



# Advisor

## SaaS Alternatives and Adoption Strategies Still Perplexing But Worth Considering

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Despite the rapid growth of the Software-as-a-Service (SaaS) market, many enterprise decision-makers and application architects are still trying to figure out whether this new software solution model is viable and fits into their existing environments. This point was brought home during a Roundtable discussion during Cutter Consortium's recent *Summit* conference.

SaaS has gained industry attention as a result of the tremendous growth of salesforce.com and proliferation of additional SaaS providers addressing nearly every horizontal business application area. A recent Cutter Consortium study found that a third of respondents are already utilizing a SaaS solution and nearly 90% of these respondents are happy with their SaaS experiences, intend to expand their use of SaaS, and would recommend that other organizations leverage SaaS solutions. Another third expects to adopt a SaaS solution by the end of 2006.

While the potential upfront costs of SaaS were clear to the Roundtable participants -- no perpetual license fees, added infrastructure investments, or enormous consulting costs — they were rightfully concerned about a myriad of potential hidden costs.

The first concern of the Roundtable participants was deciphering how a

SaaS solution would integrate into existing enterprise applications, architectures, and databases. Although SaaS providers are developing greater interoperability capabilities and adding more integration features to their solutions, and a variety of third-parties are offering application program interfaces (APIs), these “off-the-shelf” remedies don't necessarily satisfy large enterprise data integration or migration requirements. As a result, a growing population of integrators and consulting firms are specializing in SaaS integration, defeating the goal of eliminating added consulting costs.

The second major concern of the Roundtable participants was protecting their proprietary data in the SaaS arrangement. This concern has been wrongly expressed as a “who owns the data” issue. All of the SaaS providers recognize that the customer's data belongs to the SaaS user. The more important questions are:

How is the data protected from unauthorized access?

How is the customer assured access to the data?

How much effort is necessary to migrate data back to the enterprise or to another SaaS provider?

These are valid concerns, especially given the series of service outages

experienced by salesforce.com over the past four months. However, SaaS service availability problems aren't as severe as they may sound. The best internal IT operations suffer system outages, application downtime, and security breaches. And even the best legacy application vendors can be slow to resolve issues. The positive result of the salesforce.com issues has been a greater focus on building "carrier-class" service delivery infrastructures and more stringent service-level agreements (SLAs).

Nonetheless, these concerns will impact where and how organizations, especially large-scale organizations, adopt SaaS. The good news is that an increasing number of major corporations, as well as governmental agencies, are successfully adopting SaaS and are satisfied enough about their experiences that they are willing to discuss their best practices.

Among these early learnings is the fact that the SaaS decision-making process is no different than any other new product evaluation methodology. In this case, it is essential to examine the timeliness of a SaaS solution within the context of broader enterprise service-oriented architecture initiatives and frameworks. And, it is equally important to study the SaaS providers service delivery systems and support procedures.

One of the greatest benefits of SaaS is that it can be more easily tested in a trial environment than traditional, legacy applications. Enterprise architecture teams should take advantage of this attribute to conduct a pilot and evaluate the application performance. They should also carefully evaluate the data integration and migration consequences of a SaaS deployment.

#### **About the Author**

Jeff Kaplan is a Senior Consultant with Cutter Consortium's Sourcing & Vendor Relationships practice. He has developed expertise in helping IT enterprise decision makers with their sourcing strategies. In addition, he assists solution providers with their marketing strategies and venture firms with their investment strategies.

Formerly, Mr. Kaplan, who is founder of THINKstrategies, served as VP of Marketing and Business Development at InterOPS Management Solutions, an Internet operations management services provider. Prior to joining InterOPS, Kaplan was Director of Strategic Marketing at Lucent Technologies Worldwide Services, as a result of its acquisition of International Network Services (INS). Before his position at INS, Mr. Kaplan spent 13 years as a leading industry analyst and market research consultant at IDC, the Ledgeway Group, Dataquest, and META Group.

Mr. Kaplan is a frequent speaker at industry conferences and a contributing columnist for Mass High Tech, NetworkWorld, Business Communications Review, Computerworld, InfoWorld, InformationWeek, eWeek, and the Financial Times of London. He serves as the Site Guide for ITworld's Utility Computing Web portal and is the Outsourcing Expert for TechTarget's SearchCIO and SearchSmallBizIT. He has served on the board of advisors of CeBIT America and ComNet Expositions, and is a member of the IT Services Marketing Association. He can be reached at [consulting@cutter.com](mailto:consulting@cutter.com).

