



## **Cloud Single Sign-On for SaaS Providers**

*Building a Stronger SaaS Business*



This white paper is sponsored by Ping Identity.

## Growing SaaS Market

“The global SaaS market will be worth \$12.1 billion in 2011, growing by 21% CAGR and should reach \$21.3 billion by 2015.”

**Tom Eid,**  
**Vice President, Research**  
**Gartner**  
July 2011

## Analyst's View

“SaaS applications frequently inherit their user interface from familiar web programs ... this provides natural and intuitive usability.”

**The ROI of SaaS report**  
**Forrester Research**

## Introduction

Despite an unpredictable economic climate, Software-as-a-Service (SaaS) providers continue to enjoy strong demand for their solutions. Customers like pay-as-you-go flexibility, short-term commitments and fast implementations. As the SaaS model continues to evolve, leading companies are finding creative ways to build, market, sell and deliver their services to customers. To increase subscription renewals and additional service purchases, it's critical to provide a superior customer experience, address customer security and compliance requirements and control service delivery costs. This paper demonstrates how a robust Single Sign-On (SSO) solution can address these key criteria for ultimate SaaS business success.

## SaaS Success Criteria and the Role of SSO

Montclair Advisors believes that a proven SSO solution allows SaaS providers to stay focused on three important areas of their business –providing superior customer service, controlling service delivery costs, and addressing customers' security and compliance requirements.

### Delivering a Superior Customer Experience

SaaS companies must continually monitor and improve their overall customer experience. Customer satisfaction scores are important indicators of a customer's desire to renew their annual subscription, as well as their intention to purchase additional services. For example, Montclair Advisors recently profiled Ariba, a large SaaS hybrid firm, and found that the firm's ability to quickly resolve customer issues was directly correlated to their 97% renewal rates.

Other leading indicators of superior customer experience are adoption and consumption, which can be measured by license utilization numbers, average time spent within the application, and attempts to access the application. Strong metrics give SaaS providers leverage when cross-selling and up-selling, as well as reduce the risk of being replaced by a competitor.

Delivering superior customer service also requires cross-functional commitment at the systems level:

- **Integrated Service** -- A 2011 Appirio survey, *State of the Public Cloud: The Cloud Adopter's Perspective*, reported that more than 75% of respondents said it was important or very important to provide deeper integration between both SaaS-to-SaaS and SaaS-to-on-premise applications, primarily for user adoption.
- **Dependable Service** -- SaaS providers must be able to seamlessly support tens or hundreds of thousands of transactions without downtime. Some providers like Salesforce.com, Google and Amazon AWS offer nearly continuous uptime service. At a minimum, SaaS providers must support 99.85% uptime for customers to have confidence in their offering.

## **Role of SSO in Delivering Superior Customer Experience**

SSO improves adoption and consumption by eliminating passwords. Users simply sign-on once to their corporate domain, then gain access to all of their permissioned applications. One-click access increases SaaS application convenience, mitigates login issues and keeps users in the application longer.

Improvements in adoption and consumption please Line of Business executives as well. According to James Elwood, vice president of technology at online financial management solutions provider Geezeo, “Ping SSO has enabled us to maintain a trust relationship with our customers. The identity provisioning has put our banks at ease from a security standpoint and not having to remember passwords has made end users very happy.”

Behind these business benefits of SSO are two important systems level considerations:

First, SSO solutions must be able to integrate with multiple types of user directory systems, including existing on-premise systems (e.g., Active Directory, Oracle, Microsoft and CA), as well as third-party SaaS services (e.g., Google and Salesforce.com). This integration sets the stage for a seamless user experience, and is thereby rapidly becoming a requirement by customers.

Second, SSO solutions must meet or exceed SaaS service level agreements. For example, Ping Identity’s Cloud SSO service guarantees uptime of 99.9% but has had 100% uptime for the past two years. In addition, SSO services should include high availability/disaster recovery capabilities, such as dual redundant data centers, load balancing, and clustered servers and applications, as well as multiple monitoring services both from internal and third party sources.

## **Controlling Service Delivery Costs**

For SaaS providers, it is critical to develop a software platform that scales cost-effectively. This is accomplished by finding ways to lower their overall Cost of Goods Sold (COGS) as a percentage of their company’s overall revenues. Software benchmarking firm OPEXEngine tracks hundreds of public and private technology firms and states that the industry average for COGS at a SaaS firm ranges between 20-40% of their total revenues.

Montclair Advisors research also suggests that for SaaS companies to break even or reach profitability, their COGS must be between 30-35% of the total company revenues. With a 30% COGS, this yields a 70% gross margin which is much lower when compared to traditional software companies, that are used to seeing 90-95% gross margins. This margin difference is one reason SaaS companies should be laser focused on controlling service delivery costs, which are key to SaaS business model profitability. SaaS COGS typically include:

- Infrastructure management and upgrades
- Administration and security
- Product support
- Third party licensing
- Facilities
- Power and bandwidth

## Cloud SSO Cost Advantages

- Streamlined platform administration
- Compliance with SAS70
- Subscription-based format eliminates CAPEX
- Reduced help desk activity
- Standardized services
- Low or no R&D investment

## TCO Considerations

In a buy versus build scenario for SSO, over five years, partnering is up to 2.5X less expensive than building and maintaining SSO in-house.

**Montclair Advisors**  
October 2011

## Role of SSO in Controlling Service Delivery Costs

With a software or cloud-based SSO solution from a partner like Ping Identity, there's no need to conduct an expensive and resource-intensive internal build project. In addition, SaaS firms can focus on core competencies rather than dedicate time and money to security updates, administrative issues and ever-evolving standards like SAML, WS-Trust, OAuth and OpenID.

John Landy, chief technology officer of IntraLinks, a provider of critical information exchange solutions, agrees. "Ping Identity reduces the time and costs of delivery when compared to using a proprietary identity management approach."

Should the SaaS provider choose to license a Cloud SSO offering, they can subscribe to the SSO software and pay an annual fee rather than an up-front capital expense. This ability to tie the product licensing costs to the actual consumption of the SSO software is one way to maintain favorable working margins for a new SaaS business.

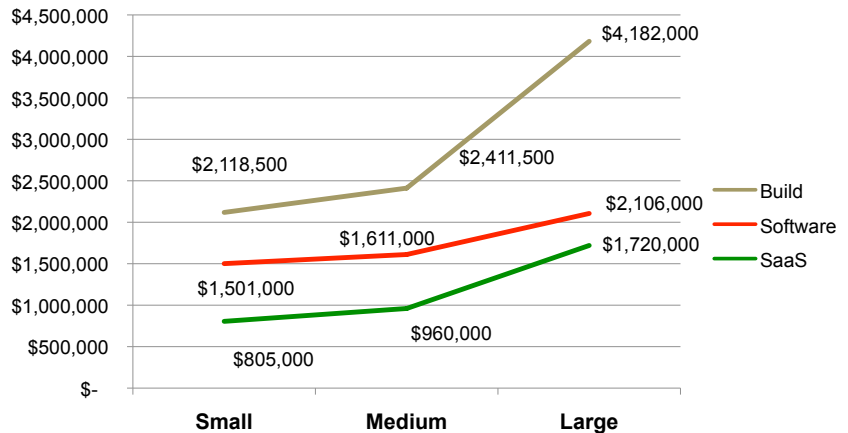


Chart 1: TCO Comparison – Total Costs Over 5 Years

This chart is based on Montclair Advisors internal TCO model that compares various SSO options including an in-house build, software-based and SaaS offering. The chart also provides typical aggregated costs for maintaining SSO in small, medium and large use case scenarios.

For each scenario, due to dedicated support staff and infrastructure, the in-house build is always less cost-effective than either a software or SaaS-based deployment. Software and cloud-based alternatives, such as those offered by Ping Identity, usually don't require full-time research and development resources either for the initial build or for solution maintenance over time. In fact, in a May 2010 SaaS customer survey, 74% of Ping SaaS partners who deployed Ping SSO admitted a return on their investment in less than 12 months.

## SaaS Customer Survey

“77% of SaaS providers use Ping Identity to focus on their core business and leverage industry standards.”

TechValidate July 2011

## Addressing Customers' Security and Compliance Requirements

Often-overlooked benefits of leveraging an SSO solution are security and compliance. Many SaaS customers are publicly traded firms with regulatory requirements for internal processes, such as Sarbanes-Oxley and their own SAS70.

Proven SSO solutions alleviate many security and compliance concerns by providing customers centralized access control within their own directories, and enabling them to provision users according to their own security and compliance policies.

Montclair Advisors recommends partnering with Cloud SSO solution providers who maintain their data centers with SAS 70 Type II compliance and 24x7x365 standards-based security practices, as well as adhere to a policy of “no passwords in the Cloud.” Otherwise known as “password vaulting,” this practice introduces a set of security vulnerabilities and the potential for the passwords in the user directory to be out of sync with those passwords in the Cloud.

Elwood supports this position, “By relying on Ping’s SSO expertise our clients can be assured of seamless access to our services without passwords in the Cloud. It’s important our customers maintain control of their user directories and passwords, and not introduce security concerns. Ping SSO gives our customers this peace of mind.”

## Conclusion

There are many ways an SSO solution can help bolster your key SaaS success criteria:

- **Improve Customer Experience.** By eliminating passwords with SSO, you speed onboarding, increase user adoption and broaden usage of your SaaS application. This translates to increased renewal rates and service expansions. Elwood explains it well, “By using SAML and Ping Identity, the solution allows us to configure SSO once and implement many times for our customers, which increases our sales and business velocity.” Ping Identity enjoys a 99% customer satisfaction rating because customers find it easy to work with them. Furthermore, SaaS companies like the secure, flexible way they can integrate with multiple systems.
- **Controlling Service Delivery Costs.** An in-house SSO solution, for the average SaaS provider over five years, is up to two and a half times more expensive than leveraging a software or Cloud-based SSO solution from a provider like Ping Identity. In addition to cost-savings, there are no software upgrades for a Cloud-based SSO solution, which result in lower overall platform administrative costs. The product also cost-effectively scales, which allows SaaS companies to add new customers and end users quickly and efficiently. Elwood reports that by using Ping SSO, Geezeo's average implementation cycles have been reduced from three weeks to three days, including testing.
- **Supporting Customers' Security and Compliance Requirements.** Many customers are demanding that SaaS application access meet or exceed their corporate security and compliance requirements. SaaS providers who offer Ping SSO have a competitive advantage because they allow their customers to maintain control over their own identities via their internal corporate directory.

## 94% of SaaS Providers would recommend Ping Identity.

Tech Validate Ping SaaS Customer Survey, May 2011

In conclusion, Montclair Advisors believes that partner SSO solutions play a valuable role in delivering a stronger SaaS business. When considering an SSO solution, Montclair Advisors recommends evaluating Ping Identity.

Ping Identity has been in business since 2002 and currently works with more than 160 software and SaaS partners. Their solutions are based on industry standards like SAML, OAuth, WS-Trust and OpenID allowing them to provide highly secure SSO solutions to their SaaS partners.

## Resources

### Ping Identity

Website: <http://www.pingidentity.com>  
Ping Talk Blog: <https://www.pingidentity.com/blogs/pingtalk/>  
Ping User Groups: <https://www.pingidentity.com/support/user-groups/>  
LinkedIn Group: [http://www.linkedin.com/company/21870?trk=saber\\_s000001e\\_1000](http://www.linkedin.com/company/21870?trk=saber_s000001e_1000)

### Products

PingFederate: <https://www.pingidentity.com/our-solutions/pingfederate.cfm>  
PingConnect: <https://www.pingidentity.com/our-solutions/pingconnect.cfm>  
Free Trial: <https://www.pingidentity.com/support-and-downloads/>

### Additional Content

Partner Directory: <https://www.pingidentity.com/partners/saas-partner-directory.cfm>  
Success Stories: <https://www.pingidentity.com/customers/customer-case-studies.cfm>  
SAML Tutorial: <https://www.pingidentity.com/resource-center/SAML-Tutorials-and-Resources.cfm>

### Industry Resources

OAuth: <http://oauth.net/>  
OpenID Foundation: <http://openid.net/>  
SAML XL.org: <http://saml.xml.org/>  
WS-Trust: <http://docs.oasis-open.org/ws-sx/ws-trust/200512>  
Appirio Cloud Survey: <http://thecloud.appirio.com/StateofthePublicCloudWhitepaper1.html>  
OPEXEngine: <http://www.opexengine.com>

### White Paper

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