Kintera®

Rent or Buy:
Why Nonprofits Need
Software as a Service

Introduction

Like many of today's technology buzzwords, software as a service (SaaS) can simultaneously conjure feelings of thrill and bewilderment in nonprofit professionals. In many ways, SaaS is viewed as Pandora's box, potentially unleashing both the freedom promised and the risk feared with such a relatively new technology concept. Few nonprofit professionals truly understand the meaning – and value – of using SaaS in their organizations.

This paper explores the differences between software as a service and traditional client/server technology – and the benefits that nonprofit organizations can reap by taking advantage of the "pay as you go" SaaS model, freeing more time and resources for your mission and less on your IT systems.

The Shift to Software as a Service

Software in both the nonprofit and commercial sectors has traditionally been housed on-site at the customer organization. These client/server software systems typically consisted of an "off-the-shelf" application or suite of applications that organizations owned outright or licensed – and held the responsibility for both the maintenance and overhead of the resources and staff needed to operate the software.

But as software vendors developing client/server models have focused efforts on product features and functionality, SaaS vendors have entered the marketplace offering organizations a better experience with the product. The software as a service approach is resonating well in the market: a recent AMR Research survey shows that more than 78 percent of organizations are currently using or considering SaaS. In addition, Gartner claims that by 2010, 30 percent of new software purchases will be delivered via an application utility or a software as a service model. Summit Strategies also predicts that, over time, the SaaS model of selling software functionality will eventually surpass the traditional on-site deployment model.

There are a variety of reasons why organizations are converting from traditional client/server software systems to SaaS. According to a recent survey from IT advisory firm, Cutter Consortium, 86 percent of respondents said they expected to use SaaS to generate cost savings. Additional benefits cited included greater return-on-investment, smaller staff required, improved reliability and performance, quicker and easier deployments, and systematic upgrades and updates. But what exactly is this technology platform that promises greater and faster return on investment, and lower

"More than 78 percent of organizations are currently using or considering SaaS."

-- AMR Research

"According to a recent survey, 86 percent of respondents said they expected to use SaaS to generate cost savings."

-- Cutter Consortium

total cost of ownership? And how can nonprofit organizations, specifically, benefit from it?

Software as a service is a software application or tool that is delivered as a service via the Web. Available through a subscription model, the customer organization "rents" a solution delivered online, rather than taking ownership – and responsibility – for the software. The paradigm shift that occurs with software as a service is that, instead of selling software licenses to customers and then moving on to the next software license sale, SaaS providers are continually responsible for the customer's experience with their software. Software companies need to demonstrate value on an ongoing basis in order to keep customers happy and subscribing.

Software as a service returns the power back to nonprofit organizations by providing ongoing accountability for software performance and service. But this is just the tip of the iceberg for why SaaS is the ideal platform for the nonprofit community.

Top Seven Benefits of Software as a Service

Nonprofits are always seeking ways to advance their missions through fundraising, communications and advocacy. While necessary, IT is rarely an organizational function with direct touch on major gift donors, capital campaigns or planned giving solicitation. In fact, nonprofits are frequently focused on using resources wisely – and the IT systems and personnel that are, of course, necessary to the organization's operations may also be taking valuable resources away from the mission.

The primary value that software as a service brings specifically to nonprofit organizations is the freedom to focus more on the mission – and less on IT. The following highlights the top seven benefits that nonprofit organizations can realize by adopting software as a service technology within their organizations.

1. Little upfront investment. Traditional client/server software systems require nonprofits to make a significant initial investment that make a considerable impact on the organization's financial situation – even for the largest, multinational nonprofit groups. Besides the financial strain caused by the upfront investment, nonprofits rarely have the opportunity to back out if the software doesn't meet expectations.

Software as a service provides a significantly less expensive way for nonprofits to "try out" software applications without the risk, pain and expense of a large upfront investment. Rather than spending $75,000 outright, for example, organizations are charged for the software on a monthly basis, which helps spread the costs.

2. Reliable cost forecasting. Software as a service subscription fees are not just affordable – they generally are fixed, enabling nonprofits to reliably forecast their IT costs over several years. With custom software development – or even just custom deployment – nonprofits never know what each year will bring as they strive to engineer or re-engineer applications to keep up with changing technology. Traditional software purchases result in a daunting and variable mix of integration, licensing, version upgrade, support and infrastructure costs as nonprofits try to scale and adapt to changing requirements.

3. No extras needed. The expense of traditional client/server software is not limited simply to the software purchase. Many nonprofits have learned the hard way that initial custom software development outlays are only a mere fraction of the long-term costs. Nonprofits are also responsible for additional expenses, such as the hardware, installations, upgrades, maintenance and technical support.

With software as a service, implementation fees can be significantly lower than developing custom solutions or purchasing proprietary software and hardware. The maintenance and upgrades of the software are generally included in the monthly fees, and nonprofits won't need to pay for expensive hardware, specialist IT support staff or system development. Best of all, organizations can run the software on their existing computers and browsers. By choosing an SaaS provider, nonprofits are, in essence, hiring an external company to build and operate a system for them – letting the provider make the investments in equipment and software. Spreading infrastructure, development, maintenance and future innovation costs across a broad base of users means that nonprofits can access enterprise-quality tools that would otherwise be out of reach.

"By choosing an SaaS provider, nonprofits are, in essence, hiring an external company to build and operate a system for them – letting the provider make the investments in equipment and software."

4. Up-to-date technology. Updating and upgrading traditional on-premise software can overwhelm a nonprofit organization, which often doesn't have the staff or resources needed to regularly update the software with new features. Software as a service providers relieve nonprofits from this burden by taking care of the system updates and maintenance automatically and invisibly. Offering ongoing technology enhancements ensures that nonprofits using software as a service are always ahead of the technology curve. With SaaS, there is no need to pay for custom development or a new upgrade every time technology takes a step forward. Software as a service generally makes product enhancements available to all clients instantly.

In addition, broken or outdated software will quickly turn software as a service customers away. As such, providers are always accountable to customers for software

performance and functionality, so they are generally quick to fix any potential problems organizations are facing.

5. Security and reliability. Nonprofits rarely have the resources available to secure their data and systems as well as a commercial vendor can. In addition, with traditional client/server software, nonprofits are responsible for keeping the system backed up in the event of a disaster.

Data stored with a SaaS provider is almost always more secure than when stored at the average nonprofit organization. For one thing, vendors need to provide a secure data environment or they won't maintain their client base. Security is a top priority for software as a service vendors and client data is backed up without fail. SaaS providers can also maintain a much more sophisticated, high-capacity infrastructure than a nonprofit organization. For example, most software as a service companies offer multiple data centers in commercial co-location facilities with state of the art monitoring, full data encryption and advanced virus protection for maximum security. These types of secure, high-performance infrastructure would cost nonprofits a fortune to replicate either in-house or off-site in a shared hosting facility. In addition, the best SaaS vendors are SAS 70 Type II and PCI compliant. Software as a service enables nonprofits to benefit from high-end infrastructure and security without bearing the cost.

6. Remote access. On-premise software typically means just that – it can only be used on-premise at your organization's site. But what about nonprofit professionals who are traveling? Or organizations with multiple locations or chapters needing access to the same system?

Software as a service is accessible via the Internet, which means that nonprofit professionals can access the service via the Web from any computer anywhere in the world with Internet access. This makes using software in distributed organizations, multiple chapter sites or while on the road considerably easier.

7. Scalability. Traditional client/server software meets a nonprofit's immediate needs. But what about when those needs evolve and expand? New or additional software purchases, hardware, installation and maintenance are often required, forcing nonprofits to make do with old software that doesn't meet their needs – or start over again, making significant investments in new systems.

> *"Software as a service enables nonprofits to benefit from high-end infrastructure and security without bearing the cost."*

Software as a service provides the flexibility to grow with the organizations they serve. As a nonprofit grows its fundraising efforts and organizational needs, it will need additional functionality and software applications – but doesn't necessarily want the hassle and expense of an entirely new system. SaaS offers the ability to easily add functionality and applications available online to a nonprofit in a quick and cost-effective manner.

In addition, since nonprofits only pay for the software as a service that they use, SaaS applications can be as affordable for smaller organizations as they are for larger, multinational nonprofits.

"People in need of phone service, water, electricity or cable aren't responsible for the entire infrastructure needed to deliver those services; they just order monthly service and pay for what they use."

Conclusion

Software as a service offers nonprofits access to comprehensive, scalable software applications for an affordable price – without the hassle, risk and expense associated with traditional software, hardware, updates and maintenance. People in need of phone service, water, electricity or cable aren't responsible for the entire infrastructure needed to deliver those services; they just order monthly service and pay for what they use. Similarly, software as a service puts comprehensive software functionality within the reach of nonprofits. And best of all, organizations spend less time and resources on their software systems and more time focusing on, and ultimately, achieving their missions.

About Kintera

Kintera®, Inc. (NASDAQ: KNTA) provides software as a service to help organizations quickly and easily reach more people, raise more money and run more efficiently. The Kintera Sphere® technology platform empowers The Giving Experience™, and features a social constituent relationship management (CRM) system, enabling donor management, e-mail and communications, Web sites, events, advocacy programs, wealth screening and accounting.

For more information about Kintera's software and services, visit www.kintera.com.