



Software-as-a-Service:
Managing Benefits for SMBs

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About This Report

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About Saugatuck Technology

Saugatuck Technology Inc. provides subscription research and management consulting services focused on the key market trends and disruptive technologies driving change in enterprise IT, including SaaS, Cloud Infrastructure, Open Source and Enterprise Social Computing.

Founded in 1999, Saugatuck is headquartered in Westport CT, with offices in Boston, Santa Clara CA, and Frankfurt, Germany. For more information, please visit www.saugatech.com, or call +1.203.454.3900.

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SAAS AND SMBs: A BENEFICIAL COMBINATION

Since 2005, when Saugatuck Technology began surveying business and IT executives globally about their Software-as-a-Service (SaaS) use, we have steadily seen small and mid-sized businesses (SMBs) among the most aggressive adopters and users of SaaS.

SaaS interest and use by SMBs has grown to the point where Saugatuck's 2010 survey and interview program (including over 250 SMB business and IT executives) clearly shows that by year-end 2014, an average of 50 percent of new software deployments worldwide will be made via SaaS.

The key reason? Significant business benefits, typically including a reduction in the cost of software acquisition, regular and predictable software improvements and upgrades at no additional cost, and the ability to offload software management to SaaS providers.

Of course, the benefits of SaaS vary for every company. Your company's business profile, maturity, operating methods, policies and preferences will drive the decision whether or not to consider and implement SaaS for your business software needs.

The bottom line is this: Though not perfect for every organization or application type, SaaS solutions do offer unique business and technical advantages to SMBs. This paper uses the latest Saugatuck Technology research among SMB executives worldwide to provide insight and guidance for realizing the business benefits of SaaS.

DEFINING SOFTWARE-AS-A-SERVICE (SAAS)

Software-as-a-Service is a means of acquiring and using software via the Internet. With SaaS, users do not need to buy, install, and maintain applications. All maintenance and upgrades are performed by the SaaS provider. SaaS may be acquired, used, and paid for in a variety of ways including subscription, on-demand/pay-per-use, or a combination of means. The as-needed nature of SaaS cost allows many software costs to be managed as (and paid for by) operating expenses rather than capital expenses.

KEY BENEFITS OF SAAS SOLUTIONS FOR SMBs

While SaaS is not for every organization or application type, SaaS solutions do offer unique business and technical advantages to SMBs. Figure 1 below shows the top business benefits ranked by SMB business and IT executives in Saugatuck's 2010 survey. The list is presented in Saugatuck's "heatmap" format. The color coding – **red**, **orange**, **yellow**, and **blue** – is used to quickly and clearly identify and sort tiers of response ranges. **Red** indicates the highest-ranked response tier; **blue** indicates the lowest.



Figure 1: Top Business Benefits Expected from SaaS by SMB Executives

Benefits Expected from SaaS Solutions Use	Percentage of Respondents Selecting Each
Simplify software management	33%
Reduce capital and/or operating costs	33%
Improve internal and external collaboration	21%
Improve service levels	20%
Convert fixed IT costs to variable costs	19%
Improve management of mobile workers and geographically-dispersed business units	19%
Access next-generation application functionality not available in current software	17%
Reduce risk	16%
Enable business process improvement	16%
Increase revenue	15%
Speed implementation	14%
Enable focus on core competencies	13%
Leverage provider's leading-edge technology	13%
Speed time to market	11%
Ability to benchmark performance against aggregated data of provider's customer base	6%

Source: Saugatuck Technology Inc. Global SaaS Survey March 2010. n = 252

While both SaaS and on-premise software have benefits, Figure 1 clearly indicates multiple tiers of responses for choosing SaaS, with the core theme of *cost* – including “Simplifying software management.” A core tenet of *total cost of ownership* (TCO) holds that management costs are often the greatest costs associated with IT. “Simplifying software management” enables significant cost reduction over the life of the software.

If we look more broadly at the data in Figure 1, we can see how the benefits expected from SaaS by SMB executives fall into *three areas of strategic benefit*, as follows:

- **Cost transformation.** SMBs are able to acquire, use and pay for SaaS through a per-use or periodic subscription model (monthly, quarterly, or yearly). This payment type transforms the investment in software from a capital expense (CAPEX) – where an organization owns the software - to an operational expense



(OPEX) – where the application is “rented.” Subscription billing allows for long-term predictability in technology and business costs, as SMBs only pay for what they use. Simplifying software management, on the other hand, is the single largest driver in cost reduction. Internal IT costs are transformed as well. While some core skills may be required for integrating SaaS with other systems or applications, a move to SaaS typically reduces overall annual costs for IT management. SaaS is essentially a way of outsourcing some of the non-value-added tasks of software management to the SaaS provider, allowing the firm to focus on business issues such as customer acquisition and retention.

Customer Relationship Management - The King of SaaS

When it comes to SaaS applications and solutions for SMBs, CRM rules the roost. Saugatuck’s 2010 survey research indicates that CRM today is one of the top five SaaS applications in use among SMBs, and will be the most-deployed SaaS application by SMBs by year-end 2012. Not only is CRM a leader among currently-deployed SaaS applications, CRM and two of its closest applications types – Salesforce Automation, and Customer Service and Support – make up three of the top seven SaaS applications in place or planned by SMB executives through year-end 2012.

- **Flexibility.** Cost reduction and improved focus on business management enable greater flexibility for the SMB. In addition, SaaS applications themselves are often more readily adaptable to changing business requirements than is traditional business software. Innovative use of the latest technologies, constantly upgraded by the SaaS provider, enables a level of configurability and adaptability well beyond that of most traditional business software. Non-programmers are typically able to modify the application’s look and feel, and extend workflows to support unique processes. Some SaaS vendors also provide customization and development tools to enable enhancements and extensions to the underlying application platforms.
- **Speed to market.** The combination of cost and flexibility factors above enables much-improved response times by SMBs to market changes. Programming and configuration that may have required days or weeks in traditional business software can often be accomplished in hours, if not minutes. The one-to-many nature of SaaS also enables dramatically-reduced implementation and upgrade times for SMBs, allowing much faster returns on the business software investment, along with better abilities to do business, faster than previously possible. And many SaaS solutions enable faster, more accurate, standardized data collection across multiple business systems – SaaS and otherwise – that can reduce the time needed to see and respond to market changes.



REALIZING THE BENEFITS

Moving any core business operation, including CRM, to a new type of solution or provider will require planning and management if the business benefits are to be realized. Saugatuck has identified three critical areas that impact almost every SMB transitioning to SaaS, as follows:

1. **Organizational Change.** The most common mistake in transitioning to SaaS is assuming that it is all about the technology. While technological issues will exist and need to be addressed, organizational issues and people continue to provide the majority of obstacles to realizing the benefits of SaaS. Your solution may require different ways of working, which will need to be explained – and which will require training beyond just “how to” use the new solution. People may have to get accustomed to a new UI or business rules.
2. **Technology Change.** While the software may be outsourced, there still will be technology issues that need to be managed. In most SMBs, the SaaS solution will have to link with one or more existing systems, applications, and possibly databases – and, in many cases, other SaaS solutions or IT services. Ineffective management or insufficient knowledge of the technology dependencies can reduce or even eliminate the business benefits of SaaS.
3. **Skills Change.** SaaS can reduce the need for some IT skills such as those related to software development, implementation, management, and upgrading. However, there will likely be some new skills required. For example: Whoever is responsible for your IT will need to be able to understand and manage the impact the SaaS solution will have on existing systems, including integration. Another example: Your bookkeeping/accounting/finance resources will have to manage the shift of some IT spending from capital to operational planning, spending, and accounting, while maintaining traditional finance management for any traditional IT in the firm. And the manner in which your firm interacts with your new SaaS provider is likely to differ from most of your traditional IT provider interactions, as you will have fewer physical reminders of the provider’s influence on your business.

At the bottom line, any SaaS acquisition and implementation has to be managed at least as thoroughly and carefully as would any other form of IT. Just because the software is not located on your computers does not mean that it, and its provider(s), can be ignored. You are, after all, still acquiring and paying for software to help you run your business better – and more profitably. Manage it accordingly.



SPONSOR PERSPECTIVE: SAGE SALESLOGIX

Sage SalesLogix is a powerful and secure CRM solution that offers a complete view of customer interactions across your departments and teams—providing the information and insights you need for better planning, managing, and forecasting. Your teams will have the tools they need to increase sales, identify and reach more profitable customers, enhance the customer experience, and anticipate customer needs. Because business priorities and economic conditions change, Sage SalesLogix offers flexible access, deployment, and payment options—and it can be tailored and personalized to mirror your unique business processes and user preferences.

Sage SalesLogix Cloud delivers all of the robust functional benefits of the Sage SalesLogix CRM solution, but without the responsibility of purchasing and maintaining your own hardware, committing to an up-front capital expenditure for software, or managing an implementation project.

With Sage SalesLogix Cloud, your company's own private instance of Sage SalesLogix is hosted 'in the Cloud,' leveraging Amazon's world-class Web platform, Amazon Elastic Compute Cloud™ (EC2). This frees up your IT staff to focus on other business-critical projects while you have peace of mind that your CRM solution is in good hands and your vital customer data is secure.

The Sage SalesLogix Cloud Difference - With Sage SalesLogix Cloud, you get the best of both worlds – the flexibility and rapid time-to-value associated with traditional on-demand solutions, combined with the security and control associated with on-premise solutions. As with traditional software-as-a-service (SaaS) CRM solutions, with Sage SalesLogix Cloud you benefit from reduced IT capital expenditures and operating costs, flexible payment options, and rapid start-up, but you also enjoy the following key benefits:

- **Upgrade Control:** Upgrade when it's right for your business—not when the vendor decides.
- **Extensive Data Storage:** 100GB of data storage for every 50 users of the system—far and away the most in the industry—removes worry about excessive fees for extra storage common in the industry.
- **Privacy and Security:** Data is not intermingled with the data from hundreds or thousands of other companies in a single database, but rather in a private and secure implementation of Sage SalesLogix in the Cloud, accessible from any basic Internet connection.
- **Flexible Licensing and Payment Options:** Flexible product, license, and payment options—designed to fit unique business requirements and financial preferences.
- **Integration and Migration Capabilities:** A flexible, standards-based platform that enables integration with other business management solutions, desktop applications like Microsoft Outlook and Office, and Web services for increased productivity and a holistic view of customers. Should business conditions change, easily migrate the Sage SalesLogix solution on-premise and protect the investment made, or migrate from on-premise to the Cloud if desired.
- **Training, Support, and Software Maintenance:** Numerous vital services at no extra charge for a worry-free ownership experience, including online setup and provisioning, online training, nightly backups, monitoring, database maintenance and expert product support.
- **The Sage Advantage:** Sage has offered a comprehensive portfolio of business management solutions and services for over 30 years including ACT! by Sage, Peachtree by Sage, and Sage MAS ERP. Sage SalesLogix is a celebrated, established leader in the CRM market for 15 years and is supported by a network of expert, local Certified Sage Business Partners, who can provide extensive CRM and vertical industry expertise.

Learn more about Sage SalesLogix Cloud or start a 30-day free trial at www.sagesaleslogix.com.





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