Software as a Service (SaaS) is widely touted as the ’next great revolution’ in business. But exactly where the SaaS opportunities lie, who should exploit them, and how they should do so is less clear. Doug Zone argues that shoe-horning new delivery options into traditional business models won’t work, especially for telcos. And exploiting the potential of SaaS all starts with billing.

For all the words written on the subject, the reality is quite simple – Software as a Service (SaaS) does not work without telecoms. Why? Because SaaS is all about empowering both businesses and individuals with the power of software, but without the user having to either administer it or invest significant capital to host it. In other words, SaaS means allowing someone else, somewhere else to provide software services.

The ‘somewhere else’ bit matters, because it does not work without connectivity and this, of course, is where the telecoms network operator comes in. The paradox is that operators almost have to deliver better connectivity than what the corporate CIO had to provide when the software was internal (or ‘on premise’ in the jargon). That’s because, while internal software can rely on the desktop to function if the network is down, SaaS has no alternative – it is almost by definition web-based.

Best possible solution
What this reality makes clear is the fact that telecoms is on the technical critical path for successful SaaS delivery. Taking the SaaS vendor point of view – the best possible solution is to have one network between the data centre and the final consumer. For mission critical SaaS – like enterprise services – having delivery of the software reliant on the vagaries of internet routing makes any promise of service levels problematic.

Ideally, the SaaS vendor can establish a dedicated link to its chosen network operator – and have the same operator take responsibility for optimising the reliability in the final hop to the SaaS user itself. This may take the extreme of the operator dropping in dedicated data lines directly into the SaaS user’s site, or it may be as simple as providing an SLA for ‘shared’ connectivity such as DSL, 3G or cable.

It is clear that, as SaaS becomes more mission-critical, both enterprises and SaaS vendors will look to network operators to act as a delivery channel. In a way SaaS can be considered an extension of the ICT services – especially connectivity – that network operators now provide.

It would be a mistake for SaaS (especially “business software as a service”) providers to assume that the way content is managed currently should be a pattern to imitate. Most content now is really based around a ‘love ’em and leave ’em’ model – once it is delivered, that is the end of the game. SaaS is continuous – 24x7. Content is entertainment. SaaS is core to the operation of a business (small or large).

An enterprise service
As such, network operators must treat SaaS as an enterprise service – a part of integrated communication services. As such it must sell, negotiate, contract, take orders, deliver, settle, relate and bill SaaS as an enterprise service.
Mainline consumer business processes from field sales to the call centre to invoicing to managing payments are inappropriate. SaaS is enterprise – and to the extent that an operator is currently successful in delivering enterprise services – it will be successful in being part of the SaaS value chain. If an operator struggles with competing in enterprise services – lack of ability to customise contracts, mix and match services, negotiate terms and prices, settle with vendors, resell services – it will have as much or more trouble in SaaS.

The risk of not being an agile SaaS channel is simple. As SaaS eclipses ‘on premise’ software – the cornerstone of ICT deals will cease to be voice and data connectivity – rather it will become “who can deliver the best SaaS bundle?” And the operators that show agility in enterprise services will capture the market. Relying on the ineptitude of the competition is no way out. Google, in particular, would like nothing better than watching a country’s telcos take a ‘ship of fools’ strategy to disintermediate any- and everybody. Nevertheless – successfully selling, managing and invoicing enterprise services is not enough. The SaaS model is different.

- First, a high proportion SaaS vendors will almost certainly come from abroad. Moreover, they will be small payers. Acting as their reseller will require ‘arms length / simple / fair’ contracts. Failing to provide this allows the entry of aggregators.

- Second, with notable exceptions – Microsoft’s SaaS model being one – there is no ‘one-stop shop’. Enterprises will not allow a telco to limit the selection of SaaS vendors they have access to. In other words, the telco must act as much as possible as a universal supplier of SaaS.

To manage these smaller relationships, one must question whether a “resell” model is correct. We can take a page from the failures in closed garden content resale: vendors have no patience for onerous and administratively expensive contracting. They see the telco providing no real value – just acting as a toll gate – someone in the way of selling.

So if not reselling – what could the model be? Why not take a page from the macro trend for telcos to see themselves as primarily Customer Service and Billing providers. With the exception of contracts with the monster SaaS providers, telcos should sell themselves to SaaS vendors first as Billing Service Providers, and second as network providers – not as resellers. Telcos know how to bill, collect, manage disputes and provide call centres. SaaS vendors will pay good money for these services – much like allowing merchant banks (via Visa and MasterCard) to take a cut for facilitating payment.

This reality is tough, if the expectation is to make margins on SaaS that match those of content. But – as with content – margins are pointless without volume. If telcos cannot act as billing providers for the smaller SaaS vendors – someone else will. The day that MasterCard buys – competing or acquiring – a large international network, all bets will be off.

SaaS not only makes the need for agility in delivering enterprise services (especially sales and invoicing) more pressing. SaaS also creates critical impetus for telcos to become Billing Service Providers for service industries in general. Serious strategising and investment must be made in the human and IT-based business services and processes behind them. The default mainline processes and technologies will fail.

Love ‘em and leave ‘em attitude to software delivery is giving way to a long-term commitment

~ Doug Zone, MetraTech

“If an operator struggles with competing in enterprise services … it will have as much or more trouble in SaaS.”

~ Doug Zone, MetraTech