Kristen Brown
Vice President
Alliances & Channel Sales
NetSuite, Inc.

'Software as a Service' Sparks 'Service as Software'

Revolutionizes Role of the Solution Provider

Executive Summary

Solutions providers are vital to small and mid-sized businesses (SMBs); they provide the technical expertise and assistance that SMBs need to meet their business goals. Today's solutions providers are more than just resellers of software solutions; they are the trusted partners of the small and mid-sized businesses. However, the role of technology technician has often overtaken the role of business value provider, limiting the ability of solution partners to reach their own growth and margin potential.

Today's Software-as-a-Service (SaaS) providers such as NetSuite are revolutionizing that business model. SaaS applications, which are delivered as an Internet service, provide several distinct advantages for solution providers. Those advantages include the ability to:

- Provide higher-level business services, focusing exclusively on improving the customer's business processes, rather than low-level technology infrastructure services;
- Offer higher margin vertical industry solutions to a national or even global base of clients rather than generic horizontal solutions to a local-only customer base; and
- Build repeatable software solutions which can be leveraged across numerous clients.

Together, these advantages of SaaS allow solution providers to develop process expertise and industry expertise and embed this intellectual capital — their industry best practices - in software. These industry best practices are reflected as seamless customizations and extensions to the enterprise business management applications. Solution providers can then provide those customizations and extensions in the form of industry best practice software templates to other clients in similar industries, effectively delivering their 'Service as Software' (SaS). This white paper addresses the new value propositions for solution providers offering Service as Software to their SMB clients.

The 'Service as Software' Advantage

Solution providers who develop industry best practices become trusted business advisors rather than technology advisors. Those who embed their intellectual capital in software and deliver their Service as Software in a repeatable fashion are able to grow more quickly and produce higher margins than by pursuing a traditional services delivery model.

Over the past twenty years the role of the solution provider to small to medium-sized businesses has been changing and so has the terminology to describe a solution provider. Historically, solution providers were called value-added resellers (VARs) because – as the name suggests – they were reselling product. Today, these same firms are delivering IT solutions (the combination of IT products and IT services) and thus are called "solution providers." It was CRN who coined the term "Solution Provider."

Today, with the advent of the Software as a Services (SaaS) model, where software is delivered over the Web to businesses as a service — rather than a product, there is another revolution afoot in world of the solution provider. This revolution doesn't necessitate a change in the nomenclature by which we describe solution providers, but it is changing the definition of 'solution' in the term solution provider. In an SaaS world, the 'solutions' that solution providers provide are becoming value-added industry applications delivered nationally or even globally, moving away from out of the box software delivered locally.

> **Kristen Brown, NetSuite VP of Alliances and Channel Sales**
>
> "Our partners started with us on the ground floor of the Software as a Service movement, and they continue to help lead the paradigm shift to Software as a Service. Our partners market, sell and provide services for a non-traditional solution from a relatively young upstart vs. Microsoft and SAP. Our partners don't bow to the established order, they are leaders and visionaries and they offer nothing but the best business solutions to their customers."

The SaaS Revolution for Solution Providers
Higher Value, Higher Margins

Moving up the Value Stack: From IT Technician to Trusted Business Advisor
In the Software as a Service world, the solution provider has a new role. There's no hardware and infrastructure software to procure and install and configure. There's no installing updates and upgrades to any of the hardware, infrastructure software or the applications themselves. The SaaS provider takes care of all the infrastructure and rolls out the updates and upgrades to the applications.

The new model frees the solution provider to focus exclusively on higher-value business-critical activities with the customer, like changing and improving the customer's business processes; mapping those processes to a business management application; and configuring and customizing the application accordingly. As a result, solution providers become an increasingly trusted business advisor to the small to mid-sized business world.

Expanding Horizons: From Local Support to Vertical Expert
In yesterday's model of selling applications for deployment on-premise, the solution provider rarely built up any industry expertise because it is difficult, if not impossible, to find a critical mass of customers in one industry in a local area. The on-demand model now allows these solution providers to focus on vertical solutions because they can just as easily service a customer remotely — nationally even globally — as they can a customer locally.

Since there is no physical delivery of technology, unlike yesterday's on-premise model, there is no need for the solution provider to be physically present to implement an on-demand application. Freed from geographical constraints, the solution provider can focus on vertical solutions.

Transition to 'Service as Software'

The capturing of industry experience gained over time and the substantiation of that experience in software allows solution providers to advance from reiterative one-off customizations to mass customization. Capturing these customizations to provide complementary functionality or applications to a software solution such as NetSuite, places a resalable "product" in the solution provider's arsenal. This new solution can then be acquired and purchased by companies worldwide, downloaded from the software solution provider's library.

Examples of Vertical Solutions Provided by NetSuite Solution Providers
• **Epiphany, Inc.:** audiovisual services and the commercial flooring
• **zeroedin Solutions:** specialty retail
• **Kuspide**: windows and doors distribution
• **Marketworks:** online multi-channel retailers
• **Skyytek:** software distribution

Also revolutionary is how today's solution providers can define their skills and deliver their services. For the first time, solution providers can build repeatable customizations, leveraging solutions across a broader customer base. Unlike customizations that had to be re-built with every new release of an application, SaaS applications maintain customizations over upgrades and new versions of the software. This in itself creates value for the solution provider and the customer.

The SaaS Advantage:

- The intellectual capital of the solutions provider is converted to repeatable industry best practices — encapsulated in software.
- Customizations are persistent; they have long life cycles, unlike those for on-premise software. Thus the investment in time to create them pays off — customers receive better developed and tested solutions from their providers that have a long life-span.
- Customizations are reusable: the value-added application or function created for one customer is likely to be of use to another. Providers can attract new clients in similar industries and leverage their prior development efforts over a broad range of clients.

Behind the Theory

Solutions providers aren't about to enter the software development business. Rather, value is derived from customer or industry-specific additions of features or functionality to the core enterprise business solution. The greatest impact springs from industry-specific concentration or specialization, leading to the ability to provide solutions to a more greatly distributed range of customers.

And solution providers are not going to become job shops of coders. That is already a model of the past. The embodiment of services in repeatable distributed value-add functionality can only be successful under certain conditions. Here are some key criteria:

1. The core enterprise application has to be easily extensible, with exposed interfaces.
2. The application should have widespread acceptance to best leverage the solution provider's investment in adding functionality to it.
3. The toolkit provided for extending the application to meet the needs of vertical industries should be stocked with tools, documentation, and access to support when needed.
4. A test-bed must be available for trial runs, trouble shooting, and integration checking.
5. Access to the remote application is required — a solution provider should not have to invest in a hardware and software infrastructure to succeed in the move from a service to software.
6. The SaaS application architecture has to provide a layer of abstraction between the core application and the customizations the solution provider has created for the customer. This insures that those customizations will automatically carry forward to the next version of the application without intervention on the part of the solution provider.
7. For maximum value, the added functionality should be able to be built within the core application as opposed to outside of it. Solutions built outside the application require the extra work and cost of maintaining integrations into that core.

Benefits of 'Service as Software'
Both customers and the solution providers that support them benefit from 'Software as a Service' (SaS) and the ability for solution providers to embed their intellectual capital in software customizations.

Customers win in this model:

- Customers want to work with suppliers who understand their business, speak the language of their industries, and who will sell them business solutions, not just products.
- Customers want to standardize their business processes based on industry best practices.
- Customers want rapid time to market.
- Customers want low cost implementations.
- Customers want references from other companies in their specific industry.

Solution providers win in this model:

- Verticalization creates competitive advantage as opposed to the horizontal competition of "all solution providers look alike."
- Customers know others in their industry and provide on-going referrals; therefore, marketing expenditures decrease from word of mouth "advertising."
- Sales cycles are accelerated due to far less discovery and far fewer custom demos.
- Higher margins come from repeatable implementations.

Conclusion

The Software-as-a-Service model allows solution providers to the small to mid-sized business market to move further up the value curve into the realm of optimized business processes and ever-deepening vertical-market expertise that customers are craving. Today's solution providers can provide higher value business services when their clients subscribe to Software as a Service solutions because infrastructure development and management is provided by the SaaS provider, freeing the solution providers to better address the business needs of their customers.

Solution providers now are able to apply the best practices learned with their many customers into repeatable solutions, providing a higher level of service through increased industry focus. They can leverage this intellectual property through easily-created applications and customizations that can be used by a far broader community of clients — thus providing their newly created 'Service as Software' (SaS).

With this new business model and with the vast span of the Software as a Service infrastructure today, solution providers can target other clients in a very similar business niche who need the same business solutions. Today's solution providers' new-found scope can be far-reaching — they can service customers far beyond their locale with their solutions, with Web-enabled support for a world-wide franchise of value.

The NetSuite Advantage: SuiteFlex

Many of NetSuite's solution providers today are adding more and more sophisticated (and higher margin) consulting services, changing the customer's business processes to improve efficiencies based on industry best practices. NetSuite provides an application development platform, SuiteFlex, which enables solution providers to embed their industry best practice knowledge – traditionally delivered as one-off services – into the actual NetSuite application and sell those best practices over and over again in the form of software.

Beyond simply tailoring fields, or gluing together disparate applications, SuiteFlex provides solution providers with the ability to customize the NetSuite enterprise application to the requirements of their particular customers. This is a significantly different level of customization than that available for most SaaS players today: in NetSuite, solution providers can customize the business logic of the application. Other SaaS applications that purport to offer customization capabilities are limited to changes in the data schema – the data logic – not the process logic.

SuiteFlex provides a complete toolset that supports this level of business process customization called SuiteScript. SuiteScript, the world's first on-demand programming language, is built on industry standard JavaScript.

Critical to businesses, SuiteScript customizations are automatically maintained when the application is upgraded. This has very positive implications for developers, solution providers, ISVs and system integrators in that their effort to create an application or a unique business process for a client never needs to be considered short-term again. The ramifications are several: better economics —build once and keep the customization as long as needed without reinvesting in its recreation for each new release; higher quality customizations because they can be built to last the first time; and risk mitigation because the customizations can be tested outside the customer's production environment to ensure the applications and functions work with their NetSuite system as anticipated — without fear that they could affect the production version of NetSuite adversely.

For solution providers building custom applications and workflows in NetSuite for a particular vertical market, SuiteFlex's SuiteBundler tool enables them to package their extensions and automatically and seamlessly populate other customers' instances of NetSuite with those extensions. Solution providers sell their extensions over and over again, effectively delivering their 'Service as Software.'

SuiteFlex is both a methodology and a toolset; it includes the environment for the solution provider to experiment and test customizations once they are built. The result for the customer is infinite tailorability of his environment to meet precise requirements; the result for the solution provider is resalable business objects that do not require reiterative re-creation or re-installation with every new release of NetSuite.