



## **Key Questions To Ask Your Prospective Multi-Tenant SaaS/Cloud Service Provider**

Version 1.1

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# Purpose



Written for business and technology managers, this white paper outlines key questions to ask before signing a new CRM or ERP Software as a Service (SaaS) long-term contract.

# Six Key Questions To Ask Your Prospective SaaS/Cloud Provider

It's often said "The only constant in business is change." For that reason it is prudent to think about the impact of change on your business and your risk mitigation plan to manage it before you sign a long-term CRM or ERP service contract.

More specifically, consider:

- What has been the pace of change in your industry and in particular on your business the past 3-5 years?
- Has it accelerated or stabilized more recently?
- What degree of business change do you expect over the next 3-5 years and the duration of your service contract?

With your answers to these questions top of mind, make sure you are 100% comfortable with your prospective multi-tenant SaaS provider's answer to the following open points:

## **1. *What are my solution options if I'm not fully satisfied?***

Multi-Tenant SaaS Answer: Effectively few or none. By definition multi-tenant SaaS solutions are strictly a *sole-sourced* offering. As such, multi-tenant SaaS providers have no incentive to make it easy for you to migrate to another third party solution and no real incentive to delight you further once you are already a contracted customer. You have no place to go and they know it.

Armanino's Cloud Service Answer: Should your business needs change and/or if you ever become dissatisfied and we cannot otherwise resolve your concern(s), your switching costs are nominal. Unlike every other cloud service vendor offering, we provide ready access to *all* your data and do not charge a termination fee; making it as painless as possible to migrate to another solution if desired/need via one of three (3) options. Option 1 is to purchase your own perpetual Dynamics license, load the backup file, and run the solution on-premises or with your favorite hosting provider. Option 2 is to do the same but engage one of many other Dynamics cloud solution providers. And, Option 3 is to migrate it to another vendor's product solution of your choice. As a result, we have a clear incentive to

continue to deliver great service even after you've signed your contract.

## **2. *What other deployment model options are available?***

Multi-Tenant SaaS Answer: Likely none. Multi-tenant SaaS providers offer one and only one deployment option. Their products run on specialized *proprietary* platforms and are built using *proprietary* programming languages. Consequently, resources with these relevant skills are scarcer to find and generally command higher fees/compensation in the market.

Armanino's Cloud Service Answer: Microsoft offers on-premises and partner-hosted deployment models for ERP and on-premises, partner-hosted and Microsoft hosted deployment models for CRM as well as the option to migrate between each model if your needs change. Microsoft products are primarily built on the .Net worldwide standard (e.g. Dynamics CRM). In some cases they have components built using proprietary programming languages (e.g. Dynamics AX, Dynamics GP) – though typically in areas not accessible by customers anyway. For areas accessible and modifiable by customers and partners, most all are built on .Net standards to allow open interfaces and easy integration. Likewise, as a worldwide standard, Microsoft skilled resources are readily accessible for hire in the market.

## **3. *Can I customize my solution if needed?***

Multi-Tenant SaaS Answer: No. With the multi-tenant SaaS model customers are not allowed to modify the application or database. All users are constrained by the same standard functionality available to all other tenants. Sharing solution components between tenants in this way enables economies of scale but also adds complexity and creates dependencies that require tenants behave in unison for things like upgrades and maintenance (e.g. rebooting the system for one tenant impacts everyone else on the same physical server).

Armanino's Cloud Service Answer: Yes! Via virtual server technology you have complete control to modify your application and database instance as needed/desired.

#### **4. How can I be sure your offering roadmap will keep pace with the market and my future business needs?**

Multi-Tenant SaaS Answer: You can't. While no vendor software solution can be expected to be all things to all customers, reason would argue it is especially unlikely that vendors with R&D budgets orders of magnitude smaller than their competition (however efficient they might be) are in the best position to truly deliver and sustain market leading end-to-end solutions and service performance over the long term. Furthermore, while the multi-tenant SaaS pioneers benefited from a first mover advantage and certainly shook up the industry, at this point all the major software providers now compete with their own cloud services and development platforms.

Armanino's Cloud Service Answer: Microsoft is the largest software provider in the world with a 30+ year track record of success powered by a R&D budget orders of magnitude larger than any other software provider to ensure your solution meets and exceeds all expectations!

#### **5. What alternative support service options are available?**

Multi-Tenant SaaS Answer: Effectively few or none. With the notable exception of Microsoft, all multi-tenant SaaS and other major software providers utilize a direct sales and service go-to-market model. So, if you don't like their support services in general, you don't have much of a choice.

While each vendor is well-equipped to answer inbound product-specific help desk questions, their strategic focus, investment and attention is not (and cannot be) on helping their customers operate their respective business' more effectively. As public companies (and aspiring public companies) their market-driven mandate is to increase (high-margin) software sales (only). Too much (low margin) services revenue actually negatively impacts their stock price/business valuation as a would-be high-growth technology company. Consequently, their macro level business incentive is to cap their services revenue percentage by having either the customer or a services partner do more of the services tasks. Thus, in addition to the "you can do it yourself" marketing messages, most 'direct' software vendors also have some type of service partner program.

However, as inherently 'direct' sales and service model companies these adjunct partner programs are frequently a source of internal rivalries and channel conflict with the vendor's own direct sales and service departments. This DNA rejection in turn leads to a less collaborative and effective service partner program. And, as a pragmatic result, the quality, depth and breadth and therefore the viability of these partner-based support service alternatives varies greatly by software vendor, product and geography.

Armanino's Cloud Service Answer: Microsoft is unique among the major software providers in that they are the only company to utilize a 100% 'indirect' go-to-market model. This allows Microsoft to focus on what they do best (making great software) and Armanino to focus on what we do best (providing great service). Thus avoiding all channel conflict issues and aligning everyone's incentives to deliver a superior customer experience. The inherent value of which cannot be overstated. It is the real secret sauce to Microsoft's, Microsoft's Partner Network, and ultimately your success!

## **6. *What price negotiation power will I have in the future?***

Multi-Tenant SaaS Answer: Little or none. Multi-tenant SaaS providers are well aware of the high switching costs your business faces so they have little or no incentive to negotiate further once you are customer. Charging incremental fees to increase their margins over time as your business grows is the core premise of their business plan. There counting on it.

Armanino's Cloud Service Answer: With the power of choice and competition, Armanino is fully incented to deliver great ongoing service. If we cannot deliver great value, we know you have viable choices!

Needless to say the implications of the multi-tenant SaaS provider business model outlined above on your company's business flexibility (or lack thereof) should be considered carefully.

At the same time, the good news is there are other cloud solution business models that deliver the same benefits without forcing you to give up control over your business. Research the alternatives then decide which model is the best fit for your company.

Choice and competition are indeed good things.

# Conclusion

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Supposing you do seek to take advantage of the many benefits of a cloud solution (i.e. low price, subscription model, time to market, high-availability, security, anywhere access, world-class IT infrastructure capability, outsourced IT support, et al) but don't want to give up management control, lose your business flexibility or become beholden to a single multi-tenant SaaS or other major software provider, what then?

First, be an informed buyer and ask the right questions. There are viable options to choose from. Fortunately, you are now more prepared.

Second, have a plan, predefine your selection criteria, and do your research. Not every cloud solution is created equal. Consider your business needs and risk management approach in determining which deployment model is the best fit for your company. The additional time it takes to perform a thorough due diligence effort is well worth the investment. It will pay dividends for many years.

Third, do business with the vendor/solution partner(s) you trust. Don't get *sold* something; *buy* the solution you are confident will best meet your needs. You are in control. Don't rush to sign a contract until you're sure it is the right long-term solution for your company.

After all, you're going to live with your new CRM or ERP system selection a long time. Make it a good decision!

# About Armanino Consulting

Armanino Consulting helps companies succeed by enabling their *CFO Evolution*. As a division of Armanino McKenna<sup>LLP</sup>, the largest California-based CPA and Consulting firm, we offer a comprehensive portfolio of business and IT services to support the CFO organization at each stage of your company's business growth.

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