

Chris Green met NetSuite chief executive Zach Nelson to discuss the company's expansion into the UK, and the growing demand among organisations of all sizes for hosted applications

# Externally-hosted applications are thriving with broadband

EXTERNALLY-hosted business applications are a tried and tested concept; rather than have a critical business application installed on every desktop, a single instance is hosted on a server, which users access across the internet via a browser.

When application service providers (ASPs) first tried to sell these services in the UK, a lack of understanding and of cheap bandwidth services made the ASP approach impractical for most.

But in the past three years, growing numbers of firms, of all sizes, have bought into the concept of externally-managed, on-demand applications.

Data Business spoke to Zach Nelson, chief executive of NetSuite – a US-based provider of hosted enterprise applications, which is majority-owned by Oracle chief Larry Ellison – about why the UK is taking up the ASP model now, having previously rejected it, and about the benefits of hosted customer relationship management (CRM), ecommerce and accounting.

## Why has it taken so long for users to buy into ASP services?

When ASPs first appeared in the market around 1998/99, there was a lot of interest from customers who recognised that the cost of software is not just in the ticket price, but also in maintenance and upgrades over the life of the product. They saw that if you delivered the software as a service, you immediately removed a sizeable chunk of the cost, as the vendor would have to bear the cost of maintaining it.

The initial excitement was enormous, but the ASP-enabled software on offer was still in its very early stages, and it simply didn't do very much. That is still the first hurdle for any software publisher: does it solve the customer's problem? Back then, the answer was usually no.

## So what is so different now about NetSuite and the other ASP products, such as Salesforce.com?

Six, seven years later we are looking at rich



## CV: Zach Nelson

Zach Nelson joined NetSuite in 2002, having previously held a number of senior posts with enterprise computing vendors.

He helped transform McAfee Associates into Network Associates, and oversaw the \$1.4bn (£770m) acquisition of Network General.

Later, as chief executive of Network Associates subsidiary myCIO, he created the world's first business-to-business security application services provider.

Before Network Associates, Nelson was, at 31, the youngest vice president of worldwide marketing that Oracle has had.

At Sun Microsystems, he was responsible for marketing the first version of Solaris.

Nelson has BS and MA degrees from Stanford University.

solutions, such as NetSuite, which solve several genuine business problems. The back-office functionality is equivalent to that of a Great Plains or a Sage application.

On the front office it is as good as a SalesLogix product, so you are looking at a product that meets customer needs as well as any client-based software application – it is the biggest difference.

ASPs are also proving themselves to be more cost-effective compared with traditional client-installed applications.

## How important has the rise of broadband been in allowing ASPs to succeed in the market now?

I think it is assumed today by most software vendors that you will have some form of broadband connectivity, which is a stark change from 1998 when it simply wasn't available to the vast majority of businesses in the major developed countries.

The reliance on broadband is growing, especially with the increased use of wireless broadband services by business users, WiFi and, to come, things such as WiMax, which

is encouraging remote and disconnected use of applications.

## How has broadband changed the way you develop the NetSuite product?

We started as a web-native application, and when we first launched we engineered a lot of design tricks, particularly in the user interface, to minimise our use of bandwidth because of the lack of high-speed broadband.

So today we are benefiting from the adoption of broadband, as our product runs even better, and we are able to deliver more functionality to users because of the growing bandwidth available to them.

## The ASP model is not unique to NetSuite. Others, such as Siebel and Salesforce.com, offer hosted services similar to yours – where do you position NetSuite in terms of target audience and competition?

The strategy of NetSuite was to design a single application suite with which you could run an entire business: front office to back office, CRM, enterprise resource

planning, ecommerce. From the start, that architecture was our target.

Siebel and Salesforce.com have taken a different approach in that they try to solve more specific problems, such as salesforce automation. It is nice if that is able to run over the internet, but it does not deal with the underlying issue of how data runs through the organisation and between departments. How do you go from lead to sales to shipment to service to invoicing?

That is the fundamental problem we try to solve with NetSuite – the entire business process, rather than specific chunks. So we have a very different solution from the rest of the market. We compete with them on parts, but we focus on trying to do more, such as integrate ecommerce and CRM.

## Siebel focuses more on offering tailored versions of its ASP offering for specific verticals, rather than a single ASP off-the-shelf product. Are we likely to see the same thing from NetSuite?

In my experience of selling software, every sale is a vertical sale. When you sell to a company, they don't want to see a company in their neighbourhood using the same product; they want to see a company just like them using it. That is the proof of concept they are looking for.

So our approach has been to build industry-wide functionality into the product. For example, we have added broad base features for wholesalers and distributors. Using our NetFlex technology, customers can take the base technology and tailor it for their specific vertical.

We build the core industry features into the product and allow our customers to customise it with straightforward tools, so it is simple to do.

This approach sits in the middle of Salesforce.com, which pretty much leaves vertical customisation to the user, and Siebel, which does it all for you within specific vertical markets.

○ [www.computing.co.uk/news/1162609](http://www.computing.co.uk/news/1162609)

## Essential info

### Weblinks

**Hosted CRM:** Discussion of the launch of NetSuite's hosted CRM products in relation to those of its market rivals

[www.computing.co.uk/2085813](http://www.computing.co.uk/2085813)

### Weblinks

**Rethinking the ASP Model:** A discussion of the pros and cons of the ASP software model in light of the increased activities of IBM, Siebel and others in the market.

[www.wohl.com/wa0205.htm](http://www.wohl.com/wa0205.htm)

### Expertview

To achieve the long-term value of customer relationship management, enterprises must understand that it is a strategy involving the whole business, and thus should be approached at an enterprise level.

Gartner analyst Scott Nelson

### Weblinks

**CRM Assist:** An online knowledge-base of CRM and business intelligence information.

[www.crmassist.com](http://www.crmassist.com)