

The Benefits of the Software-as-a-Service Model

By Curt Finch, CEO, Journyx

When the Internet burst upon the scene in the early 1990's, the concept of software as a service (SAAS) seemed an idea whose time had come. It got hyped along with everything else about the internet and reached a massive peak of inflated expectations in early 2000 as venture capitalists funded dozens of nearly identical companies that provided various SAAS solutions.

As venture funding dried up in mid 2000, the cracks in the SAAS model began to appear. The business plans assumed zero customer attrition, an uncompetitive landscape and IPO's in the absence of revenue. Disillusionment set in and 99 percent of those companies are no longer around. However, the strong did survive, and now, due to the success of companies like Salesforce.com and Rightnow.com, SAAS is back.

Analysts claim that by 2010, 30 percent of new software will be delivered via an SAAS model.

Variouly termed "on-demand software", the "ASP" model, or "hosted software", SAAS is where you rent web-based software hosted at the provider's site. For many companies large and small, SAAS is the best way to rollout new technology. SAAS has now proven itself and is here to stay.

The staying power of SAAS has arisen for several reasons:

1. Low cost of entry. Instead of paying lots of money to roll out a complex solution across the entire company, customers can just roll out one test department of 20 people. The risk is very low if it fails, and they don't have to involve their busy IT staff.
2. Onus is on the vendor. If the vendor's software is broken, they won't be getting money from any customer for long. The company is motivated to fix the problem.
3. The vendor works for the buyer. Customers don't have to rely on their IT department to install an application. Everything is running securely at the vendor's location.
4. Less risky investment. Instead of spending \$60,000 all at once, for example, customers pay for the software monthly - the monetary risk is lower and less scary.
5. Vendors must provide a secure data environment, or they're out of a job. Most vendors understand that data must be backed up religiously, and security is the top priority. Customer's IT departments are typically pulled in many directions and can't be as focused on one solution. Customers can rest assured their data security is probably better with a hosted solution, not worse.

A number of companies provide software under the SAAS model, but by far, the most successful project aligned technology is in the project tracking and project time management arena. Companies that provide project time tracking via the SAAS model include Journyx, Clockware and Unanet.

Some of these companies provide the software only in the SAAS model, and some provide both installed licensed versions of their software as well as SAAS versions. Companies that provide both enable early rollouts of the software, which let you begin using the software on the hosted site to determine the value first before your IT staff installs it locally. Once you're sure you're getting business value, you can convert the data to run in your local environment.

Not all companies that provide SAAS do so at the same level. Following are questions to ask vendors to make sure you're working with a reputable company:

1. Evaluate how well the vendor has integrated its service operations into its core business. Many software vendors are experimenting with the software-as-a-service model. However, for many, this is an operational change that is inconsistent with their culture as software product providers. Sometimes the processes for how the product and technology resources interact in delivering a service may not be

well-developed, mature or agreed upon internally. Where possible, get a clear understanding from your vendor of their internal operational commitments to a software-as-a-service delivery model. The value proposition that touts the advantages of having the same company build and manage the software will be of no value if that sentiment is not accepted and demonstrated across their operations.

2. Where is the computer that will be used to serve my application?
3. Is the data center where that computer is located staffed 24 hours a day, seven days a week? What staff is on-site?
4. What physical security measures are in the data center?
5. Is there redundant power, such as batteries and generators?
6. What cooling and fire suppression systems are available?
7. How many Internet service providers (ISPs) do you buy connectivity from?
8. Do you have a disaster recovery plan if your data center becomes unavailable?
9. Are servers dedicated to each customer, or do multiple customers share a single server?
10. What do you back up and how often? How long do you keep backups? Do you store backups off-site?

If you ask these questions, you will go along way to ensure success. Compare the answers to those you get from your own IT staff. You might be surprised which solution is better.

The SAAS project tracking or time management solution may be just what you need. Consider:

- It removes much of your IT cost.
- It reduces the risk involved in acquiring new software.
- It allows you to influence product and service quality via an ongoing relationship with the vendor.
- It gives you the flexibility to change usage commitments as business circumstances change.
- It allows you to predict more accurately your ongoing expenses as your IT budget is tightened and scrutinized.

The prevalence of hosted project and time tracking solutions is rising, and many companies will be willing to try it out - especially if they understand the clear benefits. After all, all they have to lose is one month's rent.