Benefits of SaaS for SMBs

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Introduction

Small and Midsize businesses (SMBs) face increasing competition and the need for more sophisticated systems. As businesses grow, so do the risks associated with higher system costs, data security, and system reliability. Software delivered through the internet or Software as a Service (SaaS) is uniquely suited to help SMB's with these and other issues. This whitepaper will outline seven key benefits of SaaS for businesses looking for new software solutions.

1. Total Cost of Ownership (Expense)

SaaS applications are delivered through the web. Thus, the software is neither purchased nor installed. Instead, applications are essentially leased or paid for as they are used, like other services (hence the name, Software as a Service). Unlike traditional software, SaaS requires no large up-front investment and its web based nature means there is no need for expensive servers or other hardware necessary with an onsite system. These additional cost considerations are why SaaS systems are typically discussed in terms of "Total Cost of Ownership." When analyzing SaaS versus traditional onsite software, the hardware, software, maintenance, and upgrade costs

should all be factored in to get an accurate picture of the total costs.

Onsite vs SaaS Cost Comparison		
Cost Item	**SaaS**	**OnSite**
Software License	Annual	Upfront
Ongoing Maintenance	Included	Annual
Installation	NA	Added
Servers & Hardware	NA	Added
Hardware Maintenance	NA	Added
Security & Backup	Included	Added

2. Scalability

The capacity of a highly scalable application easily increase or decrease as a company's needs change. Because SaaS systems are typically licensed by user, scaling up or down simply means adjusting the number of user accounts. Traditional software scalability relates not only to user licenses but also to the server and network space required. As a company's size changes, server and network capacity can be purchased but not easily reduced. Similarly, the Client Access Licenses (CALs) required for each user of on onsite system are typically not refundable.   By utilizing SaaS, small businesses get a system

that can grow with them and minimize unplanned costs and the risk of soaring overhead due to unused capacity.

3. IT Resource Needs

A commonly overlooked impact of business systems is the implied effect on a company's IT resource needs. Traditionally, any sophisticated system needs hardware and software and the personnel to maintain it. Additionally, data backup, disaster recovery and security must also be managed. This additional overhead is often a significant burden for SMBs, and the consequences of ignoring these needs can be severe.

The value of SaaS for SMBs is not only the features of an application but also the reduced burden of supporting systems. Utilizing SaaS is comparable to sharing software overhead with hundreds or thousands of other companies. Just like the economies of scale associated with expanded manufacturing or purchasing, the benefits of shared overhead for security, reliability and functionality can be significant. In addition to software features, SMBs often receive a level of security and reliability normally associated with Fortune 500 companies.

4. Reliability

SaaS applications serve many clients at once and as a result, SaaS vendors can provide a much higher level of security and reliability than an SMB could afford on its own. Many SaaS systems now guarantee better than 99% uptime. So, rather than maintaining multiple servers and software on every PC on the network, a business using SaaS must simply ensure a reliable internet connection with appropriate bandwidth.

Uptime is one part of reliability, but another equally important consideration is disaster recovery. A disaster recovery plan with traditional software must include a data backup system with backups taken offsite. If disaster does occur, the offsite data backups ensure that data can be restored, but any lost hardware systems must first be replaced and configured. With SaaS, even if buildings or computers were lost completely, a user could go anywhere that has an internet connection, log on, and access their system without interruption. The advantage for SMBs is twofold, as the risk of disaster is limited and the cost of purchasing, maintaining,

and operating backup systems is reduced. Additionally, most large SaaS vendors have redundant data centers (backup hardware) and extensive disaster protection and recovery plans. So even if disaster struck the SaaS vendor, clients are protected by the benefits already included in their service fee.

5. Security

Security is sometimes painted as a drawback of SaaS because company data is "out on the web," seemingly available to anyone. The reality for SMB's is actually quite different. Customer data is not really out on the internet, but rather stored on the server's of the SaaS vendor. Much like in the case of reliability, SaaS vendors provide a much higher level of physical security than an SMB can afford on its own. Many large scale SaaS companies even require fingerprint and retinal scans for an authorized person to even enter the same room where company data is stored.

The only time data could be considered at risk is as it travels between the SaaS servers and a user's web browser. The technology used to protect data as it moves to the user web browser is the same as that used to protect data when someone does online banking or

makes a web store purchase with their credit card. The technology is known as encryption and essentially means that data is encoded so that even if someone intercepted it on the internet, they could not decipher it.

6. Flexibility

A surprising benefit of SaaS is the flexibility it frequently offers despite the fact that it is not installed onsite. To a degree, the flexibility available is dependent on the application and the features it provides. However, because the system is not onsite, all customizations are inherently supported by the system and thus have a much longer life.

In traditional scenarios, customizations for a specific company are made locally to that company's particular installation. This implies that they are not a part of the standard software package and therefore not supported by the vendor. This fact can be crucial when it is time to upgrade to the latest version. In most cases, upgrading onsite software overwrites local customizations. Companies frequently find themselves

stuck in what is known as "version lock" as they cannot afford to upgrade to the latest version of their software because losing or rebuilding the customizations would be too costly. Version lock does not exist with SaaS software because there is no new version to install. Instead, the upgrade takes place at the vendor site and when users login the next time, they are using the latest version. Because of this architecture, it is important to ensure that any SaaS application provides the needed flexibility, but whatever is available should be supported long-term.

7. Deployment

Deploying an onsite application to a company's user base normally entails the setup and installation of both hardware and software. Servers are setup to provide centralized data and security and each PC must have the system's user interface installed. Only after that setup is complete can a company begin setting up data, configuring the application, and training users.

For all intents and purposes, SaaS applications are already setup and installed. Like with other services, new customers are simply gaining access to what is already

available. Furthermore, there is no installation to be done on a user desktop since all that is required is a web browser. These differences from traditional software can be significant in terms not only of cost but also time to deploy. SaaS deployments are typically 50 to 90 percent faster than traditional onsite software installations based on a recent study by Triple Tree and the Software and Information Industry Association (SIAA). The same study noted that the total cost of ownership is often five to ten times less than onsite software.

Conclusion

Small businesses face many unique challenges in a changing market. Despite increasing regulatory and tax burdens and fewer resources than larger companies, SMB must still provide high levels of customer service and affordable prices. SaaS adoption by SMBs continues to grow as companies are finding high quality software with exceptional reliability, high-end security, and quicker, less costly deployments. These factors, in addition to the decreased burden on internal IT

resources, position SaaS as a solution that provides SMBs the sophisticated infrastructure they require, while freeing them to focus on their core business.