**SaaS sprint**

# User Case Sprint

# My Activities:

# Diagram

# All excerpt

**What is SaaS? 10 Frequently Asked Questions About Software as a Service**

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While the technology world is laser focused on the software-as-a-service (SaaS), or “cloud,” phenomenon, a lot of companies with which we speak aren’t as familiar (gasp!). That’s changing, however, as SaaS solutions continue to offer a viable software option for many businesses to traditional on-premise installations.

Every day at Software Advice, we hear the same handful of questions about what SaaS is, exactly, and how SaaS differs from the traditional software model. So, we thought it’d be helpful to put together a guide of the 10 most frequently asked questions about SaaS.

**1. What Is SaaS?**

SaaS is a method of software delivery that allows data to be accessed from any device with an Internet connection and web browser. In this web-based model, software vendors host and maintain the servers, databases and code that constitute an application. This is a significant departure from the on-premise software delivery model. First, companies don’t have to invest in extensive hardware to host the software, and this in turn, allows buyers to outsource most of the IT responsibilities typically required to troubleshoot and maintain the software. The SaaS vendor takes care of it all.

In addition to allowing remote access via the web to the software applications and data, SaaS also differs from on-premise software in it’s pricing model. On-premise software is typically purchased through a perpetual license, which means buyers own a license to the software. They also pay 15% to 20% per year in maintenance and support fees. SaaS, on the other hand, allows buyers to pay an annual or monthly subscription fee, which typically includes the software license, support and most other fees. A major benefit of SaaS is being able to spread out costs over time.

**2. How Do I Choose Between SaaS & On-Premise?**

The first step to answering this question is to determine the complexity of your business. We typically recommend SaaS to small to medium businesses with fairly straight forward business processes that are looking to reduce upfront expenses. Why? SaaS solutions are cost effective, but they are still working their way toward handling the complex requirements of large enterprise businesses. If there is one area that SaaS is still working to make up ground in terms of offerings, it’s delivering the same level of robust functionality that you find in on-premise systems.

While SaaS is closing the functionality gap, there remains a rather large gulf between the two. For example, a medium-sized manufacturer that makes highly engineered and custom aerospace parts may be best-suited for an on-premise system, simply because on-premise systems have been around longer and have more functionality. On the other hand, a manufacturer that specializes in nuts and bolts will find all the functionality they need in a SaaS solution like [NetSuite](http://www.softwareadvice.com/manufacturing/netsuite-manufacturing-edition-software-profile/) or [Plex Systems](http://www.softwareadvice.com/manufacturing/plex-online-profile/). So, it really comes down to understanding what are your organization’s needs and which solution can best help you address those in the near term – and over time.

**3. Is SaaS new?**

The origins of a shared resource environment such as cloud computing date back to the 1960’s. In a 1961 speech to MIT students, John McCarthy, a renowned computer scientist that won the Turing award for his work in Artificial Intelligence, famously said, “computation may some day be organized as a public utility.” In other words, with the concept of cloud computing that is certainly what you have – a shared resource of computing power. While the idea has been around for some time, the web-based technology required to support SaaS matured heading into the late 1990’s. That’s when companies like[Salesforce](http://www.softwareadvice.com/crm/salesforce-crm-profile/) began offering traditional enterprise solutions, such as customer relationship management, through a SaaS model.

At first, the enterprise software world didn’t take SaaS seriously. In the last five years, however, that’s changed dramatically as SaaS companies have proven they’re able to [grow their revenue and customer base](http://blog.softwareadvice.com/articles/enterprise/q1-2011-saas-1052511/) through a subscription licensing model. At the same time, buyers are increasingly drawn to the affordability and the familiarity of the web browser-like user interface (UI) SaaS solutions offer.

**4. Can I Customize SaaS Software?**

When SaaS applications first emerged, customization was very limited. Everyone got the same solution and had to adapt their business processes to the software they received. Today, it’s becoming much easier and more common to customize your SaaS systems. And in fact, there are now armies of consultants that specialize in tweaking SaaS applications to fit your business processes.

Buyers can customize the UI to change the look and feel of the program, as well as modify specific areas, such as data fields, to alter what data appears. Several business process features can also be turned off and on at will. However, the ability to tailor SaaS software still isn’t what it is for on-premise solutions. As the SaaS market matures, software vendors are investing more in development to provide more customization and flexibility that companies are accustomed to with on-premise software. Of course, all of this varies by application and vendor; some are further ahead than others.

**5. Who Owns My Data?**

A lot of buyers fear that SaaS vendors "own" their data. This is certainly something to be aware of when negotiating a service level agreement (SLA) with your SaaS vendor. In addition to setting system reliability standards, the SLA spells out parameters for issues, such as data ownership, security requirements and maintenance schedules. It’s an important and fairly complex document that we can’t cover sufficiently here. To learn more about SLAs, check out this excellent [post](http://blog.intacct.com/2009/06/cloud-saas-service-level-agreement.html).

In terms of data ownership, buyers should ensure there’s a clause in their SLA that states unequivocally that they own the data. Most SaaS contracts have built in and prepaid contingencies that will provide access to your data if the vendors goes out of business (see below) and guarantees that you own that data. Furthermore, most SaaS vendors will let you export your data and back it up locally any time you want. It’s very unusual for any vendor to insist that they retain ownership of your data. If you notice this in a clause, don’t sign the dotted line.

**6. Is My Data Safe?**

This is one of the biggest sticking points for companies that are considering SaaS. Security is an important consideration when allowing someone else to maintain your business-critical data, especially for companies with large data sets. However, with online banking and online payroll systems becoming the norm today, the security issue seems to be a bit of a red herring. Few things are more important than our bank accounts, yet most of us are comfortable with putting this information in the cloud.

In truth, data security is independent of whether the server is sitting right next to you or in a different city. Apples to apples, SaaS vendors are actually able to invest much more in security, backups and maintenance than any small to medium enterprise. For this reason, a web-based system typically has more security measures in place than an on-premise system. Furthermore, most SaaS vendors undergo stringent security procedures of [SAS70 Type II](http://sas70.com/sas70_overview.html) audits that test the data center’s level of security. And chances are an individual IT department within may not hold themselves to the same standards.

**7. What if My Vendor Goes Out of Business?**

This is a legitimate concern as in the world of software, vendors come and go all the time – whether through industry consolidation or business failure. The data, however, is typically yours to keep. Most SaaS vendors prepay their data center hosting company to “keep the lights on.” This prepaid fee is meant to safeguard companies to ensure their data is accessible in the event something should happen with the vendor.

The important thing here is to make sure your SLA has a clause that explicitly states that you can export your data from your provider, which most SLAs do outline as standard practice. This clause should also include how often and in what type of format you may access your data. It’s common for SLAs to also stipulate that the vendor will help migrate your data, for an appropriate fee.

**8. What Are the Internet / Operating System (OS) Limitations?**

The primary downside of SaaS is that it relies on a good Internet connection. You’ll know better than anyone how this will affect you. How’s your Internet? While many believe on-premise systems to be more reliable, no system is fully immune to downtime. On-premise software is subject to electrical outages, hardware failures and a range of other risks. As a safeguard, some SaaS vendors have developed "offline" functionality that allows people to keep working in the event that Internet does go down. Once a solid connection is available again, all the data is synced to the system.

Beyond the Internet connection, some are worried about OS compatibility. Most enterprise systems were built to run on either Windows or Linux. That’s starting to change. As Mac users, we’re happy to see that more enterprise vendors support the Mac OS. As Mac adoption continues to grow in the enterprise, we expect Mac functional support to accelerate as well. Furthermore, most SaaS companies support multiple web browsers, so no matter what system you use, you can access your SaaS applications.

**9. What’s the Difference Between SaaS and Cloud Computing?**

It isn’t just semantics. The cloud refers to a set of incredibly complex infrastructure technology. At a fundamental level, it’s a [collection of computers, servers, and databases](http://blog.softwareadvice.com/wp-content/uploads/2011/07/Cloud-Computing-Technology.001.png) that are connected together in a way that users can lease access to share their combined power. The computing power is scalable so that buyers can dynamically increase, or decrease, the amount of computing power they lease.

The cloud can refer to anything that’s hosted remotely and delivered via the Internet. While all cloud programs are run by underlying software, SaaS refers specifically to business software applications that are delivered via the cloud. Given the widespread growth of cloud accessibility, it’s been easier, faster and less expensive for SaaS developers to roll out applications as compared to traditional on-premise software development. Today, nearly every type of core business function – from human resources to enterprise resource planning – is available via SaaS.

**10. What’s a Private Cloud?**

A private cloud takes all of the infrastructure technology that runs a public cloud and stores it on-premise. Users achieve the same functionality and ability to access their data through a web browser. However, instead of sharing the computing power with the general public, the computing power is shared among users at one company. Contrary to the public cloud model, a private cloud requires an IT department to perform maintenance and upkeep.

A private cloud is really only a viable option for large enterprises that can invest in the infrastructure required to develop and maintain a cloud environment. With private clouds, it takes a large scale to generate a return on investment from this level of technology purchase. For large enterprises that don’t want to put their information in a publicly accessed cloud, it is an attractive option.

While these 10 questions by no means cover all things SaaS, they are the ones buyers most want to know. So, if you’ve got a burning question that needs to be answered, leave us a comment below. We’ll do our best to answer your question by the next business day.

*Thumbnail image created by*[*Raymond Bryson*](http://www.flickr.com/photos/28050278@N02/9647972522/in/photolist-fGyo6Q-bMUpkV-gAuetY-fGwAHL-9v3xhu-fGXeu1-d3YcXJ-dAAVBu-dAvshB-edRezZ-aaWpXL-9uZpk3-9iKHnC-8ARuKe-8JkcMH-9isMcS-7yhw49-7KMZjL-eeRzLH-eAPnji-buXeUU-cDFsSY-cBFFBS-7JddDu-9pR9cD-9pUbg3-dLUHoa-8boWnw-9FgL1J-7N7Dy4-e94FGZ-afB7o5-8qBtLA-8qBtQN-aLUExV-fxXYS2-aLUCkX-aLUBd6-dL9uWm-ccbDLs-9dc7Zf)*.*