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Small Business Leads the Way With SaaS

Four companies that sell both SaaS and on-premises solutions point to a hybrid approach developing that bodes well for users. Johanna Bennett reports...

We asked several vendors who specialise in both SaaS and on-premise solutions what they saw happening in the Software-as-a-Service market at the moment. The picture that emerged was one of everyone having a SaaS offering – even those vendors whose preference was to deliver traditional, on-premises solutions to customers.

There is also some convergence of the enterprise market and the SMB market, with solutions that used to only be available at the top-end now being delivered, in cut-down, more affordable form, as SaaS offerings too.

So, what exactly is happening?

Alain Legrand, whose company Legrand Software offers an on-premises CRM solution, is working on a hosted (SaaS) alternative.

“I don’t think there’s a right or wrong answer,” says the company’s owner and chief executive. “It all depends on your requirements.”

It would be hard to justify putting a high-end CRM system into a small business, he says. But, with a smaller business that’s trying to grow and couldn’t afford to fix a broken system a hosted system can work well.

“We see a number of smaller businesses who say: ‘I love the idea of hosted computing. We’re too small to have this internally. I’ll send my data to you’.” says Legrand.

Limited capex

Esker is another company with an on-premises software sales model that has now moved to offering a SaaS version of its software.

Managing director Christophe DuMonet says, “One of the main drivers is that most SMBs don’t have the IT spend or skills to support complex solutions. How do you do that: manage a complex environment when you don’t have the knowledge?”

“It really comes down to limited capex: operational expenses versus capital expenses – that’s what it’s all about.”

There’s also a push from the top-end at the same time, says Legrand. “For large organisations, the attraction of SaaS is that they often have too many projects, so if you come to IT and say you have a new CRM project that you want running by Christmas, they’ll laugh at you and probably retort with ‘which Christmas’. They’ve got resources booked 6-12 months ahead. SaaS cuts through all this.”

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Alain Le Grand, CEO – Legrand

Enterprise dollars are also more restricted now, so this is driving interest in SaaS as well, says Legrand. And, in looking for new business, software vendors are selling cut-down models to SMBs that they can afford.

However, he cautions that for a vendor SaaS is quite different to selling a standalone software package. It’s a 24/7 service and some companies can’t support this. To manage this, software companies are hooking up with companies that have the necessary large server infrastructure in place.

DuMonet points to Telstra’s T-Suite, a SaaS platform that physically hosts applications in its datacentre. “Telstra has that 24/7, 99.99% up time facility, but doesn’t have a portfolio of software solutions, so is partnering with companies that do. With Telstra, it’s all about adding another line on each invoice.”

Microsoft is providing hosted versions of its Exchange mail server, Dynamics CRM package and SharePoint collaboration software on T-Suite. There are also hosted security packages from MessageLabs and McAfee, and a file-sharing utility called Skoot (an enterprise version of YouSendIt).

Smaller companies such as WORKetc, which writes billing software, are also represented. And, there’s even a HR software service, called Workplace Guardian, which offers online employment contracts and policies.

As the site says “When you can lease just about anything, why are you still buying software?”

Indeed.

SaaS grows up

This brings us to the increasingly sophisticated SaaS offerings out there – particularly from the made-for-SaaS vendors.

NetSuite's Mini Peiris says, "We're busting the myth that SaaS might be great for non-essential business operations, but can't handle complexity and flexibility."

NetSuite is an online-only specialist that integrates its wide-ranging suite of SaaS-delivered products. These include accounting, ERP, CRM and e-commerce modules.

Peiris, NetSuite's product manager, says the suite contains a lot of complex applications. She cites accounting, financial reporting, order management and inventory management in particular.

"We have included these in our suite for a long time and customers say they have been able to increase efficiencies using the suite. They have evaluated it against SAP, and some have even replaced SAP with NetSuite."

So what of the other objections such as integration difficulties, lack of security and inability to customise?

Peiris dismisses security as an early, misguided criticism – along with lack of ability to integrate and customise. In fact, this hasn't been true of properly architected SaaS solutions, and NetSuite in particular, for a long time, she says. The company uses a secure platform model that allows for both integration and customisation, by providing application connectors and allowing customers to build their own solutions on the platform.

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Mini Peiris, product manager – NetSuite

Indeed, she criticises in-house customisation, saying, "You're on your own when it comes to the next upgrade, but with [NetSuite] SaaS, everyone runs on the same version and modifications are carried forward, with no charge."

However, Legrand remains critical of SaaS integration abilities. "An in-house solution gives you control and interaction with other applications, like accounting. The level of integration is much deeper than with a hosted system. [And with these] you start paying a bit more when you start adding interaction with third-party applications."

By way of example, he says, "Salesforce has an attractive initial package, but integration adds to the cost."

His other concern is around risk mitigation. "It's not something a lot of people really think about: what the (SaaS vendor) policy is. But, for example, there was a case 18 months ago of a person being tricked into revealing an administration password and hackers got into a [SaaS] database. It's actually one gigantic database in there, with all the data together... so [the hacker is] hacking into thousands of companies' data."

"But it's not one or the other. Availability is high (with SaaS); and security is very good, but when you do get a breach it affects a lot of people, and it does happen from time to time."

A more pertinent issue for many is if, or when, you want to switch vendors and need to get your data out in a meaningful form, says Legrand. With an in-house solution, the data resides on your own server and you have full database access to extract and manipulate, whereas with SaaS you are reliant upon standard data extracts and reporting tools.

Hot-button

Security is a hot-button issue with SaaS vendors. Both Salesforce and NetSuite leapt to their companies' defence when asked about the continuing concerns around security with SaaS. Both companies are heavily security certified, NetSuite boasting a 'SAS 70 audit' and its own PCI compliance set-up, to ensure credit-card security. And Salesforce's Andrew Knott echoed Peiris' comment that individual companies were unlikely to have as rigorous security as SaaS providers.

"We have a great incentive to ensure security," says Knott, the company's APAC marketing vicepresident. "Because it is so important, we have built a world-class security system that is ISO-certified. Symantec and Citibank use Salesforce, and they wouldn't if we weren't secure. We have more security audits in a year than most in-house systems are subjected to in a lifetime."

Salesforce has 59,300 customers worldwide, the security of whose data it has to ensure, says Knott.

'More equitable model'

Beyond security, Knott points to a changing business model; "a more equitable model".

"The on-premises model is an antiquated model. It requires huge investment in infrastructure and you have to anticipate what you think you will need. It is said that CRM is the most oversold software there is – 75 percent of [its components] sit on a shelf," comments Knott, bullishly.

"Customers are looking for a more equitable model where they don't have to pay a huge amount upfront. Then there's the maintenance: 8/10 IT dollars are spent on this." With SaaS, the vendor takes care of any maintenance problems.

"Companies are increasingly looking at the cloud computing model. Not only can you now buy world-leading software, but you can go off and build your own solution and integrate it with the SaaS solution."

Lastly, NetSuite's Peiris underscores two major benefits of SaaS: a lower total cost of ownership – she cites 50 to 70 percent – and "anytime, anywhere" availability.

"A lot of customers cite this. Employees can get access while on the road or when they're at home, which really improves productivity. All you need is a web browser."