

## Service Providers Can Take a Bite Out of the \$30 Billion SaaS Pie

### IBSG Service Provider FastFacts

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Service providers continue to struggle to monetize the tsunami of data traffic flooding their networks from consumers and business customers alike. While data traffic is growing exponentially, revenue is relatively flat. In engagements with major service providers and global enterprises, Cisco's Internet Business Solutions Group (IBSG) has uncovered potential ways for SPs to generate additional revenue by helping software-as-a-service (SaaS) providers deliver a better experience to their enterprise customers. This FastFacts describes one way SPs can participate in a SaaS market estimated to reach \$30 billion by 2013.<sup>1</sup> By 2015, Forrester Research predicts the SaaS market will exceed \$78 billion, representing more than 80 percent of the global public cloud market.<sup>2</sup>

### Security Concerns Can Limit SaaS Benefits

Many large enterprises today have embraced SaaS as a way to streamline and reduce the cost of horizontal business processes, such as human resources, payroll, customer interaction, and collaboration. Such SaaS offerings as Salesforce.com and WebEx have enjoyed adoption by both small to medium-sized businesses and enterprises. While many enterprises see this as a way to take advantage of the benefits of cloud technology, businesses limit their cloud usage to functions that do not expose intellectual property to the outside world. For applications that can be accessed via a public connection—by partners, customers, suppliers, or remote employees—enterprise IT leaders require a way to ensure the proper level of security, such as providing a single point of entry with authentication.

Unfortunately, the required security measures often create data bottlenecks, hurting the application's performance, limiting its features, and sacrificing its real-time nature. Furthermore, the public Internet is prone to security lapses, and transport over PSTN does not allow for service-level agreements (SLAs) or monitoring. Even with access and authentication controls, some organizations will not allow *any* public access to SaaS offerings, limiting the benefits of cloud technology.



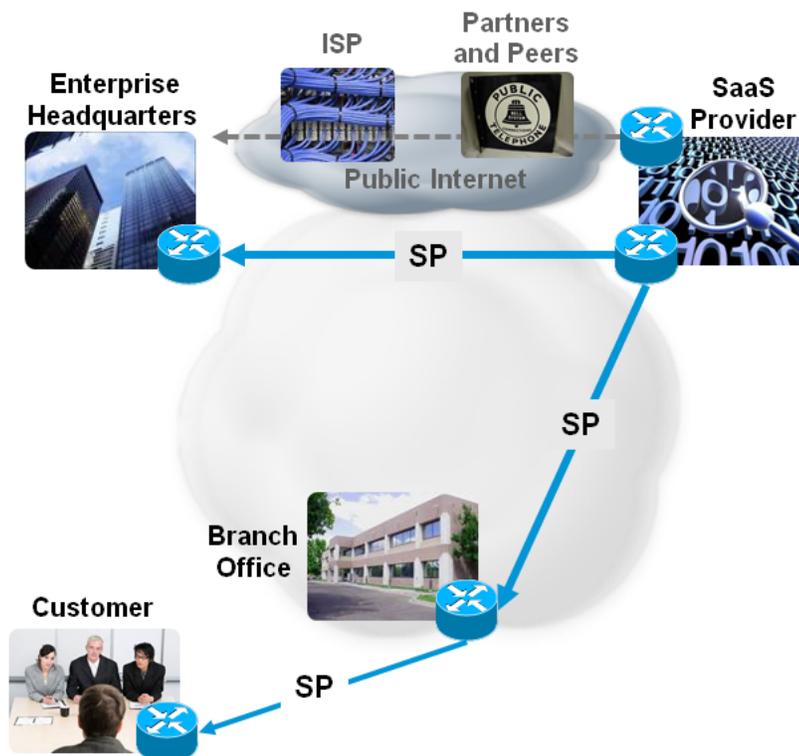
Cisco Internet Business Solutions Group (IBSG)

## SPs and SaaS Providers Can Cooperate To Provide a Better Customer Experience

Service providers can work together with SaaS providers to solve their customers' security concerns and deliver a better experience. By enabling public cloud application delivery in a private fashion, they can create value both for themselves and SaaS providers. Larger SPs, who have a significant customer base for enterprise WAN management, are in a unique position to provide secure end-to-end application delivery because they already manage secure connectivity to all locations throughout the enterprise WAN.

As shown in Figure 1, a service provider could extend a VPN to the SaaS hosting facilities, allowing the SaaS provider to bypass the public Internet and connect directly to the enterprise WAN. This direct connectivity would allow the SaaS application to flow entirely "on-net," without the security or performance problems of traditional delivery.

**Figure 1.** SPs Can Offer Secure End-to-End Delivery with Standard Security and QoS, and Complete Enablement of SaaS Features.



Source: Cisco IBSG, 2012

Service providers could eventually offer a host of additional features that benefit all parties—customers, SPs, and SaaS players—including:

- **Enhanced security:** Once the application is on-net, the SP can offer cloud-based security at various points in its delivery.
- **Application acceleration:** The SP may be able to offer enhanced performance and an end-to-end SLA to support application delivery.

- **IaaS facilities:** For horizontal offerings, the SP may be able to host the SaaS player in its IaaS facilities.
- **Integration with other offerings:** For specific offerings such as collaboration, there may be opportunities to integrate with existing offerings, such as VoIP.
- **API integration:** SPs can offer network-based API interfaces that would allow the SaaS provider to integrate its offerings with the services available on the SP network.

## Potential for Two-Sided Business Model

Finally, the partnership between the SaaS player and the SP may create an interesting opportunity for the SP to monetize private SaaS delivery from the enterprise side as well. In addition to the relationship we have described with the SaaS provider, the SP can offer enterprises a “premium” version of the SaaS offering with all the customer benefits described above—enhanced security, application performance, and SLAs. In informal surveys, enterprises that adopt significant SaaS offerings have shown an interest in paying for this enhanced offering, indicating the potential for a two-sided model.

Cisco IBSG has conducted extensive research and analysis on the implications to service providers of cloud adoption and evolution. For further information, please see “The Cloud Value Chain Exposed: Key Takeaways for Network Service Providers,” at <http://www.cisco.com/web/about/ac79/docs/sp/Cloud-Value-Chain-ExposedL.pdf>

## Endnotes

1. “The Cloud Value Chain Exposed: Key Takeaways for Network Service Providers,” Cisco Internet Business Solutions Group, 2012.
2. “Sizing the Cloud,” Stefan Reid and Holger Kisker, Forrester, 2011.

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### More Information

Cisco IBSG (Internet Business Solutions Group) drives market value creation for our customers by delivering industry-shaping thought leadership, CXO-level consulting services, and innovative solution design and incubation. By connecting strategy, process, and technology, Cisco IBSG acts as a trusted adviser to help customers make transformative decisions that turn great ideas into value realized.

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