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# **ASP vs. SaaS vs. Cloud**

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## Introduction

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When you've been marketing software as long as I have, you've seen many a buzzword come and go. You have seen technologies go from a whisper on the wind to the greatest single thing to ever happen to the world, then, to something so ancient it becomes almost laughable to think the world waited with bated breath for months for its release.

It is this cyclical nature of technology that recently had a group of us in a product launch planning meeting laughing about how we've gone from ASP to SaaS to Cloud, a trail of events that I am sure has also enveloped other software marketers as well.



## What Is ASP?

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A remedial question for someone who has been programming for twenty years, but a legitimate question for someone who doesn't remember watching a television show at a certain day and time or missing it forever – or at least until post-end-of-season re-runs.

The ASP, or Application Service Provider, is a business model through which an enterprise provides computer-based services to customers over a network. This application is usually a single piece of software that manages or provides a very narrow set of business functions – a CRM application or standard protocol, for example. The software resides on the vendor's server and is accessed using a web browser.

ASP is a great business model in theory. You sign up with the ASP, pay a subscription fee, and then, never have to worry about buying software or keeping it up-to-date. All you have to do is sign in to the network and you are supposed to have the latest and greatest version of the software at all times. Using an ASP is supposed to cost less than buying traditional software and puts the laborious task of keeping software up-to-date outside the realm of your own org chart.

ASP met with some great initial success and 2003 saw a US market ranging from \$1.5 to \$4 billion in annual sales. ASP customers sang the praises of their providers, saying that client-side integration issues were eliminated, vendor resources produced far better user experiences than internal resources, IT costs were reduced, and most importantly, reliability, availability, scalability and security all improved.

But as with every story, there are two sides. ASP customers were forced to accept applications just as they were – unless, of course, they were big enough to pull some serious weight with the ASP. In many cases, the software the ASP was providing served a critical business function and that came with a good deal of susceptibility to potential disaster that was out of the customer's control should the ASP go down, or worse, go out of business. Plus, integrating ASP-provided functionality with non-ASP systems was extremely problematic.

## ASP Is Not SaaS And SaaS Is Not ASP

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ASP is often confused as being exactly the same as SaaS, but the ASP model typically delivered a service to a small number of users, often using separate single-tenant instances. But SaaS, on the other hand, usually delivers a generic service at scale to a larger number of users. In retrospect, the many benefits of multi-tenancy, such as cost sharing and economies of scale, never actually materialized for most ASP customers. While an important stepping-stone toward today's truly cloud-based solutions, many ASPs failed with the dot-com crash and never returned. Many of the ASPs who embraced web service architecture, however, ended up becoming early players in cloud and survived. Either way, it is important to remember that ASP is not the exact same thing as SaaS, nor is SaaS technically a direct replacement for ASP. SaaS is more like the next evolution of ASP – a step closer to actually providing ASPs promised benefits.



## So, What Is SaaS?

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Like ASP, SaaS is a delivery model for software. SaaS, or Software as a Service, is a licensing and delivery model that is based on a subscription. SaaS software is usually centrally hosted by the provider and accessed through a web browser, though unlike ASP, SaaS allows for shared resources and infrastructure, is easily scalable, takes advantage of economies of scale by deploying multiple instances of the software, comes with reduced overall operational costs, and can be easily customized for each customer.

A good way to look at SaaS vs. ASP is that the ASP model is based on a single core product that is single-tenant, requires vast amounts of time and resources to change or scale, and is truly built to be just a piece of software. The SaaS model is completely opposite – usually properly commercialized to scale from the beginning, able to support an expanding revenue model and can be viewed more as a central part of the business itself instead of just a piece of software. In addition, ASP-based software is usually not designed with any type of information gathering or analytics beyond its own walls, therefore providing very little feedback to its effectiveness in the grand scale of the entire enterprise. SaaS software on the other hand, captures important data not only about itself, but how it relates to other key parts of the enterprise.

You can easily see how SaaS, while having a great number of similarities to ASP, can be viewed almost as its next evolution. What's more, the SaaS model has moved far beyond just a few main key pieces of software in the enterprise suite, but provides a wide range of systems that can include even messaging software, payroll processing, CAD drawing, content management, resource planning, human resources and even service desk.

As an indication of the success of the SaaS model, 2011 SaaS sales reached \$12.1 billion with 2015 sales expected to be \$21.3 billion.



## SaaS Vs. Cloud

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To begin this comparison, we must immediately consider the fact that in many respects, SaaS is a component of cloud computing and similar to how SaaS was the next evolution of ASP; cloud is in many regards the next evolution of SaaS.

If you think of SaaS as a software solution that you are subscribing to that exists on a server that you do not own and access through your desktop, think of cloud as a software solution that exists in multiple, redundant offsite locations that you can access with any Internet-enabled device. Many of today's cloud-based applications may in fact be somewhere in-between these two scenarios, but pure cloud-based applications accessible through multiple devices are where software development is heading.



## How Is The Cloud Better Than SaaS?

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The cloud is more diverse. Both SaaS and cloud computing compete against on-premise software, but cloud doesn't compete for final end-user applications like SaaS does. Instead, cloud competes for every layer of today's technology stack. This can consist of storage, user interface, outsourcing and even architecture.

The cloud will be cheaper and more secure in the long run. While SaaS adoption is usually driven by corporate-focused executives like the CEO, CFO and CMO who are interested in the bottom line, cloud computing adoption is usually driven by IT executives like the CIO or CTO because they know cloud computing not only demonstrates a company's ability to innovate, but will, in the long run, reduce total cost of ownership and reduce risk through redundancy.

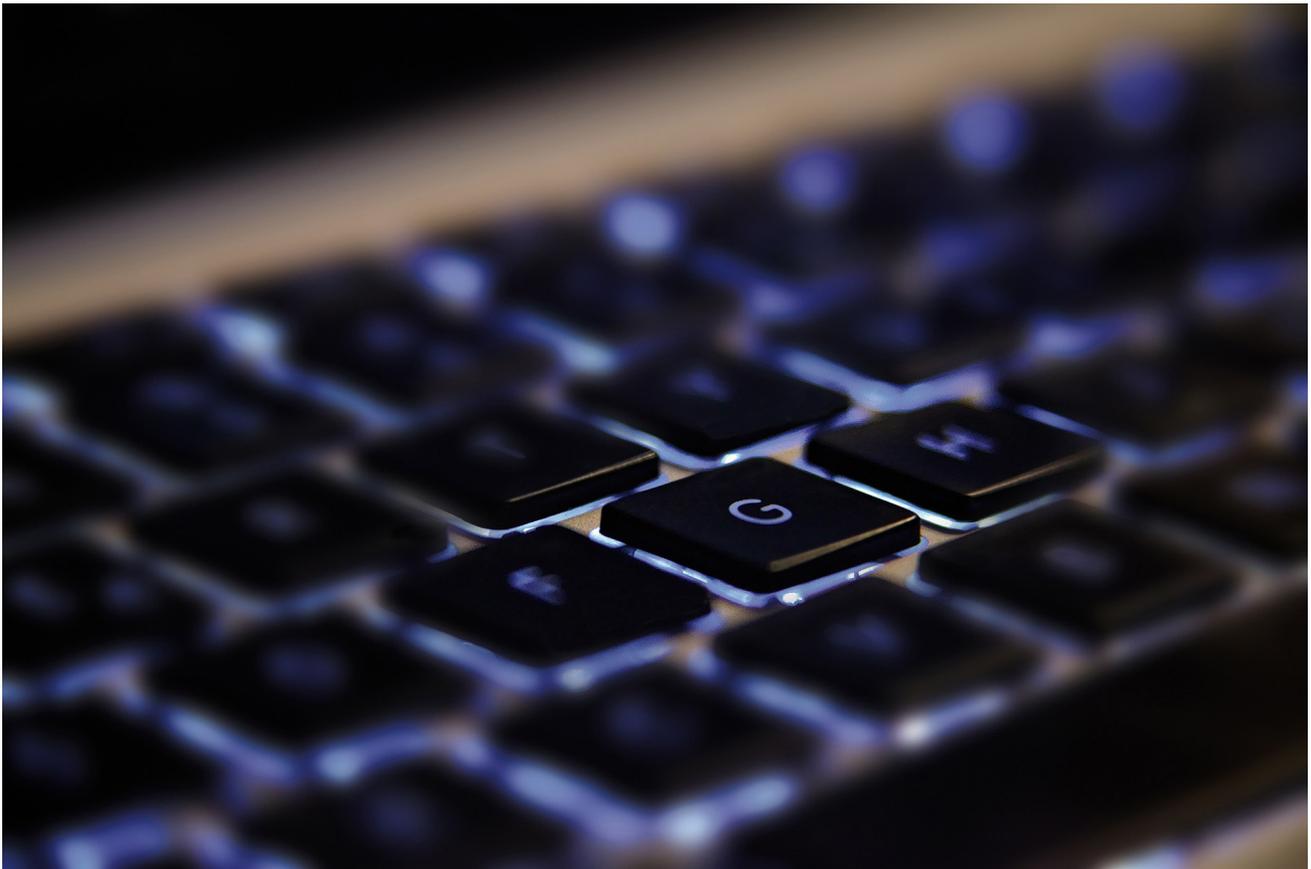
The cloud is also more flexible. Cloud applications employ interchangeable components that may or may not exist within their own firewall. Cloud applications can also be more easily customized to offer better versatility, deployment flexibility and infrastructure elasticity. Cloud applications can serve a wide array of customers as they are built on web services that are accessible at every layer of the technology stack and can be inherently abstracted. Customizing cloud applications is far easier than customizing SaaS applications, which relies upon converting hard-coded application functions into meta-data configuration settings.



## In Conclusion

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ASP, SaaS and “The Cloud” are not the same thing. While similar in some regards, they do differ greatly, especially when it comes to total cost of ownership and risk mitigation. While we’ve had a little fun explaining the progression of technology that has led software marketers from promoting ASP to promoting SaaS and now to promoting “The Cloud”, it is important to remember that regardless of what tech is popular today, we must always be aware of not only the most current technology, but also have a good understanding of the technology we will be marketing in both the near and distant future.



## About

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William L. Savastano is a business professional and two time Society for Technical Communication Award Winner with over two decades of experience in the corporate arena. William trained extensively in advertising and marketing copywriting, technical writing, journalism, and both print and electronic publishing. William's body of work includes a large volume of marketing content, collateral materials, websites, operating manuals, technical manuals, as well as inclusion in national publications and a number of published poems and short stories.

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