Don't Buy an Engine!

Comms Business Magazine talks to Bart Delgado, Managing Director of Akixi, about the industrial revolution, horses, cars and engines but really he's talking about Software as a Service!

Bart Delgado has always been original when it comes to analogies. Fifteen years ago as founder of Callview he told the channel that CTI was a bit like teenage sex – everyone is talking about it but few were doing it. Today he's comparing Software as a Service (SaaS) to the industrial revolution.

How does that work then Bart?

Well it's like this. The steam engine was literally the driver of the industrial revolution in Great Britain. All of a sudden there was a machine that replaced the horse the then current motive force. A machine that could work harder and faster than the horse. Not only that, the machine could work 24 hours a day for seven days a week. Everyone bought an engine of their own, productivity soared and the Great in Great Britain was truly born. Soon there was an industry making and servicing engines and producers took on staff – engineers, to manage their engines in their factories to make sure they never stopped.

I'm keeping up, what's next?

Fast forward to today and the comms sector and think of that old engine being the equivalent of a customer premise based software or hardware solution. Business owners still need those engineers and service contracts to keep their 'engines' up to date and working efficiently and when a 'better engine' becomes available they pay a lot of money up front for another five years use of a new product with features they may not even want.

Take a look at the following table that illustrates where the risks are for the user in this deployment model. A model you could say goes back 250 years to that industrial revolution. Then take a look at the difference in risk factors for the user in an SaaS deployment model.

	On Premise Solution		SaaS Solution	
Supply Element	**Vendor Risk**	**User Risk**	**Vendor Risk**	**User Risk**
Product Design/Development	Yes	No	Yes	No
Product Build	Yes	No	Yes	No
Sell/Buy	Yes	Yes	Yes	Yes
Operational Cost	No	Yes	Yes	Yes
Maintenance/Service	No	Yes	Yes	No
Upgrade/Replacement Cost	No	Yes	Yes	No

In an SaaS solution the onus is very much on the vendor to provide both an excellent product and on-going service excellence. With 30-day supply contracts you ignore user concerns over performance and service at your peril. Contrast this against a customer premises based solution where the user pays up front (or has a lease commitment) to five years' worth of use and five years' worth of maintenance contracts that may or may not include upgrades and then at the end of the term the user gets back what? Exactly. They get back nothing or next to nothing for an out of date piece of software and associated equipment.

With an SaaS solution the user can start with a bang up to date product, let's call it a Cortina and soon progress to a Mondeo without the heartache of part exchange costs, depreciation and out of warranty bills.

What's more, continuing the motor car analogy, that 'family man' user with the Mondeo could find the kids off his hands and change to a BMW Z4 at any time that suited him rather than wait the five years for his Mondeo Zetec lease to expire.

Bart Delgado collects his Comms Business Award 2012

So this ability to size up and down as the business need changes with the ebb and flow of demand – and we have all seen that in the last few years, is a key and fundamental business benefit that users quickly discover as a killer value proposition in SaaS.

So are there benefits for the supplier as well as the user?

The most important aspect of the whole SaaS value chain is to make sure you are in that chain and adding value. Despite the fact that the supplier/vendor could be on 30-day terms with users there are benefits. For a start you are giving users what they want; a good product that meets their needs month after month and the opportunity to sell them more services, features and applications month after month – and that adds up to a sticky customer. Contrast this to a five year up front contract and purchase where the next time most resellers talk to that customer is when the lease in nearing conclusion four and a half year later. That normally results in these additional sales opportunities never, or rarely being explored let alone concluded.

As an SaaS supplier you get a reminder every month from your customer which results in better service, faster and focussed product development linked to customer usability feedback. Consider a PBX model from the industrial revolution. It comes with a myriad of features, all paid for on day one, that the user never gets to use. You would never get away with that in the SaaS model.

Ask a customer premises solution provider if you can try out their product before you buy it and they will give you a very old fashioned look. Whereas with products such as our own Akixi call and contact centre management application you can trial it for 30, 60, 90, 120 days and just pay for what you use.

So, why buy an engine at all. You have to pay for it or commit to it up front for five years, it has features you will never use, you need somewhere to put it and then someone to look after it and after all that at the end of five years, when you have paid up front for 200 users but ended up having only 80 users, you throw it away and start again.

Put like that you'll wonder why people will ever buy an engine again. Perhaps they won't.