SOFTWARE ON DEMAND

Software as a Service—SaaS— a pay-as-you-go alternative to IT ownership

By Deb Canning

As more contractors adopt "lean production" principles to streamline operations and associated costs, it is only natural that they are looking for ways to streamline their IT infrastructure and operations. In response, some software providers are offering Software as a Service (SaaS; pronounced "sass"), a computer software application delivered over the Internet as a subscription service. SaaS can fulfill a range of needs, from a single application, such as e-mail or a sales CRM solution, to enterprise financial and project management software used by a contractor to run its business.

SaaS is a potential solution for a contractor that does not want or cannot afford the substantial capital investment and overhead associated with owning, operating, and maintaining an IT infrastructure. Good candidates for SaaS include start-up companies, small- to mid-size companies, and larger companies with a lean business model, as well as specialty contractors with a largely mobile workforce operating from home or on the road. In addition, a contractor that operates under corporate or government regulations requiring a level of high security or redundancy that cannot be cost-effectively met with an in-house solution might choose a SaaS solution.

For these types of contractors, SaaS provides a complete solution, which is free of start-up costs for the servers, communication lines, application software, the building, and infrastructure required to house them; IT staff salaries; and ongoing costs associated with IT upgrades. Most providers offer the service for a fixed annual subscription fee for the term of the contract.

In addition to the benefits of fixed costs, the hosted environment potentially offers increased reliability and redundancy in a highly secure Tier IV data center with guaranteed uptime and performance standards—with 24/7 remote access.

Here's how SaaS works. An authorized user signs on to the host site over the Internet from their PC or laptop computer, using a password to log on through a virtual private network (VPN). The application opens and is ready for use, just as it would if the user clicked on it from the "Applications" menu of the computers.

THE TRADE-OFFS

Contractor-owned and SaaS solutions have advantages and disadvantages. The main advantage of owning one's IT system is, well, ownership. The contractor owns the system just as it owns other capital assets, such as real estate and equipment. As such, the company has complete control over the IT system within the limitations of the software licensing agreement. Ownership also has its disadvantages, as many contractors are all too aware—in this case, the capital investment and unpredictable costs associated with operating and maintaining an IT system.

On the other hand, a contractor that opts for SaaS only has the right to use the software as long as the contract is in effect. It's like leasing a building or equipment rather than owning it; there is no "equity" stake in the software. The data are the property of the company using the SaaS service, and the data can be made available at anytime to the owner.

A FEW CAVEATS

That said, the contractor should be aware of several specific caveats associated with SaaS. First, make sure the provider uses a Tier III or, preferably, Tier IV data center to host applications. Tier IV data centers are designed to a standard that enables them to host mission-critical computer systems, with fully redundant subsystems and advanced building security.

Be aware of the total dependence on telecommunications for access to applications. If the hard-wired connection to the Internet goes down, or a mobile employee has trouble with their wireless connection, users will have no way to access the hosted applications. It would be a very good idea to make the investment in a fail-over or redundant communication solution to ensure continuous access to the host.

Also, carefully examine and compare providers' pricing structures to select the most cost-effective structure for a company's needs and usage pattern. Some providers charge a fixed annual fee for unlimited access to applications, while others may charge per minute or per hour of use.

SaaS may be an attractive pay-as-you-go alternative to IT system ownership for many contractors, especially those in the small- to mid-size range. Like any other purchase, it deserves careful scrutiny and planning to be sure to get what is paid for. ■

ABOUT the AUTHOR

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