

# Top five reasons why you need a Cloud offering



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## Glossary

**ASP**- Application Service Provider

**CRM** – Client Relationship Management (software)

**ISV** – Independent Software Vendor

**OOS** – Own, Operate & Support (as opposed SaaS)

**PaaS** – Platform as a Service

**QoS** – Quality of Service

**SaaS** – Software as a Service

**SLA** – Service Level Agreement

**SMB** – Small to Medium Business segment

**TCO** – Total Cost of Ownership

**VaaS** – Voice as a Service

**VAR** – Value Added Reseller

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## Abstract

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This whitepaper explores the rapidly evolving Cloud computing market and in particular focuses on the Software as a Service (SaaS) component of that market. The Cloud is being touted as 'the next big thing' for the Channel and the range and breadth of available offerings is ever increasing. Customers, in particular the Small to Medium Business (SMB) sector, have begun the move to the Cloud citing reason being massive savings in upfront capital costs, labour expenditure and probably - most importantly, their time. These factors, combined with the business benefits of enhanced mobility that SaaS applications provide, make it extremely important for resellers and VARs to define and develop their offering.

## Introduction

Cloud computing is reshaping the IT marketplace, catalysing significant changes in data centres and IT organisations as well as the infrastructure and software vendors' business models.

According to Gartner, the Cloud services global market is currently a \$US43 billion addressable market, on track to \$US143 billion by 2013 (four years).

Over the next five years, IDC expects spending on IT Cloud services to grow almost threefold, capturing 25 per cent of IT spending growth in 2012 and nearly a third of growth the following year.

### So what is Cloud computing and why are Australian businesses flocking to it?

Cloud computing is the provision of scalable and often virtualised resources, including software, communications and computing platforms, as a service over the Internet. It comprises several subsectors, including **Software as a Service (SaaS)**, **Voice as a Service (VaaS)** and finally **Platform as a Service (PaaS)**.

There is a misconception in some channel circles that the Cloud computing market will cannibalise the channel value and revenue streams because of its simpler, more user-friendly solutions, and direct sales and delivery business models.

While there is no question that the role of the traditional channel will be impacted by this rapidly evolving market, it also presents a wealth of opportunities for the channel.

This paper will provide insights into how your channel organisation can tap into these ripe opportunities and discuss the key reasons why developing a Cloud offering is important to your business now and in the future.

#### Software as a Service (SaaS)

Software that is hosted by a service provider and accessed by customers via the Internet. By eliminating the need to install and run the application(s) on the customers' own computer, SaaS alleviates the customers' burden of software maintenance, ongoing operation and support.

#### Voice as a Service (VaaS)

Voice over IP solutions that are hosted by a service provider and accessed by customers across the Internet. These solutions can range from direct single line VoIP services, SIP trunk solutions for KTS and PABX vendors, or SIP trunk solutions integrated with a PABX.

#### Platform as a Service (PaaS)

Computing platform and solutions stack offered as a service across the Internet. It facilitates the deployment and development of applications without the cost and complexity of buying and managing the underlying hardware and software layers, providing all of the facilities required to support the complete lifecycle of building and delivering Web applications and services entirely available from the Internet

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## 1: Your customers are moving to the Cloud

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Whether you have witnessed the migration within your own customer base yet or not, industry research suggests that you will soon.

A recent Gartner survey<sup>1</sup> found that 37 per cent of respondents are transitioning from a current on-premises solution to a SaaS solution. This drive is particularly significant in Asia-Pacific where 50 per cent of respondents indicated that they are shifting away from on-premises.

The main drivers behind business migration to Cloud services such as SaaS include:

### **SaaS offers zero or low up-front costs and speed of deployment**

The biggest advantage of Cloud services, especially for small businesses and startups, is the low cost of entry and the very short set-up time. Customers have access to specialised, enterprise class software without having to cover high upfront purchase costs. Instead, customers pay a monthly fee which covers software hosting, upgrades and support. This pay-as-you-go model is usually significantly less expensive for customers.

### **SaaS requires minimal infrastructure on site**

Customers only need a PC and Internet connection to take advantage of Cloud services. As such, businesses can massively reduce their onsite infrastructure and associated purchasing, upgrade, maintenance and operational costs. Less infrastructure onsite also means less people are required to manage it, further reducing costs.

### **SaaS quickly and easily scales – add or remove users simply**

Ensuring IT systems are right sized to meet a business' current requirements for maximum efficiency is an ongoing challenge for IT departments. Using Cloud services customers only pay for what they need, when they need it. They can increase or decrease software user numbers in accordance with their changing business requirements.

### **SaaS provides “No lock in” to a particular software vendor**

Customers reduce the risk of being tied to an inappropriate or ineffective solution and their IT departments have greater power, enabling them to source the right solution at the right time to suit the business' unique requirements.

### **SaaS provides data security and simple software upgrades**

SaaS supports the external hosting of customers' essential business data, providing customers with greater data security, disaster recovery and peace of mind.

### **SaaS enables businesses to access vital business applications remotely via a mobile device**

With the growing pervasiveness of mobile devices like iPhones, Blackberrys and laptops, customers are increasingly demanding mobile functionality from their business applications. To reduce risk and mitigate the myriad of security, regulatory and data protection issues associated with remote access, many businesses are opting to outsource the hosting of applications with mobile functionality to SaaS providers.

Another important driver fuelling customer migration to Cloud services is the improved quality of today's broadband networks and the comprehensive range of applications now available in the Cloud.

When Applications Service Providers (ASPs) first appeared on the IT landscape in the 1990s, they delivered high-end customers a handful of hosted applications, usually CRM, over unstable broadband networks.

Today's broadband networks however are fast and highly reliable, with Internet Service Providers subject to strict QoS (Quality of Service) parameters. This improvement in network quality has helped fuel Cloud market development.

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<sup>1</sup> "User Survey Analysis: Software as a Service, Enterprise Application Markets, Worldwide, 2008", Gartner

Now small, medium and large enterprise businesses across a wide range of verticals have fast and reliable access to a plethora of business applications and IT systems via the Internet.

In addition, Australia is about to embark on one of the most far-reaching broadband infrastructure deployments - the National Broadband Network (NBN). The NBN will provide pervasive, high speed QoS enabled internet connectivity to a wider market than is currently supported today.

The NBN will provide further impetus for Australian businesses to adopt Cloud services.

Internet consumption has also increased exponentially since the early days of the ASP and businesses are more comfortable with the medium and its use as a reliable and secure IT software and systems delivery mechanism.

## 2: SaaS delivers massive savings to small and medium businesses

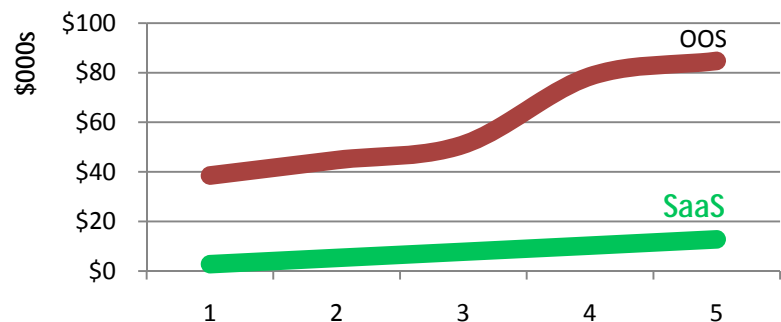
While Cloud services deliver significant cost savings to large enterprises, businesses with between one and 200 staff experience the greatest benefits.

As shown in the figures below, the total cost of ownership (TCO) of the Microsoft Outlook Web Access application for a small enterprise (five users) that hosts it on-premise, Own, Operate & Support (OOS) is \$85,000 over five years. Via the SaaS model, the application would cost the small business \$13,000.

Likewise, medium enterprises experience massive savings using market leading email access via SaaS, reducing the TCO from \$768,000 (on-site) to \$222,000 (via SaaS) over five years.

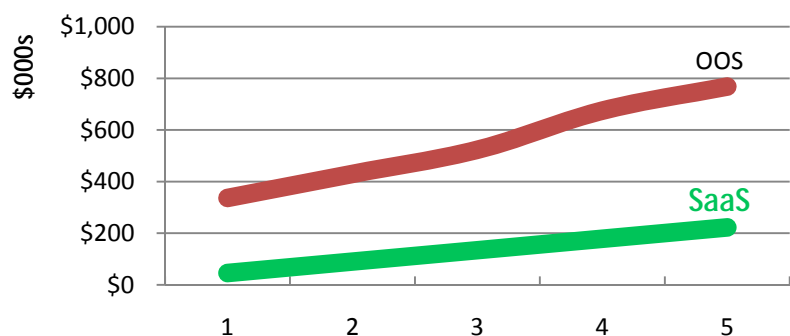
### Small enterprise: 5 user

- Using SaaS is the most cost effective solution
- Total cost of ownership (TCO) is better by a factor of six.



### Large enterprise: 150 user

- Using SaaS is most cost effective solution
- TCO is better by a factor of three.



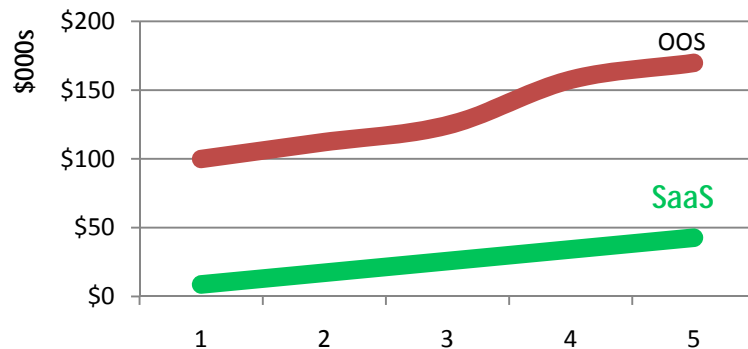
Source: NEC Corporation study 2009

Figure 1: Providing access with market leading email for small & medium enterprise segments

Small and medium enterprises that use CRM applications can also benefit from significant cost savings by moving to a SaaS model. Small enterprises can reduce the TCO on a CRM application from \$166,000 to \$45,000 (over five years), while medium business can reduce it from \$2 million to \$1.2 million (over five years).

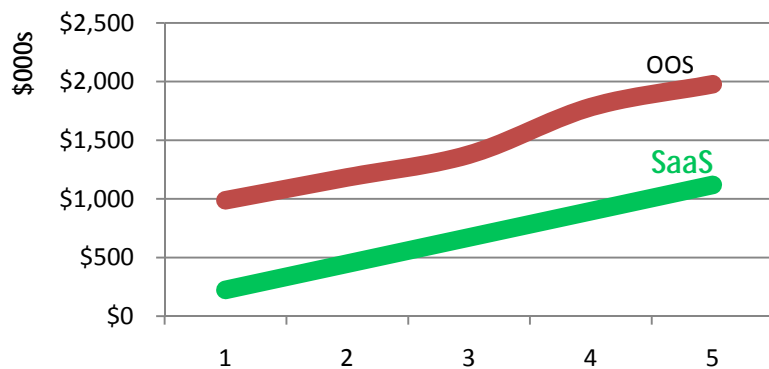
### Small enterprise: 5 user

- SaaS provides a very cost effective solution
- Total cost of ownership (TCO) is better by a factor of almost four.



### Medium enterprise: 150 user

- SaaS is a cost effective solution
- TCO is better by a factor of almost two.



Source: NEC Corporation study 2009

Figure 2: Providing CRM access for small & medium enterprises

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### 3: ISVs: The New Breed that are all committed to the Cloud

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IDC predicts that by the end of 2009, 76 per cent of US organisations will use at least one SaaS-delivered application for business use, heralding a huge market shift towards SaaS delivered applications.

As such, it is not surprising that software developers are heralding SaaS as the next frontier.

According to a recent survey by analyst company Evans Data Corporation, more than half of all developers worldwide expect to work on SaaS applications by the end of 2009. Further, the study found that 30 per cent of US developers are currently working on SaaS projects.

Since pure-play SaaS vendors such as salesforce.com have proven the long-term viability and success of the model, most of the traditional software giants, such as Oracle and SAP have jumped on the SaaS train and continue to extend their range of SaaS delivered applications to take advantage of booming demand.

Even Microsoft has entered the fray. Its most significant move towards the Cloud to date, Microsoft recently announced the upcoming launch of free online versions of Office 2010 applications including Word, Excel, PowerPoint, and OneNote via the four most popular Web browsers.

And of course there is Google whose entire solutions offering is Cloud-based. It offers users a wide range of free and subscription-based applications via the GoogleApps suite as well as a wide variety of popular web tools such as an Internet search engine and Web browser – Google Chrome.

While businesses now have access to many of the common business applications delivered via SaaS, there is a vast range of applications developed by small independent software vendors (ISVs) that are not yet available as an on-demand service, despite massive customer demand.

Yet this is starting to change. The rapid growth of the SaaS market is now forcing nearly every established ISV to develop their own SaaS options.

And why wouldn't you? It enables specialised software providers to target global markets, making specialisation within a vertical not only possible, but preferable.

There are thousands of ISVs popping up around the world every day with new SaaS applications on offer, ranging from CRM, Web Meeting, Accounting, Project Management and Enterprise Content Management.

Local innovative ISVs, such as Open Windows, Smartpath, Work etc, Acryn, My Workspace, Saasu and Bijingo to name a few, have already launched successful hosted applications and have commenced selling them internationally.

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## 4: Financial dynamics driving customers and the Channel to the Cloud

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In light of today's challenging global economic climate, many Australian organisations have been forced to reduce their IT budgets and IT staff are under increasing pressure to do more with less.

Financing expensive software purchases, as well as the hardware, data centre services and ongoing maintenance required to support them, is a real challenge for businesses, particularly in this environment.

Many organisations dealing with tight cashflow and low credit have restricted capital expenditure, making Cloud services an attractive option both in the short and long term.

According to a Gartner survey<sup>2</sup>, when asked why their organisations were transitioning from a current on-premises solution to a SaaS solution, respondents' consistent message was that the TCO was becoming too financially onerous.

Given the likelihood of reduced discretionary spending in 2009 and perhaps 2010, Gartner expects that these driving forces will foster greater demand for SaaS solutions rather than budgets directed at enhancing — or furthering investment for — on-premises solutions.

Cloud computing's predictable, pay as you go model and fast time to value enables businesses to reduce big IT capital expenditures (CapEx) and manage its IT as an ongoing operational expense (OpEx). It can pay for its IT systems over time as the business requires it and as cashflow permits, meaning less risk and quicker ROI.

As customers reduce CapEx on IT equipment, many Australian resellers will see a drop in CPE (Customer Premises Equipment) and traditional software installation revenues. Resellers that are heavily dependent on margins from CPE and traditional installation sales will be feeling the squeeze and will need to find new revenue streams to sustain their business.

Industry pundits have been espousing the business benefits of resellers positioning themselves as solution providers rather than box movers for years. For some resellers struggling to make this transition, Cloud computing may be the panacea they have been looking for.

Resellers can supplement marginal profits yielded from the sale of vendors' on-premise and Cloud solutions by developing a service offering around the Cloud products, such as specialist training, higher SLA (service level agreement) support and data management services, including as Cloud data migration and installation.

Unlike services offered by traditional VARs to date, these services extend beyond the complex deployment and customisation of software and systems – SaaS eliminates the need for these services.

Rather there is real and ever-growing demand for modification and reconfiguration of even basic Cloud computing services. User organisations of all sizes still need help evaluating and selecting the rapidly expanding array of SaaS providers and Cloud computing vendors. They need help catering these services to the specific business and technical needs of their organisations.

They need help integrating third-party solutions to the basic SaaS application or Cloud computing functionality. They need help optimising their performance. They also need help changing their business processes and training their people to effectively utilise their on-demand services.

Indeed this is where the most significant opportunities lie for resellers in the Cloud market.

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<sup>2</sup> "User Survey Analysis: Software as a Service, Enterprise Application Markets, Worldwide, 2008", Gartner

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## 5: Look to the Cloud for Disaster Recovery, Business Continuity and Regulatory Compliance

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A couple of years ago, most publicly traded companies and other large enterprises rejected the idea of SaaS because they thought they needed to take greater responsibility for their own compliance requirements.

Today however they view the process controls, ability to audit and offsite hosting features common in most SaaS applications as a perfect solution for their Sarbanes-Oxley (SOX) needs.

From a legal and compliance standpoint, the ability to retain independent third-party copies of business ledgers, emails and records is becoming increasingly important to legal and government organisations subject to strict e-discovery and email archiving requirements.

Demand for email archiving solutions has grown considerably in the US over the past two years. Gartner<sup>3</sup> estimates the email archiving market to be worth \$US1 billion by 2011. The Cloud is seen as a great way to manage email archiving requirements.

Australian businesses are also looking to the Cloud to improve their disaster recovery capabilities. A SaaS operator can afford to put in place security and disaster recovery facilities that a small business would find difficult to acquire and build themselves.

Cloud-based business email solutions provide both PC and Web access to a user's email account. Therefore if a business' hardware or local systems fail, they still have a Cloud-based copy of all staff emails they can access.

Business continuity is a key consideration for businesses today, particularly in light of issues such as telecommunications network failures, natural disasters and terrorist attacks.

Businesses whose mission-critical applications and systems are Cloud-based can quickly and simply continue trading provided an alternative Internet connection can be sourced. Cloud and SaaS-based service delivery provides a mobility that was simply unachievable in older legacy system implementations.

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<sup>3</sup> "Magic Quadrant for Active E-mail Archiving", 2007, Gartner

## NEC's ready-made Cloud service offering for resellers

For most channel organisations, building a Cloud services hosting infrastructure is not only cost prohibitive, it is highly complex and requires a great deal of time and expertise. It is simply not a proposition.

NEC has developed a comprehensive Cloud services offering called Applications Net that offers channel partners an entry path into the Cloud services market.

### So what is NEC's Applications Net?

Applications Net is a one-stop-shop SaaS application store, providing customers with a wide range of third-party and NEC-developed software with fully integrated telephony and unified communications 'click to call' functionality.

Customers access the software via a single sign-on enabled online portal, providing added security and ease of use. The portal provides integration and collaboration across all products. These functionalities are unique to NEC Applications Net.

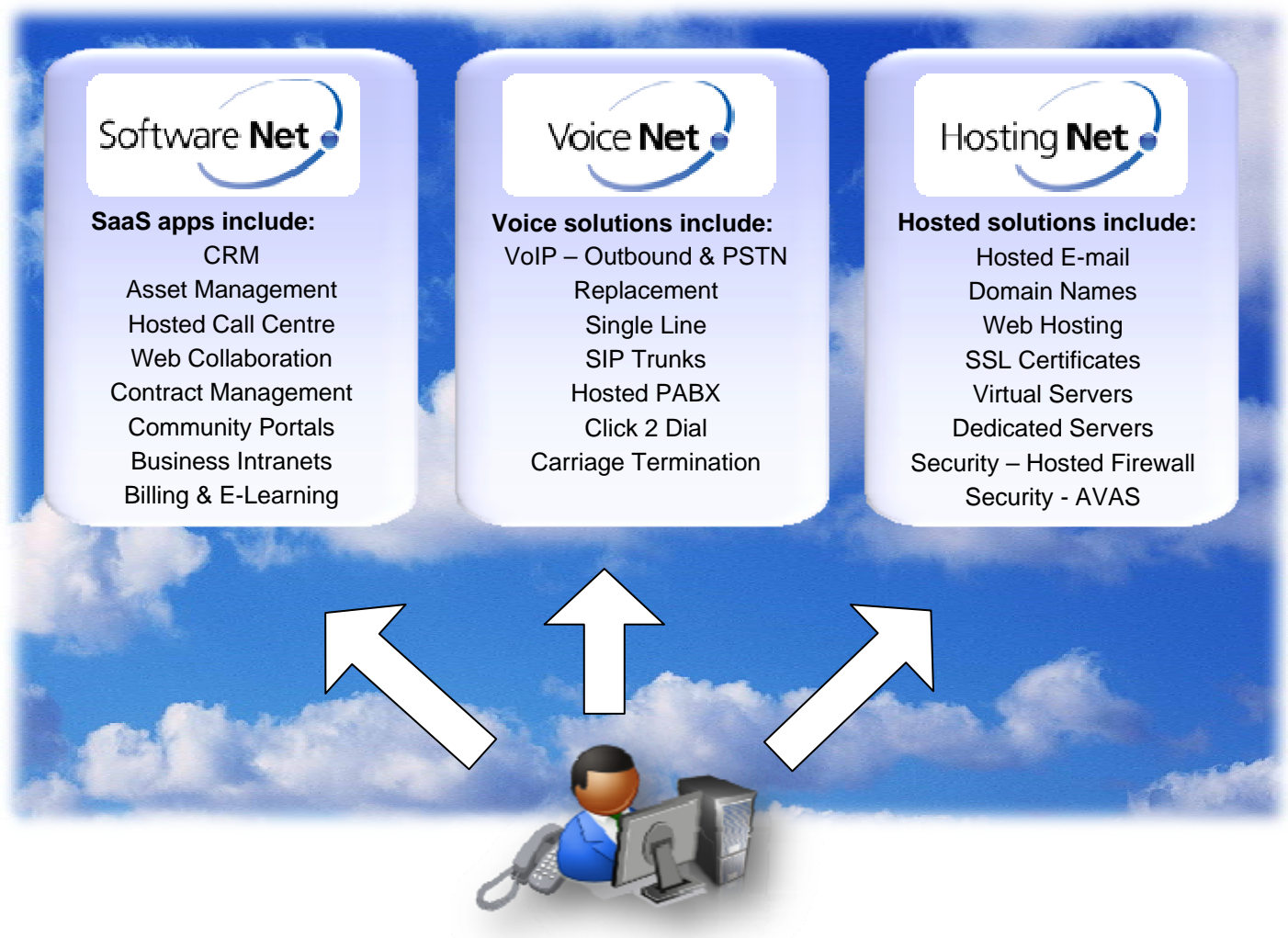
At the end of the month, the customer receives one bill for all of its IT software, voice and platform services.

Applications Net offers businesses a comprehensive range of field-leading solutions through its three solution portfolios – SoftwareNet (SaaS), VoiceNet (VaaS) and HostingNet (PaaS). Some of these include:

- CRM software from Sugar CRM
- Hosted Telephony and Advance Hosted PABX from NEC's Voice Net product range
- NEC's hosted call centre solution Agent 99 based on Contactual On Demand
- Billing solution with NEC's Easy Bill
- Unified communications from NEC's Service Delivery Platform
- Hosted business email powered by Microsoft Exchange Server
- Hosted security products such as Hosted Firewall and a cloud based Anti-virus Anti-spam from NEC's Scentre security product range
- Range of hosting solutions including web hosting and Dedicated Virtual Server hosting from NEC's Hosting Net product range
- Collaborative business intranet portals from NEC's InSite and ACRYN's Knowledge Community
- Asset management from Smartpath's Loc8
- Helpdesk software from Kayako Support Suite and Smartpath's Loc8
- Contract management from Open Windows ContractsNOW
- Car Pool and Fleet Management from Open Windows
- E-learning and Training from NEC's Learning Management System solution

#### NEC's Applications Net unique offering provides:

- One simple user identity to access all applications via Single Sign On
- Data federation between applications
- Breadth of applications – Extends from Voice and Hosted PBX solutions through to Asset Management
- UC voice integration – click to dial contacts from your CRM application



NEC is progressively identifying and working with a number of ISVs and developers and expects to increase the number of applications available through Applications Net. NEC hosts its Applications Net service offering locally in its world-class Melbourne and Springfield data centre facilities.

### What's in it for the Channel?

SaaS is not always a simple plug and play solution, it often requires customisation, integration and other value-add services to meet each customers' unique business requirements.

NEC's Applications Net channel partners have the opportunity to earn significant margins on Applications Net products and services, as well as generate ongoing revenue from value-added services and cross-sell opportunities.

One of the key features that differentiate NEC's Applications Net from its competitors is its ability to provide integrated solutions. For customers with complex integrated systems requirements, resellers can also utilise NEC's system integration specialists to provide bespoke integration solutions. An example of this could be a customer that requires a SaaS-based Intranet and CRM solution with integrated feeds.

NEC's Applications Net also enables businesses to add new SaaS applications quickly and easily through its Rapid ISV Accelerator program. If your customer requires a third-party ISV's software to be integrated with its other Applications Net products, NEC will work with the ISV to ensure rapid integration. The customer can then access all its applications and services via its single sign on.

NEC recently signed up Telefonica, one of the world's largest and most influential telecom operators, as a supplier of NEC's SaaS platform. Leveraging NEC's platform provides a variety of innovative services to small to mid-sized companies.

NEC will construct and provide the infrastructure platform for a range of application software targeting businesses and homes via SaaS platforms. Through this SaaS platform, will provide its small and mid-sized business customers a range of applications, including CRM and asset management tools, which it will expand over time.

If you are interested in learning more about becoming an NEC channel partner and offering your customers the NEC Applications Net solutions, please visit [www.applicationsnet.com](http://www.applicationsnet.com), e-mail us at [sales@applicationsnet.com](mailto:sales@applicationsnet.com) or call us on 131 632.

## Why partner with NEC?

NEC has a long and successful history of working with channel partners to deliver its world-leading technologies and solutions to the Australian market.

There are many good reasons to consider becoming an Applications Net channel partner. The main one is that you'll be dealing with one of the most reliable and up-to-date global names in the telecoms business, NEC.

With NEC, you'll be working with an organisation that owns and operates its own world-class national data centres, incorporating new and emerging technologies. It also owns and operates its own broadband network. Applications Net's Cloud products and services are hosted locally by one of the most trusted names in the business.

NEC knows you have specific industry experience and detailed local knowledge; that's what qualifies you to best serve your customers' needs. NEC is focused on wholesale services and technical innovation – it does not operate in the same markets as its channel partners.

As a channel partner, you'll get the first word on product and service innovations. Applications Net partners get immediate access to a range of powerful selling tools including:

- Comprehensive product training and sales presentation materials,
- Access to regular Channel Partner Forums
- Regular product webinars, updates and focus groups,
- Ongoing technical and pre-sales support
- 24 x 7 support and maintenance services

NEC provides a collaborative channel environment for you – have your say with NEC. You will not be just a signed up member but an active participant, help contribute to product roadmaps through forums, surveys, focus groups and help define the business together with NEC.

### • About the Author

Davide Iacovitti is Product Manager of NEC's Applications Net SaaS portfolio called Applications Net.

He and his team have launched SaaS aggregation services both in Australia and Spain with the telecommunications giant Telefonica. Davide served as Project Manager for Telefonica's Aplicateca SaaS platform rollout and is actively involved in assisting to scope and define the ISV roadmap for Aplicateca. He and his team have overseen the integration and licensing of over 20 Cloud-based products in the last 12 months via the NEC SaaS management platform.

Davide holds degrees in Communication Engineering from RMIT and is currently completing a degree in Business Management from Swinburne University.