TEN THINGS TO ASK YOUR SAAS VENDOR BEFORE ENTERING THE CLOUD

Laef Olson, Chief Information Officer, RightNow Technologies
# Ten Things To Ask Your SaaS Vendor Before Entering The Cloud

<table>
<thead>
<tr>
<th>Table of Contents</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Introduction</strong></td>
</tr>
<tr>
<td><strong>Overview</strong></td>
</tr>
<tr>
<td>2. Do You Have a “Try-before-you-buy” Program?</td>
</tr>
<tr>
<td>3. Do You Offer Contractual Flexibility and Price Protection?</td>
</tr>
<tr>
<td>4. Do You Have Service Level Agreements (SLA) and a Strong History of Service Level Performance?</td>
</tr>
<tr>
<td>5. Do You Provide Operational Transparency?</td>
</tr>
<tr>
<td>6. Do You Offer Multi-tenacity?</td>
</tr>
<tr>
<td>7. Do You Have a Comprehensive Disaster Recovery (DR) Plan?</td>
</tr>
<tr>
<td>10. Do You Offer Robust Integration?</td>
</tr>
<tr>
<td><strong>Conclusion</strong></td>
</tr>
<tr>
<td><strong>About the Author</strong></td>
</tr>
<tr>
<td><strong>About RightNow</strong></td>
</tr>
</tbody>
</table>
INTRODUCTION

Over the past decade, the semantics surrounding what we now call Cloud Computing have evolved. In the late 1990’s the term application service provider (ASP) was common, then On Demand was the accepted parlance. This was followed by Software as a Service (SaaS) and then, most recently, The Cloud.

Cloud computing is a broader, more encompassing term. ASP, On Demand, and SaaS reflect the use of an application that is built, then licensed, to others as needed, like a utility. Cloud computing also encompasses concepts like elasticity, dynamic scalability, and multi-tenancy as well as infrastructure and platform “as-a-service” capabilities. Advancements in technology and internet bandwidth have created more variables and possibilities than ever before.

The advancements that have taken us from ASP to Cloud concepts like SaaS are generally seen as positive. With cloud computing, we are able to deliver a higher quality service with better economics. Economies of scale and automation drive faster ROI and better experiences. Advancements also have brought some change in how IT management engages with a cloud computing provider.

This white paper contains ten tips based on best practices that we have gathered from our analysis of the industry and our direct experience with thousands of cloud deployments. These tips come from conversations with CIOs, program and project managers, directors of IT, engineers, developers, administrators and every other IT role you can imagine in every industry, and with every size company.

For more information on Cloud Computing and to interact with RightNow’s CIO and the rest of our IT team, visit www.rightnow.com/blog
OVERVIEW

As we closed out the first decade of the 21st century, hype around SaaS and cloud computing was at a fever pitch. Hype, while great for exposure and recognition, can also be a detriment to successful adoption of a solution or technology. Hype often comes paired with inflated expectations, misunderstandings, and even disillusionment. This white paper is a guide on how to engage with a cloud computing provider in a way that separates the propaganda from the reality of their solution, focusing on things that are important to IT organizations as they look towards a successful deployment of cloud based services.

Interestingly, even with the “utility” promise of cloud computing, the approach that IT uses to evaluate and select a service or solution hasn’t really changed. CIOs and IT organizations still need to focus on finding the right solution for the business’ needs. As before, we start with a comprehensive understanding of the business requirements. We then move on to a good understanding of the appropriate enterprise architecture, including a determination of selecting a commercial solution vs. building in-house, and deciding whether or not a best of breed vs. monolithic solution strategy is right for our organization. If our selection criteria leads us to a solution that is provided in the cloud, these 10 questions will provide a head-start in the analysis.

Some of the underlying questions we are looking to answer are:

- Are they the best solution functionally and economically?
- How easy will it be to do business with this cloud vendor? What are their long-term prospects as a business?
- Does this cloud solution really reduce my technology complexity?
- Am I able to effectively manage my operational, security, and compliance risks?

How do you know if the promise will live up to the hype? Ask any cloud vendor you are considering these ten questions in addition to your structured evaluation:

1. CAN YOU DEMONSTRATE REAL-WORLD SUCCESSFUL DEPLOYMENTS SIMILAR TO MINE?

Most vendor solutions look good on paper, but the proof is always in the pudding. When you’re trying to manage deployment risk, there’s nothing more comforting than knowing you’re not the first one to implement the specific configuration you are planning. Look for relevant examples of functional and ROI success. Look for third-party confirmation through awards and the stories that go with them. The vendor should be able to tell you how other customers have used their solution to solve the same business challenges you’re trying to solve.

Ask the SaaS vendor for customer references. Go find your own references through your network. If you’re like most business leaders today, you’re being asked to do more with less, so understand how the SaaS vendor’s current customers have been able to do the same.
2. DO YOU HAVE A “TRY-BEFORE-YOU-BUY” PROGRAM?

One of the unique things about cloud computing is that you have an opportunity to enlist the SaaS vendor to help you convince management that the ROI potential is there. The ability to test the concept first helps allay fears and hesitation before you sign a contract. Specifically, ask about the ability to pilot the solution. You may still need to pay for implementation services associated with the pilot, but in this brave new world of cloud computing, look for proof points and results up front before you make the large investment.

3. DO YOU OFFER CONTRACTUAL FLEXIBILITY AND PRICE PROTECTION?

Many of the bad licensing practices that occurred in the on-premise enterprise software world have now moved their way into SaaS. For example, “shelfware” remains a significant problem because clients are forced to buy more than they need to up front, even though a cloud computing environment should provide for rapid elasticity. Although the massive scale of a cloud computing provider should help to smooth out financial unpredictability, organizations are also forced to commit to interminable contracts to get any sort of pricing predictability. Cloud Computing subscriptions are supposed to eliminate the vendor lock-in associated with perpetual licensing, but time and time again we see long-term contracts being deployed for cloud services. There are at least three key questions to ask on contractual flexibility and price protection:

- Do you provide a standard annual termination for convenience?
- Do you allow for annual usage-level alignment (up or down) based on my business needs? Can I apply monthly “rollover” usage to address seasonal peaks?
- Do you provide long-term price protection?

Cloud Computing offers a lot of promise and disruptive innovation in how software is consumed and acquired. Much of the hype of cloud computing is around the increased alignment between the cloud service provider and the client, driven because of the subscription model and speed of innovation. Make sure your cloud vendor isn’t diluting that promise by living in the perpetual license past.

4. DO YOU HAVE SERVICE LEVEL AGREEMENTS (SLA) AND A STRONG HISTORY OF SERVICE LEVEL PERFORMANCE?

Service level agreements are another great way to create alignment between a service provider and client. Although you don’t want to depend exclusively on the SLA for alignment or performance, they are a necessary backstop and putting effort and thought into getting them right is important. A mature and professional cloud computing provider should be giving you what you need “out of the box.” There are five things you need to keep in mind:

- 1. Are the SLAs relevant to the areas that need alignment, such as availability, transaction time, storage, and performance?
- 2. Are the SLAs relevant to what they’re supposed to be accomplishing? SaaS is typically a subscription model of service licensing. You’re not buying a perpetual license but the right to use the software for a period of time. The business model of most cloud computing providers has built-in incentives that align with your satisfaction and success. Most of these business models depend on your renewal.
This is one of the advantages of working with a cloud provider since they put their subscription revenue at risk, not just their maintenance and support revenue. Because of the broad alignment that the subscription model creates, the SLA can be focused on a few key “high risk” areas.

3. Make sure there’s broad visibility into the situations where there might be some breach of the SLA. In other words, how transparent are they in sharing their actual SLA performance on a daily, weekly, or monthly basis?

4. Are the SLAs results oriented? You’re in the business of creating value for your customers. The SLAs should help you.

5. Most importantly: If the vendor drops the ball and misses SLA performance objectives, are they willing to “put their money where their mouth is” and compensate you financially? You need more than lip service.

The point of the SLA is not to replace trust. The subscription model creates a strong enough general incentive for performance. The SLA needs to be there to define the minimum acceptable levels of performance and ensure that in the case of a failure that there is appropriate action taken. Think of the entire value chain in your business, and make a small list of critical metrics to reflect in your SLA. No provider is perfect – what you want is for them to be serious about a systemic fix to any issue that arises, and SLAs can be very useful in achieving that. And you want them to be accountable for not meeting objectives.

5. DO YOU PROVIDE OPERATIONAL TRANSPARENCY?

It seems strange, but software as a service (SaaS) companies sometimes forget about the service part. You get the functionality, you get professional services, you get some access to support, but if we’re talking about mission-critical software, you need more. If the services you’re getting are a black box, and there’s an issue, it’s really difficult to understand the source of the problem, particularly in an integrated system. Many SaaS providers will give you visibility that their overall service is up or down, but that is significantly less “service” than you’d have if you were running the solution on-premise. Look for visibility into these services at a minimum:

- Monitoring and Operational Management
- Performance Management
- Change Management
- Capacity and License Planning & Usage Management
- Problem Management
- Service Level Management
- Service Level Data Integration

Keep in mind that you will likely not get approval rights into a cloud computing providers change management or capacity management processes, but they should be willing to provide visibility into these services. They are, after all, performing them on your behalf and a part of your business is running on their platform. Transparency is exactly what helps to build trust, and it also provides a powerful incentive for the provider to maintain excellence in their operations. Make sure your SaaS vendor is committed to both excellence and transparency.
6. DO YOU OFFER MULTI-TENANCY?

Multi-tenancy is simply the ability to run multiple customers across a shared infrastructure environment. There are different approaches to achieving multi-tenancy, and there isn't much point in getting religious about it. In the world of technology, as soon as we align with one particular technology “religion”, something new and better comes along to replace it. The point of multi-tenancy is to squeeze as much efficiency out of the hardware (and to a lesser extent, any platform licensing costs) as possible. Multi-tenancy allows the provider to run a highly homogenous infrastructure, creating a number of operational and cost advantages. Find out if the multi-tenancy approach the provider uses achieves this goal. Many ASP vendors of the past went out of business because they were not able to deliver the type of efficiencies, and reduce systemic risk, like today's cloud vendors do.

Multi-tenancy makes the economics behind the cloud work. The more efficient the multi-tenant model is, the better your pricing should be. Of course, you need to weigh this against the risk of your environment not being protected. There are better and worse approaches to multi-tenancy when it comes to efficiency. There are also better or worse approaches when it comes to risk management. This is worth exploring as part of your evaluation.

7. DO YOU HAVE A COMPREHENSIVE DISASTER RECOVERY (DR) PLAN?

There are actually three questions you want to ask:

- 1. Do you have a DR plan?
- 2. Do you test your DR plan?
- 3. Does your DR plan actually work?

There are a lot of companies that have a DR plan, regularly test it, and the tests fail. Then they have remediation plans, and they test it again, and it fails again. So asking “Does the DR plan do what it is supposed to do?” is perfectly acceptable. A cloud computing provider should be a specialist in the particular service they are offering.

My rule of thumb here is that my Recovery Point Objective (RPO) in the case of a disaster should be real-time or near real-time. Recovery Time Objective (RTO) can vary depending on the needs of my business and the likelihood of an actual disaster occurring.

Of course, understanding the resiliency of the cloud computing provider’s core infrastructure is actually more important than DR, but both are important. Loss of a particular system is likely and should have zero impact. Loss of a data center is (thankfully!) a fairly rare event.

8. DO YOU MEET CRITICAL SECURITY & COMPLIANCE REQUIREMENTS?

Getting answers to questions on the topic of security and compliance is a critical priority when evaluating SaaS vendors. Your organization remains accountable to regulators, business partners, customers and employees. You should only consider using cloud computing when the vendor has adopted a comprehensive and technically sound approach to a “defense-in-depth” security program. Make an effort to map your needs for security controls such as accountability, privacy, confidentiality, integrity and availability to their capabilities.
· What are the vendor’s capabilities and policies in the protection of your data, both physically and procedurally?
· How is the application itself protected and how is that protection maintained over time?
· How does the vendor meet general and industry-specific security and compliance standards such as PCI, SAS70, HIPPA, NIST, DIACAP?
· How does the vendor meet your unique security requirements within your specific industry such as Health Care, e-commerce, or Government?

Security is a hot and sensitive topic, particularly when it comes to cloud computing. The approach and technologies that a cloud computing provider uses to secure the cloud is likely similar to how an IT organization might go about securing their internal systems. It may not be the technology or procedures you need to question; rather it may be how you will consume their security approach “as-a-Service”.

9. CAN I SIMPLY CONFIGURE THE SOLUTION TO MEET MY NEEDS?

With large enterprise software applications there is almost always significant implementation services or projects required to meet the specific needs of a particular business. Cloud-based solutions often are able to provide much of this capability through configuration as opposed to custom code development.

In fact, one of the advantages of working with a SaaS cloud provider is that their economic model works best when they can provide a specific solution or service that fits the needs of most prospective customers. Creating this capability is typically a focus of their engineering effort so look to make the system specific to your company through configuration rather than customization. Look for features of the system that a business technologist can configure–someone that’s not a programmer but is tech-savvy, understands systems, and can use built-in business design tools to configure your implementation.

If the vendor is looking to write a bunch of code to get your screens, workflow, and reports built, your red flag is either that the solution is a bad fit for your business, or the solution is inherently immature. Of course total configuration isn’t always possible, but look for advanced approaches such as “drag and drop” capability for the basics.

Some SaaS solution providers will hold you over a barrel and act like traditional software companies by offering expensive customization instead of easy to understand configuration.

10. DO YOU OFFER ROBUST INTEGRATION?

There’s really nothing you can do with on premise software that you can’t do with a cloud computing model. At the end of the day, we all run our systems in data centers, and the fact that it’s in a remote location is really not unusual whether it’s on premise or in the cloud. The potential gap is in what integration services are available to you. Less mature providers may not have had the opportunity to build out these more advanced integration capabilities.

Understand not just the integration capabilities offered by a SaaS application, but the economics behind them. Sometimes the integration offering will have its own pay per use model, so be aware of the economic nuances of cloud integration and any imposing limits. It’s also important to ask a SaaS vendor if their integration offering covers the breadth
of capabilities you need in both the near and long-term. The initial focus is often data integration where information stored in back office systems can be exchanged with the SaaS service. However, if your goal is to consolidate the SaaS solution into your master record management strategy, you may need an ongoing synchronization and not just an initial data seeding. If your objectives extend to automating the interaction workflow and visual component in the presentation layer of the SaaS product, ask if the presentation layer also includes the extensible integration options that align with your objectives. This area is often initially overlooked since data integration is the obvious primary focus. However, in the long run, the costs associated with the user experience are often where the greatest effectiveness and efficiencies are found.

A final important aspect of integration is integration and implementation resources, including third-party technology partners that have implemented turn-key solutions via the standard integration models. While open, standards-based integration technology is crucial, you also need to know that the vendor has a skilled pool of integration resources to call upon when needed. What internal Professional Services and systems integrator partner resources does the vendor offer?

**CONCLUSION**

As the need to balance greater customer expectations with shrinking budgets intensifies, more companies are looking to technology to help. As a result, SaaS and cloud computing adoption rates are increasing. However, many SaaS vendors won’t be able to meet your high demands so make sure every SaaS vendor you consider can answer yes to these ten questions.

**ABOUT THE AUTHOR**

As RightNow’s CIO, Laef Olson is responsible for the vision, strategy and execution of the RightNow CX application cloud. As a member of the executive staff, he also plays a key role as an external company spokesperson for the RightNow commercial and Federal Government cloud services around the world.

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