



Frequently Asked Questions and Answers (FAQs)

Q: What is SaaS and Cloud Computing and how can it be of benefit to my business?

A: SaaS is a computer industry acronym which stands for “Software as a Service.” Cloud Computing is a newer term used to describe what has been referred to for many years as SaaS and prior to that in the 1990’s, ASP (Application Software Provider). The terms are frequently interchanged, although Cloud Computing is the newer of the various terms. SaaS or Cloud Computing is essentially using software and hardware services over the internet and are usually provide in a “pay as you go” business model – similar to that of how your business uses it utilities such as power, heat and water services.

In other words, to utilize a SaaS or Cloud Computing application does not require your business to have to “procure” software licenses and server hardware upfront before you start using the product services, because those services are provided safely and securely over the web directly to your organization. Wikipedia offers a very comprehensive, but extremely technical explanation of Cloud Computing which can be read by [clicking here](#).



SaaS or Cloud Computing benefits are many, but namely are centered around providing an alternative way of using a computer software operating system, application, or computer hardware such as a server without having to actually procure the product(s) using traditional procurement methods which include: obtaining board approval, budgeting, appropriation, capital expenditures, and depreciation. SaaS offers the organization the ability to use the software licenses and computer server hardware in a “pay as you go” model. In a sense, you can think of SaaS as “renting or leasing” the application, operating systems, & hardware and you are only paying for it for as long as you utilize the software and hardware products. Realistically, SaaS providers will entice your business to enter into multi-year agreements by lowering the monthly expense the longer the term of the contractual agreement. The shorter term agreements such as a 1 year agreement will have a higher monthly price than a customer who enters into a 3 or 5 year agreement for the SaaS offering.

The benefits of SaaS allow your organization to “Just Say No” to the following:

- Capital Expenditures;
- Lengthy application rollouts;

- Application Server Hardware;
- Storage Area Networks;
- Cumbersome Tape Backups, Backup Software, and wondering if it all actually works or not;
- Rotating Tape Backups and disaster recovery procedures;
- Hot Sites in the event of a disaster
- Application or Operating Systems purchases;
- Annual Software Maintenance Contracts;
- Worrying about IT employees leaving with the “keys to the kingdom;”
- Clumsy VPN software and hardware solutions for your remote offices and road warrior employees;

Instead, your business benefits from shortened time to market, predictable monthly expense, and 24 x 7 access using the Internet!

Your internal IT departments and subsequently your business is completely freed from burdens such as: Hotfixes, patching, backups, offsite data storage, restarting/recovering application servers from catastrophic failures, restoring files, etc. Your IT department will be freed from system administration and application training expenses, time out of the field to attend those certification courses and from the task of application, operating system and hardware refreshes that occur every three years.

All this means that your IT department can focus on bringing real value add to your lines of businesses, rather than focusing on low level, non-value add, repetitive, and expense ridden IT tasks that plagues IT departments today.

If you are faced with regulatory issues, compliance requirements (Federal, State, industry, etc.) your organization can outsource those requirements to an adequately equipped SaaS provider that most likely already has dealt with those regulatory and compliance statutes. The costs behind revamping your IT operations to meet all the new regulatory and compliance mandates will quickly become cost prohibitive.

Microsoft in February of 2010 released a published report that illustrates the cost/benefits of operating mid-market business using the SaaS alternative to traditional CAPEX purchases and the report demonstrates that mid-market companies that use the SaaS alternative are more profitable than those who choose to purchase hardware and software using traditional CAPEX approaches. Full details of the study can be found at <http://webdocumentcapture.blogspot.com/2010/02/not-convinced-yet-of-financial-benefits.html>

Finally, it is a fallacy to think that owning software and hardware is going to add value to your business – namely value to your balance sheet. Back in the 1980’s and 1990’s that was probably a valid argument because so much of the applications in use at that time were highly customized to meet the business’ needs. Today, that is largely not the case. For example, generally speaking, the same Microsoft Dynamics GP software running a publicly traded company is the same Microsoft Dynamics GP software suite that is running the small business, it has just been personalized or configured differently by the business partner that implemented it.

Even if genuine customizations were made – by modifying the source code, or by the partner installing their own proprietary integration layer – the core software remains the consistent from customer to customer, 1000's of times over. In the end, when a potential buyer of business looks at the assets of your organization, they are less interested in the software and hardware that you have, but rather the intellectual property – namely your business processes and any proprietary products or industry knowledge you have, not commercially available software and hardware which essentially are nothing more than a commodity. Thus, the idea of taking your large chunks of precious resources – namely your organization's limited cash - and using it to purchase commodities such as commercially software and hardware is less than ideal in today's business climate. Especially in light of the viable SaaS or Cloud Computing alternative - being able to expend the cash in much smaller chunks and to treat it as an operating expense.

Have a question that we have not addressed here? Send it to us at: asktheexpert@idt-inc.com and we will respond to you!

Warm Regards,

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