



## **Before You Buy!**

*Ten Questions to Ask Your Cloud Vendor*

## *Abstract*

Cloud Computing is a hot topic these days, engendering widespread interest from CEOs, CFOs and CIOs who are curious about this new paradigm shift and want to know how it will impact their business. This widespread interest has brought forth two camps, the cloud computing evangelists who hype its benefits and the fear mongering traditionalists whose business models are now at stake. Although cloud computing can lead to tremendous cost savings, with no IT infrastructure to manage or maintain, many fear losing control of their data, which is in the hands of third party providers. This whitepaper will offer a strategic introduction to cloud computing, discuss its benefits and point out potential concerns. If you are looking to move to cloud computing, this paper will also provide a set of questions you should ask your cloud vendor so you can better understand its impact on your organization and help you avoid possible pitfalls.

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## Introduction

The business world is slowly transitioning to cloud computing, and the recent recession has only accelerated this move away from traditional on-premises systems. The enormous economic advantages of cloud computing coupled with other benefits - such as nearly ubiquitous access to applications and data, device independence, etc. - make it a very attractive option for businesses of all sizes and shapes. Cloud computing is particularly advantageous, however, for Small and Medium Businesses (SMBs) because of its low Total Cost of Ownership (TCO). In a way, SaaS and cloud based offerings level the playing field for SMBs, putting them on par with larger enterprises when it comes to technology access.

Simply put, cloud computing is the delivery of computing resources as a service over the internet. This goes a long way to relieving the user of the complexity of IT. The key differentiators between cloud computing and traditional on-premises systems are:

- **Economics** - With no capital expenses and reduced operating expenses, cloud computing users can save significant money on IT costs.
- **Scalability and Elasticity** - Cloud Computing is infinitely scalable and offers an easy way to scale up and scale down based on demand.
- **Ubiquitous Access** – Device, Location and Time independence. You can use the system 24x7 from anywhere you can find an Internet connection.
- **Self Provisioning** - The computing resources can be provisioned by users without requiring human intervention on the side of the vendor.
- **Metering** - Billing is based on consumption, a pay as you use model.

There are numerous advantages to cloud computing, chief among them the potentially tremendous cost savings. Cloud computing generally offers a lower TCO, higher reliability, and better availability than traditional computing resources, as well as zero IT maintenance, better sustainability, better automation and better security.

There are currently three delivery models in cloud computing, known collectively as the SPI Model. They are:

- **SaaS** - Software as a Service is the delivery of applications over the Internet, These applications are accessible through a web browser and managed by the vendor remotely. They often come with full enterprise-quality support and maintenance. Depending on the vendor and type of product, there are likely similar customization and configuration options as are available in on premises software.
- **PaaS** - Platform as a Service is the availability of a programming platform and tools, as a service. This allows developers, including both corporate application developers as well as independent software vendors to build and deploy applications using the platform, without worrying about the management of the underlying infrastructure.
- **IaaS** - Infrastructure as a Service is the availability of raw computing resources like processing power, storage, etc. over the Internet. IaaS offers users control over operating system and network components (like firewall, storage, etc.) while taking care of the underlying hardware and in some cases the network.

The cloud offers tremendous benefits over traditional on-premises computing but there are also many concerns, such as giving up IT and data control to a third party provider. With hundreds of thousands of companies around the world already using cloud-based systems, there is tremendous progress being made on the technology side to ensure cloud computing is ready for business use-cases. The rest of this whitepaper focuses specifically on Software as a Service applications and the right questions to ask vendors so that you can be sure all of your major concerns about the cloud are addressed.

## Evaluating Cloud Applications

Cloud or SaaS applications are software applications accessible through a user's web browser. There is generally no software to be installed or maintained and the application and data are hosted at centralized locations, accessible from any device with Internet access. Support is exactly like traditional enterprise software support, with the caveat that, with your permission, the support analyst can log into your system to see exactly what caused the issue – speeding the resolution of your problem. SaaS vendors also handle all, performance tuning, backup and recovery, security, auditing, disaster recovery and all other ongoing operation related to running, optimizing and maintaining the system over time.

Unlike traditional software where you generally have to pay for software licensing up front, SaaS applications generally use pay per use and subscription-based models. This can be structured, for example, as pay per user, pay per transaction or other usage based model.

The very fact that user data is stored on third party servers in third party datacenters brings into focus issues like security, privacy and data ownership. In fact, these issues are some of the reasons that there is a degree of reluctance to move towards cloud computing. These concerns should not adversely impact the decision to move towards SaaS, however. In reality the security and privacy offered by all major SaaS vendors exceeds that which the vast majority of their customers can afford to themselves. It is still important, though that customers ask the right questions of their prospective vendors. By asking these questions and assessing the answers, organizations can mitigate risk and benefit from the advantages of SaaS.

This section focuses on some of the questions you should ask potential SaaS vendors. By no means complete, these questions should, however, cover many of the important issues. Each question is followed by a brief explanation of the question's purpose and what one should expect in the vendor response.

***Business requirement questions:***

The first and foremost aspect to consider when talking to a vendor is whether the vendor's product fits your business needs and existing workflows. Every business is unique and your SaaS vendor should be able to meet the specific business needs of your organization. The following questions should help buyers get started and can be followed up with questions regarding specific needs.

- Does your SaaS application(s) meet the functional requirements of my business?
- Will your application fit the ever-changing needs of my business as time goes by?
- Does your application require that I significantly alter my existing business workflow?

It is very important that the SaaS application being evaluated fits your existing workflows without significant disruption. There will always be some amount of disruption when transitioning from one application to another, however you don't want the disruption to force a complete revamp of your existing business processes.

Many of the leading SaaS applications are in fact more customizable than their on-premises counterparts – they just accomplish this through flexibility and configuration options rather than via custom programming or source-code changes.

### *The reliability questions:*

When migrating from a traditional desktop environment to a SaaS environment, inevitably you give up some control of your data. This should not discourage users from using SaaS applications, however because they still provide tremendous benefits that outweigh the risks. One important issue, though, is the long-term reliability and viability of the vendor. Committing to a SaaS solution, only to have the vendor go out of business, could potentially cause a significant disruption to business activities. The following questions should give buyers an idea about the longevity of the vendor.

- How reliable are you - do you provide references, case studies and third party assessments?
- Do you have information available about your physical location and telephone number?
- Do you have information about your top management on your site?
- Do you have just a handful of customers, or thousands or tens of thousand?
- Are you a publicly listed company? And if not do reputable investors fund you?
- Are you well covered by traditional media and technology blogs?
- Are you active in blogs and social media sites?

Even though these questions will not offer a foolproof guarantee, it will give a fairly good idea about reliability.

### *The availability questions:*

In the traditional desktop environment, applications exist on physical hardware located within the organization, so users have significant control over availability. In the SaaS environment, however, users are reliant on the SaaS vendors. Therefore, high availability is a crucial aspect to be assessed. Also if something goes wrong, your SaaS vendor should have multiple copies of your data to ensure retrievability if there is a catastrophic failure. The following questions will help buyers understand whether the SaaS vendor can meet availability requirements.

- Do you offer a Service Level Agreement (SLA) for your services? If yes, how many 9's does it have (look for 99.9% to 99.999% uptime guarantee)?
- Do you have a transparent, public site where you publish any system issues or outages for everyone to see?
- Do you offer compensation commensurate with any potential financial loss if my business suffers due to lack of availability? Will you compensate me automatically or do I need to ask for it?
- Do you have the applications and data stored in several geographically separated datacenters? If yes, how many datacenters do you have? If geographically distributed datacenters are used, what countries are involved?
- Is there a disaster recovery strategy in place? How frequently is it tested?
- How many copies of the data are backed up? How often is backup performed?
- Can I readily export my data in a usable format?



*The upgrades, maintenance and outages questions:*

It is important that any downtime due to upgrades, maintenance and outages is minimal and done without affecting your operations significantly. The following questions will help you understand how the SaaS vendor does these house-cleaning tasks.

- Approximately, how often do you upgrade your application?
- Will these upgrades impact my use of the application, and if so what time of day and for how long will I be affected?
- How and when will you notify me about any scheduled maintenance?
- How do you handle support? How can I contact you to get more information about unscheduled or extended downtime?
- Is there any fine print in your SLA regarding maintenance related issues?

For some businesses, non-availability of key applications can be an emergency situation, and the above questions can help you prepare.

*The security questions:*

When using applications hosted by third party vendors, data security is paramount. Even though the following questions are not exhaustive, they should help you understand how secure your data is.

- What is your approach to service security? Can you offer an overview of your general security approach?
- What security procedures are in place at the datacenter? How many technicians have access to my data and how well are those technicians vetted before they are given access?
- What are the security measures you use to authenticate users?
- What level of encryption do you offer to protect my data?
- How secure is your application and do you work with any independent security vendors to vet the overall security of your product?
- Are you SAS 70 Type II audited ? What are your plans for SSAE-16?
- Are you compliant with the regulations applicable to my business?

*The privacy questions:*

There are two aspects of privacy that need to be considered when using SaaS applications: the privacy of user information and the privacy of user data. The following set of questions will offer some clue into how the vendor handles privacy.

- What is your privacy policy?
- What are the important data related laws in the countries where your infrastructure is located?
- Do you use customer data to promote your business through advertisements and do you sell customer behavior/information to third parties for marketing?
- What are your policies relating to the legal aspects of data being stored offsite on third party hardware? I have concerns about my data being subpoenaed or breaching some arcane regulation, please explain these issues as they relate to my business.

*The data ownership questions:*

Your data, regardless of who hosts the data, should be your data. The vendor's terms and conditions should clearly indicate that you own both the data and the metadata you create. The following set of questions is designed to get as much information from the vendor as possible regarding data ownership.

- What are your terms when it comes to ownership of data? How about any metadata I generate while using the application?
- How easy is it to export data from your service when moving to a new service? Do you offer an option to export the data in one of the open data formats like XML or JSON? Are there any extra charges for exporting the data?
- Do you delete my data completely if I delete it from the application?
- What happens to my data if I discontinue your service – do you delete it immediately? Can I retain access to a read only copy for a fee?

*The integration questions:*

Integration may not be as big of an issue for smaller businesses but it can be important for mid-sized and large enterprises. It is important to talk to your SaaS vendor about how easy it is to integrate their application with other SaaS applications you already use. Sometimes the vendor will offer integration services on their own, and in other cases they know third party providers who offer integration services. The following set of questions can help you tackle your integration needs.

- How easy it is to integrate with other applications?
- Is supported integration, or prebuilt integration available with any other systems?
- Do you offer API access? Are there any extra charges to access API? What form do the APIs take?
- Do you support integration with legacy applications?
- Do you partner with any companies that specialize in integration?

### *The customization questions:*

Customization capabilities vary widely by SaaS vendor – at the low end little customization may be available, but many high-end SaaS applications are more customizable than their on-premises counterparts. The following questions will help you understand the level of customization offered by the SaaS vendor.

- Do you offer custom domain options?
- Do you provide the ability to edit headers, footers, login page, etc. for branding purposes?
- What is your permissioning scheme – do all users have access to the entire application or can you customize who has access to what on an individual and by role basis?
- Can you configure the system to match your business processes, such as by customizing transaction definitions and workflows?
- Some SaaS applications, like financials and CRM, require data field customizations. Do you provide the ability to customize data fields? Can you add new fields? How many? What field types are available?
- Can you change the behavior of the applications, such as including custom triggers and business logic?
- Business processes that span multiple applications are also often important. Can the application be called by other systems? Can it call out to other system?
- Can the application be extended – does the vendor provide tools that you can use to build new screens or modules or features that the vendor does not offer themselves?



## Conclusion

The numerous benefits offered by SaaS are very attractive for businesses of any size. However, there are certain issues we need to consider while facing such a significant paradigm shift. A blind plunge into a new technology can lead to disastrous consequences. We hope this whitepaper has laid out what cloud computing is, its benefits, as well as the questions you should ask to make sure you're getting exactly what you need.

## About Intacct

Intacct is the market and technology leader in cloud computing financial management and accounting applications for small and midsize businesses, and the preferred financial applications for AICPA business solutions. Intacct applications are used by thousands of businesses from startups to public companies and are designed to improve company performance and make finance more productive. The Intacct system includes accounting, contract management, revenue recognition, inventory, purchasing, vendor management, financial consolidation and financial reporting applications, all delivered over the Internet via Software as a Service (SaaS). Intacct is headquartered in San Jose, California. For more information, please visit [www.intacct.com](http://www.intacct.com) or call 877-437-7765.

## About Diversity Analysis

Diversity Analysis is a broad spectrum consultancy specialising in SaaS, Cloud Computing and business strategy. Our research focuses on the trends in these areas with greater emphasis on technology, business strategies, mergers and acquisitions. The extensive experience of our analysts in the field and our closer interactions with both vendors and users of these technologies puts us in a unique position to understand their perspectives perfectly and, also, to offer our analysis to match their needs. Our Analysts take a deep dive into the latest technological developments in the above mentioned areas. This, in turn, helps our clients stay ahead of the competition by taking advantage of these newer technologies and, also, by understanding any pitfalls they have to avoid.

**Our Offerings:** We offer both analysis and consultancy in the areas related to SaaS and Cloud Computing. Our focus is on technology, business strategy, mergers and acquisitions. Our methodology is structured as follows:

- Research Alerts
- Research Briefings
- Whitepapers
- Case Studies

We also participate in various conferences and are available for vendor briefings through Telephone and/or Voice Over IP.



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