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**THE DIFFERENCE BETWEEN  
ENTERPRISE SOFTWARE AND  
SOFTWARE-AS-A-SERVICE**

# The Difference Between Enterprise Software and Software-as-a-Service

Written by Wes Trochlil

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When selecting new association management software, you will often have to choose between “enterprise” software and software-as-a-service (SAAS). In the traditional definition, enterprise software is software your organization buys and installs on your organization’s servers. By contrast, SaaS software is software that you “rent” and is hosted “in the cloud” and accessed via the internet. In addition and significantly, SaaS offerings tend to be multi-tenant, meaning that multiple organizations are actually working in the same database.

So what are the significant differences between these two types of software? Here are four distinguishing factors:

**Customizability** – One of the primary advantages of traditional enterprise software is the ability to customize the software. Because you own the software, you can customize the software as needed to address your needs. With SaaS software, customization is typically limited to whatever tools the SaaS provider offers (e.g., creating new fields, creating new entities, or nothing at all). Because a SaaS offering is typically in a multi-tenant environment pure customization is simply not possible (since customizing would, by definition, change the database being used by other organizations). Advantage: Enterprise

**Querying and Reporting** – Because SaaS offerings are multi-tenant, creating queries and reports presents a challenge. Queries and reports typically scan the entire database for data, which means in a multi-tenant environment, queries and reports can create a lot of processing overhead. This will affect other organizations sharing the database, and thus SaaS offerings tend to limit the kind of querying and reporting available to the user. By contrast, in an enterprise setting, querying and reporting can be done with third-party tools via ODBC, or the data sets can be pulled and reformatted in a data warehouse. Advantage: Enterprise

**Functionality** – This is somewhat related to issue #1 above. Because of limited customizability, a SaaS system may not be able to perform all of the functionality your organization requires. In theory, at least, an enterprise system can be customized to address all of your functional needs. Advantage: Enterprise

**Price/Cash Flow** – Enterprise pricing tends to follow this model: software licensing, software maintenance, and customization/services. SaaS pricing tends to follow this model: monthly fee and services. Because you are purchasing software at the enterprise level (rather than renting, as in the SaaS model), your initial costs will be much, much higher, sometimes by a factor of 100 or more. The result is that initial costs for SaaS software will be significantly lower than enterprise software. Over time (typically 5 to 7 years) the total cost of ownership for SaaS and enterprise software will converge. But for SaaS offerings, that cost is spread over 7 years, rather than being frontloaded into the first year. Advantage: SaaS

So given these differences, and the obvious advantage that enterprise software has over SaaS offerings, why are so many organizations moving to SaaS software? There are three reasons:

**Ease of installation/ease of upgrade** – For a typical SaaS offering, the database software itself is installed and ready to run the instant you sign the contract. Obviously data conversion, setup, and training has to occur in order to use the software, but installation is a non-issue. Related to that, upgrades are pushed out automatically to all users, which means upgrades occur and with little fanfare and no effort on the part of the user organization. In addition, a SaaS offering requires no “maintenance” or tuning on the part of the client.

**The benefits don’t justify the cost** – Even though enterprise software offers more functionality (speaking broadly) than SaaS offerings, for many organizations, these advantages are not significant enough to justify the higher initial expense and greater maintenance overhead required of an enterprise system.

**Cash flow** – For many organizations, the largest single purchase the organization will make is their data management system. For a smaller association (e.g., 15 staff), at the enterprise level this could mean a first year investment of over \$150,000. For a SaaS product with similar functionality, the first year investment might be closer to \$30,000.

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From a cash flow perspective, that's a huge difference. And if an organization that does not have significant reserves (or is uncomfortable tapping those reserves), a \$150,000 investment may simply be untenable.

And what about implementation? Again, there are some significant differences between SaaS and enterprise offerings.

**Data conversion** – SaaS implementations tend to be simpler and thus the data conversion process is usually more condensed. That is, the standard process for SaaS data conversion is to convert the data once and to convert only baseline information (e.g., contact info, membership info). More detailed data imports can be done but are typically outside the norm. With enterprise-level implementations, there may be two or more iterations of data conversion, and they may contain very broad sets of data (e.g., financial data, event attendance history, product purchase history, etc.).

**Testing** – With an enterprise system there are typically many configurations and customizations set up and thus testing becomes extremely important, to ensure the system works as designed. With SaaS offerings, the processes tend to be baked in and thus testing is much less intensive.

**Training** – Enterprise systems tend to include several days of onsite training, while SaaS offerings tend to provide online/on-demand training. Onsite training tends to provide for more in-depth discussion of issues and may be more focused on organization-specific needs, while on-demand training is, by definition, much more generic. Of course, on-demand training is available whenever you need it.

So which is right for your organization? Ultimately, of course, that depends on your needs and your resources. But understanding your needs, and the benefits and drawbacks of each system, will help you make a decision that is right for you.

## About the Author

For more than 20 years, Wes Trochlil has worked in and with dozens of associations and membership organizations providing a range of consulting services, from general consulting on data management issues to full-scale, association-wide selection and implementation of association management systems. Follow Wes on Twitter [@westrochlil](#). His website is [www.effectivedatabase.com](#).