

MICROSOFT AT YOUR SERVICE WITH NEW WEB APPLICATION

This month, David Hurley of Anglia Business Solutions takes us through Software as a Service applications. Fired up by the success of one such customer management system called Salesforce.com, Microsoft is soon due to launch its very own answer to these web-based software application technologies

SOFTWARE TECHNOLOGY is about to undergo another gradual change, with significant implications for the industry. The driving force is the desire for creativity, communication and the commercial needs of most organisations. The vehicle is the all-pervasive internet, coupled with innovations in other forms of technology.

Software as a Service (SAAS) is now widely heralded as the next big breakthrough in the delivery of business-oriented applications. The traditional method of availing of IT applications and services is the on-premises model. A server and relevant software is installed on the customer's site and deployed across the enterprise. Deployment services, systems integration, application development and training are either undertaken by in-house IT resources or, more commonly, by an external partner. The customer then takes responsibility for their own front line support, backed up by technology assistance provided by a third party.

The SAAS model delivers these software and services using a variety of ways. The principle is to provide customers with access to the facilities through an external service provider. The clients' data is held in a hosting centre, where massive enterprise class servers provide the computing power required in meeting the needs of thousands of clients. The hosting centre provides the necessary back-up and security services to ensure the integrity of the client data. The service is paid for on a subscription basis.

Initially, the services provided via the SAAS model tended to focus on systems such as email, led by Microsoft Exchange. These were gradually extended to cover the rest of the Microsoft Office applications. However, the concept of extending these services into business solutions is gradually gaining ground. The most successful of what could be deemed business applications has been the rapid growth of a customer relationship management (CRM) system called Salesforce.com, which has been delivered using the SAAS model. This allows customers to manage their client and supplier interactions

from any location.

It is inevitable that business management systems, including full financial and operational applications, will also be delivered this way in future. Indeed, a number of software authors are already offering their business applications to the market on a SAAS subscription model basis. Currently, these tend to be aimed at small businesses with restricted functionality on a one-size-fits-all basis. The technology here is usually based on a single instance of the application serving many clients.

The concept of SAAS is not a new one. In the 1960s and 1970s, very few organisations could afford the capital and running costs associated with mainframe computing. Mainframe bureau services were set up to meet the data processing needs of multiple mid-sized companies. But the growth of the microcomputer in the 1980s and 1990s all but wiped out the bureau business.

This begs the question of how the growth of the SAAS model will affect customers and the IT channel. From the customer's viewpoint, there is little doubt that it could bring significant benefits. From the business perspective, being able to take advantage of on-demand information systems without having to find the capital to pay for the solutions will have certain financial attractions. On the other hand, unless the solutions provided are flexible enough to meet specific client requirements, it will mean altering existing business practices to fit in with the functionality of the software. Then, there is the issue of data security.

On the impact of SAAS on the channel, there is little doubt that the model could have a major financial impact on solution centres. Virtually all of them rely on the systems margin and supporting services revenue to fund their businesses. Replacing these large revenue earners with low-income recurring subscriptions would place major cash flow and profitability strains on the business. While many will adopt their business models to move towards services as their main income source, only those with

mainstream platforms are likely to have the necessary resources to compete.

Microsoft, fired up by the success of Salesforce.com, is in the process of launching its own competitive offering. Microsoft Dynamics CRM is its first major play in the business solutions SAAS space. However, Microsoft is describing it as Software + Services rather than SAAS, with the rationale that this software on demand will be delivered in a variety of ways. This will vary from single instances of the software serving multiple clients, to multiple instances in service provider centres.

It is inevitable that the Software + Services model will extend to its Microsoft Dynamics range of business applications. However, it will face some formidable commercial and technical challenges in successfully bringing this to market. A key question on the commercial front is convincing the channel to embrace the model. Some will welcome it in the same vein as turkeys looking forward to Christmas. Others will hedge their bets and explore how to adapt their business models for the change.

On the technical front, Microsoft is investing \$1.2 billion (£610 million) of R&D expenditure annually in the Dynamics product range. While some of this is targeted at enhancing the functionality of the product, a large proportion has been spent on improving the user interface. The objective is to facilitate rapid successful deployments of the application, while making it easier to use.

The front end of these systems will consist of web-based technology to facilitate ease of use. As such, Microsoft will have de-skilled the implementation process, which is an essential first stage in Microsoft's long-term strategy to become a dominant global supplier of business management applications.

However, this will also facilitate being able to offer the systems using Software + Services as a delivery model. It may not happen on a grand scale for the next year or two but, in the longer term, it is inevitable. ○