Jan. 01, 2009

From the January 2009 Issue

The headlines scream, "Credit Crunch," and the word to companies across America: Tighten your belt. That means three things for businesses:

1. The need to invest in technology is even more important now.
2. Borrowing money to invest in technology is going to be tough.
3. If you have money set aside, is technology where you want to spend it?

The need to automate more or streamline operations, which is always a priority, seems a lot more critical now that the economy is fragile, and it's scary to be thinking about adding new people. What's a business owner to do?

For Bill, the president of a quick-service restaurant franchise, it's been a keep-me-up-at-night dilemma. He fears losing market share if he can't implement a business system that will handle critical areas like cash/credit management and business intelligence. He has some cash in the bank, but it is his safety net for tougher times and he's not anxious to take on more debt by financing.

Julie and her brother, who have taken over the family business, see a real opportunity in a new division that could take off as companies embrace the use of new energy technologies. They have a strong need to build up their internal systems to handle distribution, but their traditional lending sources have dried up so there's limited funding for what they need.

It wasn't so long ago that companies like Bill's and Julie's were comfortable making investments. Now the world has changed, and they want

to hold on to their cash to help weather the current economic unknown and a

saves you from investing in servers and networks. There's also an option where the hosting site owns the software license so all you have is a monthly fee.

Software as a Service (SaaS): Your application is hosted as a service and is accessed over the Internet. You might think of this as "renting" your software since you own nothing but your data. It comes in two flavors:

- Hosted by the Software Publisher
- Hosted by a Service provider, similar to regular hosting

Software Plus Services: This is a new twist from Microsoft. It incorporates some of the options above, but Microsoft describes it as a combination of on-premises software, Service Provider hosted offerings, and Publisher-hosted software and services.

For companies that have always bought their software, the thinking behind SaaS is likely to be foreign. Accountants and business advisors will rightly recommend that companies be sure they have good security and access to their information, and that might be hard to swallow if your server (or your data and the software) is all housed elsewhere. Yet, economics often drives acceptance of new ways of doing old things. And the statistics on this so-called "foreign" concept are already starting to reflect that the case is being made:

- Gartner predicts that SaaS spending will top out at $6.4 billion in 2008. They project it will more than double to $14.8 billion by 2012. The Yankee Group is even more bullish. They expect SaaS revenue to exceed $20 billion by 2011.

- IDC says the $16.2 billion spent on SaaS, or "cloud computing"

plusses to consider about SaaS:

- You are essentially renting the software as needed.
- Pricing is usually based on number of users and may fluctuate with your needs.
- There's little up-front cost, as the software investment is paid over time.
- There's little or no hardware investment needed, as the software is housed elsewhere.
- The "hosting" entity is responsible to keep you up and running. This relieves the burden on your internal team and, in some cases, gives you round-the-clock monitoring of your system.
- Team members can access your data from any place they have Internet access, which makes it easier to add and support your remote employees.
- In the event of a problem, you have easy remote access for data restoration.
- You "free up" your cash to be used elsewhere in the company.
- You minimize the use of your precious credit line.

As with any solution, there are also some points business owners need to understand before they go down this road:

- Your team will still have the same learning curve to master the software. Training remains essential.
- There may be limitations on what can and can't be customized to your specific needs. Be sure you can live with those limitations.
- You need to be diligent in alerting your "hosting" company at the first sign of problems with the software.
- The amount of services provided is determined by the host company. Read and understand the Terms of the Agreement so you know your time commitment

and what service work is included in your monthly fee as well as what's

Confirm the data backup schedule and how you can access the backup in case of an issue.

Don't let today's economic times make you tighten your belt so far that you slow revenue and therefore slow your own economic recovery. Businesses like Bill's and Julie's need more than ever to get better business metrics and have tools that easily let them get answers to business questions so good decisions can be made. If SaaS or the other non-traditional options contribute to a win-win, it may be time to take a good look.

Technology