The Web: Software, on demand

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Major software players like Microsoft Corp., Oracle and SAP have started responding soberly to a trend that has been slowly escalating for years: selling "on demand" software. Such software is sold over the Internet, exactly when the company actually needs to use it, experts tell United Press International's The Web column.

Soon, shrink-wrapped software, purchased from the store, or a reseller, may disappear, or at least gather lint, like dot matrix printers and other relics of the early days of the information age.

A recent report from IDC, a global provider of market intelligence advisory services, said customers are becoming more comfortable with the software sales model. The report is entitled, "U.S. Software OnDemand Delivery Model 2005-2009 Forecast." The study said that "the cost-savings benefits surrounding software delivered on-demand have resonated with the marketplace and customers are now looking at on-demand delivery of software to help increase employee productivity and efficiency within customer organizations."

Nearly 79 percent of businesses use, or have considered using, on-demand applications, according to IDC.

Software developers like this too, as it is much cheaper than selling shrink-wrapped products. "The Internet is the way to go for software delivery, as physical media is much more expensive to create, pack and ship over distance than bits on a wire," James P. DeBlasio, president and chief executive officer of Internap (Amex:IIP), a provider of routing solutions, told The Web.

Large corporate customers are already placing software on central servers, and distributing it throughout their enterprises. This is called, Electronic File Delivery. Soon, the habit of "maintaining a library of outdated CDs in a storage closet," DeBlasio said, will be "obsolete."

Another software executive, 25-year-old Ken Shaw Jr., president and CEO of sosonlinebackup.com, said that this distribution model is calling into question whether Microsoft's traditional sales strategy can continue. "In the past, Microsoft has typically been the low-cost supplier, undercutting competitors on price and outselling them," Shaw told The Web. "But with download sites on the rise, this is simply no longer the reality."

This is somewhat different from what companies like Trivalent Group, based in Grand Rapids, Mich., and Dimension Data, based in Hauppauge, N.Y., which provide traditional managed services to corporate clients, are doing.

Typical of this radical breed of software sellers is WebEx Communications (Nasdaq: WEBX), which are called Software as a Service (SaaS) providers, which leverage the Web, rather than access applications from private, corporate networks.

According to Erin Traudt, IDC software as a service research analyst and co-author of the report, "recent studies have shown increased customer interest in the SaaS delivery model and web conferencing applications is high on the list in terms of SaaS adoption."

The report also states that, "IDC finds that not only are cost-savings benefits and rapid implementation times fueling overall SaaS adoption, but also intangible benefits such as increased employee productivity and efficiencies are being recognized."

Popular on-demand applications include Web conferencing, online sales, Web-based support, remote training and online events. These applications are helping businesses accelerate sales cycles, increase revenue, improve employee productivity, speed products to market, enhance customer satisfaction and decrease training and travel costs, experts said. There is some sense, however, that the IP network and the storage network are merging too, and that this will be a trend for the future, Marc Duvoisin, director of data center solutions for Dimension Data, told The Web. That kind of development could change the entire industry, Mike Noordyke, founder of Trivalent, told The Web.

There are other emerging challenges as well. "The greatest simultaneous challenge and opportunity is intercontinental delivery of software," said DeBlasio. "Users in Asia, for example, typically have the most to lose from physical fulfillment, which is slow, two to three days, best case; expensive; and unreliable, clearing customs. Electronic fulfillment is the answer for them."