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Big Vendors, SAAS Might Not Always Mix for SMBs

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The service side of the equation works, but not the price, when it comes to big-ticket enterprise apps—particularly not when competing with low-cost offerings from nimble, small service providers.

When it comes to small and midsize [business](#) customers, the general assumption that gets made in the vendor community is that they would all line up to use enterprise-class applications if only those apps were available as a service.

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The second part of the equation is pretty much true. A lot of SMB customers don't have the IT talent on hand to run a lot of application [software](#) on-premises. As a result, the economics surrounding SAAS (software as a service) applications are pretty compelling.

But what still holds a lot of SMB customers back is the cost of those applications. Faced with prices that can range anywhere from \$50 to \$150 a month per user, a lot of SMB customers balk at the total cost of ownership of these applications over an extended period of time. To make matters worse, they also feel that they are paying to make use of a whole lot of features they don't really need.

That's why there's growing interest in the SAAS category now that Google and Microsoft are talking it up. Both of them have an emphasis on personal productivity applications at the moment, as compared with corporate applications typically offered as a service today by Salesforce.com, Oracle, NetSuite, Sage Software and SAP.

The issue that SMB customers have is that they typically need something more robust than productivity applications but less expensive than the [business applications](#) currently on the market.

Into this void have stepped a couple of lesser known companies that are doing surprisingly well filling a market need. Both InfoStreet and Zoho.com have created services that offer a wide range of capabilities for SMB customers and are priced anywhere from 50 to 80 percent less than the services offered by the big enterprise players.

Of course, the big enterprise players say these applications are only suited for small business customers. But when you look across the list of customers of Zoho.com and InfoStreet you quickly discover that there are more than a few midmarket companies using these services, not to mention a couple of divisions of large enterprise customers.

Whether InfoStreet and Zoho.com will be around for the long term is anybody's guess. Speculation is already rampant that falling margins will force companies such as Salesforce.com to sell out to rivals such as Oracle. And both Google and Microsoft are expected to increase their portfolio of services through acquisition. As those events unfold, IT organizations are going to discover how critical it is to be able to easily export and import data from one service to another.


In the meantime, the best thing they can do is expand the number of application services they are willing to consider, because the diversity of offerings out there that can meet their requirements at acceptable costs is greater than most people think.

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