



## Software vendors evolution in the new industry paradigm

### Future of independent software vendors

# Table of contents

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- 03 ..... ISVs to deliver agile, innovative and customer- centric products
- 02 ..... Cloud computing & SaaS hold the Future for ISVs
- 03 ..... Mobility - Changing the equation in the software industry
- 04 ..... Analytics - Driving intelligent Product Engineering
- 04 ..... Conclusion

## ISVs to deliver agile, innovative and customer - centric products

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Continued consolidation in the Independent Software Vendor (ISV) ecosystem along with rapid technological advances, intense competition, shrinking product lifecycles and cost pressures are some of the trends that are converging at a rapid pace; this has fundamentally changed the way software products are being developed and delivered.

Even as the industry continues to attract new ISV players, the numbers are nowhere as near as they used to be. A recent study on ISVs showed a 3% decline in the number of software companies due to consolidation indicating the inability of upcoming ISVs to offset this effect.

With flexibility and agility becoming the keyword for customers today, ISVs are increasingly readying themselves and seeking newer ways to tap into potential opportunities for business growth. The onus is now on the "ISVs of the Future" to leverage the power of newer technologies and platforms to deliver innovative products that are customer centric

The maturing SaaS platform, the emerging cloud model and the rise of the enterprise mobile class in particular are noteworthy trends that are making their mark on the software industry and transforming the way ISVs conduct their business. Further, unpredictable customer demands and shorter product lifecycles have heightened the importance of business insights and intelligence in product development and customer experience. In this context, analytics have also fast emerged as a significant trend that will have a substantial impact on the ISV ecosystem in the coming years.

## Cloud computing & SaaS hold the Future for ISVs

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Cloud computing represents a fundamental paradigm shift in the software industry and is fast revolutionizing the way ISVs create and manage their products and services. This includes both ISVs developing new Software-as-a-Service (SaaS) applications as well as those transitioning their existing applications to SaaS. In 2010, it was estimated that about 7% of total software revenues came from Subscription based SaaS product. The growth in adoption of SaaS is led by specific software categories like HRMS, CRM, Sourcing, and other fast evolving categories such as Content Management Systems and core BI products. This trend is on an upward swing and according to Forrester ISVs will achieve more than 300% growth by 2013 as the SaaS market continues to mature.

While ISVs have long since used the traditional on-premise model, the evolution of the cloud and the emergence of enterprise friendly delivery models are now compelling them to take a serious re-look at their overall strategy.



In particular, the focus is on enhancing their abilities to accelerate product development lifecycles to roll out their offerings quickly and access new markets but with the minimum investment. And with tremendous opportunities abound in the transition to the SaaS and cloud model, established software players as well as startups stand to greatly benefit from the increased agility, improved availability and reduced capital expenditures and maintenance costs. Major SaaS ISVs like Salesforce and NetSuite have taken the limelight in recent times and are fast transforming the game and with their successful cloud-only SaaS delivery models.

Some of the factors that are driving the growth of SaaS and Cloud are:

- **Faster time to market:** Migrating an existing application to the SaaS model helps ISVs to augment their current product portfolio with a SaaS-based product in a very short span of time (less than four months). A variety of SaaS development tools and pre-made service delivery platforms can help new ISVs bring their SaaS applications to market quickly.
- **Low capital expenditure:** SaaS platforms that provide hosting or cloud-based services help ISVs avoid large infrastructure investments to deliver their SaaS applications. These platforms are useful for ISVs of all sizes, be it a startup SaaS ISV or traditional ISVs developing new SaaS applications.
- **Improved availability:** It is a critical requirement for all ISVs hosting software applications to meet the high quality service delivery that customers are increasingly demanding. SaaS platforms address this challenges and help ISVs deliver on industry standard level requirements with 24\*7 online availability of their products with minimal outages

- **Deployment platforms and accelerators:** While ISVs are in the transition phase, SaaS platforms and accelerators help simplify the migration to the SaaS model. They also provide tools and framework to integrate with other SaaS applications

## Mobility - Changing the equation in the software industry

The proliferation of smartphones, tablets and net books have signaled the rise of the mobile workforce. With mobile handsets becoming mainstream, mobility is expected to become a key enabler of transformation for businesses and customers worldwide. According to IDC, by 2013, more than 1.19 billion workers worldwide will be using mobile technology, accounting for 34.9% of the workforce. Mobility has opened up new channels for ISVs to build mobile solutions that complements the mobile customer and delivers a consistent and compelling customer experience across a wide range of devices.

Mobile OEMs are working closely with ISVs today to develop solutions that run on their devices to deliver a comprehensive solution. Enterprise applications from vendors like SAP, Oracle, Salesforce and Microsoft have released mobile versions of their enterprise solutions to bridge the gap in the enterprise mobility space.

On another level, mobile middleware vendors such as Sybase, Oracle, and IBM along with mobile middleware niche vendors like Ether Systems and BroadBeam are increasingly focusing on connecting enterprise solutions with device platforms to support multi-device platform development.

As a first step towards adopting mobility, ISVs are providing browser support to enable access of their applications through smartphones and introducing mobile thin client for smartphones with limited functionality.

Following this, ISVs now are developing native applications that offers users the best experience by taking advantage of the full capabilities of the mobile device. The next generation ISV's mobile strategy will have to move beyond native applications to encompass products that deliver a rich cross-platform user-experience, and offer the highest degree of usability.

## **Analytics – Driving intelligent Product Engineering**

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The next generation of software product engineering will entail achieving successful product releases in a highly competitive marketplace. However with fast changing trends and changing customer needs, Business Intelligence (BI) and analytical solutions are increasing making an impact in the decision-making and product development by enabling visibility and providing timely insights on what customers really want.

The ISVs are also increasingly looking at incorporating BI solutions to bridge the gap between the reporting and analytics needs of their customers and what their product can deliver. ISVs may choose to either build their own BI piece from the scratch or embed off the shelf solutions depending on the go-to-market timeline and resource constraints.

ISVs are now seeking ways to create a unique competitive advantage by providing out-of-the-box BI solutions as part of their product suites. By building predictive analytics solutions, ISVs can unleash the incredible power of analytics, particularly in the ability to recognize trends, forecast results, and ultimately make predictions.

The next-generation ISVs will not just limit themselves to enhancing their products with advanced analytics, but also will gradually aim to improve their overall product engineering services. With analytics and intelligence-based platforms providing valuable information on product features and feedback, ISVs stand to gain a competitive edge with crucial insights on their products and services.

## **Conclusion**

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The software market is undergoing a dramatic change. New technologies, solutions and business model are not just redefining the ISV landscape, but also provide them tremendous opportunities to innovate and create next generation solutions. Even as the customers expect flatter costs and greater IT flexibility, ISVs have to take the first step and evolve into agile businesses themselves in order to enable their customers to become agile as well. Over the next few years, the cloud, mobility and business analytics will lead the way ahead, shaping a new, exciting and challenging era in the software industry. And in order to stay ahead of the curve, ISVs must radically change the way they build, package, deliver and manage their offerings and transform themselves into the "ISVs of the Future", today.

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