

Renting Software and Services

The challenges and opportunities

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12/5/2008



This document is the result of a recent panel session “SaaS - does it live up to the hype?” at TBS Enterprise Mobility’s Mobilise Your Workforce event. It explores the challenges and opportunities of renting software and server space from third party service providers.



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Background

At TBS Enterprise Mobility's event "Mobilise your Workforce", a panel session was held to attempt to demystify the hosted/rented software world which is normally referred to as Software as a Service (SaaS) or Software plus Services (S+S). During a quick straw poll of the attendees the majority of the audience had heard of SaaS, however only a few knew exactly what this term means or how SaaS could have a positive impact on their businesses.

Obviously in the current global economic crisis, it is becoming increasingly important for all businesses to be fit and efficient to face the challenges 2009 will bring. TBS see SaaS based Enterprise Mobility solutions being the "low cost of entry" facilitator for businesses with mobile field workers, to improve their efficiency and reduce their fixed costs. This new way of owning an enterprise mobility solution will deliver a return on investment within a month of rollout, whereas the equivalent CAPEX model could take many months to deliver.

Over the last 18 months SaaS, or renting hosted third party software applications, has become more prevalent with major software organisations such as Microsoft offering a rental model for the majority of their software applications which are hosted and managed on third party servers.

Software as a Service (SaaS) has become the industry term used to describe the delivery of software applications using the Internet or a wide area network as the delivery mechanism. The SaaS model can be implemented rapidly and removes the need to

purchase, manage and support expensive server infrastructure. The SaaS model is being used to provide a whole host of software applications from email to enterprise mobility solutions.

Panel session

The aim of the panel session was to bring together industry experts to debate what impact, if any, SaaS was having on the purchasing decisions of businesses and what were the barriers and opportunities.

The Panel consisted of Rob Bamforth a principle analyst at Quocirca, Paul Till senior consultant at PTS Consulting, Steve Clayton S+S strategy lead, at Microsoft and Michael Hutchings Managing Director, United Fleet Distribution who has deployed a rented enterprise mobility solution from TBS Enterprise Mobility.

Rob Bamforth's View

The session started with Principal Analyst **Rob Bamforth of Quocirca** presenting their research on SaaS entitled "On-Premise and on-demand"



The conclusion of the research suggested the following:

The SaaS delivery model has matured to such an extent that there is now an on-demand component to most software applications, whether it is online help, automated updates or the main application engine. At the same time many vendors are realising that to provide a satisfactory end user experience, total reliance on a web browser is not always enough and a desktop component is often needed. The need to link with on-premise components extends beyond the desktop to integration with legacy software.

Business processes that span organisations are linked together using a mix of on-premise and on-demand applications. To ensure success, expert help is still needed to integrate it all.

Most consumer and business applications have an on-demand component

There is a grey area between pure on-demand and pure on-premise with few applications being truly black or white. The reality today is nearly always a mix of on-premise software and on-demand services.

For many applications an on-premise component is needed to enrich the user experience

Whether it is iTunes or Flickr, Microsoft Live Meeting or salesforce.com, on-demand applications often have a desktop component that enriches the end user experience and, when necessary, allows off-line use.

On-demand delivery is attractive to businesses because it helps them manage costs, provides high availability and flexible access

Paying monthly fees out of operational expenditure for on-demand applications with high availability guaranteed, gives businesses of all sizes the confidence and flexibility to embed them in critical business processes.

Business processes are only as strong as the weakest link in the applications that support them

No organisation wants to be the one that causes a business process to seize up due to IT failure. On-demand applications allow businesses to share resources, with the responsibility for availability being outsourced to a third party Managed Service Providers (MSP).

Some level of integration of on-demand services with legacy applications and internal workflow will always be necessary

Web services with standard interfaces such as SOAP and REST make such integration easier, but as business processes become more complex and span multiple organisations, businesses still need help from integrators.

Many new independent software vendors (ISVs) are building in on-demand components from the start

It is not just getting the technology right but the business model too. MSPs are key to helping with both aspects.

Existing ISVs are making the move to on-demand too, but they face additional challenges

Again, it is not just about adapting code and the security embedded in it, but about adopting new business models and coping with the changes in cash flow and the expectations of stakeholders that this entails.

Quocirca conclusion

The SaaS delivery model is thriving because it can in a way that was not possible 15 years ago, but also because it is good for the users of software, businesses and consumers alike. On-demand components of software applications are now so pervasive that there is less and less need to highlight the fact, as it becomes de facto. However, on-demand is not a panacea but an integral part of the delivery of 21st century software applications that will always be a mix of software plus services—both on-premise and on-demand.

The complete report can be downloaded free of charge from www.quocirca.com

The dialog

After Rob had presented the research findings Steve Clayton and Paul Till were asked for their opinion on the challenges and opportunities of software rental.

Steve Clayton's view

Steve Clayton from Microsoft explained that he spends his life working on what Microsoft call their "Software plus Services" propositions. He said "So if you listen to the big players in the industry who are deploying Software as a Service and the big ones are, Salesforce.com and Google, they would have you believe that all of the world's software over the next few years will be delivered through a web browser to multiple different devices. This will not be a reality, despite the fact that networks, be they broadband or mobile networks are getting better and better, however, we are still not always connected. I would say we have moved from being occasionally connected, to mostly connected, to frequently connected. But there are times when, whether because of network availability or because of where we are, on a plane, or on a train but we're not connected and therefore delivering software purely through a browser, isn't really a ubiquitous reality. I also think even when we do have ubiquitous network coverage everywhere in the world there will still be occasions when we choose to not be connected, or we are forced to not be connected."



Multiple devices and connections

"Consideration must also be given to the fact that there is an increasing number of internet connected devices in our lives, whether they're in our pockets, in our houses or on our desks in business. We are also seeing this huge expansion in the growth and penetration of broadband connectivity, such as broadband into the home or wireless broadband to a

mobile device. These two significant changes create an opportunity for us to start to think about the choices of the device we use and how we connect to the internet or enterprise. Some people will choose to continue to have rich client software experience on a device; others will choose to have browser based delivery of software because it suits the purpose either of their business or for their business application."

Software plus Services

"This on device software client approach is what Microsoft refers to as Software Plus Services (S+S). Exchange, the email system is a brilliant example of both SaaS and S+S because I can choose to have a piece of rich client software on my PC called Outlook, or make use of the browser based Outlook Web Access. This means when I'm disconnected (I'm on a plane or I'm on a train), I can still use my Outlook client software even though I'm not connected to the service. When I am connected I've got S+S. I can even choose to have my email on a mobile phone. I think that's a perfect example of where Microsoft is really going in this arena and giving people and businesses a choice of either SaaS or S+S. I think you will see us offer much more choice as to how you use, buy and deliver your software investment."

Paul Till's view

Paul Till says "I think Software as a Service offers a real boom for businesses that haven't got the infrastructure and the experience to implement and manage servers and software in house. This approach is perfect for the Small to Medium Enterprise (SME) market as well as larger organisations."



Middleware as a service

“SaaS can be delivered as the connecting middleware or the connection between enterprise database systems and your users. There are a lot of the applications already deployed using SaaS. A good example is a PDA based mobile application deployed to 100’s of field based users where you need to update the client software. You can’t bring them back into the office to update the software because of the massive impact this will have on your business and customers. Therefore a service offered that updates the software over the air is ultimately SaaS by definition. This service is already offered by Vodafone as a network service and certainly by TBS as part of their TaskMaster solution.”

Planning for SaaS

“What is critical is the planning for SaaS. It is very important to understand what you need and how it needs to be delivered. Network bandwidth and availability is the key to the delivery of SaaS. People quite often forget that the company internet connections become a critical and strategic resource for business continuity.”

The cost model

“Consideration must also be given to the commercial costs associated with the SaaS solution should you need to either scale up or down, since all SaaS solutions are based on a monthly charge based on the number of users. Should you need to expand significantly you need to ensure your service provider can provide a cost effective pricing. This really needs to be planned right at the beginning and some form of scaling factor to be contracted in from the start.”

Service levels and availability

“I think finally you need to bear in mind the service level agreements around the hosted environment and the software applications. These need to be practical to ensure your business’s continuity. The contract

needs to include server availability and typically this should be no less than 99% I would also strongly suggest that the providers support desk is ITIL compliant and that they have a priority based response/fix for support calls. You should also check they can offer the support for your users working hours, for example, if you have a 24 hour working day and your service provider is only offering standard 9 until 5 support, this could prove to be a show stopper. “

Michael Hutchings’ view

Michael Hutchings said “There were two main reasons we decided to rent the system rather than purchase. Firstly getting Capex signed off at UFD can be a long process and we needed to get the mobile solution in quickly because all of our competitors were going mobile and our customers were making mobile solutions a pre-requisite of winning their business. Secondly we have a small IT team and putting in our own servers then managing them was not something we saw as strategic to our business and it would have resulted in us recruiting additional staff, etc. This would add a significantly higher incremental cost than renting. “



ROI from day one of rollout

“Because we rented the solution, return on our investment was on day one when we rolled the solution out, which is great for our business.”

Scalability

“The other significant benefit is that since deploying the solution, UFD has been bought by British Car Auctions, and as a result of this our growth plans have increased significantly. If we had our own servers we would be looking to buy more to cope with the rise in the number of users, however our

rented solution is scalable which means I can double the number of users over night should I need to.”

Questions from the floor

“What happens if the service provider of the hosted service goes bust?”

Mike Hutchings who has a hosted solution said “I’ve got no great worries on that part because we’re pushing the data out to the TBS hosted solution in the first place. Within a few hours we’re getting the data back again so at any one time there’s not a great deal of data on the TBS server. So if they do go it’s not a big worry to me because I’ve got all of the data anyway. The worst I could lose is a small number of inspection results if they weren’t transferred back to us. So it’s really not a worry for me at all”

Paul Till “SaaS in principle is an outsourced service and as part of the due diligence process it is important that you understand the backup and recovery process from day one, this will minimise any risk to your business.”

What’s Microsoft’s level of commitment to hosted software solutions?

Steve Clayton; “We’ve made some very significant investments in data centres over the last two years and we’re in the process of announcing more about them over the next couple of months.”

“We’ve have had a very large data centre in a place called Quincy in Washington for a long time. That’s parked next to a hydroelectric dam because these things use a lot of power and we are in the process of building a lot more of these data centres. We’ve just announced another one in San Antonio in Texas three weeks ago. We’ve got another one that opens in Chicago later this year and we’ll have one that opens in Dublin early next year. What we are doing is taking all of the products, services and assets that you would have traditionally put inside your own organisation such as Windows server, SQL server,

Exchange server and moving them into data centres. We can then offer you a choice of where to run them. Each of these data centres costs about 500 million dollars and we’re putting something in the region of 10,000 servers per month into them.”

“Recently in the US we launched something we call Business Productivity Online, this is Exchange, SharePoint and Office Communication Server hosted from a Microsoft data centre, which can be bought as a subscription based service. That will come to Europe early next year.”

How does this impact on Microsoft’s carbon footprint?

Steve Clayton “That’s actually a very, very important part of this story. The data centre we will open in Dublin will be carbon neutral. This is a data centre that’s going to house hundreds of thousands of servers and it will be manned by 12 people in total! That’s all it takes to run this thing because it’s massively automated. We spent an enormous amount of time working out the carbon foot print and environmental impact so we can ensure the data centre is carbon neutral. To get a data centre of that size to be carbon neutral is not an insignificant effort.”

How can organisations with legacy IT systems use new hosted applications?

Steve Clayton; “I don’t think it’s that different from anything you would do on premise. We all know the big challenges around IT over the last 10 or 15 years is, how to take legacy systems and integrate them on premise with new systems? A lot of the answers to that have been things like XML or variations. Really I think the responsibility falls on people like us and SAP and all of the big vendors to actually really start to live up to the dream of open interoperable systems. I think we are doing a much better job of that with some of the things that we’ve announced recently around how we integrate with third party systems that perhaps we didn’t make so easy in the past.”

I think it will be an ongoing challenge to take a legacy system and wrap it in something that looks like an open interoperable standard that allows us to connect it to a new system. I don't think the world of Cloud Computing or S+S changes that at all. It probably, well hopefully just accelerates the work that us, and companies like us have to do."

Mobile Application Case Study

TBS Hosted Taskmaster helps United Fleet Distribution set a new Fleet industry standard for its vehicle collection, delivery and inspection service

TBS TaskMaster has delivered 'enormous business benefits' claims UFD

United Fleet Distribution (UFD), the UK's leading driven vehicle delivery and collection specialist, has implemented TaskMaster, an enterprise mobility solution from Derby-based TBS. TaskMaster has enabled UFD to set a new standard for their vehicle collection, delivery and inspection service, and provided major efficiencies such as reduced vehicle mileage, time savings and ultimately improved customer satisfaction.

UFD is part of a growing number of businesses who are turning to enterprise mobility to improve business operations and performance. UFD can now provide information to their drivers to enable them to go directly to the next job without the need to return to the depot for paperwork. This provides a huge saving in unnecessary mileage and driver time, allowing UFD to focus on meeting the needs of its customers. In light of the current economic conditions and the spiralling cost of fuel, TaskMaster is helping organisations to remain competitive and meet the needs of their customer in an increasingly challenging business environment.

UFD snapshot, the facts at a glance

- UFD selected TBS's award winning TaskMaster enterprise mobility software to deliver efficiencies across its 220 strong fleet of drivers.
- The solution has been provided as a '**rented hosted service**' which meant set up time was only a few days, UFD avoided the need for investment in a costly server environment, resulting in a return on their investment immediately.
- Each UFD driver now carries out vital 104-point vehicle inspections guided by the TaskMaster software on the PDA, replacing the previous paper-based process and improving the speed and reliability of the service.
- The GPS enabled PDA has Sat Nav integrated with TaskMaster allowing the drivers to confirm ETA's and reach their destinations by the most appropriate route and accurately record mileage.

Connected to the enterprise at all times

Drivers use TaskMaster to record the progress of each collection / delivery, enhancing the ability of UFD to update and inform customers. TaskMaster guides the user through the 104 point inspection ensuring all details are accurately recorded, and



where appropriate pictures are taken with the built in camera. Electronic signature capture provides proof of delivery and compact printers connected to the PDA provide receipts for customers..

This critical data created in the field all needs to be relayed back to the head office; traditionally this was done manually using paper. But today, Taskmaster automates the process using GPRS wireless data to transmit information UFD's central IT systems in real-time.

“Taskmaster was an ideal solution for our business; it will deliver enormous business benefits. We operate in a sector where businesses have had to evolve or they don’t survive. In our experience, enterprise mobility is an ideal way to improve operational efficiency, maintain customer satisfaction, and critically, reduce operating costs. TBS were able to implement Taskmaster very quickly and because they host the solution for us, we don’t have the problem or expense of setting up and managing the system. It also means we have a return on investment from day one.” - said: Michael Hutchings, Managing Director of United Fleet Distribution.

Speaking about UFD, Steve Reynolds, Managing Director of TBS, said: “TaskMaster has proven credentials in the automotive sector and UFD is a further example of how forward thinking business use mobile technology to gain competitive advantage. TBS offer customers total flexibility, from a fully hosted environment to bespoke development, whatever your requirements we believe that enterprise mobility is an essential business tool for today’s dynamic business environment.”

A summary of the benefits

Revenue based payments

Rented software and services are delivered to organisations as a subscription model, usually billed on a per user per month basis for a fixed term of three years. Billing is on a “pay as you go” basis, that is, businesses only pay for the users who have benefited from the software during each billable month. Naturally this removes large upfront payments and potential annual licence, support and maintenance charges. It also allows businesses to scale up, and in the current economic climate, scale down to control cost. This allows business to better managed costs and risk. Unlike the traditional model of on premise and capital purchase, where costs will remain the same on ramping down.

Third party hosted

Investing in expensive infrastructure is no longer required since SaaS software applications are now third party hosted. As a result there are no capital costs for hardware, licenses, databases or ongoing overheads of either third party or internal IT support staff or software and hardware maintenance and upgrades. Software applications are accessed via a web browser or a mobile device via a wireless network connection keeping your user IT requirements simple, low cost and easily managed.

Predictable costs

Rented software and services provide agreed pre-defined fixed charges. This enables you to project and predict your annual costs and helps with annual budget provisioning. They do not result in large capital outlay, therefore reducing the time to return on investment in most cases to the month the solution is deployed (see UFD case study).

Multi-Tenant Efficiency

Rented software and services tend to use secure multi-tenant architecture (for example Microsoft Exchange email). This means that the cost of all software, infrastructure and expertise is shared by a large number of customers. This multi-tenant architecture offers reduced implementation times and economies of scale making the overall solution more cost effective to small and large businesses.

Increased Flexible Accessibility

Being Internet based, your applications are accessible not only in the office but from home a hotel room or from any of your businesses international locations if you have them. Work is no longer becomes a place!

Flexibility and Scalability

Rented software and services provide businesses with a high level of flexibility. Since the software solution is delivered via the Internet it completely eliminates installation and setup at the customer’s end. Users

can be up and running very quickly. Also as your business grows all you need to do is request your service provider to add more users. As hosted solutions are designed to scale, initially you could start with 10 users and after one month add say another 3,000 users without any issues, thus providing your business with ultimate flexibility or conversely if times get hard, you can reduce the number of users.

Availability and Security

Third party service providers are in the business of providing uninterrupted reliable services. Vendors understand that data must be backed up religiously and information security is a paramount concern. Skilled resources, network redundancies, stand-by power, up-to-date security and intrusion detection are a necessity in providing an enterprise class service.

General

The rental software application market is starting to mature and offers businesses a flexible low cost entry option delivering instant return on investment which must be a major consideration in today's economic conditions. But do not forget to ensure that you have a secure and available internet connection to ensure application continuity.

Definitions

Software as a Service (SaaS), typically pronounced 'sass') is a model of software deployment where an application is hosted as a service provided to customers across the Internet.

Software plus Services (S+S) describes the idea of combining hosted services with capabilities that are best achieved with locally running software. It describes composite applications created by combining traditional software with remote services to provide consistent and seamlessly integrated user experience across devices and form factors.

Cloud computing is Internet-based ("cloud") development and use of computer technology. The *cloud* is a metaphor for the Internet, based on how it is depicted in computer network, and is an abstraction for the complex infrastructure it conceals.

SOAP Simple Object Access Protocol, a lightweight XML-based messaging protocol used to encode the information in Web service request and response messages before sending them over a network.

Middleware is computer software that connects software components or applications. The software consists of a set of enabling services that allow multiple processes running on one or more machines to interact across a network.



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