



Integration as Key to SaaS Adoption  
And Provider Opportunity

Special Research Reprint  
Courtesy of Boomi



**Title**                      **Integration as Key to SaaS Adoption and Provider Opportunity**

**Summary**                      As originally projected by Saugatuck in April 2006, and later updated in 2007, 2008 and earlier in 2009, use of Software-as-a-Service (SaaS) offerings continue to evolve from point solutions to ever more integrated business process solutions. Not surprisingly the challenge of integrating these SaaS offerings with existing workloads is also evolving from simplistic, albeit, painstaking data integration to more complex process and workflow integration. This *Strategic Perspective* focuses on user requirements for integration, and offers insights for SaaS providers when evaluating how to accomplish integration of their offerings.

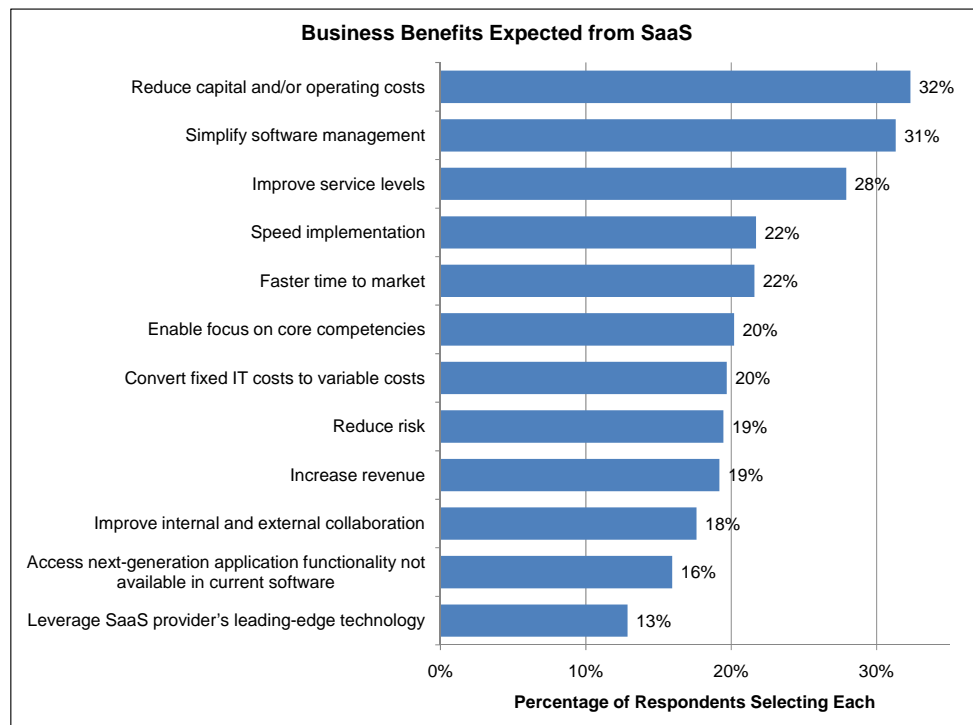
**So What?**                      User organizations have definitive views of the fundament benefits they hope to attain via adoption of SaaS offerings. They also have basic concerns about adoption of SaaS offerings. When viewed together these benefits and concerns clearly depict the importance of rapid integration of SaaS offerings. SaaS providers should recognize the potential impacts integration can have on everything from duration of the sales cycle to customer satisfaction.

**Perspective**                      It is no surprise that the complexity of SaaS solutions – and the requirements for integration – is increasing over time.

The author invites your comments and inquires on this *Strategic Perspective*.  
Please contact Charlie Burns at [charlie.burns@saugatech.com](mailto:charlie.burns@saugatech.com) or call 1.203.454.3900

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**Figure 1: Expected Business Benefits from Adopting SaaS Offering**



Source: Saugatuck Technology Inc., 2008/2009 global web survey, N=1788

**Note 1:**

**Saugatuck Global SaaS Survey**

To gauge the impact of the economic crisis on real-world buyer SaaS plans and investment, Saugatuck conducted a global web survey of user IT and business executives, ending in December 2008.

This largest SaaS-focused survey to date, conducted in partnership with BusinessWeek Research Services, captured input from nearly 1,800 respondents, spanning all geographies, the full spectrum of organization size, and eight core industry groups.

To supplement this research, Saugatuck conducted telephone interviews with SaaS decision-makers within user firms, and held briefings with leading and emergent SaaS providers and established software and services providers.

Analysis, insights, and guidance based on this research was published throughout 2009 via Saugatuck's premium [Continuous Research Services \(CRS\)](#), including a comprehensive 28-page Research Report entitled "[An Endless Cycle of Innovation: Saugatuck SaaS Scenarios Through 2014](#)", published 27Aug09 (SSR-634).

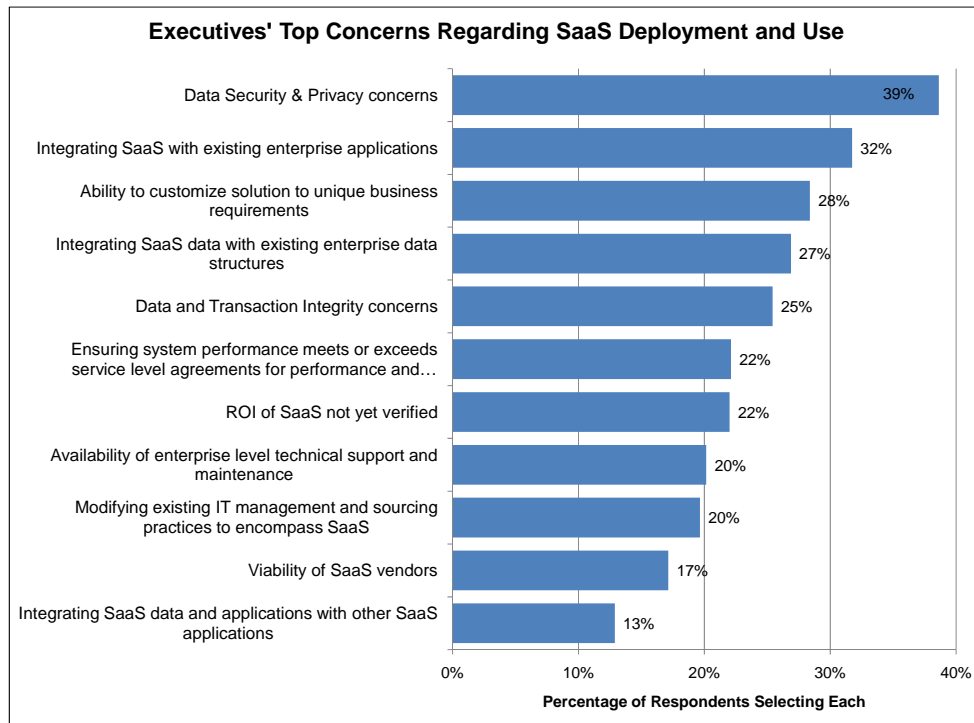
The more mature SaaS grows, the more sophisticated become SaaS solutions' abilities and the demands placed upon them. This drives an increasing need for integration, between SaaS solutions and between SaaS and on-premise solutions.

Our latest surveys reinforce SaaS users' interest in, and need for, integration. In Figure 1 we present the results of a question asked in our most recent SaaS survey. (See Note 1 for a detailed description of the survey.) In this question, we asked respondents to identify the top three benefits they expect to attain by adopting a SaaS solution.

Not surprisingly the most frequently identified benefit relates to reduction of costs. This seems to be a common thread across most surveys published in trade press. However, we believe it is significant to note the rankings of "Speed of Implementation" and "Faster Time to Market". Both of these benefits imply a definitive requirement for rapid implementation of the SaaS offering. This creates a compelling requirement for rapid integration of the SaaS offering with existing data formats and workloads.

This requirement for integration is brought into even better focus by the responses to another question in our survey. We asked respondents to identify their top three concerns about deploying a SaaS solution. The responses are summarized in Figure 2.

**Figure 2: Concerns About Deploying a SaaS Solution**



Source: Saugatuck Technology Inc., 2008/2009 global web survey, N=1788

Again, the highest ranked concern, i.e., data security and privacy, is typical of many surveys of this kind. However, the second and fourth items clearly show recognition of the challenges of integrating the SaaS offering with



existing workloads and with existing data structures. We also believe it is worth noting that the lowest-ranked concern, integration of the SaaS offering with other SaaS applications, demonstrates that users are only just beginning to consider the implications of a future hybrid environment wherein multiple SaaS offerings and existing in-house workloads must peacefully coexist.

**Figure 3: User and Vendor Views of Integration Alternatives**

SaaS Integration Alternative	SaaS Provider Positives	SaaS Provider Negatives	User Positives	User Negatives
<b>User-Executed</b>	<ul style="list-style-type: none"> <li>No cost</li> <li>No responsibility</li> <li>No resources required</li> </ul>	<ul style="list-style-type: none"> <li>No quality control</li> <li>No control over “timeliness” (i.e., potential protracted revenue flow)</li> <li>No opportunity for additional revenue</li> <li>Potential additional customer support costs</li> </ul>	<ul style="list-style-type: none"> <li>Control of all aspects (specs, resources, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Unknown costs</li> <li>Unknown timing</li> <li>Availability of required resources (e.g., skills, project mgmt)</li> <li>Limited flexibility, extensibility</li> <li>Ongoing support staffing</li> </ul>
<b>Independent 3<sup>rd</sup> Party-Executed</b>	<ul style="list-style-type: none"> <li>No cost</li> <li>No responsibility</li> <li>No resources required</li> </ul>	<ul style="list-style-type: none"> <li>No quality control</li> <li>No control over “timeliness”</li> <li>No opportunity for additional revenue</li> <li>Potential multi-vendor responsibility issues</li> <li>Potential customer satisfaction issues</li> </ul>	<ul style="list-style-type: none"> <li>Delegated responsibility / outsourced costs</li> <li>Warranty / support</li> </ul>	<ul style="list-style-type: none"> <li>Indirect control of project</li> <li>External (vs internal) cost</li> <li>Potential multi-vendor responsibility issues (e.g., problem resolution)</li> </ul>
<b>SaaS Provider-Executed</b>				
<b>SaaS Provider Sells Self-developed Integration Solution</b>	<ul style="list-style-type: none"> <li>Control of quality</li> <li>Control of timing</li> <li>Opportunity for incremental revenue</li> </ul>	<ul style="list-style-type: none"> <li>Responsible for area outside core competency</li> <li>Unknown requirements of costly resources (time, skills, project management)</li> </ul>	<ul style="list-style-type: none"> <li>Delegated responsibility / out-sourced costs</li> <li>Warranty / support</li> <li>Single vendor responsibility</li> </ul>	<ul style="list-style-type: none"> <li>Increased external costs</li> <li>Unknown flexibility, extensibility</li> </ul>
<b>SaaS Provider Sells and Delivers Integrated 3<sup>rd</sup> Party Integration Solution</b>	<ul style="list-style-type: none"> <li>Control of quality</li> <li>Control of timing</li> <li>Opportunity for incremental rev</li> <li>Known requirements for resources</li> <li>Competitive differentiation</li> </ul>	<ul style="list-style-type: none"> <li>Challenges of partner selection</li> <li>Challenges of partner relationship management</li> </ul>	<ul style="list-style-type: none"> <li>Delegated responsibility / outsourced costs</li> <li>Warranty / support</li> <li>Single vendor responsibility</li> <li>Known flexibility, extensibility</li> <li>Minimal time to complete</li> </ul>	<ul style="list-style-type: none"> <li>Increased external costs</li> </ul>

Source: Saugatuck Technology



Given that integration is a key requirement for any SaaS offering, the logical question for any SaaS vendor is how to best perform integration of the offering for customers. We believe that the approaches to performing integration of a SaaS offering can be grouped into three basic categories: User-Executed, Independent 3<sup>rd</sup> Party-Executed, and SaaS Vendor-Executed.

This last category is subdivided into two alternatives: the SaaS vendor sells and utilizes a self-developed integration solution, and the SaaS vendor sells and utilizes an integrated general purpose solution developed by a 3<sup>rd</sup> party.

For each category and sub-category we have identified the positives and the negatives for the SaaS vendor and the user. Figure 3, above summarizes them.

- **User- Executed Integration.** When users provide their own integration, there is practically no cost to the SaaS provider. However, the SaaS provider also has no control and little influence over how the integration is accomplished, which could lead to technical and operational problems that may seem like the fault of the SaaS solution. The user organization may have more control, but also encounters an increased need for resources, including skilled labor and project management.
- **Independent 3<sup>rd</sup> Party-Executed Integration.** The user may elect to bring in a 3<sup>rd</sup> Party to perform the integration. Possibly the SaaS vendor recommends one or more 3<sup>rd</sup> party integration providers. This benefits both the SaaS provider and the user by limiting exposure and costs, but deprives both the provider and the user from some measures of control over the integration project quality and timeliness. One or both parties will also see increased costs of vendor/provider management.
- **SaaS Provider-Executed Using Self-Developed Solution.** When the SaaS provider provides the integration (typically a combination of software and professional services), the provider is delivering added value for incremental revenue. While this approach yields increased presence and role within the user organization, there is increased responsibility and an increased need for resources.

While each integration solution can be re-sold, typically there is considerable “tailoring” for each user. The user organization gives up some control and pays more out of pocket for the solution, but also can refrain from investing in resources needed for a potential one-time experience – while gaining added comfort from any provider warranty for services and functionality.

- **SaaS Provider -Executed Using 3<sup>rd</sup> Party Developed Solution.** We believe the likely direction for many SaaS providers will be to partner with a 3<sup>rd</sup> party integration provider. Utilizing a 3<sup>rd</sup> party developed solution the SaaS provider gains and so does the user compared to the other alternatives. The 3<sup>rd</sup> party becomes the source of proven integration software while the SaaS provider becomes the source of the



implementation services. This combination can yield a proven software solution with minimal services costs. The SaaS provider gains incremental revenue with little exposure to protracted development efforts or delayed revenue. The user gains from having a single vendor and a proven integration solution.

## Net Impact

Saugatuck believes that users will increasingly seek SaaS solutions to accelerate their own businesses; pursuing new markets, transforming business processes, etc. Thus, users will elevate the importance of capabilities for integrating each successive SaaS offering with existing data and workloads (both in-house and previously adopted SaaS offerings).

**User Recommendations:** When evaluating any SaaS offering, users should consider and rank the relative importance of the factors listed in the “User Positives” and “User Negatives” columns in Figure 3.

For example, limited IT staffing or lack of appropriate skills would pose a strong motivation to avoid tackling integration of a SaaS offering without outside assistance. Similarly, a track record of bad experiences with multiple vendor “finger pointing” during problem resolution would pose a strong motivation to ensure any solution provided a single point of responsibility – a “single throat to choke”.

**SaaS Provider Recommendations:** For SaaS providers, the keys elements to note in Figure 3 are how the first three alternatives result in exposures to costs, lack of control over quality and timeliness, and potential implications for user dissatisfaction.

Each SaaS provider should “personalize” and rank the factors in Figure 3 based on their specific skills, staffing, and market objectives. Since integration of SaaS offerings will be required for each customer, we recommend serious evaluation of alternatives which will yield timely revenue, avoid potential cost exposures, and result in high user satisfaction.

Lastly, when considering 3<sup>rd</sup> party integration providers to partner with, we suggest developing a well defined and prioritized list of criteria which goes beyond focusing simply on partnering terms and conditions such as revenue. For example, the criteria list should include the following items which can have a substantial impact on the SaaS provider’s costs:

- Functional Flexibility
  - Is the integration function offered in multiple form factors (e.g., on premise appliance, SaaS based, etc.)?
  - Does the integration function include “support” for commonly used sources and targets (e.g., Oracle, Salesforce, SAP, etc.)?
  - Does the integration function scale appropriately for the customers in the selected market(s)?
- Overall Support
  - Does the integration provider offer training/support for your



- marketing, sales, and installation teams?
- o Do project and technical support teams of the integration provider work seamlessly with your project and technical support teams?

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**About This Research**

This independently developed research was published as a deliverable of Saugatuck's [Continuous Research Services](#) (CRS) subscription research program. Boomi has been granted the right to reprint and electronically distribute this article through its website, through 08 Sept 2011.

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To request a briefing with our analysts, or for broader Press Inquiries, please contact Chris MacGregor, at [chris.macgregor@saugatech.com](mailto:chris.macgregor@saugatech.com).

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### SAUGATUCK OFFICES:

US Headquarters: Westport, CT 06880 +1.203.454.3900	Silicon Valley: Santa Clara, CA +1.408.727.9700	Germany: Eltville, DE +49.6123.630285
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