**In general, how would you sum up Microsoft's approach to the practical implementation of "Software as a Service"?**

**ANDREW LUND:** A new model of software delivery and consumption has captured the market, a model known as Software as a Service (SaaS). IDC anticipates that the SaaS model will expand the addressable market from the current $8 billion to more than $20 billion by 2012. Indeed, according to Edge Strategies Inc., almost half of all companies with fewer than 100 employees do not want to manage their own IT infrastructure and would prefer to outsource. However, Microsoft also believes that the SaaS model as commonly defined is only one part of a broader opportunity that is unfolding for service providers. SaaS focuses on the delivery of software applications as a service and consumed through a browser interface.

The goal of the Microsoft software-plus-services approach is to enable businesses to be more successful by providing them with rich applications through the deployment options that works best for them. How software is consumed will ultimately be decided by businesses and consumers, based on their IT strategies and specific needs. However, one thing is certain: choice is always a good thing, and a software-plus-services approach from Microsoft enables you to take advantage of a “bringing it all together” experience.

We have seen dramatic changes over the past ten years in the way that end users apply software products. Previously, everyone wanted to own the applications that they needed, whereas today clients are tending ever more towards acquiring the functionality they need in the form of a service. This represents new business development opportunities for existing hosting providers, and also attracting new players to the sector. Microsoft believes that the ideal is not to replace software products with services entirely, but instead to offer a combination of these two models.

We are seeing SaaS evolve into the concept of “software and a service” or “software-plus-services.” This shift is driven by the fast-growing recognition that combining Internet services with client and server software can deliver exciting new capabilities. We see examples every day, of global SaaS vendors moving in this direction – for example, [Salesforce.com](http://Salesforce.com/) Offline Edition, and Amazon Unbox.

On the one hand, users want to have an IT system that works reliably and is easy to manage. On the other hand, they want more and more external services, which they obtain from, among other places, the Internet. They also often need to be able to access corporate resources and functionalities from any given location outside the company’s premises. As a software developer, we must therefore design our products in such a way that they can be used like this. This is no mean feat when you consider that Microsoft offers a full-function software platform for both private and corporate users. But if you take a good look at our core products, particularly our operating systems, office applications, communications servers, portal technologies, etc., you will see that they are much better suited to working in a hosting environment now than they were several years ago.

But making products is only half the story. After all, Microsoft, unlike many other leading software suppliers, works with its clients almost exclusively via partners. Thus the implementation of the SaaS model depends upon our partners. Our task is to help them through the transition to providing software services to end users.

Take a look at one company in particular, Central Europe On-Demand from Hungary. Seeing the market opportunity, this energetic start-up has recently launched the first regional online offer for SaaS applications, aimed at small and medium businesses and large enterprise customers in Hungary and Poland. This is one of the first hosted mail and back-up service to be offered uniformly across CEE and will enable businesses to save money, simplify IT decision-making, reduce IT overhead and ensure they have a scalable, secure IT environment. Central Europe On-Demand has similar plans in Czech/Romania/Slovakia in the next 60-90 days.

**This is interesting. Can you tell us a bit more about the service and Microsoft’s role in this?**

**AL:** The Central Europe On-Demand initiative is an excellent and the first of a kind example in CEE, of a company that has developed a delivery mechanism whereby software is remotely hosted in highly reliable and secure data centers and paid for on a monthly subscription basis. This approach offers companies the opportunity to take advantage of the best available business software applications and professional services in the market today, at a fraction the cost of their current IT infrastructure. Central Europe On-Demand is an ideal partner for us in the region as Microsoft sees that real-world implementations all involve a blend of services and client software and Central Europe On-Demand is prepared to offer that across the diverse and CEE region.

**What is included in the offer?**

**AL:** The Central Europe On-Demand offer consists of Microsoft Exchange Server 2007, Microsoft Office Outlook 2007, Microsoft Windows SharePoint Services 3.0, Microsoft Office Communications Server 2007 and Hosted Back-up and Recovery. The services are offered via a guaranteed, four nine’s (99.99%) carrier-grade hosting platform located in secured commercial data services facilities and delivered by Tier 1 Telecommunications Carriers. All of this is available at a fraction of the cost of an in-house service; including standard Microsoft Exchange 2007 messaging for 5,00 -15,00 Euros per seat per month.

**Can you tell us some more about this market-leading vendor, Central Europe On-Demand?**

**AL:** Gladly.Central Europe On-Demand, a Certified Microsoft Hosting Partner, is owned and managed by two industry professionals who have years of experience in running successful operations for major corporations in Central Europe: Robert Budafoki and Viktor Kovacs, both former Cisco Directors. As part of their initial plan, the partners are targeting more than half a million businesses and government agencies in Hungary, Poland, Czech Republic, Romania and Slovakia. It expects market penetration to rise as the result of a three months long launch campaign, which includes web-based sales campaigns, telemarketing campaigns, and a number of promotions via telecommunication service provider partners in the region.

**Why is this so unique in CEE?**

**AL:** While the market as a whole tends to lag a bit behind western markets, once a technology or business model takes hold, the market can leapfrog impressively to drive the latest solutions into the region. Industry trends such as software as a service can best be delivered by specialists that focus solely on hosting solutions, such as Central Europe On-Demand. They are committed to offering the same quality and level of service across the region from their inital business model and delivery plan. They do not need to recreate infrastructure, applications or services in each country. This gives them an advantage in offering solid service level agreements that include easy purchasing and maintenance processes for businesses. Central Europe On-Demand does the hosting as their core business for the region, so companies can focus on their own core businesses and not worry about the hosting.

**What types of benefits does Microsoft see software-plus-services delivering?**

**AL:**  software-plus-services delivers two types of benefits:

* The ability of software combined with services to maximize the user’s experience according to the user’s device and the context in which it is being used. For example, Windows Live Mail (or even Microsoft Exchange Server with Office Outlook) provides access to a user’s full e-mail account from any browser; offers rich mail composition, file management, and offline access when used as the desktop client on a PC; and delivers an appropriate “slice” of the user’s information on a Windows Mobile powered smartphone.
* The power of choice. Organizations can choose from a number of options when deploying and managing software: traditional on-premises, off-premises with a partner, off-premises with a Microsoft Online Service, or any hybrid of these.

**The pioneers in the use of hosting were really the web technology companies. Yet customers were clearly in no hurry to use this model for their criticalapplications. In your view, what categories of business solutions are mature enough today for use in a hosting environment?**

**AL:** Actually, about ten years ago, the Internet really wasn't a criticaltechnology for companies. Now, for many people the support of a web server, not to mention e-mail, is just as important as, let’s say, ensuring the operational capability of ERP solutions.

In the IT market, new technologies are often adopted first by large clients and only then do they start to be used by medium-sized and small companies. Whereas with regard to the hosting of applications, exactly the opposite is true. First it was individuals who started realising the software-plus-services model, then small businesses. For large companies, that kind of setup is still in discussion for the future.

If we look at this process from the point of view of function, then, apart from the Web, it is mainly large-scale non-transactional applications that are being used in a hosting environment. To find out what programs can be provided as a service, we are working together with our partners, such as Central Europe On-Demand and the ISV’s (independent software vendors).

Clearly, the starting point are office communications and collaboration applications such as Microsoft Exchange Server 2007, Microsoft Office Outlook 2007, Microsoft Windows SharePoint Services 3.0, and Microsoft Office Communications Server 2007. The next critical area with these solutions is to ensure the highest levels possible of back-up and recovery. These are the most critical needs today.

One field in particular stands out for next step applications – that of CRM solutions. Microsoft currently offers its own service: Microsoft Dynamics Live CRM Professional, access to which is via the Microsoft Outlook environment or a web browser. Later this year, an extended version of this service is set to be released – Microsoft Dynamics Live CRM Enterprise. Here it should be noted that, although this service can be used by end users, we offer different ways of working with it, including SaaS partners.

**What is the role of ISV’s in promoting the software-plus-services model?**

**AL:** Microsoft has always devoted considerable attention to cooperation with ISV's, who at times play a critical role in promoting new ideas and technologies. The evolving software-plus-services shift is no exception to this rule. We offer developers relevant support tools and programs. For example, our online services can be used not only by service providers and end users, but also by programmers who, thanks to Live services, have the opportunity to write their own multi-functional mashup applications (mixtures of functionalities of third-party services), for example using the special Microsoft Office Live Developer Platform. ISVs will also be valuable assets for pure play hosting partners such as Central Europe On-Demand as their business grows and they offer more services to the market. This enables them to concentrate on their field of expertise – hosting – while leveraging Microsoft and ISVs for rapid application development.

We’ve been supporting this growth as well in the form of the Microsoft software-plus-services Incubation Center Program which is designed to ease the commercial, financial, and technical challenges ISVs encounter while adding a service-based delivery application to their business offerings. Microsoft has established global facilities with a set of Gold Certified Partners in hosting to guide ISVs through a structured series of business and architectural consulting sessions to ensure their business model and applications are ready for service-based delivery. In CEE, we have already launched one in Russia and another will be announced in Greece later this month.