RESEARCH NOTE
HOSTED VERSUS ON DEMAND: SEPARATING THE MARKETING FROM REALITY

THE BOTTOM LINE

The rise in popularity of on demand solutions has led many vendors to market their hosted solutions as on demand. Users should ask two key questions to determine if their vendor's solution is a multitenant on-demand one.

With the rise in popularity of on demand and software-as-a-service (SAAS) applications, many vendors have rushed to the on demand bandwagon — without a true on demand solution. This simple guide will show you the key questions to ask when evaluating SAAS applications to determine whether they're truly on demand.

WHAT IS SAAS?

Software-as-a-service, or SAAS, is any software application that is delivered as a service to the customer. SAAS customers:

- don't make an upfront investment in software or hardware
- access their application via a Web browser
- pay for use of the application on a subscription or annual basis.

Application service providers (ASPs) or application hosters, as they're sometimes called, have been around for a long time. In a typical ASP situation, the ASPs deploys and runs the customer's application in their own server environment. ASPs may have dedicated hardware for specific customers.

HOW ON DEMAND IS DIFFERENT

On demand applications are hosted applications that are architected so that multiple customers access the same instance of the application – an architecture that is known as multitenancy. Multitenancy is important for a number of reasons:

- The vendor achieves greater economies of scale in ongoing support than simple hosting. Because problems only need to be fixed once, and bug fixes or patches only have to be deployed once, the vendor can spend more time on other areas like improving availability and developing new features.
- Upgrades are typically more frequent and less disruptive. Because new features can be added on an ongoing basis to the core code without impacting the user interface layer, vendors tend to provide more functionality enhancements more often.

Some application service providers, such as EDS, provide both traditional SAAS offerings that are not multitenant as well as on-demand offerings. It is important

to determine which you are buying, because while both are often offered on a subscription basis, simple SAAS offerings will likely cost you more and create more disruption over time.

KEY QUESTIONS TO ASK

There are two key questions to ask to determine if your vendor is an on demand provider or simply an ASP:

- Do multiple customers access the same instance (code) of the application? If customers all run on their own instance of the application, the solution is not multitenant — and not on demand.
- Do all users experience upgrades at the same time? Although users may have the option to expose new functionality in their user interface at different times, a truly multitenant application means all users experience upgrades at the same time — because they're all using the same instance of the application.

You should ask prospective vendors if multiple customers access the same instance of the application, and if all customers experience upgrades at the same time, to determine if they're truly delivering an on-demand application.

CONCLUSION

As more and more vendors look to take advantage of interest in on-demand applications, it's buyer beware — and while it not may be immediately apparent, simple hosted applications will likely cost you more over time than a multitenant on-demand application. Asking a few key questions up front can help you to plan the optimal deployment strategy and effectively budget for future costs.