Why SaaS Apps for SMBs?

By Jay Manciocchi, JD On January 24, 2013

Every cloud has a silver lining, and your emerging business should, too!

No technology discussion today would be complete without mentioning the rise of cloud-based computing in the small and medium sized business (SMB) sector. For SMBs, however, the cloud is far more than just the latest trend. It has become a tool that is fundamentally reshaping how many SMBs run their businesses and the results they are able to achieve.

Dubbed Software-as-a-Service (SaaS), the growth in cloud-based business applications is due to an increasing demand by emerging businesses for flexibility, predictable costs and outsourced solutions for their computing needs. Recently, Forrester forecasted that the SaaS market is slated to grow 25 percent this year to $59 billion, and by 2014, it's expected to grow to $75 billion. SMBs have been the most aggressive segment to adopt cloud services, becoming the backbone of the SaaS app surge. By delivering cost-effective, on-demand computing opportunities, The Cloud is dissolving the advantages long held by larger enterprises, while leveling the playing field for SMBs around the world.

There are already thousands of cloud-based apps available in the market today. Many of these apps are being delivered by emerging companies themselves, which, at times, can make it difficult for SMBs to connect with app providers. In some cases, they may further feel uncomfortable sharing their key business activities and data with app providers. Yet, the tide is definitely turning, as Marketplace-as-a-Service (MaaS) companies have evolved to provide SMBs with trusted, secure forums to obtain and manage all of their business application needs.

In today's economic climate, Fortune 500 companies may still have large amounts of money to spend on expensive, traditional software, but for emerging businesses, such commercial applications have become overpriced and often unnecessary. SMBs have discovered that every cloud has a silver lining, and the business apps found within are giving them the same operational power as installed software, at a fraction of the cost. This article explores the key benefits SMBs can realize by deploying SaaS apps, and further discusses where the SaaS industry is headed.

1. Lower Costs and No More Installation Hardship

Expense reduction is a core benefit of cloud-based business applications. SMBs usually do not have the luxury of a large technology budget that would allow for extensive resources specialization, and rarely do they have a budget for a robust IT staff. Traditional on-premise software applications carry with them installation requirements, an initial license fee, recurring fees for support and maintenance, and potential disruptions associated with upgrading software to newer versions.

In contrast, SaaS app customers usually pay a monthly fee to license business apps, which are hosted on the app provider's server and accessed via the web. There are no up-front IT infrastructure or technology investments, and the recurring costs are predictable. SaaS apps are usually purchased on a per user basis and billed monthly, which simplifies cash flow management and expense forecasting. Over a course of months, if a SMB does not find th eapp valuable enough for their core business needs, they can abandon it after spending only a nominal amount of money.

In the SaaS ecosystem, the app provider takes on all of the risk and costs of purchasing and maintaining the infrastructure required to run the application(s). With predictable monthly fees and the usage-based pricing models that they offer, SaaS app providers offer the potential to drive down the total cost of (software) ownership (TCO) for emerging businesses and further eliminate capital expenditures in this area.

Cloud-based business applications are particularly attractive during challenging economic times and they level the playing field by giving SMBs capabilities that had previously been financially unfeasible. In

contrast, the adoption of SaaS apps in larger enterprises has been somewhat slower because there is typically a legacy system already in place that often requires considerable effort to transition away from. Without the need to invest in expensive servers, software installation and extended licensing, a SMB's initial SaaS app investment is usually very low and many see the benefits of hosted applications quickly.

2. Flexibility and Easy Deployment

Cloud-based apps give SMBs the flexibility to learn and deploy one business application at a time, as their businesses grow. According to Cbeyond's Business Leader 2013 Technology Outlook, 83% of SMB respondents reported that the cloud made them more flexible, and the 21% stated that operating their business without cloud services (the use of software delivered as a service over the Internet) would be a major challenge. SaaS licensing agreements lend further flexibility to SMBs because they are easy to terminate in the event that the software service is not a good fit.

In addition, SaaS apps require no additional server or hardware investments, they are very scalable, and they do not require specialized IT staff; collectively, these factors lend themselves to the seamless deployment of SaaS apps.

3. Ease of Management and Standardized Solutions

Since SMBs typically have less complex IT needs, fewer legacy applications, and a smaller IT teams than larger enterprises, they are often happy to hand over the delivery and operation of software plateforms to third parties, which allows them to focus more on running their businesses. Research by McKinsey found that, as early as 2010, SMBs with fewer than 250 employees were more than twice likely as larger companies to adopt subscription or on-demand technology services.

The absence of software installation or infrastructure requirements results in a lesser burden on a SMB and its personnel. Employees do not have to worry about newer versions of the software to install or backups. Why? The app providers manage this part of the equation on their servers. Cloud-based apps are always up-to-date, so both new and existing employees will have the same version of the application.

SMBs that are looking for help in managing key areas of their businesses may not have defined procedures for their essential business activities, such as accounting or invoicing. Pre-built or standardized SaaS apps that are tailored for particular industry verticals can help SMBs make significant operational improvements.

4. Less IT Resources Needed

Emerging businesses usually operate with rather lean IT resources. Cloud-based business applications mitigate this personnel issue to a very large extent. As SMBs constantly look for ways to operationalize their approach and reduce unnecessary spending, SaaS apps present an attractive model for infrastructure and software delivery.

5. On-Demand Access and the Empowerment of the Mobile Workforce

SMBs have become increasingly reliant on their mobile-enabled, smart devices for many of their business needs. Tablets and smartphones have become virtually ubiquitous, spanning industries, job types and different generations. According to Spiceworks' November, 2012 State of SMB IT Report, 53% of SMBs support tablets on their network, making them almost as popular as smartphones which are supported by 59% of SMBs.

Many business application such as CRM, are increasingly going mobile, which enables SMBs to input and access sales information on-the-go, while driving higher levels of client communication and productivity. Collaboration tools that were previously office-bound – such as expense management and web conferencing tools – have been liberated in the mobile realm to facilitate faster and more strategic responses to time-sensitive business challenges.

Through the adoption of workflow business apps, such as mobile efaxing and VoIP calling, SMBs can maximize their productivity outside of the office, and better manage their activities in an increasingly mobile world.

6. The Rise of Single Sign-On Opportunities

An advantage of subscribing to SaaS apps through an app aggregator or custom app store is the user's opportunity to log in once to access all potential SaaS offerings. Not having to remember multiple login-IDs or passwords adds tremendous value to the end-user experience, and this is typically not possible if a SMB purchases their apps individually from several different sources.

SaaS providers, such as PingOne, Okta and OneLogin, offer their own single sign-on (SSO) platforms when using multiple apps at once. In the coming year, more SMBs will likely alter their IT structure around SaaS apps, explore new SSO opportunities, and do away with legacy applications. One can also envision there tools further spawning the growth in Marketplace-as-a-Service (MaaS) companies offering best-of-breed application suites.

SaaS Trends – Where the Industry is Headed

The time for SMBs to just dabble in The Cloud is over, according to analysts, venture capitalists, and SaaS industry experts alike. Although 2012 was heralded as "the year of SaaS" by acclaimed venture capitalist Marc Andreessen and others, 2013 promises to bring even more opportunities for SMBs to leverage the SaaS app marketplace.

To be ahead of the curve, SMBs should consider implementing a serious cloud strategy now that puts appropriate workloads in the hands of cloud-based applications. The following is a fresh view of where the SaaS industry is headed to help guide them.

1. New Decision-Makers

The decision to employ a SaaS app is increasingly being made by non-IT professionals, such as marketers, accountants and HR-staff. When it comes to choosing a payroll, ERP, CRM, accounting or othe rbusiness app over a proprietary solution (or software-in-a-box), middle and senior management figures in multiple departments now have a greater voice. At times, there new decision-makers are confronted with some skepticism by IT staff, who worry abou the interoperability and security of the SaaS apps that they select.

Recently, IDC—the premier global provider of market intelligence—forecasted that non-IT business managers will purchase 80% of new technology directly for their teams. In an effort to reach their revenue goals and overcome business challenges, these managers have quickly recognized how SaaS apps can make their employees' lives easier, while helping them win new customers.

2. Emergence of the Marketplace-as-a-Service (MaaS) Category

While the SaaS app market is growing rapidly, it is currently fragemented across an array of application types, such as financial management or CRM applications, and further segmented by industry vertical-specific applications.

The market's fragmentation has given rise to an emerging cloud category over the past few years— Marketplace-as-a-Service (MaaS). The MaaS model follows the default outline defined by other **"Anything-as-a-Service"** (*X*aaS) offerings, such as Platform-as-a-Service (PaaS) or Infrastructure-as-a-Service (IaaS).Self-service marketplaces in the form of custom, fully-branded app stores are an increasingly common tool that SMBs are using to obtain their aggregated (and integrated) app solutions.

By leveraging an app marketplace, SMBs can now turn to a single, trusted source for all of their business application needs, while the store that they visit becomes a beacon to guide them to the apps they need

to succeed. The very best of these app stores lend clarity, guidance and structure to SMBs in what can otherwise be described as a confusing cloud computing world. They further offer app ratings, custom tutorial content and community reviews across a full spectrum of industry verticals.

3. The Increased Specialization of App Providers

Complementing the growth of the MaaS category is the rise of SaaS app providers honing in on specific industry verticals, such as the banking, healthcare, and hospitality industries. The growing app marketplace has given niche app developers a unique opportunity. Because the cost to deliver software per user is lower within The Cloud, app segments with smaller target markets can now be profitably grown.

Given the fragmented nature of SaaS, no *single* app category will likely drive sufficient revenue opportunity for the large enterprise players in the market—Salesforce, Google, Citrix, etc. Therefore, MaaS vendors playing an app aggregating and mentoring role in the market will likely contribute more to the overall growth of SaaS app sales.

4. SMBs use of Multiple SaaS Apps

In their "SMB Business in the Cloud 2012″ report, Microsoft indicated that the number of small companies using a paid cloud soution will potentially triple in the next three years, and the next wave of adopters may use as many as five (SaaS) apps within three years. Since many SMBs will likely purchase multiple apps, it naturally follows that they will seek a go-to source for all of their business application needs. In fact, a recent Techaisle survey found that 69% of SMBs prefer to purchase their applications from a single trusted vendor. Thus, it should not be surprising that SMBs will increasingly turn to app marketplaces, versus other, more varied channels, to get the assortment of apps they need to succeed.

5. The Movement Toward Data Integration and Interoperability

Ultimately, many SMBs will seek a collection of apps that can seamlessly work together to synchronize their data and cloud-computing endeavors. This means, for example, that the output of one app (i.e. a billing application) could function as the input of another (i.e. an accounting application).This drive towards data integration and interoperability may seem daunting, as it requires a unified effort from the app developer community, but one can expect to see app providers respond to market demands.

Many app developers have already identified this as a critical component of the market's evolution. They are now signing on to the Small Business Web, an alliance of developers promoting the idea of data integration between cloud applications. Even today, some SaaS apps already integrate with one another.

With cloud-based applications you are integrating an external service, hosted by an external party, with your internal systems. The integration involves connecting the cloud and interfaces, along with defining the data that is traveling back and forth between applications. With a well-defined integration strategy, app integration and interoperability has the potential to be straightforward and easy. When done right, it will help a SMB effectively leverage the cloud and avoid unnecessary, extended licensing commitments.

6. Conquering Concerns About Data Security

Although the growing SaaS industry is music to the ears of many, critics remain wary of the data security challenges spawned by its rapid proliferation. Data security remains one of the biggest impediments to the broader adoption of enterprise SaaS and big data solutions.

As more data heads to the cloud, SaaS app data security concerns are yielding the following questions: If your company's data resides somewhere on a server hosted by the vendor, just how secure is it? What measures have the app provider taken to ensure that their infrastructure is secure anjd redundant? If you use a simple username and password to access critical data, will this provide sufficient protection against data theft through key logging attempts? If your competition is using the same SaaS apps as you, can you be sure that only your team will be able to access your confidential data?

Certain industries, such as the banking and financial services verticals, are subject to regulations (and regulatory bodies) governing the acquisition, storage and use of the information that they gather from customers. Late last year, Gartner analysts predicted that, "increased adoption of cloud-based computing is expected to impact the way security is consumed as well as how key government agencies will prioritize security of public cloud infrastructure."

Balancing the SaaS app risk-reward equation is a considerable roadblock to overcome, but one that's surmountable if app providers and IT leaders embrace the new realities of doing business in today's cloud-oriented, mobile world.

7. Putting the "Service" Back in Software-as-a-Service (SaaS) and Why it's Important

All too often SMBs, MaaS companies and app providers alike forget about the "service" element in the Software-as-Service (SaaS) equation. Naturally, it's easy to get caught up in the software side of things; however, a SaaS app will never be very successful without solid customer support and user guidance.

Inevitably, users will seek quick solutions to software challenges, whether those challenges are app bugs or user experience issues. Building a *perfect* SaaS app is a lofty endeavor, but exceptional user support helps SMBs overcome app imperfection woes and related frustrations. White-label app marketplaces are further well-positioned to serve as SaaS app mentors for SMBs looking to navigate this rapidly-growing app arena.

App providers should make it easy for customers to reach out and find solutions to their app use challenges. FAQ guides and tutorial videos may seem quite helpful, but nothing is more important to individual users than knowing how to master their go-to, desired app features in the context of their regular usage. Providers that routinely provide helpful and transparent support will experience growth and success, as exceptional service keeps customers coming back for more.

Conclusion

Software-as-a-Service (SaaS) apps help SMBs focus more on running their businesses and less on managing their technology.

The SaaS app market is poised for explosive growth this year and the core impetus behind this surge is the SMB sector. As more SMBs adopt more cloud-based applications, the custom apps stores that are designed to serve them have a unique opportunity to become their go-to choice for their business computing needs. Such app marketplaces are an ideal way to deliver cloud services to SMBs, but launching an aggregate solution that offers robust functionality and easy use can seem daunting.

Fortunately, SMBs now have forums to turn to, and businesses and associations that are interested in creating custom app stores for their SMB audiences don't have to develop one from scratch, or incur large, up-front investment costs.

Marketplace-as-a-Service (MaaS) providers are well-positioned to provide the cloud-based solutions that your SMBs need to succeed. The custom app stores that they build can further boost customer loyalty, differentiate a company from the competition and ultimately drive greater revenue.

The SaaS Markets Approach

SaaS Markets—the world's leading cloud-based services company—provides the industry's most advanced Marketplace-as-a-Service (MaaS) solutions for SMBs and enterprises alike.

In their "SMB Business in the Cloud 2012″ report, Microsoft found that 76% respondents agree that SMBs are the backbone of the economy. SaaS Markets keeps this statistic top-of-mind while building and powering custom app stores, which feature searchable databases of more than 1,500 applications.

Enterprises are further mindful of the role that SMBs play in the global economy, and these larger companies are increasingly calling upon SaaS Markets to develop their own fully-branded, white-label app stores to serve their SMB customers. SaaS Markets' enterprise solutions allow companies to deploy their custom app stores quickly, while avoiding the cost of additional personnel and the large, up-front investment risk that such an internal endeavor would entail.

Drawing on their deep knowledge of SaaS and their extensive relationships with app providers, SaaS Markets' engineering team creates custom app stores in a matter of weeks, or even days. Through their MarketMaker™ platform, businesses and associations can take advantage of the state-of-the-art functionality that a custom app store needs to be successful. These features are preceded by a rigorous screening process before apps can be offered in a store and sound back-end testing to accommodate complex usage scenarios.

In addition, the SaaS Markets platform offers flexible deployment options that are ideal for companies of any size. As a white-label solution, the app stores that SaaS Markets builds can be customized to extend the look-and-feel of a particular brand.

Before the stores are launched, companies can stock them with relevant apps that have already been pre-qualified. This gives companies an opportunity to build their app stores quickly and cost-effectively, while enabling app providers to reach SMBs with the cloud-based tools they need to succeed.

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