

# SaaS: The Utility Approach to Enterprise Software

*Think of ERP Software as a Service as just another utility like email or Internet search engines.*

**W**hen you check your email or send an email, whether it is through Yahoo or Gmail or any other email service, are you concerned with the hardware and support that puts the emails on your screen? When you conduct your online banking or brokerage services, do you contract with a third party to provide the security to protect your data? When you conduct a search on Google, do you have any idea the complex software necessary to return suggestions on your search? To utilize these, do you need an IT person on the payroll to make sure you have the hardware

and software in place to access your email, banking, searching? Of course you don't. Nor are you concerned with, or do you even care, how it all works; it just does. In addition, you probably take for granted that you can conduct all these activities from anywhere you have an Internet signal.

**“Enterprise software is quickly becoming just another utility, allowing you to free up your time and resources so you can concentrate on your core business instead of also having to be in the IT business.”**

ally referred to as SaaS. Just like your phone service, cable service or Internet service, you pay a fee, use the service and let someone else worry about what is required to provide that service. Enterprise software is quickly becoming just another utility, allowing you to free up your time and resources so you can concentrate on your core business instead of also having to be in the IT business.

According to a recent opinion article by *The Wall Street Journal's* Gordon Crovitz, "The personal computer has dominated the digital revolution, but the PC era effectively ended this year. Smartphones are beginning to eclipse computers, and three years after the launch of the iPad, tablets outsell desktops and notebooks." SaaS allows you to take advantage of these mobile products.

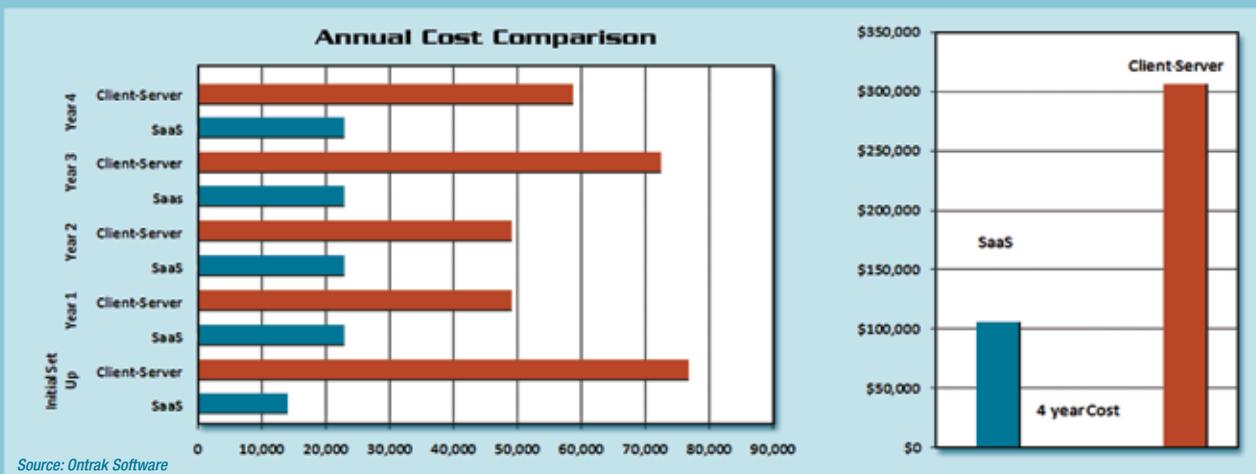
You may think this amazing technology is new and you don't want to be among the first to jump on the bandwagon. Ontrak Software (through its predecessor company, Heritage Digital) was providing a SaaS product to the U.S. Air Force in 1999. A SaaS product for distributors was introduced in 2004, and ontrak Metals, a specialized SaaS product for metal service centers, was introduced in 2006. So, SaaS has been around for quite some time.

During this time it has slowly gained converts from server-based software users, but the trend has greatly accelerated over the past three years. What has caused the quickening pace of this change from purchasing software and housing it on in-house servers to SaaS? As an article in *Fortune Magazine* states; "Simply put, it is faster, simpler and cheaper.... The key is the interface [that provides] an intuitive, easy-to-use software to conduct your everyday business functions without concern for what is behind it."

Welcome to the world of "Software as a Service," gener-

## Total Cost of Ownership: SaaS vs. Client-Server

Initial Set Up		Year 1		Year 2		Year 3		Year 4		Total	
SaaS	Client-Server	SaaS	Client-Server	SaaS	Client-Server	SaaS	Client-Server	SaaS	Client-Server	SaaS	Client-Server
13,955	76,536	22,800	48,943	22,800	48,943	22,800	72,368	22,800	58,473	105,155	305,263



Source: Ontrak Software

Metal Service Center - 25 Users, 1 Warehouse, 2 Sales Offices

Tony Scott, CIO of Microsoft, says that companies “are seeing the efficiency advantages of eliminating a significant amount of in-house hardware and software spending.”

SaaS brings increased flexibility, familiarity and agility to a service center’s software implementation. Once employees are trained on the system, everyone uses and contributes to a common package and upgrades are continual and gradual. There is no need to relearn a new program every four or five years when the fixed software company stops supporting the old version and comes out with a new version. SaaS systems tend to incorporate the latest technology, because that is the business of the SaaS provider. The service center is not locked in with IT employees and their biases, including their job security, which is bolstered by a complex IT system to operate for you. The SaaS provider handles all the IT issues. And cost? Generally, SaaS is cheaper than purchasing software and maintaining the infrastructure to run it (see chart above).

Another factor driving SaaS is the explosion of mobile communications devices, from smartphones to smart pads. Now there is Internet access virtually everywhere, in airports, restaurants, hotels, even McDonalds. You have your office and all your data with you and accessible at all

times, as long as you have a connection device.

So, how do you get started with SaaS? Reading about it is the hard way. The easy and most time efficient way is to find companies offering a SaaS product tailored to your industry and participate in an interactive demo, along with key employees from each department. This can be done remotely, with your folks logging on to the provider’s computer. Require that the SaaS provider show you specifically how the software works, and ask them lots of questions specific to your operations. If they can’t show you how it will work for you, don’t consider them. Once you are satisfied that the SaaS provider has great software, look at the service and support they provide by talking to several of their customers.

Changing software is a pain, no question about it, but if you improve the efficiency of your business, give your employees better tools and give yourself more information to better run your business, at reduced cost, it is worth the effort. SaaS will become the dominant way that companies satisfy their software needs. There are just too many financial and operational reasons for you to get out of the IT business and have your software needs provided more like just another utility. ■

*Ontrak Software LLC, Florence, S.C., offers ontrak Metals, a fully integrated inventory control, sales and purchasing program for metals service centers. For more information, visit [www.ontrak.com](http://www.ontrak.com).*