

Software as a Service (SaaS)

The latest trend in the software industry surrounds the idea of providing Software as a Service (SaaS). SaaS is one of the founding principles of Web 2.0 which predicts a transition of the World Wide Web from a collection of websites to a full and complete computing platform, serving web-based applications to end users and ultimately replacing desktop programmes and tools.

The concept of the World Wide Web acting as a platform grew from a number of Applications Service Providers (ASPs) who started to offer web-based applications through centralised hosted services. These applications are typically offered on a rental or on-demand basis and provide a number of customer benefits:-

1. Customers pay as they use the software, via monthly rental or usage billing.
2. Technical support, upgrades and service charges are usually wrapped into the rental fee resulting in no hidden costs.
3. Rental payments can be reported as a regular cost on the customer's P&L meaning that the software is immediately tax deductible.
4. Upgrades and updates can be implemented quickly and easily ensuring the customer is always on the latest version of the software.

Benefits to software developers include:-

1. A direct distribution model.
2. Fewer components and reduced inventory since software is distributed electronically.
3. Guarantees that customers are on the latest version of the software and that everyone has a support contract.
4. Predictable, recurring revenue streams.

Despite these benefits and the recent buzz surrounding Web 2.0, Software as a Service represents only 6.5% of the application software market. ASP models have not yet transformed the industry. It seems that despite the financial benefits, there are number of issues with ASP models which may be making the proposition less compelling for customers:-

1. Customers need to be connected to the internet in order to use the applications. This may not be practical, particularly for businesses with mobile operations or those without broadband.
2. As well as the application being held on the server, in many cases, the associated data is held there too. This may be an area of concern for many business owners who want to protect confidential information and would prefer to store intellectual property locally.

3. Customers may require customisation or limit application access to certain members of staff. One size doesn't always fit all.

And for software developers, there are some disadvantages:-

1. Introducing a direct distribution channel will alienate incumbent channels who are no longer required in the sales process.
2. The absence of a channel will result in the loss of value-added services usually only available in the channel – system integration, service and training.
3. Increased numbers of customers with support contracts creates an additional overhead for technical support operations.
4. Customer data held on the web server requires protection, management and additional support.

The reason why SaaS has not transformed the industry is due to the way that it has been defined to date. The difficulty is that because the concept of SaaS grew from ASP, people automatically assume that SaaS has to mean ASP. But this is not the case.

The disadvantages outlined above all provide reasons why ASP models are not working. In order for SaaS to succeed, it is important to clarify exactly what it should mean; resolve the disadvantages of existing methods and present a model which will meet the needs of customers and developers alike.

In basic terms, SaaS refers to customers taking application software in return for subscription or rental payments with updates and service included in the price. Whether the software is web-based or PC-based is immaterial – the most important element is the "service" and the concept that the relationship between the customer and the developer is "continuous".

Up until now, the ASP model has been the only way for software developers to deliver SaaS and as a result it has become synonymous with the concept. But there is another way, a method of delivering SaaS which harnesses the power of the World Wide Web for distribution but does not make the same requirement for application service.

TBSC Rental Bridge™ from The Business Software Centre (TBSC) is a unique piece of technology which makes it possible to use full versions of Windows software applications through a PC-based console with practical monthly rental terms.

TBSC Rental Bridge™ is the only commercially available technology which allows users to rent PC-resident software with the ability to disable usage if payments fail. Customers who cease payment are logged and their service can be frozen by disabling the applications and services resident on the PC. Once payment is reinstated, access to the service will be resumed.

Applications are hosted on the TBSC Rental Bridge™ platform with a dedicated Rentsoft™ website as the customer interface. From the Rentsoft™ site customers can download the console followed by the application content which is required. Once downloaded, all content is resident on the customer's PC and accessed through the console. All associated data and files are also stored on the customer's PC.

Content can be offered with free trial periods although customers are required to submit their credit card details in advance. Pricing is generally based on monthly usage and should include upgrades and support. Billing starts at the end of any trial period, and is made in advance and for as long as is required or for as long as an associated contract is in place.

Despite making a direct contract with the customer, the underlying technology supports a revenue sharing model and can allocate proportions of monthly payments to resellers or sales agents using Agent Codes thus ensuring that the platform also supports an indirect or channel-based sale.

Rentsoft™ benefits to software publishers:-

1. Applications converted to a service, hosted and distributed via a branded website and console.
2. Manages customer downloads, payments, ongoing usage and upgrades.
3. Manages royalties and revenue-sharing.
4. Patented technology disables usage if payment fails.

TBSC is expanding the Software as a Service market by making the rental of PC-resident software a viable proposition. With a Rentsoft™ service software publishers can benefit from an additional and incremental revenue stream with the peace of mind of being able to terminate usage for non-paying customers immediately.

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