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Abstract: The article offers the author's views on myths related to Software as a Service (SaaS). According to the author, the biggest myth with SaaS is getting the software delivered conveniently at a low price. He further says that SaaS is not cheaper than traditional software. He further adds that using it does not reduce hardware investment and data is not secure. However, he says that SaaS is a great option and is going to be a big part in the future.

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Beware the Hype for Software as a Service

What's called SaaS, or on-demand software, needs some debunking. For starters, it isn't cheap, and your data aren't secure
Time to dispel a few popular myths.

SUVs are not cool. They never were. You Hummer guys were drawing snickers a few years ago. Now, with the price of gas nearing $5 a gallon, we're laughing out loud. And Microsoft's (MSFT) Vista is not a failure. To date, the software company has sold more than 150 million units. Vista has made Microsoft a ton of money. Yes, yes — it's preloaded on every new computer. And yes, of course — it stinks. But no, it's not a failure.

A couple more myths to dispel: Cell phones cause brain damage. Some of the conversations conducted on a cell phone would lead you to believe this. But there's no evidence it's bad for the brain. It's also a myth that the longest day of the year is June 21. The longest day of the year for me was the Winter Middle School Orchestra Concert back in February. I know it was only an hour. But it didn't feel like it.

The biggest bucket of myths I hope to bust centers on a technology that many business owners are hearing a lot about these days. It's known as Software as a Service [SaaS], or the idea that you can get your software delivered conveniently, and at a low price, via the Web. Unlike buying software the old-fashioned way, by paying a big licensing fee up front, you pay for SaaS — also referred to as on-demand software — in pieces, spread out over time.

But as with most IT innovation, there's a lot of hype surrounding this technology — so much so that many of us don't know what to believe. Is this a viable thing? Should we be using this stuff? Don't worry, folks. I've done some research into this SaaS thing. Let me debunk a few myths.

Myth 1: SaaS is cheaper. No, it's not. In fact, it can be a lot more expensive. Most service providers charge each user by the month. If you've got 10 people using a product, and they're costing you 50 bucks a person each a month, that's $6,000 a year. Most in-house systems have one-time licensing fees and optional support agreements. Spreading out the payments is nothing new, either; tons of software leasing companies will finance your purchase and spread out monthly payments over time. When you look at SaaS over the long term, it's usually not a cheaper option.

Myth 2: SaaS reduces hardware investment. Well, this is only half right. Sure, the SaaS providers deal with the servers, and all the Windows headaches and patches and builds and versions and whatever. That's their problem. But you still need fast access to the Internet. And that means workstations running versions of up-to-date operating systems, which generally means up-to-date computers. And they'll need to be tied in, by wire or not, to hubs and routers to access the Net. And there will still be internal security and firewall issues. So you're really not completely eliminating the IT guy. He's like the smell from your cat's litter box. It kind of never goes away.

Myth 3: SaaS is quicker to set up. This is like Ikea saying its furniture is easy to assemble. One look at the lopsided bookcase in my den proves that little theory wrong. The same goes for software. Sure, if you've got a basic setup, then no problem: Just flick the switch and go. But what if your needs are more complex? What if you need customization? Snazzy reports? Integration with other systems? Now you're adding complexity. And whether an application is sitting on a server in Taiwan or a server in your office, someone's got to do the work.

Myth 4: Your data are secure and backed up. Baloney. They're about as secure as the personal data on 650,000 customers lost by GE Money (GE). Or that confidential Al Qaeda data left on a train by a British intelligence agent. Or Willie Randolph's status as the Mets' manager until about a month ago. I don't care how many redundancies and data centers and encryption are baked into the system. Accessing your data over the Internet in 2008 is fraught with risk.

Myth 5: You've actually been using SaaS for years — look at your bank account. Right. And when my SaaS vendor is backed by the Federal Deposit Insurance Corp., maybe this story will hold. But in the meantime, what if I've got a billing dispute with you, and you decide to shut off my service? What if you send me my data on a CD, and I can't even open the data because I don't have your application? What if the government or some competitor subpoenas you for my information? What if the unthinkable happens and, gulp, my Internet connection goes down. Gasp. How do I get my work done? Yes, I realize that we've "hosted" our financial data with banks for many years before SaaS. But we're talking a totally different set of rules, so let's not even go there, girl.

For many business owners, Software as a Service is a great option. There's no question that it's going to be a big part of our future [BusinessWeek.com, 7/18/08]. Salesforce.com (CRM), Intuit's (INTU) Quickbooks Online, Citrix Systems' (CTXS) Citrix Online — all are excellent products, and lots of companies use them well. But let's tone down the hype a little. SaaS isn't, and won't be, for everyone. It's just another option for getting stuff done.

Consider it if it matches your needs. That's why there are so many different kinds of cars. They'll all get you to the same place. Of course, you'll still look like an idiot if you get behind the wheel of a Hummer.

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By Gene Marks

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