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Five Benefits of
Software as a Service

February 10, 2007

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Jason Maynard, an analyst at Credit Suisse, compares software to electricity. Most firms don't own generators, he points out. They buy electricity from the grid.

That's the direction he sees things going with software. Soon all applications used by organizations, except made-to-order applications that provide competitive advantage, will be delivered as web-hosted services via a browser.

Maynard isn't alone in his predictions about the growth of Software as a Service (SaaS). In a 2005 memo to executive staff, Bill Gates described the software "services wave" as the "next sea change [that] is upon us." IDC, global provider of market intelligence, predicts that worldwide spending on SaaS, which totaled $4 billion in 2004, will reach $10.7 billion by 2009. SaaScon, an organization sponsoring its second annual SaaS conference, points to recent studies that say 61% of North American companies with revenues over $1 billion plan to adopt one or more SaaS applications in the next year." The website www.saas-showplace.com lists more than 1200 companies in 78 application and industry categories that offer on-demand software.

Why this shift—some analysts describe it as a "tectonic shift" — from licensed software that organizations install and maintain on their own computers to web-hosted solutions to which organizations subscribe?

The shift is occurring because organizations like yours benefit when vendors offer software as a web-hosted service.

This white paper:

- Describes five major ways that you benefit from SaaS.
- Addresses some of the most common concerns about subscribing to web-hosted applications.

Five major benefits of SaaS

Regardless of what specific application you might be evaluating, you stand to benefit from SaaS in five major ways. When you subscribe to a software service instead of purchasing a software license, you:

- Save money.
- Save time.
- Focus your technology budgets on competitive advantage rather than infrastructure.
- Gain immediate access to the latest innovations.
- Join a community of interest.

Each benefit is described below.

Save money

Several factors contribute to making it considerably less expensive to implement a SaaS application than a traditional on-premises application. These factors include:

- Lower IT costs.
- Economies of scale.
- Pay as you go.

Lower IT costs

When you subscribe to a SaaS application, you avoid the overhead associated with implementing conventional software. A typical software implementation involves purchasing and maintaining servers, housing them securely, and installing and maintaining the software. This requires the time and effort of experienced IT personnel and deflects the efforts of employees at a number of levels away from the core mission of your organization. According to Phil Wainewright, analyst with Summit Strategies and founder of ASPNews.com and Loosely Coupled, the cost of implementing conventional enterprise software is four to five times the cost of the original license.

Economies of scale

Subscription costs for SaaS applications reflect the economies of scale achieved by "multi-tenancy." Multi-tenancy means that many customers run their applications on the same unit of software. For example, in a SaaS website calendar application, customer data is all stored in one database. This makes the overall system scalable at a far lower cost.

If you're concerned that multi-tenancy means losing control of your data, see Will I lose control of my data?

Pay as you go

When you subscribe to a SaaS application, you pay a monthly or annual subscription fee. Compared to a traditional software license, this subscription payment structure works to your advantage.

An on-going monthly expense is easier to incorporate into your budget than a large one-time outlay. You can cancel or change your subscription at any time without losing a large initial investment.

In many cases, SaaS subscriptions are based on metered usage so you pay for exactly what you use. Rather than making a long-term commitment to one fixed account structure, you can add or subtract accounts at any time as your organizational needs shift.

Save time

Because you eliminate many of the typical implementation tasks associated with licensed software and because the software is already up and running on the SaaS vendor's data center, deployment time tends to be much shorter with a SaaS application than a traditional one.

Rebecca Wettemann, vice president of Nucleus Research, compares deployment times for customer relationship management (CRM) applications: one to three months for a web-hosted application; 18 months for a licensed application.

Focus technology budgets on competitive advantage rather than infrastructure

When you subscribe to a web-hosted application, you free your organization from supporting high-cost, time-consuming IT functions, including:

- Purchasing and supporting the server infrastructure necessary to install and maintain the software in-house.
- Providing the equipment redundancy and housing necessary to ensure security, reliability, and scalability.
- Maintaining a labor-intensive patch and upgrade process.

As Mike McDerment, President and CEO of FreshBooks, points out, "redirection of resources is…a hidden cost that often goes unaccounted for." The more time your employees spend maintaining equipment, downloading and installing patches, and supporting software upgrades, the less time they are spending on your core business activities.

Gain immediate access to the latest innovations

With traditional licensed software, you typically have to wait for the next release to benefit from the latest innovations or to move your organization to a new browser or operating system. Given the cost and complexity of moving to a new version, it may not even be practical to upgrade each time a new release becomes available.

With a SaaS subscription, on the other hand, you benefit from innovations on an on-going basis. As soon as a new or improved feature appears in the application, you can begin using it.

Join a community of interest

Purchasing a traditional software license is very much an individual affair. When you subscribe to a SaaS application, however, you become a member of a community that has the application at the center.

As Wainewright points out, SaaS changes the relationship between software vendors and customers. In a service environment, argues Wainewright, there is "a convergence of interest between customer and vendor that's more intimate than that expressed in the world of conventional on-premises applications."

The intimacy results because:

- SaaS vendors constantly monitor how their customers are using the application.
- Customers easily benchmark themselves against their peers.

Awareness of how customers in the aggregate are using an application presents the vendor with a constant supply of metrics it can't ignore. Typically, this awareness translates into improved usability, performance, and functionality.

In addition, when you contact technical support, you're likely to experience faster and better service because support professionals can look at your implementation to see exactly what's happening.

As a SaaS customer, you benefit from your peers in a way that you're less likely to do with an on-premises implementation. According to Wainewright, SaaS customer user communities "tend to thrive" and are excellent sources of best practice tips and even templates or add-ons.

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Common SaaS concerns

Concerned about whether a web-hosted solution is the best choice for your organization? Answers to the following questions should address your primary concerns:

- How can I be sure that my data will be secure?
- How do I know the application will be available when I need it?
- Will I lose control of my data?
- Should I use an open source or SaaS application?

How can I be sure that my data will be secure?

Dane Anderson, Research VP of Springboard Research, believes that "companies should not take privacy or security lightly when leveraging SaaS and that they should ask their provider relevant questions, but after taking the necessary precautions the risk is acceptable and manageable."

Security and privacy are concerns whether you subscribe to SaaS or purchase software and implement it on in-house servers. A SaaS vendor you can trust offers you the level of security you need while saving your organization the expense and effort required to house, deliver, and back up an application.

When you're considering a SaaS subscription, ask the vendor the following security-related questions:

- Is your production equipment housed in a state-of-the-art colocation facility?
- What are the security arrangements for the facility? Are they in place 24 hours a day, 365 days a year?
- On what type of infrastructure do you host data? What are the virus protection arrangements?
- Do you contract with an independent third party vendor to receive periodic external and internal vulnerability scans?
- How often do you back up data and where are the backups stored?
- What level of data encryption do you use to protect website transactions?
- What is your privacy policy?

How do I know the application will be available when I need it?

SaaS is not a new, untested software delivery model. NetSuite and Salesforce.com have been around for more than five years and have tens of thousands of subscribers, including large Global 2000 organizations, such as AOL and Nokia.

Reliable SaaS vendors put safeguards in place to ensure near constant availability of their applications. When considering a SaaS subscription, ask for a service level agreement that guarantees a specific percentage of uptime. In addition, ask the vendor the following questions:

- Do you offer full hardware redundancy to avoid consequences from equipment failure?
- Does your data center have redundant power supplies, such as battery and diesel generator backups, to avoid consequences from a power failure?
- Is your server farm scalable to quickly meet a sudden increase in demand?
- Does your staff include a highly qualified Operations team that monitors the site 24 hours a day, 365 days a year?

Will I lose control of my data?

When you subscribe to a SaaS application, your application data is stored on the vendor's servers rather than on your own servers.

If you're concerned about losing control over your data, ask the following questions:

- Do you have a data back up process in place?
- Where and how do you store the backups?
- Can I export my data in a format that I can easily re-use?

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Should I use an open source or a SaaS application?

Paul Gillin, in a column on the SMB News website, points out that an organization looking for a solution outside of the traditional licensed software model can go in a couple of different directions.

The organization can choose an application from the "exploding open source market" or contact one of the "scores of new vendors that host applications outside of the customer's site and deliver service over the Internet."

But which is the better choice? As Gillin points out, that depends upon which factors the organization cares most about. The following table compares open source and SaaS on four different criteria.

Factor	Open source	SaaS
Cost	Potentially costly. In addition to any license fees you might have to pay, factor in the infrastructure costs of servers, security, and IT personnel.	Comparably low. You pay a subscription fee but the vendor bears all the security and infrastructure costs, leaving your IT personnel free to focus on mission-critical tasks.
Speed of deployment	Potentially quite slow. Requires installation and deployment on your own servers, as well as patches and updates.	Potentially very fast. The application is already up and running on the vendor's servers so you just have to get your data into the system.
Customization	Easy, but potentially expensive. Open source tends to be extremely flexible and supports most scripting and programming languages. However, if you have to modify the application itself, you will have to go through a costly design-implementation-test process.	Depends upon the application. Some vendors offer easy customization but others require a proprietary language.
Control over data	Data is stored on your own servers. You are responsible for backing up the data and storing the backups securely.	Data is stored on the vendor's servers. Reputable vendors back up their data and store backups in a secure location. Most vendors also provide you with ways to export your own data.

Sources of information about SaaS

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- On Demand CRM: Big Business? **CRM Blog**, July 12, 2006.

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- Shop Talk: SaaS vs. open source — what SMB's should know. Paul Gillin, **SMB News**, March 2, 2006.

- Software as a Service, **Wikipedia, the Free Encyclopedia**.

- Software as a Service: How far can the pay-as-you-go approach take you? Norm Alster, **CFO.com**, June 22, 2005.

- Software-as-a-Service Myths, Jeffrey Kaplan, **Business Week Online**, April 17, 2006.

- "Universal service?" **The Economist**, April 22, 2006, Volume 379, Issue 8474, page 70.

Sources of information about Trumba Connect

- Watch an online demonstration. Visit www.trumba.com to learn more.

- Who uses Trumba Connect?

- Is Trumba Connect secure and reliable?

- Why subscribe to Trumba Connect when you can build your own website calendar?

- Contact Sales at 1.800.925.0388.

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