



The Case for Software as a Service (SaaS)

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What do cable television, telephone land lines and traditional Enterprise Resource Planning (ERP) systems have in common? If "tried and true technologies" is the only thing that comes to mind, you are only partially right. They are also technologies which are rapidly being overcome by new entrants into the marketplace - newer, nimbler competitors that are taking their markets by storm and with good reason.

Deploying standard telephone or cable television lines requires significant capital infrastructure investments; at the very least to bridge what is known as "the last mile," to the consumer's home. These capital investments make the providers less prone to competition from their peers in most markets as providers tend to divide the market along broad areas where a single telephone or cable provider services a majority of the consumers, making it cost prohibitive for competing providers to service adjacent households. Meanwhile, there are minimal variable costs to adding a new wireless or satellite television subscriber. As new services and technologies are rapidly deployed; competition makes providers continuously improve their processes, from customer service to quality of service.

Traditional ERP systems are the equivalent of cable and telephone land lines, while Software as a Service (SaaS) is more comparable to their competition, the wireless and satellite service providers. Very much like these older technologies, which are constrained by bandwidth, ERP systems are constrained by their unwieldy architecture. Significant changes to your business model such as acquisitions, divestitures, regulatory changes, rapid growth, and new business segments are all difficult to implement. New functionality is delivered in spurts, called upgrades, which cost almost half as much as the original implementation. If you have customized any part of it, the upgrade (and even the application of patches and fixes) becomes that much more difficult. And your programmers have become key employees.



Enter Software as a Service or SaaS. To start, scalability is built into the system. If your business is growing rapidly, your system grows with it as needed. Likewise, if you divest of part of your business, your system's footprint quickly adapts to your new environment. Functionality upgrades are gradual and, most importantly, they are transparent to your users. Your disaster recovery plan concentrates on people, as opposed to systems. Your platform is always on the cutting edge of technology so your users can concentrate on running your business - as opposed to running the system. And system performance is consistent, whether you have 5 or 1,000 users logged into it.

Sure, you say, but what about security? How safe is my data in someone else's hands? How do I know that my competitors or even some hacker are not going to gain access to my data? The answer is clear in light of the new paradigm, and best answered with another question. Is system security really a key competency of your company? Because it certainly is a key competency of the SaaS provider, who has its entire business riding on the data security of each and every one of its clients. While your business might suffer great damage from a security breach, your SaaS providers would probably cease to exist.

The days when software services are considered one more utility, akin to electricity, broadband or water are near. Can your company afford not to consider this technology when it faces its next ERP upgrade or system acquisition?