

# Why software as a service makes sense for small and medium businesses

A White Paper

From



PK4 Software Technologies Pvt. Ltd.

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## Introduction



Corporate IT is being drawn to the concept of software delivered as a service and its promise of less maintenance and lower operational costs. Vendors are responding with innovations and commitments to offer the model of hosted application services.

Software-as-a-service (SaaS) is a model of delivering software over the Internet, eliminating the need for companies to buy, build, manage and maintain infrastructure and applications. The concept has its roots in the application service provider (ASP) revolution that had fizzled in the late 1990s. Today it is white-hot with its promised IT benefits and is putting pressure on vendors of traditional shrink-wrapped software.

- ✍ A survey released in November 2005 by AMR Research shows that more than 78% of 500 respondents across major vertical industries and company sizes are currently using or considering software-as-a-service. Only 18% said they have no plans to consider software-as-a-service.
- ✍ In a recent October 2006 survey of 118 IT professionals by Cutter Consortium, an IT advisory firm, 65% of respondents said they were using or considering software-as-a-service, while 35% said they are not considering it. Of the 34% who are considering adopting software-as-a-service, 82% said they plan to do it in the next six to 12 months.

The most popular applications under consideration are CRM, sales force automation, ERP, human resources management and supply chain management. Users who have made the jump are satisfied not only with the applications but with the concept.

## SaaS For SMBs

More than 60% of SMBS -- organizations that Yankee defines as those with between two and 1,000 employees -- say they see SaaS as a way to cut costs and increase productivity.

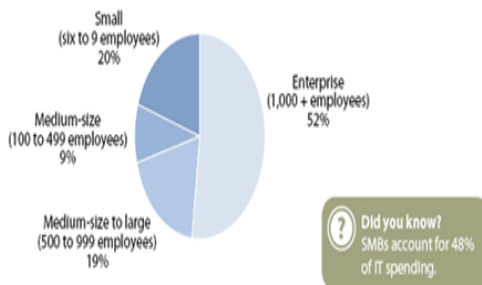
With SaaS, customers don't buy, install and maintain software in traditional ways. They rent software by paying on-demand vendors a monthly subscription fee for services that typically include upgrades and maintenance.

So what drives an SMB, usually with a limited budget, to try a relatively new type of software such as on-demand?

More than 60 percent of SMBs attribute lower expense rates and increases in productivity as driving factors for adopting SaaS. The biggest advantage to SaaS is that companies, especially those with less than 100 employees, don't need any full-time IT resources. Fast and affordable implementation, less training, and the ability to cancel a subscription at any time are the other driving factors.

FORRESTER

Allocation of US IT spending by size of organization



Source: June 30, 2005, Trends "2005 Update: US Enterprise And SMB IT Spending"

## Top Ten Reasons why SMBs opt for SaaS



Last but not the least security and backup of IT data were the two most challenging IT issues facing SMBs, with the primary obstacles being the price of security, high implementation time, lack of IT staff, and concern that one upgrade will trigger others. Price is big because smaller companies don't have a lot of cash to spend on what can be some very expensive security solutions. In addition, identity theft and data theft are their biggest concerns. Backing up to an off-premise site is becoming much more important due to natural disasters like Katrina.

Small and mid-sized businesses (SMBs) are nearly twice as likely to use software-as-a-service (SaaS) for business-critical operations than large enterprises, says IT market research and consulting firm, Saugatuck.

Following are top 10 reasons for SMBs to consider SaaS:

1. **Rapid implementation:** Time is a crucial factor for SMBs. There is no faster way to get started with a new software application than to take advantage of a professionally run service. Even complex business process oriented applications can be ready to go in less than 30 days.
2. **Lower cost to implement:** SMBs generally operate on lower budgets and implementation costs. Implementation costs are significantly lower in implementing SaaS applications as compared to installing purchased application software and hardware.
3. **Lower cost to operate:** The SaaS model spreads infrastructure, development, maintenance and future innovation costs across a broad base of users, thereby minimizing the TCO.
4. **Reliable cost forecasting:** Subscription fees are predictable, allowing SMBs to forecast their IT costs over several years.
5. **Ease of access:** Implementations are based on Internet access with browser-based interfaces making it easy for staff to access the service from anywhere, increasing productivity.
6. **24x7 support:** Support staff who specialize in the given application and are available 24x7 lead to a significant improvement in end user assistance.
7. **Increased reliability:** The infrastructure behind most SaaS offerings is based on professionally run data centers with full system and database redundancy, load balancing and fail-over. This will provide for better availability and performance.
8. **Increased security:** Physical and data security are generally greater than most SMBs will put in place for on-premise implementations.

9. **Continual technology enhancements:** Planning and managing upgrades is someone else's problem. You get the benefit of frequent upgrades without the hassle of testing, managing change control or converting data.

10. **Reduced risk:** Low up front cost, little or no staff time to get going, and an already up and running environment means that most of the risks to selecting and implementing new software are avoided.

## PK4's Offering for the SMB sector



PK4 Software Technologies Pvt.Ltd., India has strategically positioned itself as a software solution provider specifically for the SMBs.

PK4's web-based application development framework, zeroCode, helps SMBs to create and build applications rapidly and both non-programmers, and IT professionals alike can appreciate the benefits of "Zero Coding." With zeroCode there's never any hardware to buy or software to install. zeroCode empowers tech-savvy business people to develop applications for common business problems. By combining the benefits of zero coding, drag and drop tools, and powerful features, SMBs can build reliable, scalable and robust applications at a much faster rate. zeroCode starts at a basic price of \$250 for a monthly subscription and has different plans to suit different requirements.

There are two overarching benefits that zeroCode brings for complex applications:

- ✍ You can build an application fast
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You can build an application fast because:

- ✍ Business analysts and domain experts can leverage the data- model-centric perspective used in the zeroCode framework well. This is typically an easier model than UML-based products that require significant technical sophistication.
- ✍ Many commonly used business functions – security, sorting, searching, foreign-key dereferencing and relators, to name a few - are built into the environment, so that the effort needed to design or construct them reduces.
- ✍ Constructing even complex visual renditions is merely a matter of running the data model through a suitable "meta-template" in a few browser clicks. Most other products need significant time for each screen/page to be created.
- ✍ Constructing input and editing forms has an even bigger payoff, since they are automatically built up front.

- ✍ Filters and action sequences provide reusable abstractions at a much higher level than the Java object.

The application you build runs fast because:

- ✍ The zeroCode engine is based on sound architectural choices and a conscious effort to adhere to the principles of efficient algorithm design.
- ✍ Global and object-level configuration details are computed when first needed and maintained in memory through the application's run.
- ✍ Time-varying data are cached as necessary (in line with default policies and designer choice), saving significant time for database access.
- ✍ Faster but more complicated internal algorithms are preferred over simpler, easier-to-implement variants.

## Bottom Line



Most businesses turn to SaaS for one of two reasons. Either budgets are tight and they can't afford to purchase the software outright or they don't have the IT infrastructure in place to support it. Those are perfectly legitimate reasons. However, even more compelling reasons to choose the SaaS model often are overlooked or misunderstood.

First, the business-focused SaaS model changes the nature of IT, shifting the focus from the application to the end user. Rather than having data locked into application silos, SaaS vendors utilize open-source software and common application programming interfaces (APIs) to make data easily accessible across the organization.

When SaaS providers free this data, they also shield end users from complicated application interfaces. Instead, users access information through a convenient interface that allows them to accomplish multiple goals without having to shift applications and learn a variety of programs.

While there are noted trade-offs - potential costs and integration worries - industry watchers agree that SaaS models can benefit IT departments. It's lower risk and can deliver a fast return on investment. Packaged applications are difficult to implement and expensive to maintain. SaaS costs can be amortized over time as well.

Remember, technology doesn't solve business problems. Technology is a tool. In the small and medium-size business world, technology too often becomes the underlying problem. It's unwieldy, time-consuming and distracting. Rather than focusing on core business objectives, many SMBs find they've become slaves to technology. Of course, this happens in large enterprises too, but they have large IT staffs. SMBs don't.