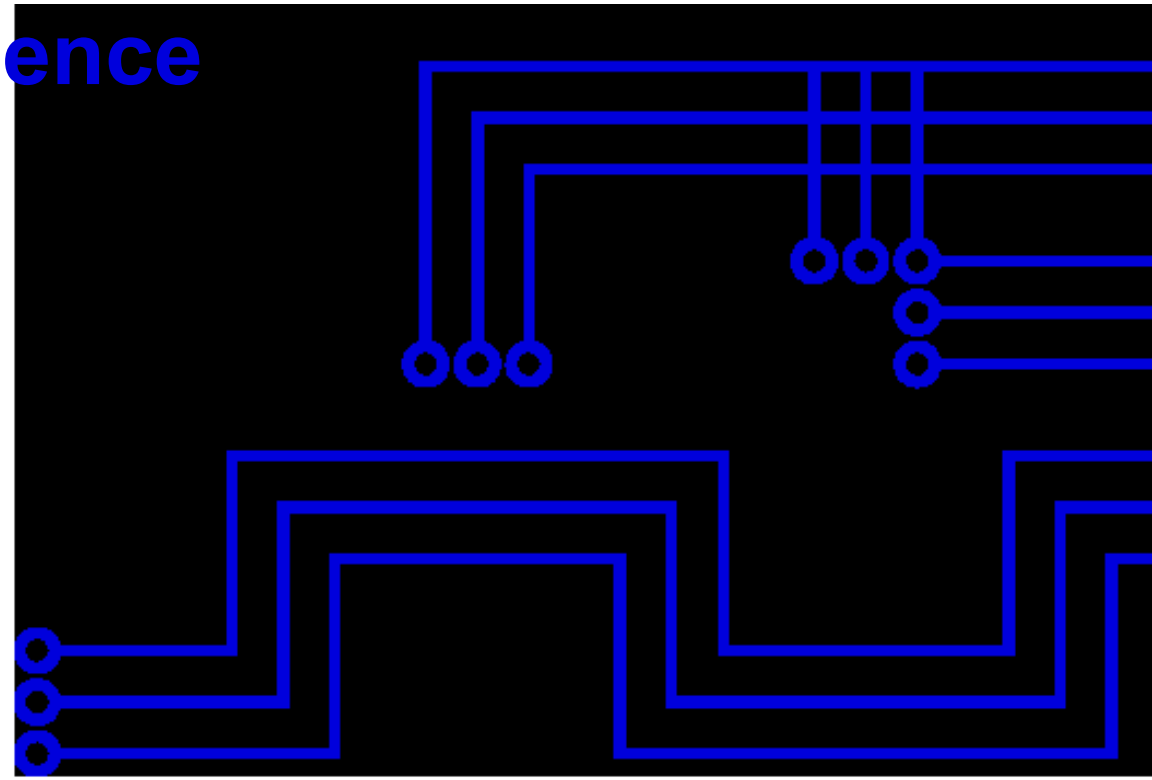
MUNI FI

Laboratory of Service Systems

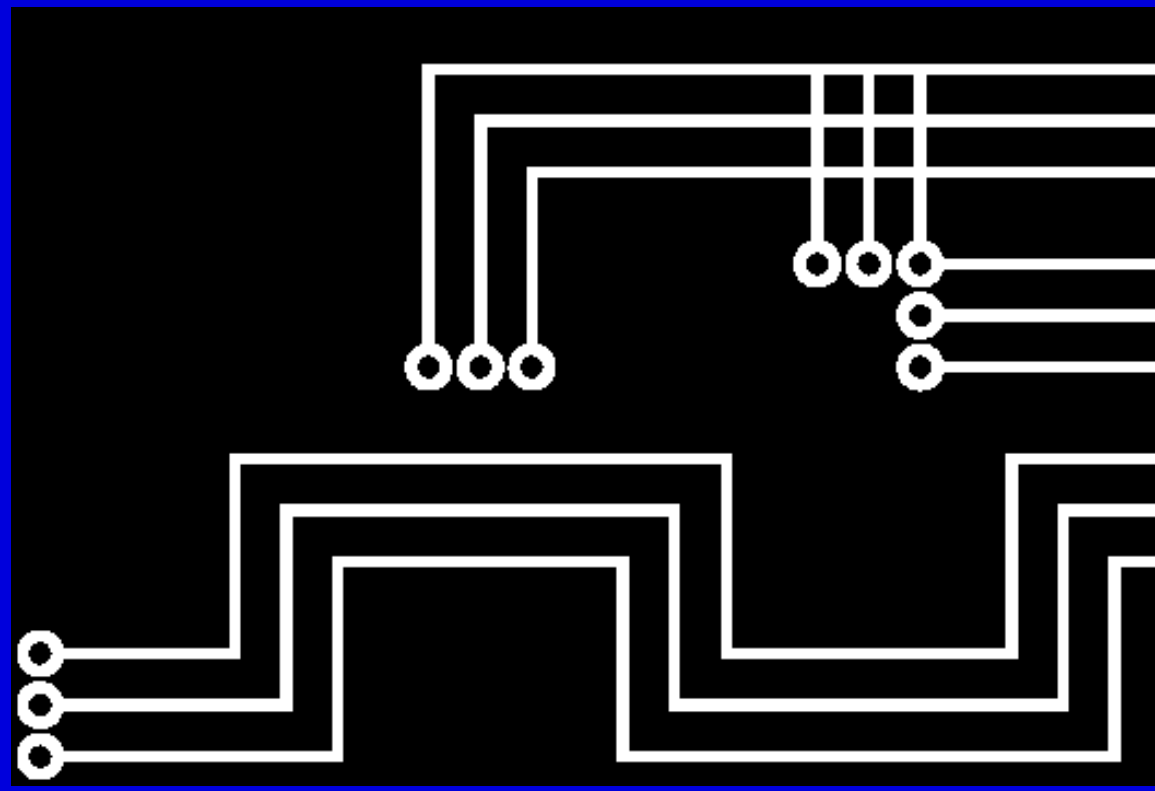
Basic application of Service Science



2022

Value estimation

How to find proper value proposition



Problem of moral hazard

a tendency to take undue risks because the costs are not borne by the party taking the risk

The customer can affect an event he is insured against, but the seller has no power to monitor or affect this event.

- ERP supplier has limited information about customers IT security
- Provider has limited information about the basement of the real client´s problem

Double moral hazard

- Client does not know if the provider is able to operate on the target

Double moral hazard

- Illusion of value proposition
- Provider is not able to see the basis of target
- Client is not able to see the benefits of the cooperation
- Both are motivated to share information and knowledge
- Value proposition can not be set up

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Example

The company needs information system to support its core business

The company has serious problems with communication with customers

But also hidden problems

- processing information
- time spent on one particular business case is too long – mostly caused by bad communication inside the company

IT company

Offers a big customised ERP system together with CMS system

- CMS system has connection to Social Networks

The problem to solve is the communication

But it is not a part of the problem

IT company needs to find its paths through targets – to analyse the situation if the client

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Value

Value proposition is hidden

- is hidden by the hill

Hierarchy of barriers hiding the target

- have to be overcame step by step
- leads to process of value estimation

Value can not be proposed

It can be only estimated

- is used to find value proposition
- there is not a target, only target area
  - target area is the space of all sub-targets, corresponding with particular value estimation

Value estimation

- modified by the value co-creation process
- motivated by the decreasing of the level of information asymmetry of both parties
- the process is about particularize of value estimations
- till the moment of founding the value proposition

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Value proposition

can be found in the moment client and provider can see the target

- share the same point of view
- both can see the utility level
- and share as well

both partners agree with concrete mutual criteria of success

- variables to test
  - no of customers
  - profitability
- target values
  - number of customers rise of 30%
  - profitability rises more than 10%

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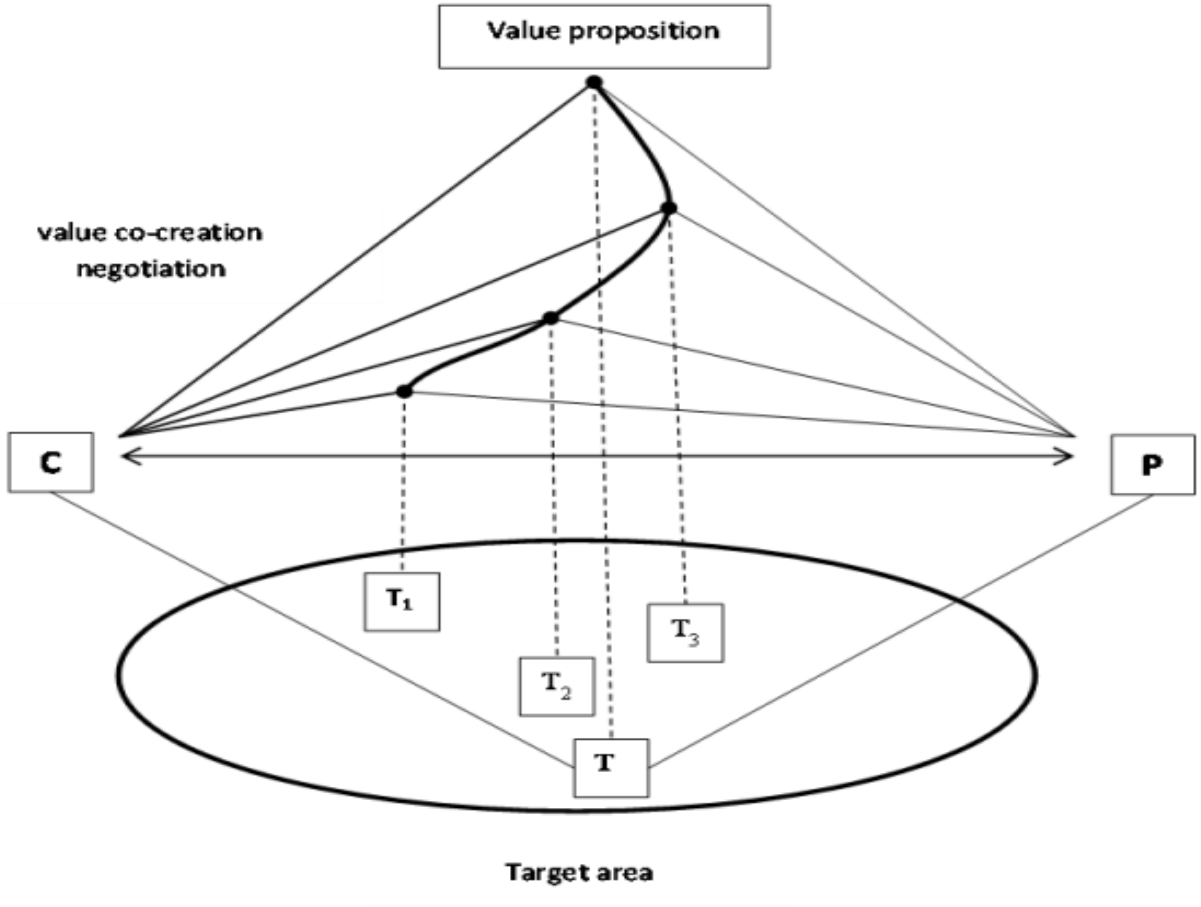
Value proposition



Costs of value estimation

must be shared and paid

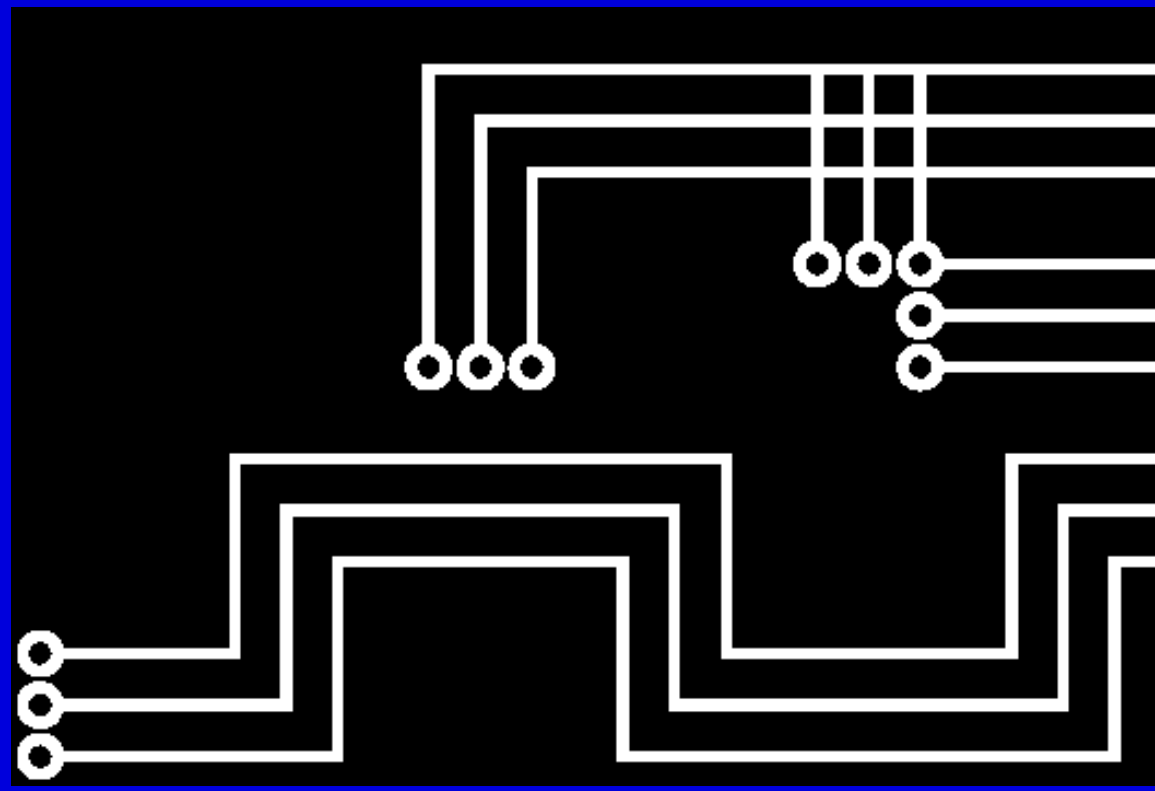
- problem is complex
- must be understood and explored

provider must be paid for using his sources to do it

Client is paying for the analysis of the target area

Software as a Service

How to communicate with normal managers



History

60s

- Centralized hosting of business applications
- service bureau
  - company which provides business services for a fee
  - eg. IBM
  - time-sharing
  - sharing of a computing resource among many users by means of multiprogramming and multi-tasking
- utility computing
  - a service provisioning model in which a service provider makes computing resources and infrastructure management available to the customer as needed, and charges them for specific usage rather than a flat rate
- mainframes

History

90s

- Application Service Provider (ASP)
  - thanks to expansion of the Internet
- class of centralized computing
- services of
  - hosting
  - managing specialized business applications
- reducing costs through
  - the solution provider's specialization in a particular business application
  - central administration

History

2001

- Software as a Service
- extends the idea of the ASP model
- software vendors
  - first ASPs were focused on managing and hosting of third-party independent software vendors' software
- SaaS
  - typically develop and manage their own software

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History

application clients

- ASP
  - Client - Server
  - initial ASP used thick clients
- SaaS
  - Thin Clients
  - Web browsers

software architecture

- ASP
  - maintaining a separate instance of the application for each business
- SaaS
  - utilize a multi-tenant architecture
  - multiple businesses and users

Applications

Well known SaaS

Gmail
Google Drive
Office 365

Messaging

DBMS software

management software

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Architecture - provider

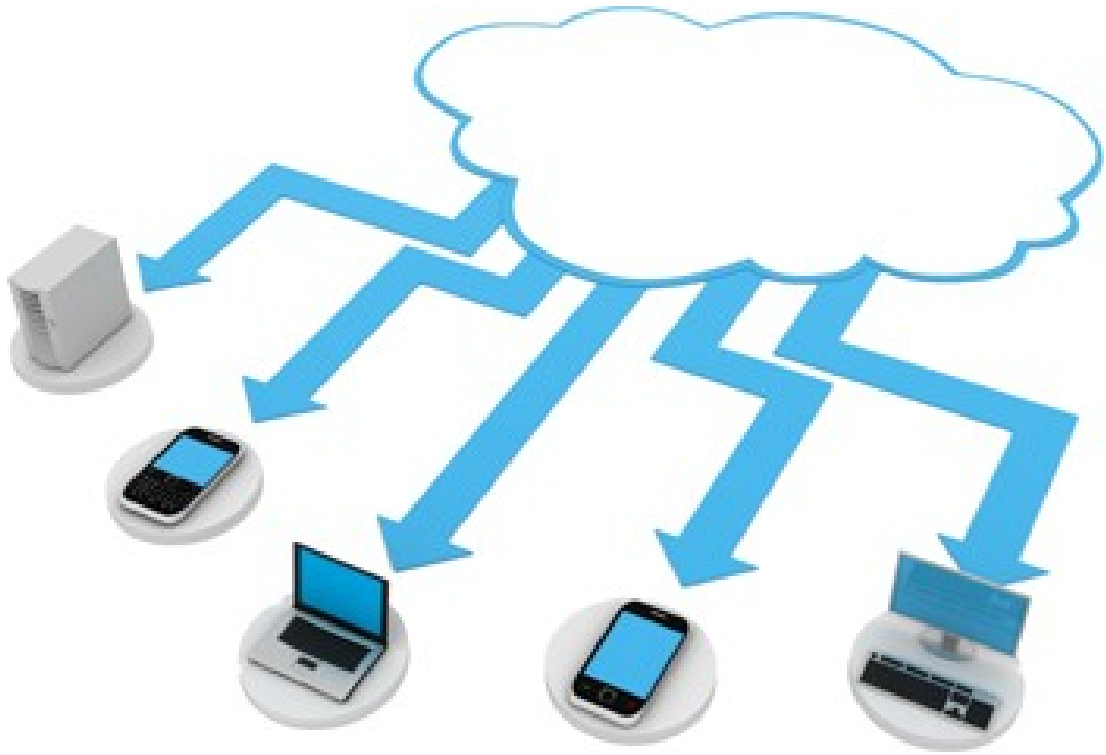
Cloud

Cloud Service models

support of scalability

- horizontal scaling
- the application is installed on multiple machines

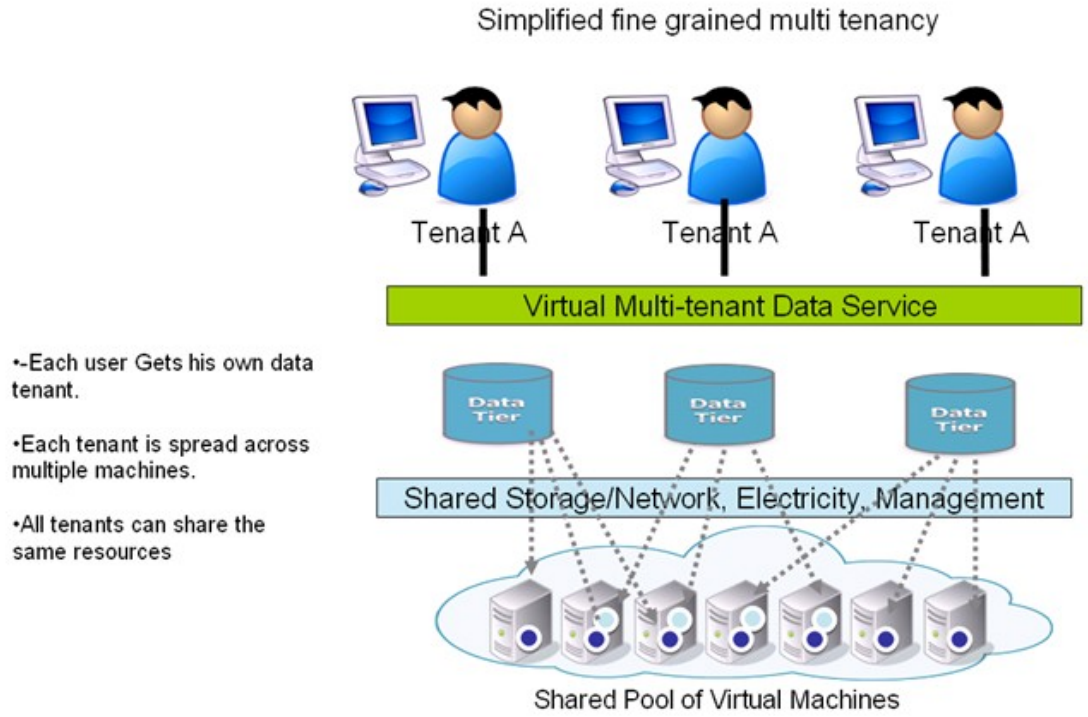
tenant



Architecture - provider

multi-tenant services

- Vast majority of SaaS solutions
- a single
  - version of the application
  - configuration
  - hardware, network, operating system
- advantage in comparison with traditional software
- multiple physical copies
- potentially different versions
- different configurations



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Architecture - client

Thin Client

- Web Browser

Hybrid

- Dropbox

For integration with internal systems

- Application programming interfaces

Business models

Subscription fee

- User
- Time unit
  - typically
    - month
    - annual
- Transaction
- Support
- Advertising

Freemium

- basic functionality is for free
- restrictions in
  - capacity
  - functionality
  - support
  - users
  - time
  - bandwidth
- money are charged for
  - proprietary functions
  - functionality
  - ...
- multi-tenant

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How to describe to managers?

- Managers are not IT experts
- They are focused on core business of the companies
- They understand the language of the money
- They see IT as the source of problems and non stability

Positive	Negative
• Strengths • Opportunities	• Weaknesses • Treats

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Strengths

- Less risky
- Immediate
- Reduce IT support costs
- Initial setup cost for SaaS is typically lower than the equivalent enterprise software
- Architecture
- Economy of Scale
- Enables Mashups

Low risk level

Customer

- Lower initial investment
  - Software and hardware
- Even the long time usage price is higher
  - Compare with better ROI (return of investments)
  - Avoiding the peaks of cash flow (the highest danger is based on unexpected costs)
- Example
  - CRM or ERP system

Provider has regular income

Immediate

SW deploy

Updates

- more often
- update is decided and executed by provider, not by customer

single configuration

faster testing

vendor has access to

- all customer data
  - expediting of design
  - regression testing
- analytics of user behaviour

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Weaknesses

- Migration of data
- Integration of clients
- Tailored customization
- Can't directly access a company's internal systems
- Customer might be forced to use a new versions

Opportunities

SaaS Integration Platforms

Complex systems that integrates particular services

- CRM
- ERP

Growth of SaaS sales on global market

Enables Mashups

integrating content from more than one SaaS

to create a single new service displayed in a single graphical interface

Threats

Unreliable provider of the service

- Bankrupt
- The physical presence of data

Security and privacy

- is common corporate infrastructure more secured than data centres of cloud?
- HTTPS

Connection

- Latency
- Reliability

Sence of SWOT

SaaS is only one from many solution

Task is to give proper service for concrete situation

Managers need to understand

- Advantages
- Risks

To have real expectations

Conclusion

- Estimation of the value
- Process of target understanding
- SaaS is one way to distribute service
- In many points of view has positive influence to both parties business
- Needs to be described and set properly