



Strategic Thinking

New Business Models for Tech Success

LeCayla Technologies' Metering and Billing Solution for SaaS Deployments

Company Enables Flexible Billing Capability for On-Demand Software Pricing

LeCayla Technologies' metering and billing solutions allows ISVs to offer software applications on a utility, perpetual licensing or hybrid pricing basis.

Opening Thoughts

Pricing is one of the key challenges for the Software-as-a-Service (SaaS) market. Software vendors are moving from selling software based on capacity to selling it based on actual usage. In traditional perpetual software licensing agreements, customers paid for capacity whether or not they used it, and the customer's buying decision was based on whether their return warranted the investment. For some customers a single transaction could justify a purchase, for others it could take thousands of transactions to justify their software investments.

By moving to a SaaS model, independent software vendors (ISVs) must establish new pricing models and mechanisms to match the varying expectations of specific customers. At the same time, they must avoid the risks of over-pricing some customers and under-pricing others. Overall, the challenge for the SaaS provider is to develop a pricing model that allows it to fairly capture the value of their software solution based on its customers' usage patterns, and secondly to measure and bill for that usage in a cost-effective fashion.

Legacy application ISVs architected an elaborate set of custom pricing schemes to accommodate complex, multi-variable operating environments. In contrast, the fundamental appeal and value of SaaS is its simplicity, ease of administration and scalability. These attributes are changing the competitive landscape in the software industry.

Many user-centric SaaS solutions, such as salesforce.com, include simple per-user or per-seat pricing models. However, more complex enterprise applications demand more sophisticated tracking and measurement methods to automate software usage metering and user billing processes.

Metering and billing has been identified as a major challenge in the evolution of SaaS from an end-user oriented software fad to a viable business alternative. Unlike today's most prevalent SaaS solutions that can be relatively easily provisioned and priced on a per user/seat basis, enterprise applications that are integrally embedded into an organization's business operations must be measured on a different set of metrics. These metrics can include concurrent resources consumed, number of transactions executed or workflow actions taken.

The challenge is especially acute for ISVs and their channel partners who are offering multiple applications to a variety of users with differing usage and payment requirements. In a world where no one pricing model can fit all customers, developing an automated metering and billing mechanism to cost-effectively respond to varying customer and channel needs is essential.

This profile will examine how LeCayla Technologies (www.lecayla.com) is addressing this issue.

LeCayla Technologies' Software Metering and Billing Solutions

Founded in 2004, LeCayla Technologies' metering and billing solutions allow ISVs to offer software applications on a utility, perpetual licensing or hybrid pricing basis.

LeCayla's metering and billing allows an ISV to flexibly quantify usage data generated by a software application.

LeCayla Technologies is developing a set of solutions which should be considered when it comes to metering and billing in complex, 'on-demand' software environments.

Specifically, LeCayla provides three key capabilities:

- flexible *usage recording* allowing the ISV to determine what data is collected,
- flexible *usage rating* allowing the ISV to determine what is charged ,and
- the ability to *vary pricing and rating* terms on a *per customer per contract* basis.

LeCayla enables an ISV to define how it bills its customers. The ISV determines what data will be collected by the LeCayla solution for billing purposes, and how the data will be treated.

Typically, there are three classes of billing metric. There are *resource metrics* such as users, CPUs, connections etc., that may be billed on a 'per use' or 'per concurrent use' basis. Secondly there are *transactional metrics* which are usually charged on a one-time only basis. Third, there are *workflow metrics* such as document flows or activities. LeCayla allows the ISV to establish rules for each of these metrics. Rules can be combined within a specific customer contract to allow the ISV to build complex pricing matrices. For instance, an ISV may charge a one-time only fee for service activation, plus a fixed monthly subscription fee with a surcharge based on activity. Each contract can be modified to suit the specific customer engagement as appropriate.

LeCayla's solution is available as a SaaS offering. However, it can also be situated at any point in the supply-chain. It can be deployed by the ISV within their hosting environment, or at the channel and enterprise levels. In addition to its flexible deployment features, LeCayla's solution is also highly secure, relying on digital certificates for authentication purposes. The solution is scalable to accommodate multiple application, channel and user contracts and relationships.

LeCayla offers a number of means to collect usage data. ISVs deploying a SaaS solution will typically leverage LeCayla's Service-Oriented Architecture (SOA) interface to report usage events. However where a deployment is behind a customer firewall, LeCayla utilizes agent technology to collect activity data. LeCayla also allocates digital certificates to track usage levels across the supply-chain of third-party distributors and enterprise departments.

This approach enables LeCayla to not only track complex transactions within a single application process, but to compile comparable data across multiple deployments and along a multi-tiered, supply-chain of various channel partners or enterprise entities. This makes LeCayla's solution particularly valuable in the multi-tenancy world of SaaS.

LeCayla has succeeded in attracting the attention of a variety of ISVs and system vendors. For instance, LeCayla is currently working with a leading design software company that needs to cost-effectively track customer usage and with a data warehousing company that wants to charge users on a resource consumption basis. LeCayla is also working with a major system vendor in a joint engineering project and in various customer pilots.

Strategic Thoughts

SaaS has generated significant end-user acceptance and adoption because of its functional advantages and flexible pricing mechanisms. The rapid success of SaaS is fundamentally changing the nature of the software business and disrupting the software industry.

Extending the SaaS model into the enterprise software market entails significant provisioning and pricing challenges. ISVs that want to offer complex enterprise applications on a multi-tenant SaaS basis must adopt an economical approach to measuring software utilization and a practical method for billing for their solutions 'on-demand'.

LeCayla Technologies is developing a set of solutions which should be considered when it comes to metering and billing in complex, 'on-demand' software environments.

About THINKstrategies, Inc.

THINKstrategies, Inc. is a strategic consulting services firm that helps enterprise IT decision-makers with their sourcing strategies, IT solutions providers with their marketing strategies, and venture capitalists with their investment strategies. For more information, visit www.thinkstrategies.com, or contact Jeffrey Kaplan, Managing Director, at 781-431-2690 or jkaplan@thinkstrategies.com.