

QUICK TAKE



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Salesforce.com: Time For A Standard SLA

Recent Outage Raises SaaS Availability Concerns

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EXECUTIVE SUMMARY

December tends to be a busy time for sales reps at most firms — and the worst possible time for a hosted CRM solution to go offline. What can firms do to ensure that they are appropriately compensated for lost time when their hosted CRM system goes down? Uptime guarantees and service-level agreements are standard with most traditional hosting providers, but some software-as-a-service (SaaS) specialists — like CRM SaaS leader salesforce.com — have yet to standardize a service-level agreement (SLA) that reimburses customers for unplanned downtime. Companies should review existing contracts to understand what guarantees exist, and negotiate for additional clauses in new contracts that include compensation for unexpected downtime.

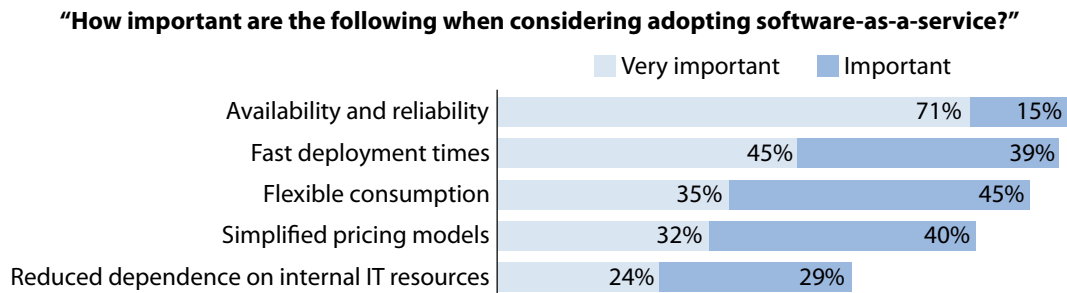
RESEARCH CATALYST

A two-hour Oracle cluster failure affected salesforce.com customers.

MAKE SURE YOUR SAAS CONTRACT INCLUDES AN SLA

SaaS has made it possible for business professionals to evaluate, procure, and deploy packaged applications without the involvement of IT. While this new model has the potential to empower the business unit, it also poses risks. Line-of-business (LOB) managers rarely have experience in negotiating application vendor contracts, and unfortunately they don't always push for a contractual agreement that reimburses them for unexpected outages.

When IT is involved, uptime concerns are a key factor in the buying decision. Forrester recently surveyed 603 IT technology decision-makers and found availability and reliability to be the most important consideration when considering SaaS (see Figure 1). Some vendors get the message: NetSuite has included a standard SLA based on 99.5% uptime since early 2004, and Salesnet has offered a money-back guarantee based on 99.6% uptime since 2000. Yet some vendors, like SaaS CRM leader salesforce.com, still don't have a standard written guarantee outlining uptime and performance expectations and what the associated payout is for a missed SLA. Instead they leave it up to the buyer to fight for one.

Figure 1 Availability And Reliability Are Most Important When Firms Consider SaaS

Base: 136 software and services decision-makers at North American enterprises

Source: Business Technographics® November 2005 North American And European Enterprise Software And Services Survey

Source: Forrester Research, Inc.

Firms Must Ensure That SaaS Contracts Include Compensation For Unplanned Downtime

While traditional hosted application providers typically include a standard SLA, some SaaS providers still omit uptime guarantees from contracts. Firms using SaaS should:

- **Insist on a contractual obligation for payout in the event of unplanned downtime.** Firms’ first mistake in getting compensation for lost time and lost revenue due to an unplanned outage is typically a failure to include uptime expectations in the initial contract. Without an SLA, firms have no protection against the unplanned downtime of their SaaS provider.
- **Monitor application uptime.** When a SaaS subscriber can’t access its application, it’s not always obvious who’s to blame. Internet connectivity outages seem as likely a culprit as the vendor. Firms should monitor application availability separate from Internet availability to make sure they have a clear picture of who is responsible — and liable — for application downtime.
- **Be aggressive about reimbursement.** Most SaaS specialists — including those who offer a standard SLA — insist that they have never paid compensation to customers due to unplanned downtime. However, the recent salesforce.com outage highlights reality: SaaS solutions are as subject to unplanned downtime as their IT-managed alternatives. SaaS subscribers must get aggressive about application downtime to ensure appropriate reimbursement for lost time and sales. Track your SaaS application uptime — and contact your provider when you experience issues.

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