Winning the SaaS Game with Hyperconnected Colocation
Contents

Introduction: Scoring with SaaS 3
The benefits of a SaaS model 5
The challenges of a SaaS model 7
When SaaS goes wrong 9
Getting SaaS right 11
How CoreSite enables a winning strategy 12
Conclusion: The only way to win...is to play well 13
Introduction: Scoring with SaaS

Software as a Service (SaaS) is fast becoming the service model of choice. Thanks in part to game-changing players like Salesforce, Slack and Quickbooks that brought greater efficiency to everyday business workflows, organizations everywhere have discovered the inherent value of SaaS to their bottom lines. Not only are SaaS solutions relatively easy to deploy, they also enable end users across business units to accomplish tasks with more ease, speed and agility.

On-premises software development and delivery may be declining, but cloud-based SaaS will only continue to grow as more organizations realize the cost savings and business enablement it provides, along with the quality of service and access their end users demand. While the expansion of cloud services presents an enormous opportunity for SaaS providers, it also brings new challenges. As SaaS providers scale, they will need to find data center partners that can help them manage the increasingly common hybrid IT and evolving multi-cloud infrastructures of today. At the same time, they’ll need to keep costs in check and meet the rising demand for compute and storage so SaaS providers can deliver the services their growing subscriber base needs.

This guide will highlight the challenges your SaaS organization faces in a competitive landscape. It will also illustrate how a data center partner that can provide hyperconnected colocation through direct access to cloud providers can help you maintain your strategic edge.
NEARLY 60% of all cloud workflows are delivered as a service.

VNI GLOBAL FIXED AND MOBILE INTERNET TRAFFIC FORECASTS. CISCO.¹

73% of companies say nearly all their apps will be SaaS by 2020.

2017 STATE OF THE SAAS-POWERED WORKPLACE. BETTERCLOUD.²
The benefits of a SaaS model

Usually when people talk about the benefits of SaaS, it’s in terms of the day-to-day end user or the business customer. But a SaaS company that owns, delivers and manages a cloud-based offering sees many of the same benefits as well — benefits that helped the SaaS industry grow from $6.4 billion in 2008 to $186.4 billion in 2018.\(^3\)
4 top benefits of being a SaaS provider

**Reduced physical footprint**
The virtual infrastructure required to develop and manage your SaaS offering takes up less physical space because it doesn’t need extensive hardware and other equipment to run. With a smaller physical footprint, you gain more room to grow.

**Business agility**
Responding effectively to fluctuating markets, industries and customers takes a level of agility you can only get from the cloud, allowing you to develop and configure your SaaS product more easily and deploy new services and features more rapidly.

**Scalability**
With space available to be utilized down the road, you have far greater ability to scale your SaaS business up or down to meet the changing market, industry and customer demands that are necessary to stay on top of your game. In fact, SaaS organizations grow their team and their business an average of 56% annually.⁴

**Cost control**
Less hardware to purchase and maintain, fewer engineers and support staff to hire and greater scalability and agility all point to the end game for the majority of SaaS companies today: avoiding bloated costs and wasted spend. Nearly 60% of enterprise CIOs say cost management is their primary driver for selecting a SaaS business model.⁵
The challenges of a SaaS model

SaaS doesn’t come without its hurdles, however. There are a number of factors that can significantly hamper SaaS development, delivery and management if they’re not well understood or if your company lacks viable solutions.

**Resources**

Because SaaS providers typically don’t want to deal with on-premise servers and IT management, they often outsource their infrastructure to clouds and managed services providers (MSPs). But even though you’re saving on overhead and resources, outsourcing can quickly become complicated if you don’t know what to expect from an MSP, or even what to ask for.

**Availability**

SaaS companies have to make sure their applications are available at all times for all users, which makes any downtime unacceptable. But if it should occur, the hit to your corporate checkbook can be substantial. In fact, according to Gartner, the average cost of IT downtime is $5,600 per minute, reaching $540,000 per hour for small and mid-sized companies and up to a whopping $5 million per hour for large enterprises.

**Performance**

Many in the industry consider performance the most critical factor for SaaS applications, especially when it comes to load balancing. If an application takes too long to do what it’s supposed to do, the result can range from several disgruntled end users to the costly loss of business to your competitors.

**Security**

No one can afford to suffer, let alone clean-up, a security breach these days, especially business customers who are entrusting their data to you. This is why SaaS security continues to be critical, and ignoring or mishandling it can be a deal breaker for prospective and existing customers alike.
28% permanent abandonment rate of sites with slow performance

27 hours average downtime organizations experience per month

191 days average time it takes for organizations to identify data breaches

$700b the cost of downtime to North America organizations per year

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THE COMPLETE GUIDE TO PERFORMANCE TESTING YOUR RETAIL WEBSITES AND APPS. AKAMAI. JULY 2017.


THE COST OF SERVER, APPLICATION, AND NETWORK DOWNTIME SURVEY AND CALCULATOR. IHS. JANUARY 2016.

THE COST OF SERVER, APPLICATION, AND NETWORK DOWNTIME SURVEY AND CALCULATOR. IHS. JANUARY 2016.
When SaaS goes wrong

Not being able to adequately identify or address SaaS challenges can go beyond mere annoyance to a downright nightmare.

Your SaaS model can turn into:

- a major drag on operational efficiency
- an endless drain on existing resources
- a blemish on your brand
- a legal liability
Consider these worst-case scenarios:

<table>
<thead>
<tr>
<th>Use Case</th>
<th>What would happen if:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance</td>
<td>The marketing automation software for a 20-person marketing team was boggy and slow to respond during peak use and while executing multiple campaigns.</td>
</tr>
<tr>
<td></td>
<td><strong>Result:</strong> The software’s unresponsiveness and slow execution adds dozens of hours in both data entry and setup of new campaigns, threatening deadlines in the marketing plan and jeopardizing exposure and attendance at the company’s upcoming webinar.</td>
</tr>
<tr>
<td>Availability</td>
<td>A popular streaming media company experienced a global outage, taking its service to 140 million people offline for more than an hour.</td>
</tr>
<tr>
<td></td>
<td><strong>Result:</strong> Customer complaints skyrocket, many threaten to cancel service if they don’t get a credit, and most of them take to social media to express frustration, which damages the company’s reputation.</td>
</tr>
<tr>
<td>Resource Allocation</td>
<td>A major online retailer built its IT environment so that they operated at 15-20% and left 80% overhead. And while it was designed to support traffic spikes, it lacked both efficiency and cost-effectiveness.</td>
</tr>
<tr>
<td></td>
<td><strong>Result:</strong> Buying all the compute to support spikes that happen periodically throughout the year costs the company tens of millions of dollars in unused capacity that could be reallocated to other critical operations or held in reserve for a rainy day.</td>
</tr>
<tr>
<td>Security</td>
<td>A leading online travel booking site was hacked, exposing nearly 1 million users’ private data to would-be thieves.</td>
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<td></td>
<td><strong>Result:</strong> The cost of the data breach approaches $40 million dollars (the average cost of a breach of 1 million records(^\text{11})) as the result of punitive fines, lawsuits and potentially even bankruptcy proceedings.</td>
</tr>
</tbody>
</table>
Getting SaaS right

To be a top contender in the SaaS game, you need to arm your organization with the IT support and expertise that can address real business concerns while also optimizing the performance and security of your SaaS offering.

It requires that you shore up your hybrid infrastructure by partnering with a data center that can provide two things:

1: Centralized colocation with direct interconnections to cloud providers

It’s expected that 30% of enterprises this year will connect to clouds via direct connect solutions (WAN and cloud interconnect), up from only 5% three years ago.12 Through direct cloud interconnections between your data center and cloud providers or cloud exchanges, your organization can:

- **Improve performance of your SaaS product** by spreading workloads over multiple private and public clouds
- **Increase security** by limiting the points of network access
- **Lower latency** by as much as 44% (vs. connecting to the public internet)13
- **Reduce costs** associated with equipment, outages, and power and cooling
- **Scale operations** through centralized access to cloud providers who can scale compute power and data storage when needed
- **Ease hybrid IT management** through greater visibility into operations and applications

2: Dedicated managed services for migration, integration and management

Successfully hosting and managing your hybrid or multi-cloud IT environment requires that your data center have a deep understanding of your current cloud services and on-premises systems. A data center that boasts an ecosystem of managed service provider partners can help your organization:

- **Fill in knowledge gaps** in your current IT team
- **Custom-configure** cabinets and cages to expand business operations
- **Analyze current connections** and make integration recommendations
- **Determine a roadmap** to enable and manage future SaaS growth
How CoreSite enables a winning strategy

As a data center partner, CoreSite plays a critical role in the safety, performance and reliability of SaaS – now and into the future.

CoreSite’s mix of colocation services helps your SaaS organization solve your resource, performance, availability and security challenges to better position your SaaS product in the market and earn important customer loyalty.

<table>
<thead>
<tr>
<th>CoreSite Benefit</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flexibility, scalability and cost control</td>
<td>More than 4.1 million square feet of on-demand data center space with configurable cabinet and cage colocation that scales as your business grows</td>
</tr>
<tr>
<td>Greater bandwidth and lower latency</td>
<td>Access to more than 450 networks and more than 325 cloud providers in strategic edge market locations for lower latency, higher performance, and better end-user experiences</td>
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<td>Constant security</td>
<td>24x7x365 security guards and systems</td>
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<tr>
<td>Higher reliability</td>
<td>100% uptime SLA with a track record of successfully maintaining above industry average at six-9s (seven-9s uptime in 2018)</td>
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<td>Expertise</td>
<td>Onsite resources to help install, operate and manage your data center deployment</td>
</tr>
<tr>
<td>Easy “built-in” solutions</td>
<td>Partner providers to offer additional services for cloud assessments, moves, migrations, managed services and more</td>
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Conclusion: The only way to win . . . is to play well

There’s no doubt that SaaS is changing the way businesses operate. As more and more businesses deploy SaaS solutions to increase agility and manage costs, the providers that develop and deliver SaaS products are challenged to ensure the utmost performance and security of their applications to be able to acquire and retain loyal business customers. In fact, top SaaS performers can often see an annual renewal rate of 90% or higher.¹⁴

But the meteoric growth of SaaS is not a given. It means your organization must have the right foundation and support structures in place to effectively and efficiently develop, deliver, and manage your SaaS offering. As you continue to scale and evolve, you’ll need the reinforcement of a reliable, forward-thinking data center provider to help you optimize your hybrid environment, play more strategically, and ultimately win the SaaS game.

Contact CoreSite today to schedule a consultation: www.coresite.com/SaaS
to connect, protect and optimize their performance-sensitive
data, applications and computing workloads. Our scalable,
flexible solutions and 450+ dedicated employees consistently
deliver unmatched data center options—all of which leads to a
best-in-class customer experience and lasting relationships.

Learn more at: coresite.com

Sources:

1. VNI Global Fixed and Mobile Internet Traffic Forecasts. Cisco.

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