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SaaS Apps Gaining Ground as Implementation, ROI Concerns Dwindle

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Enterprises, in particular, are expressing interest in SaaS applications, especially for areas in which collaboration is important. "Typically these companies already have connections to providers and partners and don't have to build integration links from scratch," said Beth Enslow, senior vice president of enterprise research for Aberdeen and the study's author.

More companies are viewing the Software as a Service model as a viable delivery option for functions beyond CRM -- the area in which it has probably developed the greatest traction -- according to a new study by Aberdeen.

SaaS implementation times and return on investment cycles are growing shorter in such areas as sourcing and procurement, supply chain management, financial management and product lifecycle management, which is one reason more companies are interested in implementing such applications, Beth Enslow, senior vice president of enterprise research for Aberdeen and the study's author, told CRM Buyer.

CRM 📦 application implementation takes less than two months and ROI is realized in less than six months, according to the study, which surveyed 631 companies from March to July 2006.

For a supply chain management app, by contrast, implementation takes less than three months and ROI is realized in less than one year.

Implementation for sourcing and procurement applications requires less than two months and ROI is reached in less than a year.

Financial management implementation takes less than three months and ROI is achieved in less than six months.

Product lifecycle management can be implemented in less than six months with ROI realized in

less than one year.

Integration and Security Concerns

Enterprises, in particular, are expressing interest in SaaS applications, especially for areas in which collaboration is important, Enslow said, such as supply chain or procurement. "Typically these companies already have connections to providers and partners and don't have to build integration links from scratch."

Indeed, integration and security are issues for many of these companies, she added. "Those were the two reasons most companies cited when asked why they weren't using an SaaS," Enslow said.

In reality, though, concerns about security are overblown, she declared. "What we have found is that SaaS providers actually offer better data security 📋 and better application reliability than in-house operations, because the data centers are up to date with security management and have built-in redundancy."

The concerns about integration are a little more realistic, claimed Enslow, but recent advancements by SaaS providers have made it less of a problem. "First, there has been a wholesale movement to SOA, which makes it much easier to use Web services to integrate third-party applications. Also, we are seeing more SaaS vendors create plug-ins to major ERP 🔍 (enterprise resource planning) vendors."

Addressing integration concerns has been particularly key to enterprises, Enslow said, because they are less likely to opt for a Software as a Service suite such as NetSuite 🔍, or a more robust CRM application such as SalesBoom.

"Larger companies still look at SaaS as a quick way to solve a business problem -- not as an application to replace something they already have in their portfolio," she noted. ▣

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