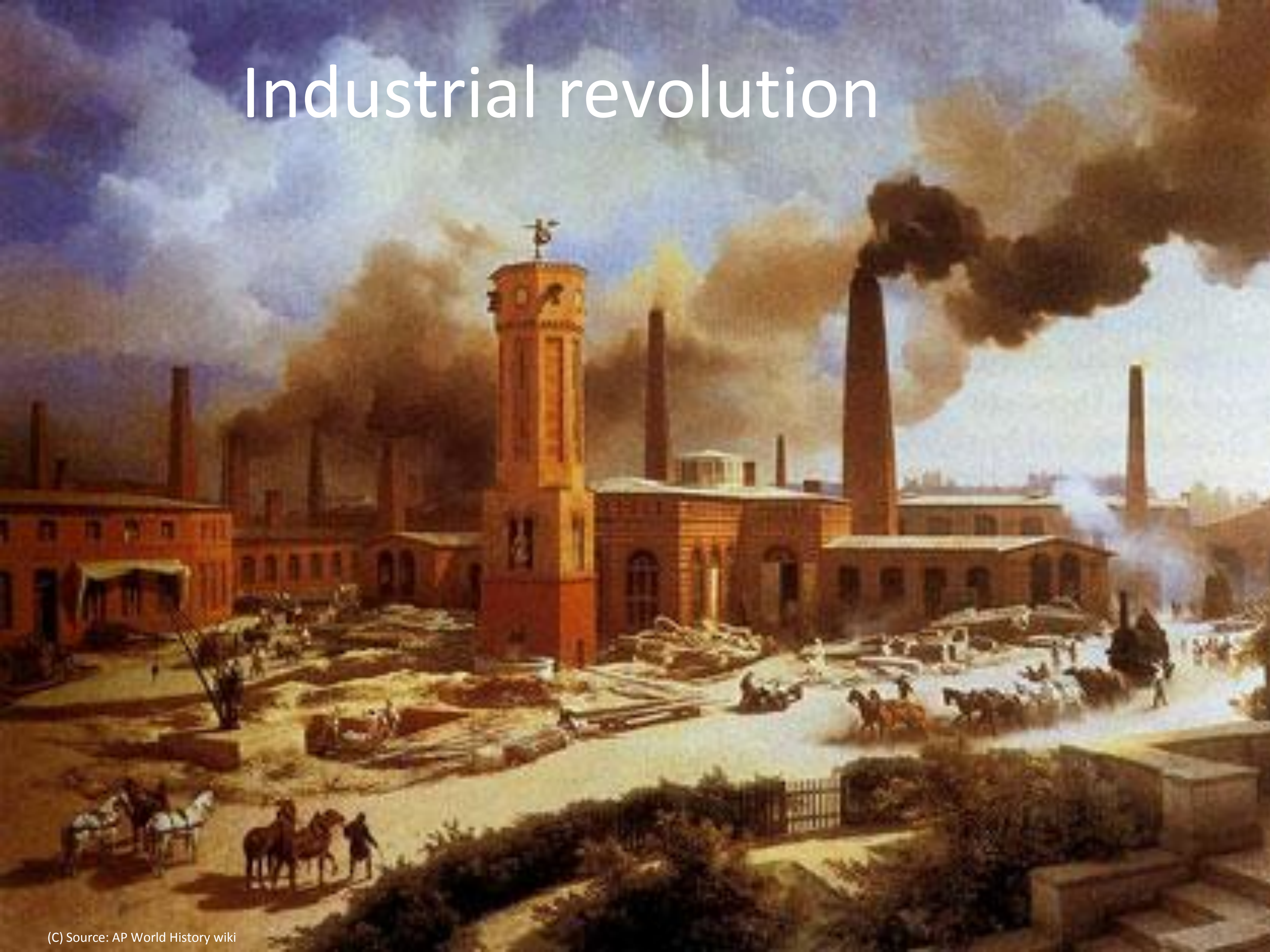
To boldy go... ISV to SaaS

Richard Hall | Chief Executive, CloudOrigin

Industrial revolution



(C) Source: AP World History wiki

Cloud - a new business model

- No single definition (and may never be)
- Not about technology per se
- Rather a fundamental and inevitable change in the IT business model, supplier landscape and consumer approach

Cloud with a capital C =

- A public utility delivering dynamic computing fabric with fully automated provision
- Scalable up and down on demand
- Supports metering, ‘pay per use’ billing
  - Amongst other commercial models
- Underlying hardware, functions and administration transparent to users
- A commoditised service under continuous pressure to innovate and compete on functionality, quality and cost
- Neutral platform supporting other providers

What is the nature of the commercial software industry today?

Once an assault on Everest...

(C) photo by Ryszard Pawłowski - Polish International Mt Everest expedition 99

Now a marathon...

(C) K Johansson, Berlin Marathon 2007

Or perhaps a triathlon?

(C) Polski Fun, Philidelphia Insurance triathlon 2011

Cultural shifts

- From software engineering... Package approach
- To embrace service delivery... Operational discipline
- From a release cycle to continuous evolution

And can feel like Wacky Races?

Traditional ISV problems

- Cost of sales and marketing
- Time to sale
- Revenue recognition hurdles with deployment
- Shelf-ware / Version lag / Support burden
- Integration and administration challenges
- Professional services bottleneck
- Enterprise license trap
- Difficult to plan successful exit strategy

Opportunities

- New channels to market, global scale
- World-class infrastructure on tap
- Zero time to revenue recognition?
- Instant deployment of new releases
- Array of partnership opportunities (‘Sockets’)
- Immediate credibility from public cloud platform
- Integration burdens eased
- Ability to test at scale easily and cheaply
- Potential for entirely new offerings / price points
- Leverage cloud infrastructure to reduce your own costs

Threats

- Brand new competitors ‘zero to hero’
- Customer resistance to traditional licensing and deployment models
- Investor scepticism without credible cloud strategy
- New software engineering and design approaches required – skills shortage
- Move to variable and unpredictable revenue
- Volatile IT supply-chain landscape

New marketplace predictions

From
2009

- Traditional channels will dwindle
- Many significant players will disappear
- Competitive position in market easily eroded
- Rise of platform-plays enforce standards
- A few key public cloud ‘stacks’ left standing, surrounded by huge number of satellite offerings
- Private ‘walled gardens’ may drive hard bargains to allow entry

Enterprise expectations

- Cloud friendly architecture
- Instrumentation (precise controls in cloud)
- Flexibility (hybrid models, licensing, T&Cs)
- Integration path
- Clarity on data ownership and portability
- Roadmap
- Scalability, concurrency, multi-tenancy
- Testing
- Compliance

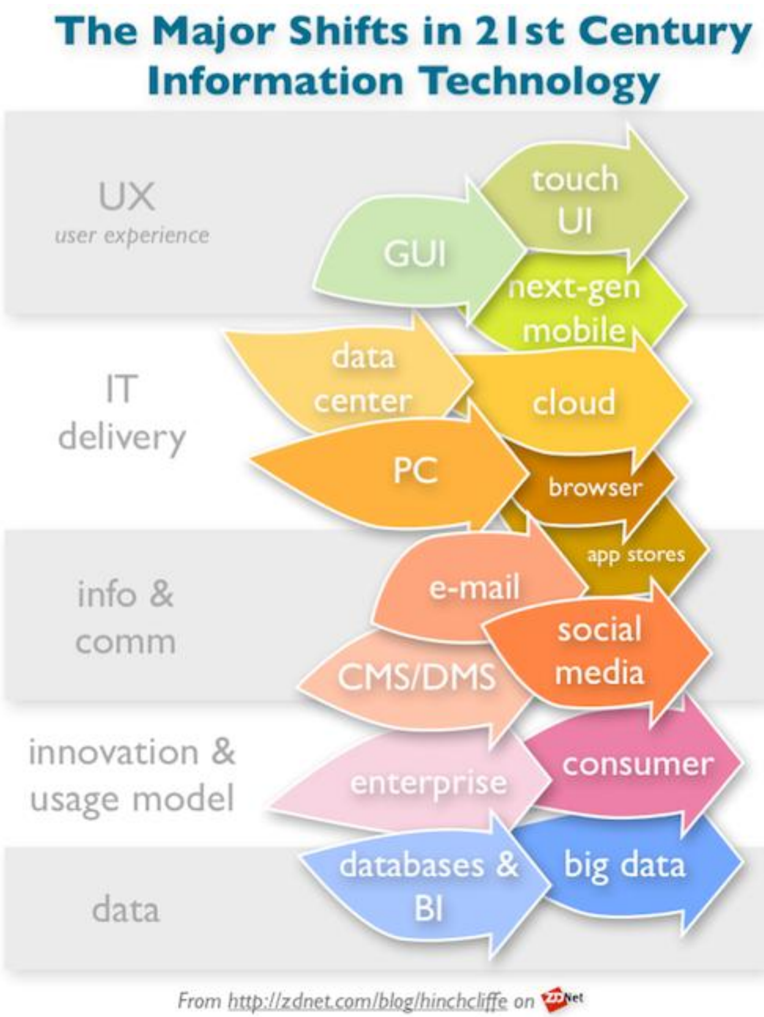
Options

Acquire (or be acquired)

- Re-architect for a cloud pattern then
  - Roll your own – deploy a mini-cloud
  - Shoulders of giants – jump on board a major provider (Amazon, Google, Microsoft etc)
  - Modular approach - join an existing stack (Force.com model)
  - Ikea approach - be ‘private-’ and ‘government-’ cloud friendly, “let them come and they will build…”

- Sit and wait for the storm to pass…

New challenges... 2012 onwards



(C) ZDNet 2011

- Cloud is the dominant future business model
- Convergence of these shifts will influence each other

Converging worlds

Web

Core Enterprise

Social networks

Consumer IT

Converging worlds

Core Enterprise

- Controlled perimeter and users
- Quarantine and restriction of devices
- Glacial pace of change, strict lifecycles
- Predictable volumes and growth
- Presumption of security, privacy, compliance
- Users as captives

Converging worlds

Web

- Unknown and unpredictable users
- Bring your own devices, but may not work well
- Zero day rollout
- Huge volatility with bursts and slumps
- Spectrum of security and privacy, use at own risk
- Users as eyeballs or transactions

Converging worlds

- Controlled perimeter and users
- Need to support shiny new gadgets
- Cyclical, fashion driven, disposable
- Waves of growth, tribal behaviour, long tails
- Ignorance of security and privacy, “Just do it”
- Users are empowered consumers

Consumer IT

Converging worlds

- High user intimacy and degree of predictability
- Support major platform plays but highly political
- Rapid innovation but risk backlash
- Explosive growth and bidirectional volumes
- Forfeit privacy for cool, free stuff
- Users are not the customers... Ad driven

Social networks

Converging worlds

New solutions?

Capacity and elasticity pricing

Smart QoS degradation

Shared burden

Apps

Richard Hall *FBCS, FIoD*

- Founded CloudOrigin in 2009 to foster enterprise cloud computing adoption with advice, tools and research - currently working with many leading ISVs, Software as a Service providers, end users and investors

- Over twenty years in software and services including:
  - First UK CTO and Marketing Director of Avanade (Microsoft and Accenture global joint venture) and Acting General Manager
  - Fellow of Institute of Directors, Fellow of BCS (Chartered Institute of IT)
  - Member of industry forums including BCS Elite, CIO Connect, CW 500
  - Previous venture capital funding from Intel and Kennet Partners
  - Worked across government, health, police, wholesale finance, retail, media, telco, pharmaceuticals, energy, automotive and utilities sectors
  - Private equity experience over last decade in interim and turnaround, performance improvement, due diligence, mentoring and strategy work with Advent, CVC, Darwin, General Atlantic, Hellman & Friedman, Montagu and Warburg Pincus amongst many

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