



# SaaS

**Myths and Realities**



# Software-as-a-Service: a turn-key solution?

## Executive Summary

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- *Initially designed for small companies, Software-as-a-Service (SaaS) has gradually extended to multinational firms all over the world*
- *Due to its wide use, SaaS has become an established delivery model based on a full OPEX financial model. However, software providers are not always matching the buzz around SaaS with obvious benefits*
- *With shorter time-to-market, clear ergonomic value and the evolutivity of SaaS being now a reality, we believe the benefit of low costs coupled with a reversible and easy SaaS integration with Legacy systems is still to come*
- *Beyond usual promises, there are 2 additional major advantages: SaaS is a profitable opportunity to ensure process alignment in companies and to equip small subsidiaries of large international groups with an In-a-Box IT solution*
- *Having a clear and defined SaaS strategy, choosing your battles and retaining control are the key success factors in ensuring a great Software-as-a-Service journey*



This pack is intended to help you understand the myths and realities of SaaS and provide our convictions and key factors for a successful implementation

# Software-as-a-Service (SaaS) is a Cloud Computing Offering

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## SaaS (Software-as-a-Service)

“Software that is **owned, delivered and managed remotely** by one or more providers. The provider delivers software based on one set of common code and data definitions that is consumed in a one-to-many model by all contracted customers at anytime, on a **pay-for-use basis or as a subscription** based on use metrics.”

Source: Gartner

Cloud Computing Services	<b>SaaS</b> <i>Software-as-a-Service</i>	User access the software in the cloud via the Internet without installation on the workstation
	<b>PaaS</b> <i>Platform-as-a-Service</i>	Services in the cloud for developers facilitating the construction and deployment (libraries, development tools, database, SOA)
	<b>IaaS</b> <i>Infrastructure-as-a-Service</i>	Services in the cloud for developers facilitating the configuration and the deployment of environments (servers, storage, networking, OS)

SaaS is no longer vaporware,  
it is already very much real

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SaaS market share is continuously rising

**In 2018, 60%** of software distribution for all sectors will be in SaaS mode. Cloud services continue their global growth at a rate of **16.6%** per year

*Source: Gartner*



Rising interest for SaaS, illustrated by a significant rise in market value

The SaaS market is expected to grow from \$14.5 billion in 2012 to more than **\$22 billion in 2015**

In Western Europe, the SaaS market was **\$3.2 billion in 2012** against **\$2.7 billion in 2011**



Providers currently make profits with SaaS

**60%** of providers take advantage of the SaaS subscription model to generate a significant proportion of revenues

Most software providers are offering or preparing an “as-a-service” version of their traditional applications whilst a lot of small providers are also coming on the market

*Source : Afdel (representative of the software editors and Internet solutions in France)*

# SaaS as a perfect answer to traditional IS challenges

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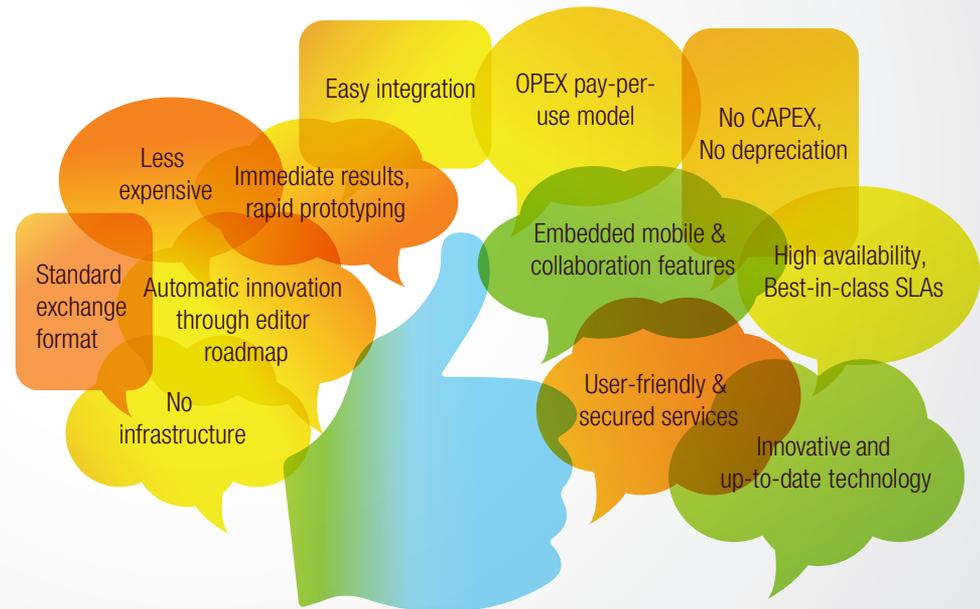
## Traditional IS challenges

*Slow time-to-market*

*Lack of agility*

*Difficult cost control*

## SaaS traditional promises



# The promises of Software-as-a-Service

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# Myths or Realities?

Our convictions about usual sales pitch

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1

SaaS is Fast to implement

Myth



Reality

2

SaaS is Evolutive

Myth



Reality

3

SaaS is Cheap

Myth



Reality

4

SaaS is Ergonomic

Myth



Reality

5

SaaS is Safe

Myth



Reality

# 1



Myth #1: SaaS is Fast to implement

# SaaS is Fast to Implement



Myth  Reality

<b>BUSINESS MODELING</b>		<ul style="list-style-type: none"> <li>■ SaaS has definitely a quicker time-to-market. The Design phase is generally easier and allows rapid prototyping: you can focus your energy on business modeling instead of technical matters</li> </ul>
<b>PARAMETERING</b>		<ul style="list-style-type: none"> <li>■ Easy parametering: move from “build” to “parameter”. Your key differentiator is not your software, but the way you use it</li> </ul>
<b>INTEGRATING</b>		<ul style="list-style-type: none"> <li>■ Integration complexity is quite similar for SaaS or on-premises solutions:                             <ul style="list-style-type: none"> <li>- easy for a standalone solution in a simple IT landscape</li> <li>- much more complex when connecting various types of systems and clouds</li> </ul> </li> </ul>
<b>DATA MIGRATING</b>		
<b>STEERING &amp; MONITORING</b>		<ul style="list-style-type: none"> <li>■ Even if SaaS accelerates some steps, it is essential to keep a structured way of delivering projects</li> </ul>

Even if SaaS boosts Time-to-Market, it still requires a structured way of delivering projects

A red car is shown from a side profile, with a large, stylized number '2' overlaid on the image. The car is parked in a garage or showroom, with other cars visible in the background. The number '2' is a gradient of red and purple colors.

2

Myth # 2: SaaS is Evolutive

# SaaS is Evolutive



Myth



Reality

## ■ What is really evolutive?

- Seamless upgrades bringing in new functionalities, which don't need a vigorous testing phase
- Real-time consumption monitoring and consequent adjustment of the level of service according to your needs (e.g. number of users)
- No management of IT infrastructures, related costs and HR (e.g. no need to increase your datacenter capacity)
- SaaS generally has a simple and efficient digital approach

## ■ Focus of attention:

- Rollback to internalize solution is difficult and expensive (skills, infrastructure, data migration...)
- Switching from one provider to another is not easier than on-premises solution when a roll-out situation is required
- Recurring complex negotiations are needed with SaaS providers that handle your Data and Services out of your company
- Still remains a market product that can't match all new client needs in real time

“

*Moving to SaaS brought us the opportunity to downsize the workload of our last version upgrades from 1.700md (on-premises) to 50md (SaaS)*

”

- A Financial Services Company

“

*19% of CIGREF member companies considers the reversibility of applications as a major obstacle to the adoption of SaaS*

”

- CIGREF,  
le SaaS dans le SI de l'entreprise



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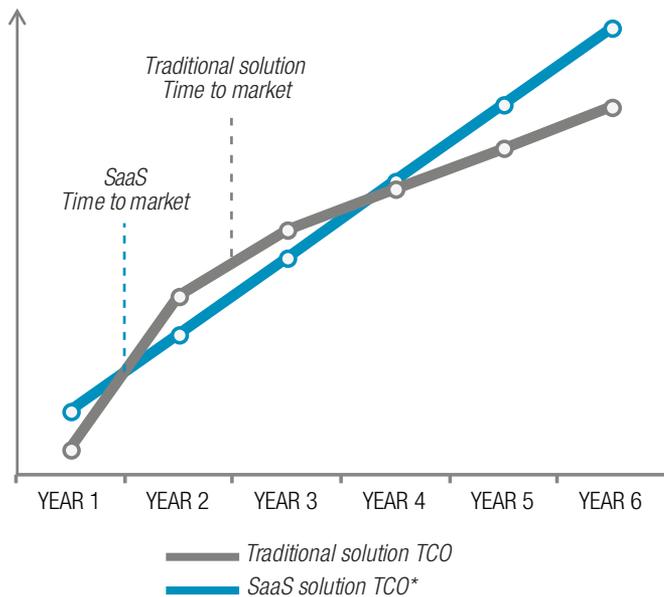
Myth # 3: SaaS is Cheap

# SaaS is Cheap



Myth  Reality

Total Cost of Ownership (TCO) for typical SaaS and traditional solution



Source: Gartner

■ Reduced project costs



■ Upgrading costs are very cheap which is a key differentiator

- With traditional solutions, a major upgrade can add significant cost (~30% initial costs)
- Take advantage of multiple add-on due to market enhancement
- Value creation with various upgrade versions per year for SaaS compared to on-premises

■ Unplanned demands and extra features can add significant costs

E.g. additional broadband, new customized functionalities

■ SaaS is generally more expensive after 4 or 5 years

- « Running costs » are much higher due to the cost of annual licenses increasing (Pay-Per-Use)
- Thus both TCO will be equivalent within 3 or 4 years\*
- However, SaaS will always be up to date with current technology trends

↖ SaaS doesn't mean "low cost" solution: Don't move to SaaS for financials only

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Myth # 4: SaaS is Ergonomic

# SaaS is Ergonomic

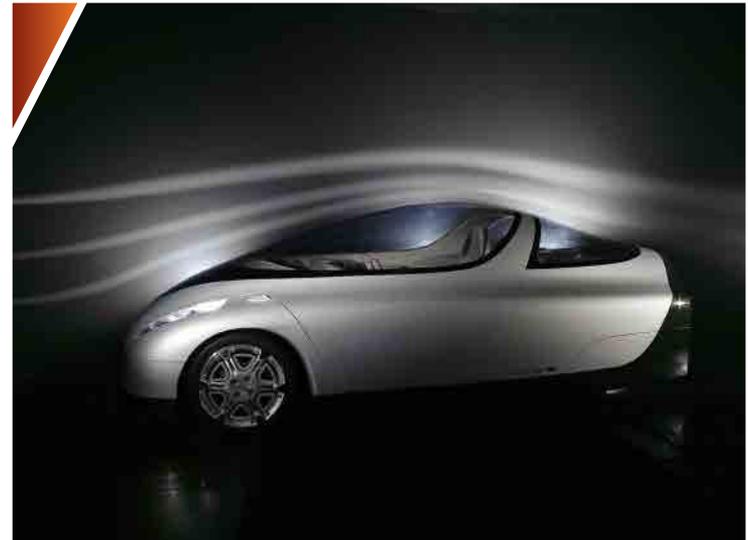


Myth



Reality

- SaaS interfaces are definitely ergonomic and “user-friendly” as user experience is the key driver of solution conception
- “SaaS pure-players” are using a pragmatic and evolutive approach :
  - Functionalities are restricted to best-in-class and most valuable ones
  - Technologies are recent and innovative
- Traditional software providers are now providing SaaS solutions in order to follow the general trends. However they are usually moving their historical solution into SaaS instead of building from scratch a new software
- Standardized ergonomics avoid heavy customization. This is why we strongly believe that SaaS is a key lever to ensure people alignment in companies, making the change management easier and improving employees satisfaction



Ergonomics, a real strength of SaaS pure-players

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Myth # 5: SaaS is Safe



# SaaS is Safe

## Myth

- Security has been a key matter for SaaS for a long time, and so software providers have made significant efforts to improve their service offering
- Nowadays, the security level assured by SaaS providers is usually higher than the one companies set for themselves:
  - 99.9% service availability
  - High data protection level
  - Ability to store data through multi-cloud solutions in the most critical situations

## Reality

- The main security topic that still requires a particular attention is regulation:
  - Understanding SaaS providers legal constraint is mandatory
  - A sufficient level of legal team involvement is required to ensure a comprehensive analysis, as regulation changes depending on subjects and countries
  - The regulatory coverage of software providers is unclear, as they often create their business abroad where regulation is more convenient for them

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*We are 256 bit encrypted, which is double the 128 bit encryption that the Federal government requires banks to use*

”

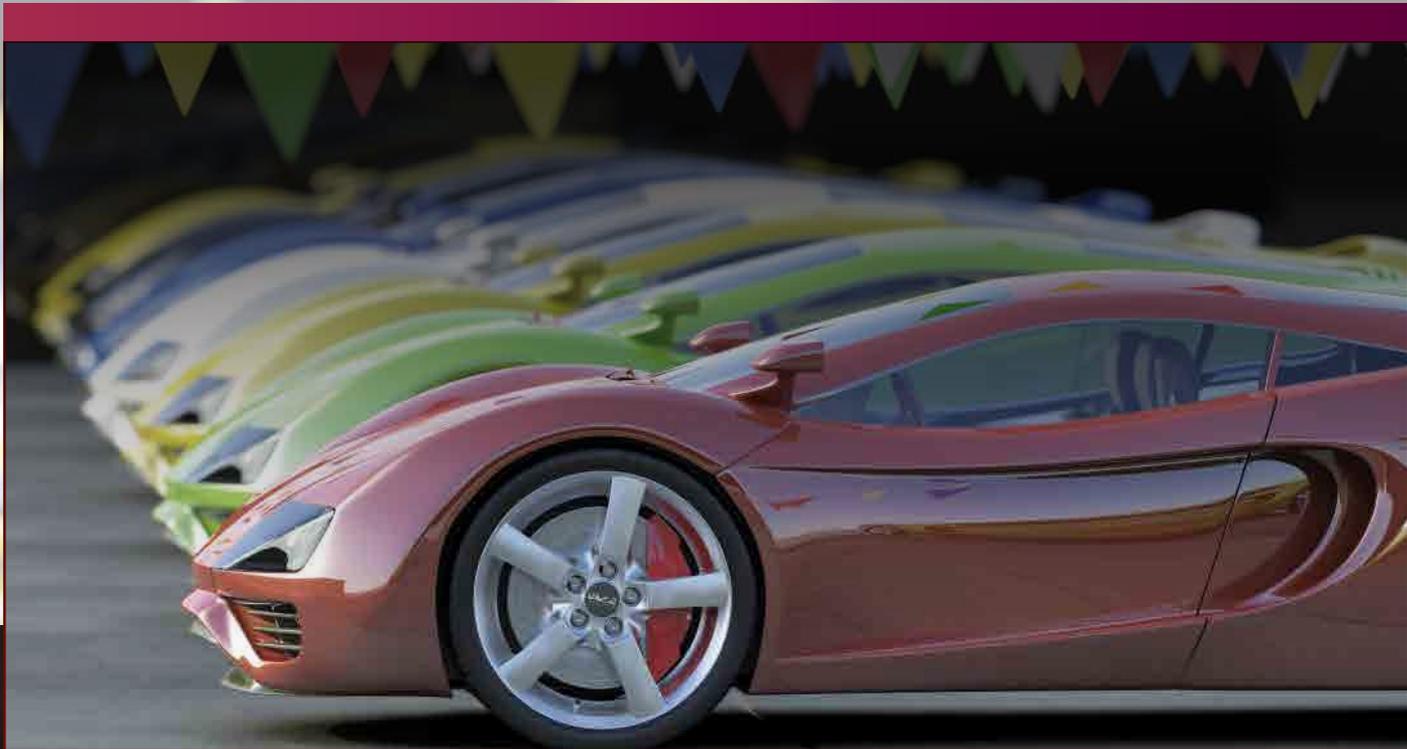
*- A SaaS provider*

### Examples:

- A SaaS solution can be appropriate for Mass Market data but not for Medical data
- Data privacy regulations in the USA and in Europe are different (e.g. Patriot Act and FISMA in the USA)



Data security doesn't seem to be a killer concern for SaaS solutions any longer, even if regulation remains a focus of attention



What else about SaaS?

## Beyond software providers promises, SaaS as a transformation driver

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### ■ SaaS is a real opportunity to boost company transformation leveraging the IS system:

- IS in-a-Box: Unmatched solution to rapidly equip small subsidiaries of large international groups with a state-of-the-art system that can be globally managed
- Process harmonization: single instance for the whole company that allows to align both business process and IS across the world limiting local specificities
- People convergence and acceptance:
  - State-of-the-art and “quickly testable” solution accelerates people convergence when moving to a new software
  - Ergonomics and “user-friendliness” interfaces for SaaS solutions eases the user acceptance when changing their processes and way of working with a new software



## Key success factors

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- Due to the fast evolution of current SaaS landscape, it is absolutely key for CIOs to define as soon as possible a clear and robust Cloud strategy with SaaS as a major topic:
  - Retain control of your IS strategy in an evolutive ecosystem
  - Pick your battles and identify the right functional area to start your journey and master your SaaS impact
  - Choose the right solutions... choosing the right partners in a fast-moving market
  - Get ready for a significant orchestration of services located both inside and outside your company
  - Start the journey as soon as possible using multiskilled joint teams with Business Analysts, procurement staff and the legal team

A word cloud centered on the text "SOFTWARE-AS-A-SERVICE". The words are arranged in a circular pattern around the center, with varying font sizes and orientations. The central text is the largest and most prominent. Other words include "BUSINESS CASE", "TIME-TO-MARKET", "CLIENT SATISFACTION", "FINANCIAL MODEL", "CONTROL", "DIGITAL", "COST REDUCTION", "OUTSOURCING", "DELIVERY MODEL", "AGILITY", "INTEGRATION", "IAAS", "ROADMAP", "NEW SKILLS", "PAAS", "WATCH", "REVERSIBILITY", "BENCHMARKS", "SECURITY", "DATA PROTECTION", "SUPPLIERS", and "INNOVATION".

**SOFTWARE-AS-A-SERVICE**

BUSINESS CASE

TIME-TO-MARKET

CLIENT SATISFACTION

FINANCIAL MODEL

CONTROL

DIGITAL

COST REDUCTION

OUTSOURCING

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BENCHMARKS

SECURITY

DATA PROTECTION

SUPPLIERS

INNOVATION

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