

SaaS—New Engagement Approach in Europe by Fujitsu Services

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While Software as a Service (SaaS) growth is being driven by the North American market, Europe is beginning to pick up the pace. We have seen a general acceptance of SaaS-based customer relationship management (CRM) within target customers covering small, medium and enterprise-level businesses and have been able to define what it takes to be successful. The current global financial crisis, whilst causing a general slowdown in business spending, will probably lead to a sharper focus on cost reduction efforts and profitable channels and, we believe, generate additional interest in SaaS. Nevertheless, the European market, especially outside the UK, is different from the North American one and adoption trends cannot merely be replicated: cultural and language differences and a prevalent distrust of North American sales techniques demand a specific if not entirely new approach if organisations are to be successful. The European market is still in its infancy with no single vendor dominant, although some such as Salesforce.com are making significant progress within niche areas; for example, Salesforce.com now dominates the European CRM sector in terms of sales volume. Fujitsu Services believes that it is well positioned to help existing and new clients embrace SaaS and this paper looks at general adoption trends and sets out our approaches for delivery and growth in the European marketplace.

1. Introduction

Fujitsu Services is already a leader in shared application services in Europe and is ideally positioned to act as a trusted provider and integrator of hosted application solutions such as those offered by Software as a Service (SaaS). This paper outlines our understanding and experiences related to the successful implementation of SaaS solutions within the UK, the needs of clients across Europe, and how we are structured to continue to deliver these solutions successfully. It also explains:

- The engagement model—call centre approach, reputation and modernisation engagement with existing clients
- How best to conduct initial meetings—how we sell, our differentiators (structure/

expertise etc.), how we entice the client (using costs models, prototypes, etc.) with any technical advances...

- Ways in which we can subsequently seek to leverage the first piece of business and/or expand the opportunity.

2. European market trends and client needs

The European marketplace for SaaS is said to be 12–18 months behind the North American market. This is borne out by research from leading industry analysts such as Forrester in their 2008 paper¹⁾ “Competing In The Fast-Growing SaaS Market”. From a study of North American trends, we can identify the likely early adopters of SaaS solutions as being from

the energy, utilities, retail (including financial organisations) and services industries, with human resources, collaboration, sales automation and customer relationship management (CRM) being the most prevalent types of solutions being taken up by these clients.

However, many clients throughout Europe, especially ones where the respondent is at the chief information officer (CIO) level, remain nervous about adopting SaaS. Major concerns precluding broader and certainly enterprise-level SaaS adoption centre around: a reluctance to hand over all responsibility to service providers who determine and manage all functional and operational standards for their services, the expertise of providers and integrators, integration compatibility, data access, security, reliability and performance, especially with many services still being hosted from North America. Many organisations are only now beginning to reach a steady state following major outsourcing and offshore partnerships and these organisations fear the additional change and disruption caused by introducing SaaS solutions. Despite this, however, many clients accept the financial benefits of SaaS adoption, especially in non-differentiating or hygiene areas of their organisation, where there is also movement of buying power from the CIO to the head of the line of business. The successes of SaaS organisations such as Google and Salesforce.com are beginning to turn the tide of opinion and dispel some concerns. A recent Gartner study²⁾ found that of European respondents among 258 surveyed globally, 49% expected to see “slight increases” in new SaaS investments and 15% expected to see “significant increases”.

3. Appeal of SaaS

Externally hosted applications and SaaS have been touted to major organisation as the new cure-all that solves the CIO’s cost enigma at a stroke by significantly reducing implementation costs, outsourcing development, slashing

consultancy costs and devolving infrastructure maintenance and servicing (**Figure 1**). The usage-based pricing associated with SaaS moves information technology (IT) services from being a capital expenditure to an operational expense. With such a change, we are seeing departmental and divisional leaders making decisions to acquire SaaS solutions themselves.

Unlike application service providers, ASP which similarly sought to devolve infrastructure and hosting to a single provider, SaaS providers can offer a single instance of a solution to multiple clients across the Internet on a transactional basis as opposed to single instances hosted on a per-client basis, which incurs more substantial solution instance costs. For Fujitsu Services, a key question is where budgetary responsibility resides when companies adopt SaaS. Does it move from CIO or IT department to business or somewhere else? This paper is based on knowledge gained from clients who have embraced SaaS into their organisations and who continue to engage Fujitsu Services in meaningful and profitable ways (Figure 1).

4. Our approach to SaaS

4.1 SaaS capability

Fujitsu Services has decided to expand its SaaS capabilities by creating a dedicated SaaS capability composed of existing Fujitsu Services personnel providing a breadth of integration expertise and the acquired personnel of the Okere UK SaaS organisation with a depth of CRM understanding. This will allow a broader SaaS capability to be built upon the knowledge and successes of previous CRM deployments and the understanding gained from client engagements.

With its service offerings, Fujitsu Services has found itself selling not just to the chief information and technical officers (CIO/CTO) but more often than not directly to or through the influence of the heads of sales, service, support and marketing. For our clients, we provide a

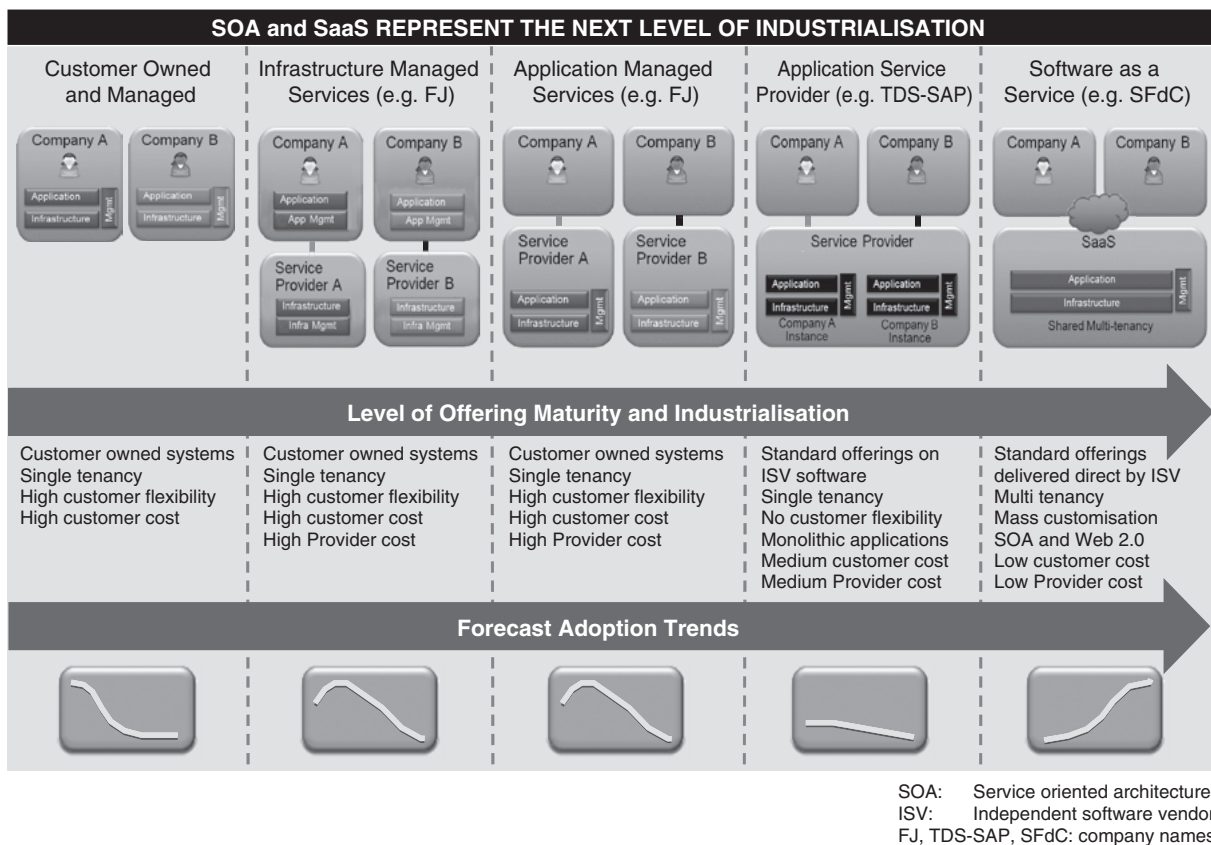


Figure 1
Delivery approaches.

full suite of services from consulting through to solutions design and the actual deployment and integration of SaaS solutions. Our consulting capabilities include:

- Product/vendor selection
- Assessments
- Development of client roadmaps
- Process re-engineering—to date mainly sales, service and marketing processes
- Master data management strategies
- Proof of concept development
- Change management
- Estimation and return on investment planning.

Our design, deployment and integration capability builds upon product knowledge and is combined with many years of expertise working across the breadth of application technologies and systems. This provides Fujitsu Services with a

unique and differentiating proposition regardless of the technologies used across a client estate.

Through previous engagements, Fujitsu Services has been able to identify the types of challenges faced by customers in its initial target solution segment of CRM and sales automation. These challenges can be divided into Business and IT, which enables our pre-sales consultants to focus their content and approaches to suit the target audience. For this business, the challenges typically include:

- Enabling a focus on the most valuable customer segments
- Determining and focussing on the most valuable partner relationships
- Improving sales effectiveness, including average hold times in contact centres
- Understanding “best” clients, using a coverage model as a cost basis

- Increasing outbound client targeting effectiveness
- Implementing relationship management for back-office operations people
- Improving front-office visibility of back-office client relationships
- Increasing lead conversion
- Improving outbound client targeting
- Improving management visibility of sales/leads and activity
- Improving first contact resolution
- Shifting organisations from billing centric to customer centric.

Here, the CIO typically faces the following challenges:

- Reducing the applications backlog
- Increasing IT responsiveness to rapidly changing business requirements
- Managing a range of application types that typically fall into the end user application category but are currently not as secure, robust and auditable as a CIO would want
- Reducing capital investment requirements for new systems delivery.

We take a land & expand strategy in which we typically engage new clients around solutions design and implementation and then expand our client relationship to encompass consulting services and Cloud computing in general.

4.2 Selling our capabilities

SaaS is an architecture in itself and a different business model that requires a new and differentiating approach to applications delivery. These differences afford Fujitsu Services the opportunity to approach business development and the winning of new client business differently. Our approach to SaaS business development has the following key attributes:

- We focus primarily on the front office and how clients can become more efficient and effective in client-facing activities, such as sales, service and support, across multiple channels.

- We focus on selling propositions to key business stakeholders (heads of sales, service and marketing and sometimes the CIO/CTO). We favour and have success in selling to business directly rather than via the client's IT department.
- We typically work with clients to avoid buying processes that involve requests for proposal/information, which require too much investment of both our time and the client's time and do not provide the ideal mechanism for understanding the time-to-market advantage of SaaS solutions delivery.
- We rely heavily on being able to turn a client vision into demonstrable solutions that address some of their key issues—all within the sales cycle.
- We demonstrate our added value in the sales cycle by bringing into client discussions previously developed intellectual property. Examples include using maturity models to demonstrate our vision of the client's roadmap, previously built components that reduce the time to deliver a client solution and best practice process models.
- We use a land & expand strategy to sell pilot implementations if buying processes are likely to slow down the sales cycle. We know that a pilot invariably leads to wider deployment and more involvement and revenue for Fujitsu Services. We regularly achieve three-month sales cycles with new clients.
- We regularly utilise consultants who understand the client's business, its challenges and the language of the client (vertical language).
- We focus on client value and return on investment (**Figure 2**), reducing the time to market and the period in which new capabilities and thus opportunities remain at risk. Figure 2 represents the reduced timescale and investment for SaaS projects

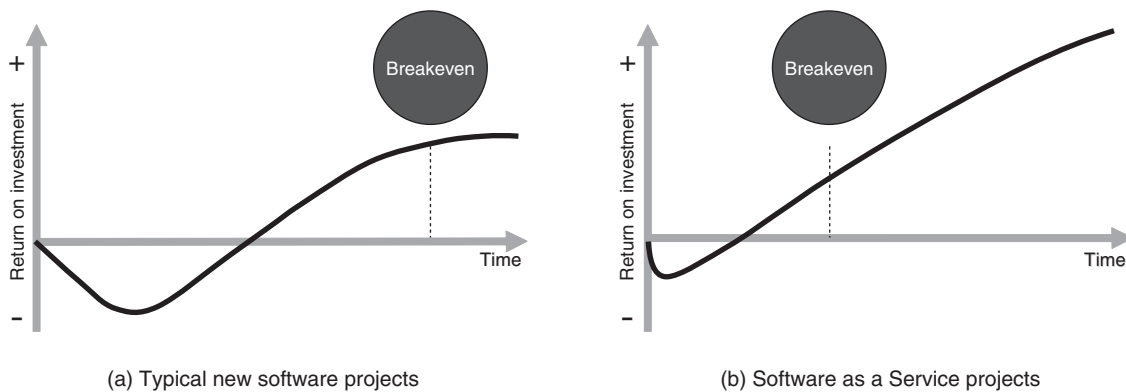


Figure 2
Application software time to market and return on investment.

compared to traditional development and the resultant ROI achievable over similar timeframes. By engaging in sales cycles with key client people who typically own revenue (head of sales) or customer satisfaction (head of service), we focus on increasing revenue, reducing client attrition, improving business value and creating cross-selling opportunities.

4.3 Land & expand

In large-scale enterprise, decisions take time and are always subject to changes in market conditions, organisational change and political power disruptions. The Fujitsu Services SaaS capability prefers to land within a new account and expand its involvement from within the client, rather than spending time selling an enterprise-wide solution (Figure 2). Typically, this means that our first engagement with a new client delivers business value in weeks not months and we usually aim for an implementation of around three to four weeks. By using maturity models to help shape its implementation roadmap, we can guide a client towards a longer-term expansion of investment, in partnership with Fujitsu Services, that will deliver business value throughout the client engagement process. Our expansion model in an account follows two parallel courses:

- Firstly, we deepen our relationship with

front-office sponsors in order to encompass more functional aspects of CRM across more departments.

- Secondly, we explore Cloud computing opportunities with the CIO, for applications design and deployment. In addition to expanding the Fujitsu Services SaaS relationship with a client, we help develop client opportunities for other parts of Fujitsu Services, around infrastructure outsourcing, applications remediation, business intelligence and applications integration.

Throughout this cycle we keep the business units of Fujitsu Services apprised of progress and it is they who underwrite each engagement, providing account and relationship management expertise as needed. As we begin the expansion cycle, they typically become more involved, using their knowledge and skills to identify potential new opportunities.

4.4 Propositions and use of intellectual property

As a result of over five years worth of client engagements based on SaaS consulting and implementation, we have assembled a range of reusable intellectual property. Some examples are given below.

- Customer/industry vertical focussed components: e.g., SaaS-based client novation

solutions to help clients manage mergers & acquisitions more effectively

- Technology or horizontally focussed components: e.g., data import utilities for managing the transition of existing data sources to new SaaS solutions
- Maturity models: e.g., CRM customer knowledge journey—an approach to help clients understand how they can go about improving customer insight, customer loyalty and increase revenues
- Best practice process: e.g., how to ensure that a sales team maximises and efficiently transitions to new SaaS solution implementations.

In all sales cycles, we focus on our key differentiators: deep vertical expertise, time to market (speed is critical), passion for results, change is good, focus on user adoption, integration breadth and experience and repeatable processes. We utilise intellectual property in sales cycles to demonstrate our knowledge of client challenges and to differentiate ourselves from the many other consulting companies.

4.5 First deployment of SaaS

The initial engagement with a client who has committed to a SaaS implementation is almost certainly going to exceed expectations on business delivery, but could conflict with existing compliance guidelines for infrastructure, security and environment management. Most organisations are aware of the benefits of externally hosted applications, SaaS and Cloud computing, but they need a little time to accept the associated risks balanced by the potential benefits. A culture shift is frequently needed to convince IT gatekeepers to accept the technology parallels with hosting on-premise applications so that they understand the issues of overall architecture, firewalls, integration points, secure access control, recovery readiness and data management.

The reality is that a SaaS architecture

overcomes many of the conventional problems and time lags such as procuring hardware, which greatly shortens the time at risk before the business sponsors can see a tangible return on their investment. Within a week or so, the business users engaging with project teams are able to see their requirements on their desktops as a prototype. The significance of this is that SaaS has an immediately positive impact on the business as a project that is going to deliver successfully. The IT department will benefit greatly from the fact that it can rapidly deliver confidence in timelines being met and can therefore ensure that funding is forthcoming.

4.6 Secrets to success with SaaS

The secret to a successful SaaS implementation and subsequent expansion is to dispel cynicism. By avoiding integration on the first phase, it is critical to ensure that the data and architecture issues are addressed fairly quickly. For the initial implementation, reference data is often sourced from legacy systems, so realizing a return on investment through the decommissioning of old systems is frequently welcomed as a follow-up initiative. The fundamental approach in SaaS, as in most modern agile projects, is to break down the initial project into something realistic, i.e., aim not to promise too much from the first deployment.

Clients using SaaS for the first time will compare the approach to conventional software application and infrastructure related projects and are always very pleasantly surprised by the speed to market, performance and system quality. Even the most critical stakeholders are influenced by the fact that a project can be delivered quickly within difficult environments.

Decommissioning brings the additional benefits of outsourcing data and removing hardware replication to support recovery readiness. Once the SaaS application has taken a foothold and the benefits are becoming apparent (which does not take long), there is a tendency

for IT departments and the business to jump on the success bandwagon. Like any other project or programme, scope must be controlled and the strategic objectives kept in focus. As data “golden sources” are recognized, the dependencies become more apparent as well as the data quality. It is rare and undesirable for an organisation to want to manage its reference data ownership on a SaaS platform, but end users will quickly notice inaccuracies and inconsistencies that become visible.

4.7 Further relationship building

A great benefit and opportunity for Fujitsu Services as a SaaS integrator is the inherent demand from clients for effective two-way communication. We get many unsolicited requests from executives for education about SaaS and this creates many more opportunities, both to dispel cynicism about SaaS as a viable business proposition and promote relationship building and discussion of other Fujitsu Services capabilities beyond SaaS. The speed of implementation in organisations raises the bar for IT delivery within such organisations, who are now forced by their business sponsors to embrace and approve the changes necessary to implement SaaS quickly if they are to survive in their roles.

From a business perspective, as long as the scope of the initial project is realistic, a two-to-three month delivery of a production standard application in a multinational organisation is perfectly feasible. Moreover, if the design and deployment approach is iterative, then projects are typically well received by staff and management, which in turn lends itself to a stronger buy-in and quicker user adoption.

SaaS applications are quick to deploy and can cross boundaries quickly because they are browser-based. Once the initial deployment has been successfully implemented, there are a number of methods of expanding the footprint. The key to all of this is that people want to be associated with a successful new technology and

therefore want to talk to the architects of the new vision.

4.8 Approaches and risks

Provided that the first implementation is managed carefully, there will normally be a request to communicate these successes internally and to take on the long-term challenges that the business and IT department now see as realistic. It is the drive to take on these challenges that is seen as the basis for maintaining and developing a good relationship.

There is a danger of SaaS initiatives being seen as projects that can always be completed quickly. The facts of the matter are that the risk profiles for successful delivery of these projects shift further towards the business change and data management areas rather than the software lifecycle and infrastructure areas. Controlling the risks effectively is crucial because the decision making and critical path activities on SaaS initiatives tend to focus on the very people who will be influential in approving future development. SaaS project management presents a new set of dynamics because the communication needs and concurrent activities are intensified over a shorter period.

4.9 Future SaaS areas of opportunity for Fujitsu Services

The top ten areas in which we see clients showing an interest in investing in SaaS solutions (beyond the already successful and well developed CRM arena) for the future are as follows:

- Data warehousing
- Service oriented architecture, data hubs and messaging architecture
- Integration
- Process automation and e-commerce
- Expansion of business footprint on SaaS, operational consolidation and data migration
- Reference data and golden sources
- Consolidation of data and decommissioning

- of legacy systems
- Architecture and infrastructure reviews including outsourcing and storage area networks
- Business intelligence and management information systems
- Business process management

5. Conclusion

The marketplace in Europe is ready for the evolution of an enterprise-level dominant and

independent SaaS provider able to deliver best of breed solutions regardless of the technology and sector. Much remains to be done to develop beyond CRM, but Fujitsu Services is well positioned to develop into such a provider.

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