



Why Software as a Service?

White Paper

January 2007

What is It?

Software as a Service (SaaS) is a model for software delivery where a software company publishes one copy of their software on the Internet and allows individuals and companies to “rent” it through a subscription model. The software company centrally operates, maintains and supports all its customers using this centralized service.

Some of the companies who have embraced this new model include some well known names like:

- Google (maps, spreadsheet, word processing)
- Oracle (Peoplesoft on Demand)
- Salesforce.com (CRM system)
- WebEx (on-line conferencing)

One of the major business drivers for the SaaS model is the way in which revenue is received. Under traditional software licensing a company sells the software once and then hopes to generate some annual maintenance revenue, typically 15% - 20% of the original cost. This “boom and bust” mindset leads companies to continually enhance the product in hopes of selling maintenance fees or perhaps selling an entirely new license at some point.

With SaaS, revenues are much more like an annuity. SaaS vendors typically sign their customers to multi-year (2-3 years) contracts with monthly or quarterly payments. This provides a more sustainable and stable revenue stream upon which to manage the business.

Advantages of SaaS

There are distinct advantages of SaaS for both software vendors and end users. In the end it really comes down to revenues, costs and risks.

Expanded Markets – Increased Revenues

By publishing software as a service through the Internet, a software company, regardless of size develops a global reach. Not only is the sheer size of the potential user base larger geographically but the spectrum of users becomes broader thanks to the fact that SaaS is provided on a “subscription” basis meaning low monthly fees and no large up-front payments. Now a vendor’s products are opened up to small companies who can afford a few hundred dollars a month instead of coming up with thousands of dollars at once.

Evergreen

By having software centrally located and maintained, new revenue generating features may be added at any time. They are immediately accessible by the entire subscriber base and have the potential to generate new revenues with minimal deployment costs.

Small enhancements and competitor differentiators can be introduced quickly and less expensively than traditional software companies. These companies must go through the



more expensive traditional practice of deploying new releases, shipping CDs, and supporting customers during sometimes difficult upgrades.

Lower Installation and Support Costs

With SaaS there is no hardware or software to deploy on customers' sites. This eliminates the need to ship software, support the upgrade process including data conversions or deal with operating system issues. All software is accessible and used via a standard web browser minimizing compatibility and operating environment issues.

Customers can free up their IT staff to perform other higher value duties instead of routine software upgrades. Typically they pay no upgrade fees or installation costs inherent with traditional software.

Reduced Development Costs

Many companies who are contemplating moving their traditional software to a "software as a service" model have hesitated because the cost of re-writing the applications to work on the Internet through a web browser can be prohibitively expensive.

AnyWare Group, using its patented ROAM technology, wrap traditional software allowing it to be published on the Internet and used via a simple web browser. Not only is this a very fast process but it is quite inexpensive compared to the alternatives.

Anytime, Anywhere

Another key benefit to publishing software as a service and making it Internet accessible is the ability for end customers to access it globally. From any Internet connected device regardless of location, type of connection or even operating system, users can safely use applications and access data. Using AnyWare's ROAM technology every session is encrypted, secured and audited to provide a seamless easy-to-use end user experience.

Real Time Control over the Subscriber Base

One of the issues with software on a CD is that once it leaves the software vendor's premises it is fair game for software piracy. This means lost revenue, lost control over versions and users. With SaaS, the software never leaves the premises. Vendors can strictly control what software is made available and easily manage users adding or removing them at will.

With optional AnyWare services like "*self-subscription*" and "*on-line credit card payment*" potential customers can be pointed to the corporate web site or online store to subscribe and begin using the software immediately.

Lower the Risk of a New Business Model

Changing to a "software as a service" model does involve some risks. Every business decision does. However, with AnyWare Group's ROAM solution, the software vendor pays only for those users on the service. This direct link of revenues to costs means there are no large up-front investments to make in porting software and risks associated with totally



changing the business model overnight are avoided. Vendors can continue to operate the current software model as the new service model grows. Wholesale change may make sense at some point but there is no need to be forced into it.

Summary

Industry studies show that Software as Service is the wave of the future. Major players like Microsoft are moving into the space understanding that traditional software models with high upfront payments are waning.

Forester Research has published a study that the market for traditional on-premises software will only grow by 4% per year through to 2008. By comparison, IDC predicts that the SaaS market will grow at a 21% compound rate reaching \$10.7 billion worldwide by 2009.

There is a profound and basic change underway in the software industry. Those who don't adapt stand the chance of being left behind.

About AnyWare Group

AnyWare Group is an innovative provider of customer-driven access solutions. Our flagship product, ROAM, is a secure access infrastructure that allows organizations to deliver applications to any user based on their role. ROAM provides a secure, individualized workplace – anywhere. The ROAM technology enables software vendors to publish their software over the Internet enabling the Software as a Service (SaaS) business model. For more information visit AnyWare Group at <http://www.anywaregroup.com>.

AnyWare Group Inc.
21818 Hwy 71 West
Suite 301 B&D
Spicewood, Texas 78669
Phone 888-569-8638
Fax: 506-643-6605

<http://www.anywaregroup.com>

AnyWare Group Inc.
5 Market Square, Suite 1509,
Saint John, New Brunswick, Canada
E2L 1E7
Telephone: 888-569-8638
Fax: 506-643-6605

<http://www.anywaregroup.com>