

Quocirca's Changing Channels – From on-premise to on-demand

By Bob Tarzey, Service Director, Quocirca Ltd, April 16 2007

It can be hard to gauge the true take up of on-demand application services, an alternative way to take delivery of business applications whereby they are accessed online over the internet rather than installed and managed on-premise.

One reason for this is that research into what businesses are doing in any area tends to seek black and white answers; "Is your CRM application managed on-premise or delivered on-demand over the internet – yes/no". An IT manager faced with such a question is likely to respond based on his organisations corporate standard; "We have a huge Siebel installation that is used for most of our CRM" - ignoring the smaller deployment of on-demand CRM in a progressive department or subsidiary.

Such surveys also tend to focus on mainstream applications like email, customer relationship management (CRM) etc. This ignores an area that some believe is now the largest category of applications delivered on-demand and also one of the fastest growing – specialist applications for specific industries.

These are not the products of the high profile vendors who make the IT industry headlines day-in day-out. These are the products of smaller independent software vendors (ISVs), that focus on specific vertical markets often in a limited geography; for example, airline ticketing, performance management for UK government, supply chain applications for retailers and manufacturers etc.

Such ISVs are turning to the on-demand model because there are benefits for both the ISV and its customers. Both benefit from the stability offered by managed service providers (MSPs), whose expertise is to provide securely managed applications in secure enterprise data centres. Most ISVs turn to such organisations to host their on-demand offering, rather than doing it themselves. Both benefit from better cost management; MSPs and the suppliers they work with allow the costs of deploying an on-demand platform to be spread over a number of years, enabling the ISV to make the switch from upfront licence payments for on-premise

software to subscription or usage based payments which end user organisations increasingly seem to prefer.

An additional benefit for end users is that the very nature of on-demand applications means that they can be accessed from anywhere at any time, and as such they easily enable fast growing business models and practices such as mobile and remote working and complex business processes with many participant organisations.

Many ISVs who have started up in the last 5 years or so have gone straight to a pure on-demand model. For older ISVs wanting to make the switch, there are challenges to overcome. They need to adapt their existing pricing, service levels agreements, cash flow and sales activities to take account of the new model, being careful not to leave existing customers feeling disenfranchised.

For those ISVs that have introduced an on-demand option, most have found it to be popular with their customers and to equal or outpace their on-premise business. They also see more predictable and stable cash flow and, measured over a number of years, higher revenues than they would have expected if they had stuck with pure on-premise delivery.

There is an appetite for on-demand among end users and the IT industry is geared up to support those that see benefits in making the switch. Even for the more conservative ISVs and end users, now is surely the time to take a look.

Quocirca's full report On-premise to On-demand offers advice to ISVs on making the move to software-as-a-service and is free at:

<http://www.quocirca.com/pages/analysis/reports/view/store250/item3748/>

About Quocirca

Quocirca is one of Europe's leading independent industry analyst firms. One of its biggest assets is the core team of highly experienced analysts drawn from both the corporate and the vendor communities. This team prides itself on maintaining a bigger picture view of what's going on in the IT and communications marketplaces. This allows all of Quocirca's activities to be carried out in the context of the real world and avoids distractions with fads, fashions and the nuts and bolts of specific technologies. Quocirca's focus has always been the point of intersection at which IT meets "the business".

Quocirca Services

The insight and experience that comes from working as an industry analyst as well as a practitioner allows the Quocirca team to contribute significantly to IT Vendors, Service Providers and Corporate clients. To this end, it provides a range of consulting and advisory services. Details of these, along with some of Quocirca's latest analysis, may be obtained by visiting <http://www.quocirca.com>

Quocirca's primary research involves the surveying of many thousands of technical and business end users each quarter, analyzing their perceptions of the possible impact of emerging, evolving and maturing technologies on their businesses.