

# Stealthy SaaS

**As SMEs debate whether or not to use SaaS, Billy MacInnes highlights that some already are without noticing**

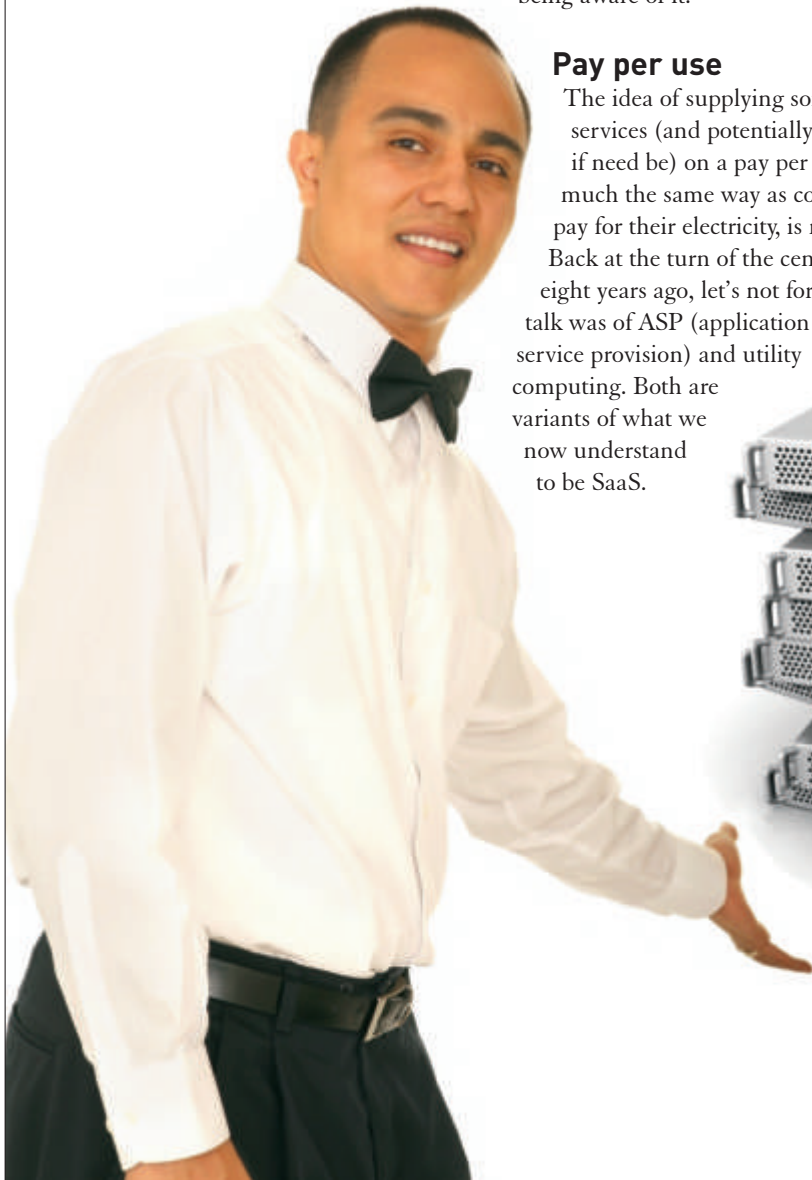
Sometimes the IT industry is like a radio station that keeps playing a handful of tunes over and over. Right now, one of those tunes goes by the name of software as a service (SaaS) and it's amazing how many times you'll hear the term being used during any conversation with an IT supplier. What might be even more intriguing is that quite a few small businesses are already using SaaS, often without being aware of it.

## Pay per use

The idea of supplying software, services (and potentially hardware, if need be) on a pay per use basis, in much the same way as companies pay for their electricity, is not new. Back at the turn of the century (only eight years ago, let's not forget), the talk was of ASP (application service provision) and utility computing. Both are variants of what we now understand to be SaaS.

The two most common areas where businesses are already using SaaS are back-up and e-mail. "Backup is effectively SaaS, although people might not perceive it as that. It's probably the most common one," says Gerry Kerr, managing director at CDSoft. Ed Byrne, general manager at Hosting365, says growth is in areas that already rely on the Internet, such as e-mail, anti-virus and anti-spam. Alan Moody, UK and Ireland managing director at Mamut, asks the following question: "Where is your e-mail box sitting right now? You're using an application in the cloud somewhere. It's not new as a concept."

It's also being deployed in other areas. According to Fergus Gloster, EMEA senior vice president for salesforce.com, probably one of the best known SaaS-based companies, the concept is "being accepted by small companies for customer relationship management (CRM), financial applications and recruitment". Brian Halpin, at Sage, agrees. "Obviously, CRM is out there already and we're seeing activity in the HR and traditional ERP/accounting space. Every small business is using some form of SaaS already without realising it – not SaaS in the technology sense but they're using Internet-based applications. And a lot of customers are using niche parts of an application, for example an accounting application with an



online invoicing tool. CRM is the same – even companies using it in a traditional on premise way are using SaaS based additions, such as e-mail marketing.”

### Productivity tools

Some companies are also starting to use the Google Apps and Google Docs personal productivity tools or Microsoft's Live applications. As a provider, SaaSpoint is keen to walk the talk, with chairman John Appleby stating: “As a company, we don't own a single server. Our mail is provided by Google, our customer

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interactions from marketing programmes to lead generation to sales is all conducted on salesforce.com, our resource scheduling is done through a blend of our 'Force.com' based application and Google Enterprise Applications, our billing is generated from a 'Force.com' application and our financial ledgers are provided by Quickbooks online.”

He admits SaaSpoint has a “prejudice towards SaaS applications” but claims that, in every case, the ones it chose were “the quickest, most cost effective and more



Small companies are interested in Magnet's PBX

Donal Hanrahan, Magnet

product management at SugarCRM. “SaaS is not a flash in the pan, but rather an evolution in regards to the way companies interface with software functionality.”

Halpin at Sage is a bit more sanguine: “It's hard to say where it will extend to – the purist view is that in 10 years time it'll all be on the web, but I'm not so sure. The customers most interested in having

efficient solutions for our company”. But would it work for small businesses? Nick Forbes, head of professional services at BT, warns that most market analysts don't expect SMBs to buy into SaaS in a definitive way until 2010 or 2011. Others are much more bullish. “Over the next five years there will be a massive migration to SaaS for people below the 10-15 PC level,” predicts Kerr.

### Software delivery

“SaaS is a brilliant method of delivering applications to users,” says Byrne at Hosting365. “In my mind there is no better way and within the next five years we will see 95% of businesses integrating SaaS as their primary method for software delivery to users.”

Assuming it does take off, SaaS could extend into all manner of different areas of business. “If a company of any type has a software need, there is eventually going to be a company offering a SaaS solution that meets that need,” argues Martin Schneider, director of

lots of stuff on the web are maybe buying CRM for the first time and there's reasonably light integration into the back end. People will run a combination for the foreseeable future. The balance of SaaS/onpremise will depend on the business and how strategic the software is to the business.”

James Finglas, managing director at MJ Flood Technology agrees. “I think we'll have a hybrid model for a while where people will outsource SaaS for an element of the business and retain some on premises. It's three years out from being widely adopted.”

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SMEs are already using SaaS in the form of Internet-based applications

Brian Halpin, Sage

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He can see the benefit for small businesses, particularly because of their lack of IT expertise. "It makes sense provided the service does what it says on the tin. It takes away the aspect of the finance director doubling as the IT person. If you look at the TCO, if the business examines the loss of productivity of someone involved in day to day management, it's worth it. It's more costly, but it's going to come down and hit a price point that's palatable to the market."

BT's Forbes agrees that the opportunity to buy a suite of business and office applications as a service should be appealing to small and medium businesses because they're as reliant on IT as enterprise, but often do not have the time, people or money to invest in IT Departments.

### Cost issues

Kerr at CDSOft accepts that cost can be an issue. Take back up. A lot of companies are charging more per year than the cost of a tape drive, he claims. And what happens if something happens to the company providing back up services? It hasn't really proved itself as a business model yet.

But SaaS can be more attractive to smaller businesses than larger, more established companies. "It can be very compelling for someone with five or six PCs and no server," Kerr says, where the choice is whether to buy a server, tape drive and service contract or go for SaaS.

"Exactly the same logic applies to a CRM system," he adds. "If you already have infrastructure in place, the cost of hosted services versus packaged product is not that different."

Donal Hanrahan, sales and marketing director at Magnet Business, says the company has had a good response from smaller businesses to its hosted PBX service. "Putting the PBX in the cloud is interesting for small businesses – if you're working from home and you want to look like a bigger company you could have a phone at home on the PBX. SaaS allows smaller companies to appear to be



We will see 95% of businesses integrating SaaS as their primary method for software delivery to users

Ed Byrne, Hosting 365

bigger. They want to get on with doing what they do. Larger companies tend to have an IT manager who prefers a box in the corner."

More established companies might find it harder to migrate from in-house to hosted, which could be why some SaaS providers are aiming at start ups. Moody at Mamut agrees that taking capital cost away from a start up "is very very attractive". SaaS gets start ups "going quickly, cheaply and easily". There's a reduction in the need to buy in IT infrastructure, the need to have IT knowledge in the business and the initial capital outlay.

On the flip side, companies that do opt for a hosted approach might need to take the functionality back in-house if the business grows, or if elements of the business change, warns Schneider at

SugarCRM. "It can be difficult or impossible to move from SaaS to on-premise based solutions with the wrong provider."

### IT infrastructure

A big attraction of SaaS is not having to manage the IT infrastructure for major applications, according to Halpin at Sage. Companies get more interaction on the web with customers

and they don't have to worry about security, back up or access. A small business can get someone to secure their data that does it for a living rather than taking a DIY approach. Also, in terms of implementation and set up, they don't have to spend a lot of time in advance getting systems set up. They can be up and running

straightaway. In addition, a company could start with two users on the system and increase the numbers if it works.

Flexibility is another potential benefit of the SaaS model. Gloster at salesforce.com says it "allows companies to tailor their usage to suit the needs of their company at a point in time. A company can increase or decrease its usage depending on its performance or the broader economic climate."

Over at SaaSPoint, Appleby is keen to shift the debate away from 'cost of ownership' arguments. "These are very valid," he says, "but to over-emphasise them is slightly missing the point. In my experience, the main benefit of SaaS is

"OVER THE NEXT FIVE YEARS THERE WILL BE A MASSIVE MIGRATION TO SAAS FOR PEOPLE BELOW THE 10-15 PC LEVEL"

that it's more likely to be successful in terms of user adoption, visibility of appropriate data, keeping sensitive data secure and actually having the ability to turn 'data' into 'information'."

### Obvious candidate

Are there any factors affecting the successful adoption of SaaS? Probably the most obvious candidate would be infrastructure. Tony Connolly, managing director at accountsIQ, says the infrastructural requirements are minimal. "In the majority of cases all you need is a PC (or Mac) with the ability to access the Internet – ideally via broadband. True SaaS vendors offer their services without the need for any kind of software installation on the PC so you can access your application anytime, anywhere from any device. In terms of infrastructure that SaaS applications are delivered from, they are generally more robust, with higher redundancy and protection against viruses and security attacks than any platform an SME could put in place."

But he highlights the one part of the equation where it can be a problem: broadband. "The only real limitation is the availability of broadband in certain locations around Ireland, but this is improving all the time."



Backup is the most common form of SaaS

Gerry Kerr, CDSOft

<< Hanrahan at Magnet concurs. “The key thing is broadband as an enabler. The more online applications you have, the more you need to be sure the connection is capable. There’s a quality issue with connectivity. If you depend on access to the Internet, you have to get a backup link. More and more businesses are realising that. If the M50 isn’t free-flowing, you need to know a back route. Ideally, you’d have a wireless link if you’ve already got a fixed line.”

Kerr at CDSOft is pretty scathing on the state of Ireland’s communications infrastructure. “The single biggest challenge in Ireland is the infrastructure,” he states. “It would take a very brave small business to bet the business by moving line of business applications into the cloud. We’ll certainly need a lot more bandwidth than we have today. People don’t trust the companies that provide infrastructure at the moment. If you have all your servers hosted, could you afford to be without a line of business application for a week?”

### Reliable comms

Others are more optimistic. “The infrastructure in Ireland’s not great but the comms are reliable enough, just not as reliable as you’d want them to be,” says Gerry Power, ERP division manager at Datapac. Appleby at SaaSpoint agrees it’s “a slight weakness”, not because of the lack of availability of broadband services, but because of their slow speeds and their cost. “Any of the low cost offerings that are out there are so slow and so full of network contention as to be laughable as a business tool,” he adds.

Byrne at Hosting365 believes Internet connectivity to the majority of small businesses “is perfectly capable of delivering an excellent level of service into the office, or the home, or over your mobile device. Data centre infrastructure and hosted server architectures have also come a long way and it is now possible through use of virtualisation, application streaming and hosted applications to provide a comparable, and often enhanced, level of service into the office from a remote location”.

Another big issue is ownership. “The big challenge is that people may not be comfortable with it. It’s about mindset and education,” says Enda Fitzpatrick, sales manager at Commtech. Power at Datapac says small businesses will

The change over to SaaS requires a certain mindset

Enda Fitzpatrick,  
Commtech



always have an issue with being so dependent on the provider with everything outsourced to the cloud: “In effect, you’re losing control. A lot of small businesses want to see their box sitting there with their [application] on it.” And once you

“SAAS ALLOWS SMALLER COMPANIES TO APPEAR TO BE BIGGER”

cede control to an outside organisation, you could be at their mercy. “They have your data so it’s very hard to fall out with them,” cautions Magnet’s Hanrahan.

Connolly at accountsIQ agrees that can be an issue. “The fact that their data resides on a platform they do not own is often a concern, so they need to make sure they have a contract that clearly gives them ownership of their data and access to backups of that data in the event of them deciding to move away from the service or if the SaaS provider ceases to trade. Good SaaS

providers will have this addressed in their contract, so always ask for a contract.”

Moody stresses that businesses need to ensure the SaaS provider can deliver a safe and secure service and that it’s available pretty much 24/7. They need to make sure the provider is financially sound, open and honest, because they’re asking it to take on the financial business risks they would have had themselves.

“Make sure you’re not blinded by looking into the headlights,” he adds, warning that SaaS is not a panacea. It may well be the best way to go, but that’s not an automatic assumption.

### Customisation

“You still need to do all the things you normally do with business applications,” comments Halpin at Sage. “You need to tailor business processes and all the customisation you need to do still needs to be done. You need to make decisions in the same way as you would for any other piece of software you’re going to buy.” He believes most customers will have a combination of traditional applications and add on the parts that need to run on demand.

Power at Datapac believes people need to be aware that they are “effectively renting IT like electricity or gas or whatever. SaaS is all about choice. It’s a new model which requires a mindset change, you either own the IT or outsource it.” ■

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