

## The Business Benefits of Software-as-a-Service

Experts agree that there are many very distinctive business benefits to running a business via Software-as-a-Service. These include lower cost of ownership, access to state of the art versions of your application, faster time into production, and access to a superior computing environment than most customers can provide for themselves. Equally compelling, however, is the concept of focus within your company: the ability to focus on your business and not be distracted by the upheavals of managing a technology infrastructure and the IT staff to keep it under control.

Lets look at what research tells us are the principle benefits of the SaaS model for accessing business management applications.

### **SaaS Advantage 1: Cost of Ownership**

The cost of initial start-up may be the most well-known in cost savings with SaaS.

Because the subscription model for licensing provides predictable costs (not possible with licensed software), budgeting and planning is easier and more reliable. In addition, with modular product availability, companies do not pay for functionality they do not need or want to use.

Only with the advent of the Software-as-a-Service did the economics of managing the technical aspects of a business change radically-allowing businesses to use sophisticated software applications over the internet, availing themselves of more robust solutions with better security and management with greater economy than they could ever purchase and manage in-house.

“IDC believes the midmarket in particular represents a source of opportunity for SaaS as it has provided an alternative to costly software acquisition and given access to many small and medium sized businesses that otherwise could not afford software.”

-Erin TenWolde  
IDC Research

According to The Gartner Group, application outsourcing can reduce total cost of ownership (TCO) by 50 percent or more in some cases. In part this is due to the fact that the on-demand provider acts as a technology aggregator, allowing organizations to capitalize on the economies-of-scale of a shared data center, network, and management

services. SaaS provides cost-avoidance, freeing organizations from capital investments, upgrade and ongoing management costs.

One area of significant savings, often overlooked, that is incurred with the on-demand model merits mention: the savings gleaned by eliminating the cost of lost productivity.

With an on-premise data center, costs are incurred from:

- The inability to access applications due to computer downtime
- The inability to access applications due to computers taken offline for upgrades or replacements
- The inability to access applications due to software upgrades
- Lost productivity due to overly complex systems issues impacting performance of the physical environment
- Lost productivity due to employees re-entering the same data in different applications
- Lost productivity when users struggle with difficult or arcane applications

Another cost issue overlooked is the cost of remote access. This cost is mitigated in the on-demand environment because SaaS provides remote users continual access to core business data -anytime, anywhere. Web access eliminates the expense and need for dedicated T1 lines, cumbersome on-premise Citrix implementations, dial-up support, and the like, to tie remote or traveling users to corporate data.

The cost of professional technology staff is one recurring issue that business owners raise when discussing the cost of ownership. Certain specific skills come at a higher cost than others, such as database administrators, network administrators, and security specialists. SaaS allows users to share the expertise of high-demand, high-cost professionals by distributing the cost over all the users.

Technical staff time is also saved because the on-demand applications solely need a Web browser for application access. Unlike the client/server models in which an administrator had to load code on each client workstation or laptop, today's browser-based systems require no more than the initial internet software that is shipped on the laptop or PC. And

the time to upgrade all of a company's client devices can be significant, leaving the user unable to work during the process.

The final point that is compelling about SaaS cost models is its predictability of expenditure over time, which is vastly different from that of on-premise solutions. And for the accounting team, the cost of access is an operating expense, not impacting the books the way a huge capital investment in on-premise software would be.

### **SaaS Advantage 2: Faster Time-to-Production**

The time to deploy an application determines just how quickly the organization can benefit from it. Unfortunately, large and complex implementations can take months or years to complete, especially when IT professionals are in short supply. Users are located around the world, and disparate new business units must be brought on-line.

Organizations often find that they simply cannot upgrade infrastructures, adopt and deploy new technology fast enough to keep pace with their business needs. And protracted in-house implementations consume already limited IT resources that could be used to pursue more strategic business goals. The impact of time-to-production correlates with productivity loss in terms of personnel unable to do their jobs at maximum efficiency until the new system is deployed. An on-demand model allows you to move at the speed of business, unencumbered by hardware, software, network, and staffing constraints. As a result, organizations can focus on the competitiveness of their operations, rather than IT.

### **SaaS Advantage 3: Enhanced Scalability**

Companies expand and decrease in size over time; witness the compression in employee counts with the dot.com bust at the start of this century and the following expansion.

While most proponents of the SaaS model talk about the ability to seamlessly add companies, employees, higher volumes and transaction counts over time, it is important to note that both business expansion and contraction is accommodated easily in the SaaS model. The on-demand model is designed for rapid scaling; applications are immediately available to new users when they are required,

SaaS increases both data and plant security-at a far lower cost.
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giving organizations the flexibility to expand operations without waiting for their IT infrastructure to catch up. Organizations can simply “turn on” new applications, as they are needed. This guarantee of flexibility is not possible in any other business model today.

#### **SaaS Advantage 4: Improved Data Security**

A company's corporate jewels are very often in this data, whether it is customer lists, formulas, strategies, or secret sauce recipes. However, many mid-sized companies lack the ability for reliable fail-over and backup capabilities.

When looking at the outsourcing of backup alone, Lauren Whitehouse, an analyst at the Milford, Mass.-based consulting firm Enterprise Strategy Group, says the strategy has become increasingly popular because many CIO's lack the budget and wherewithal to invest in elaborate backup plans.

“When you don't have the resources to build out an elaborate and bleeding-edge backup strategy, this is a great alternative,” she says. “It's affordable, it's safe, it's trustworthy and, most importantly, it works.”

In general, the SaaS provider has far more resources to provide thorough and extensive data security options than a single company can provide for itself. In addition, the computer centers are guarded and secured from the casual access that employees may have to on-premise data sites. While corporate sabotage may be rare, it is generally caused by internal (often disgruntled) staff or ex-employees. And beyond the security of backed-up data, are issues of computer availability and performance, database tuning, and many factors that are better managed in a professionally run center that is conducted as a business unto itself than in a small-or-mid-sized company trying to focus on its own business operations.

A SaaS provider's security systems far exceed what a small to medium-sized business could afford to deploy. These providers have the technical resources to deploy quality firewalls and physical security and can spread that cost over a number of customers. As a

result, the businesses that deploy via the SaaS model enjoy a much higher level of security that they could ever have on their own.

### **SaaS Advantage 5: Better, Faster Support and New Functionality**

SaaS creates advantages for the solution provider who developed, distributes, and maintains the software solution. These advantages create very real benefits for companies who use Software-as-a-Service as well. Thus, costs saved by the supplier are passed to the customer in that all customers are on a common release-easing vendor support for multiple versions dispersed all over the world.

The real-time nature of the on-demand model directly provides a much faster feedback loop for the company's development organization. With typical on-premise deployment, it can take months or even years to get software implemented, gather user feedback, make the software changes, get new releases deployed, and create any bug fixes necessary to keep customers happily up and running. With the visibility the provider gets from hosting the application in a closely managed environment, the supplier of the solution can always get faster and better feedback and dramatically shorten response time to customers, on the one hand, and the time to develop and deploy fixes or features that customers want and need on the other.

This is radically different with an on-premise application:

When an on-premise application seems to be "broken," and the customer reports it to the vendor, the cause could easily be related to hardware in the customer site, interaction with other software, the network, or other components that the remote support site has no visibility to. Because in an on-demand scenario, the entire environment is known to the support and development teams, they do not have to second guess what might be going on in the customer location. In addition, the proximity of the development organization to any manifestations of a software problem means they can be addressed rapidly and thoroughly. This allows constant close monitoring of the performance and characteristics

of the software and allows support to quickly react to and fix functional or architectural problems were any to result.

And, only with Software-as-a-Service, does the customer have the benefit of painless upgrades, rather than planned downtime wrestling with new software editions.

### **SaaS Advantage 6: Business Predictability**

Uncertainty is a hallmark of IT projects: as many as 70 percent are not completed on time, on budget, or at all. Applications, particularly those that are business critical, must reliably perform the function for which they are needed, at the level of service that is required. However, shortened technology release cycles and overnight obsolescence often means new business applications are incapable of running within an existing technology infrastructure.

Additionally, mission-critical applications encounter frequent uptime, security and performance challenges, which can mean downtime, lost customers and millions of dollars. SaaS provides increased freedom from technology churn, while supplying more predictable and reliable IT operations than many organizations can achieve internally. Today, on-demand providers such as NetSuite are delivering service level agreements for 99.5% application and system uptime, helping organizations avoid the opportunity cost losses of system downtime.

### **SaaS Advantage 7: Enhance Your Relationships**

SMB's can enhance their own customer and partner relationships by giving both groups password-protected access through specifically designed customer and partner portals or dashboards, providing them with timely, individualized business information and support and help over the Web. Businesses are also able to receive better support from their own accountants and consultants by providing them access to their data, if they choose. In all, SaaS makes it far simpler to integrate business partners, customers, suppliers, and the channel into a collaborative business model.

## **Conclusion**

Software-as-a-Service is a paradigm-changing model for addressing business management. It is uniquely positioned to allow small and mid-sized companies to access sophisticated, state-of-the-art technology like the “big boys” run their businesses with. It is well-suited to growing businesses in that it provides the flexibility to support agile, rapidly-changing companies, while being scaleable to accommodate rapid growth. Software-as-a-Service lowers cost of business solution ownership, and provides predictability of costs over time. It provides more rapid time to production and value while avoiding the technology lock-in of licensed applications. SaaS provides improved security, performance, and availability with reliable access to data anywhere, anytime via an internet browser. Companies report that the risk mitigation of reliable back-up and storage, coupled with audit trails improves their support for compliance and better governance.

And because Software-as-a-Service significantly reduces the cost of technology ownership, you can invest your capital elsewhere, allowing you to run your business, not your software.