

SHINING A LIGHT ON THE CLOUDS: FINDING A TRUE CLOUD SOLUTION





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The Cloud continues to hang over the business computing landscape like, well, a cloud. Public cloud, private cloud, hybrid cloud, SaaS, PaaS, IaaS—all of it makes for a confusing alphabet soup for even the most experienced industry observers and IT pros. And, as longstanding technology firms look for ways to get into the market and new entrants emerge, creating new terminology, claiming firsts and generally obfuscating the entire landscape, it only promises to get more confusing for technology buyers seeking a cost effective, scalable and agile solution for their needs.

This paper serves to provide some clarity around the different flavors of cloud and a detailed explanation of why multi-tenant SaaS offers the greatest combination of value, agility and scalability.

Defining the Cloud

At its simplest, cloud computing is just using someone else's computer over the internet. However, the marketplace has done its part to confuse things, offering up multiple flavors of cloud, including:

Public cloud: Shared services available for public use, including applications, storage, databases and analytics. Essentially, multiple people using someone else's computer over the internet.

Private cloud: Cloud infrastructure created for a single organization that takes advantage of advances like virtualization and economies of scale. Essentially, one company or many divisions of a company using one computer over the internet.

Infrastructure-as-a-Service (IaaS): Not much different from the public cloud, but the customer is just renting the processing power of the cloud, which it can scale up or down in times of need. The customer still maintains, customizes and updates the software. Some common examples include DigitalOcean, Linode, Rackspace, Amazon Web Services (AWS), Cisco Metapod, Microsoft Azure and Google Compute Engine (GCE)

Platform-as-a-Service (PaaS): Here the vendor provides not just the computing power, but also the development environment, allowing customers to build their own software applications while sharing services. Some examples are AWS Elastic Beanstalk, Windows Azure, Heroku, Force.com, Google App Engine and Apache Stratos.

Software-as-a-Service (SaaS): In this scenario, the vendor supplies everything—the processing power, the development environment and the software itself. Customers run the applications over an Internet browser and can feed or extract the data they need. Perhaps most importantly and often overlooked, SaaS is built in a multi-tenant architecture, meaning customers are all on the same version of the software at the same time.

Why Multi-tenancy Matters

It's this multi-tenancy that makes the big difference and separates fake cloud solutions from true cloud solutions. Many legacy software companies have simply ported their old code and architecture over to a private cloud and offered it up as a service—this is what we call the fake cloud. A true cloud platform is differentiated from a fake cloud platform for the following reasons.

- **Economies of scale**

Running business applications in a single instance, whether it's on-premise, with a hosting provider or with an Infrastructure-as-a-Service (IaaS) provider such as Amazon, does not provide the economies of scale of a multi-tenant solution. A hosted provider, aka the old Application Service Provider (ASP), model may save a company the hassle of managing hardware and using IaaS for applications may allow companies to tap into shared commodity hardware. But running all customers on one instance of software and shared hardware can mean far bigger savings. Some vendors might suggest that the advantage is only to the cloud provider, but be sure that savings are passed along to the customer—just do a little price comparison and you'll find out for yourself.

- **No more version-lock**

Cloud customers using a multi-tenant solution don't have to worry about being stuck four versions behind the way they do with hosted software. Ask customers whether they want the latest version of software and the answer is almost always "yes". Unfortunately, the follow-up questions are "how much does it cost and how disruptive will it be?". Customers of multi-tenant solutions do not need to worry about either one. Upgrades come as part of the subscription service and enhancements are iterative and gradual, what many end-users have come to expect based on their experiences with consumer applications.

- **Adapting to evolving regulations**

Those automatic, regularly scheduled enhancements are particularly important as regulations and standards change and evolve. For example, when changes were made to the Value Added Tax (VAT) by the UK and EU in 2008, 2009 and 2015, NetSuite customers didn't have to worry about downloading and testing new software. Since they were all on the same version of the software, NetSuite updated the code and all customers woke up with a compliant system. For on-premise customers, that meant downloading a patch, testing it to make sure it works and then testing any integration that might be impacted by the change. For on-premise or hosted cloud customers locked into even older versions, it's an even bigger headache. The same is true for the new changes coming to the ASC 606 accounting

standards. The changes coming for public companies in December of 2017 and private companies in 2018 demand more than just software upgrades—they demand many organizations rethink the way they operate, particularly around finance and sales commissions. NetSuite customers at least know they have a system that has addressed the new standards and built that into the system.

- **Customization**

True cloud vendors also provide a customization platform that allows customers and partners to not only customize the application on their platform, but ensure that all of those customizations continue to work when a new product enhancement is rolled out by the vendor. This guarantees that you not only get to use the latest functionality without delay, but that you do not need to constantly re-implement customizations and integrations you previously had in place every time a new product version comes out.

- **Investing in the future**

Furthermore, multi-tenancy means the money being spent on applications isn't just maintaining the status quo. The maintenance fees that go into on-premise and hosted software may ensure that you can implement the new version that comes out every couple of years, but doesn't account for the disruption and associated costs that goes along with that upgrade. With the true cloud, the money spent on a vendor like NetSuite is no longer being spent simply on what

you have. You're spending on the newest and latest versus just keeping the lights on. True cloud users are benefiting from all the enhancements made by the vendor as opposed to waiting for it.

- **Subscription pricing can be a differentiator**

Most multi-tenant SaaS providers offer their solution in a subscription pricing structure, typically per user/per year. This serves as a win-win for both customer and vendor. For the customer, the upfront costs are significantly lower than on-premise alternatives and the vendor needs to continue to earn your business. It also mitigates risk. While some cloud vendors offer perpetual licenses, should the implementation fail or the customer switch to another provider after a short period, they lose that upfront investment, but ultimately costs the vendor nothing.

Not All Cloud Vendors are the Same

Beyond the true cloud/multi-tenant vs. fake cloud/hosted debate, even within the world of multi-tenancy, all clouds are not created equal. Even as legacy providers are scrambling to cloud-wash their old applications, the emerging software companies are architecting their solutions for the cloud—they have to or they don't get funding. This leaves buyers in an uncomfortable place: either they turn to legacy vendors and hope the transition to the cloud goes smoothly, or they select an up and coming software company that has built their solution for the cloud from the ground up, but doesn't have the track record of serving customers long term or the deep pockets to

When evaluating cloud providers, it's important to ask these questions:

1. What is the vendor's viability, cloud track record?
2. What are the cloud SLA commitments, transparency?
3. Does the cloud vendor have the right certifications?
4. Is it hosted or a true cloud solution?
5. Has the provider achieved scale?
6. Can it be customized, extended and integrated?

ensure they stay in business. There is an alternative, however. There are a handful of companies that understood the need to architect for the cloud before the hype began and have built successful businesses with a large customer base, giving them decades of experience serving their customers in the cloud and the resources to continue development.

Shopping for cloud software can be a confusing endeavor. With the true cloud, customers get economies of scale, regular updates and the scalability they could not with hosted solutions. And with well-established companies like NetSuite, they get a partner invested in their success that continues to enhance the product, while supplying the security, uptime and flexibility that a modern business demands.

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