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Tech: Let Us Serve You

Web services are now so cheap and plentiful you may never buy software again.

San Francisco serial entrepreneur Peter Yared was tired of spending thousands of dollars on computer servers and the gold-plated IT folks who run them. So this past April, when he launched wdgtdr (that's widget builder, severely compressed), a Web service that helps marketers create interactive ads, he wondered if the company could rely instead on Web-based software and hosting services. Much to his surprise, Yared found plenty of low-cost options, some of them even free. "I am amazed at how cheaply and easily all of the functions of a small business can be set up and shared by employees," says Yared. The six-person company now uses 12 software services. Its monthly bill: \$371.

No longer do small companies have to spring for servers and IT staff just to get the basics. With software services, you don't install programs on your own computers or server. Instead, you sign up online for software and use it while you're connected to the Internet. You store your files in the service provider's data center, with security features that ensure that only you and your employees give access to them. The provider is responsible for running all the software and hardware and fixing any problem that crops up. The only thing you need to do is maintain a good Internet connection.

Many of these new software services were spawned as alternatives to the most popular programs from Microsoft. A company can use Gmail instead of Microsoft Outlook, or Google Docs instead of Office. Basecamp can be used for project management instead of Microsoft's Project. Not to be outflanked, Microsoft has responded with Microsoft Office Live Small Business, its own collection of Web-based software services, including business e-mail, Web hosting, and accounting.

Whoever the provider, the services are getting popular. About 27% of small and midsize businesses are using at least one software service this year, up from 9% in 2006, and 17% use two or more, according to Saugatuck Technology, a Westport (Conn.) market research firm.

The big draw: money. At his previous companies, Yared spent about \$10,000 on server hardware and software such as Exchange and QuickBooks, and about \$24,000 a year for an IT consultant. Yared figured he'd have no trouble finding online software for basic functions such as accounting and word processing, but was pleasantly surprised to discover SOASTA Concerto, which handles the more specialized task of testing the quality of the ad software his company creates. At \$250 a month, SOASTA is fairly pricey, but QuickBooks online costs Yared only \$20 a month, and Google Analytics, Google Apps, FreeConferenceCall.com, and Zoho CRM are free.

Relying on software services does have its drawbacks. Some business owners worry about security and privacy, because their data reside on another company's servers. Most Web services come with fewer bells and whistles than typical software packages. "The real hangup for most folks is the office suite," says Daniel Golding, vice-president and research director at Tier1 Research, a consulting firm based in New York City. "It's easy to find a good online word processor, but it's harder to find a good spreadsheet." And occasionally, services from different providers don't work together well.

But you can maneuver around these snares. To mitigate security concerns, seek out a well-established provider with a good reputation. If you routinely use an obscure formatting function in your documents, test for a word processing service that lets you perform the same tricks before you commit. Most of all, be prepared to adjust your expectations. "Good is good enough," says Yared, arguing that the low cost of these services and the way they help employees easily collaborate from their home offices trumps any minor hassles.

As Yared discovered, software services can be a boon to keeping a far-flung staff connected and collaborating with clients, consultants, or investors. The one challenge for business owners is getting reliable mobile Web access. "If you've got a relatively mobile workforce, you need the latest and greatest in mobile connectivity," says Jeff Kaplan, managing director of THINKstrategies, a consulting firm in Wellesley, Mass. That means making sure each employee has an up-to-date laptop with a Wi-Fi connection or a high-speed wireless data service such as those offered by Verizon or Sprint. And bear in mind that most software services don't work if you're not connected to the Internet. If your salespeople clock significant hours on airplanes, make sure your services will let them work on spreadsheets or other documents offline.

Most of the 17 employees of consulting firm Growth Acceleration Partners work from their homes or client sites. When Brett Bachman founded the Austin (Tex.) company in January, 2007, he wanted to keep overhead as low as possible. "We didn't want to invest for two years before we started generating payback," says Bachman. "I didn't want to have to buy a server." Bachman's company spends \$39.95 per month for Microsoft Office Live Premium, which includes the tools to design a Web site, free Web hosting, 2 gigabytes of Web site storage space, 50 company-branded e-mail accounts, Web site traffic reports, online workspaces for collaboration, and basic sales force automation. A cost-tracking service from Journyx, which helps Bachman figure out which clients are profitable, costs \$50 a month. And a \$60-a-month online service from Iron Mountain lets all his scattered employees back up their laptops, a necessity when essential data don't live on your premises.

Even companies that have their own servers find that Web services make them less dependent on the machines. SoluChem, an Austin industrial supply company, set up a file and e-mail server years ago. But the 12-person, \$30 million company gradually migrated to Google for e-mail and now relies on Web services such as salesforce.com for customer relationship management, and others for payroll, financials, spreadsheets, and documents. "We kept thinking that we would need to add servers, but we never have," says Ted Hughes, an operations manager for SoluChem. "Everything we're doing is Web-based."

Hughes' favorite is a free software service called Zoho Creator, which helped him create an online database to manage information about a thousand chemical suppliers. He was able to set it up in one night—this after struggling to set up a Microsoft Access database for nearly six months. "It's amazing that I could get it all together in a matter of hours," he says. And when SoluChem's server is ready for the recycling bin, Hughes says the company just might not replace it.

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