Is It 'SaaS' or 'Cloud'? Is that Even the Right Question?

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You would think with all the talk about SaaS and cloud today that by now we would all be talking about the same thing. But in spite of, or perhaps because of the huge volume of discussion around SaaS and cloud computing, there remains much confusion over the terminology. Many use the terms “cloud” and “SaaS” interchangeably, but there are some important differences. So let’s distinguish between the two:

- Cloud refers to access to computing, software, storage of data over a network (generally the Internet.) You may have purchased a license for the software and installed it on your own computers or those owned and managed by another company, but your access is through the Internet and therefore through the “cloud,” whether private or public.
- SaaS (short for Software as a Service) is exactly what is implied by the acronym. Software is delivered only as a service. It is not delivered on a CD or other media to be loaded on your own (or another’s) computer. It generally is paid for on a subscription basis and does not reside on your computers at all.

All SaaS is cloud computing, but not all cloud computing is SaaS.

What about “on Demand?”

In the past I personally have used SaaS and “on demand” interchangeably. However the inclusion of this moniker in many product names today has led me to think I

need to stop implying they are synonymous. Many companies that want to check the cloud box will append “On Demand” to their product name. But it doesn’t always mean the same thing. The use of the qualifier “on demand” can mean anything from a hosted model to loading and shipping it on an “appliance” that is monitored and managed remotely, to a single-tenant or a multi-tenant SaaS offering.

Even the difference between hosting and SaaS remains a source of confusion. I am always reminded of that when a survey respondent who I know is running a SaaS solution (because that is the only way their solution can be deployed) tells me they would not consider SaaS, but they would consider a solution hosted by their ERP solution provider.

I’ve cautioned in the past against confusing the way you purchase software with the way you deploy it [1]. Refer back to that post for more information, but in short, in a hosted environment, the software is usually licensed, just as it would be if it were going to be run on-premise by the company who licenses it. But someone else is taking care of it. When the software is then accessed through a web browser, it becomes difficult for the end user to tell whether it is hosted or SaaS.

Hosted models are far from new. In fact they pre-date the existence of the Internet. Early hosting was called “time sharing” (and it had nothing to do with vacation homes). The hardware resided “someplace else” and the software was accessed through a modem, via shared or (preferably) dedicated telephone lines. This was quite popular in the early to mid-1980s until the price of hardware came down low enough to be affordable for small to mid-size companies.

But let’s say the solution is deployed in a SaaS model. If the solution is offered as a service, there are indeed different flavors SaaS. And here is where the arguments start. Some analysts, experts and industry observers insist their definition of SaaS is the only “true” definition. Most that insist on “true” SaaS also insist on a SaaS environment which is multi-tenant.

Multi-tenant SaaS: Multiple companies use the same instance of hosted software; configuration settings, company and role-based access personalize business processes and protect data security.

Single-tenant (or Multi-instance) SaaS: Each company is given its own instance of the (hosted) software, but may share common services, such as an integration platform, and security.

The truth is most consumers of SaaS enterprise applications don’t necessarily understand the difference between multi-tenant and single-tenant (or multi-instance) and may prefer the latter over the former for a variety of reasons.

The most significant difference between the two of these flavors lies in the frequency and flexibility of delivering upgrades, and the ability to customize the solution. Many assume that little or no customization is allowed in a SaaS solution. The general perception is that vendors are more likely to support customization and

less likely to force upgrades in a single-tenant solutions. But don't make this assumption because each vendor addresses the situation differently. Some single-tenant solutions discourage or forbid customization. Some multi-tenant solutions allow customization.

So instead of asking whether it is hosted or SaaS, or whether it is single-tenant or multi-tenant, determine first your requirements and secondly ask questions that will help you choose the solution that is best for you.

Do you think you need customization now, or that you might in the future? Instead of simply asking whether the solution is single or multi-tenant, ask what the policy is for customization. Ask how upgrades are delivered. How frequently? Are they "scheduled?" Or do they happen transparently? If they happen automatically are you able to selectively opt in to turning new features and functions on? Or might you be surprised by some new features or behavior that you are not expecting or prepared for?

These are just some of the questions that can be useful in deciding on purchase and deployment options. For a full analysis, see a full discourse on The Pros and Cons of SaaS ERP [2].

Check out www.mintjutras.com [3] *to learn more.*

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