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## White Papers

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## Why Say Yes to On-Demand

In the fast-paced world of technology, it can be hard to distinguish passing fads – technology for technology's sake – from innovations that will benefit you in the long run.

On-demand, or Software as a Service (On-Demand), falls in the latter category. Over the past 10 years, this process of using software delivered over the web rather than downloading, unzipping and installing it on your machine has been a steadily growing alternative, first in the for-profit space and now in the association world. And there are many reasons why the on-demand option can be the most effective one for an association. Here are a few.

### Reason #1 – On-Demand is less expensive.

Consider your power company. Imagine if, when you moved to a new apartment, you bought a little 5' x 5 x 5' generator. Someone came to your house with the generator, mounted it onto your wall, painted it whatever color you like and gave you power. This is how traditional AMS software is sold.

Now think of how power is delivered in real life. It's simply switched on. No one has to conduct a site visit or install any equipment. This is how On-Demand works. Your power is being delivered as a service, and the power company's investment in its power grid is amortized across its customers, making the cost-per-customer extremely low.

Consider the differences between these two approaches, and why utilities (and smart technology companies) use the second one, power on-demand. With the first approach, you have to have space in your home for the equipment and pay for someone to come to your house and install it. You pay an up front cost for the generator, as opposed to simply paying a little bit of money every month. The generator uses many more moving parts – which means more things that can go wrong under your roof.

The on-demand solution simply makes more economic sense.

### Reason #2 – On-Demand companies can offer greater innovation.

Now imagine your power company has developed a new piece of equipment that will revolutionize its fuel delivery. How can it deploy this technology across thousands of customers?

Using the On-Demand/flip-the-switch approach, it's easy – simply implement the innovation at the central headquarters. And it's quick, too.

But if the company is delivering its services through on-site equipment at thousands of locations, it has a big problem with launching a new innovation. It has to make all these upgrades manually, with a visit to each site. This takes implementation equipment, staff to do the work and time, especially when the implementation staff have to accommodate for multiple versions of the generator or modifications the user has made to make it work better. That all adds up, and if the company can't foot the bill, the costs are often passed along to the customers.

As a result of the inherent pain in this process, non-On-Demand companies tend to release new versions of their software as infrequently as possible, and they are falling behind as innovators.

### Reason #3 – On-Demand companies make better software.

Here's why. Non-On-Demand providers have multiple operations to run. As a software vendor, this involves product management, defect/issue management, release cycles, planning and more. But on top of that, they also have to run a consulting firm. Remember all those employees out in the field implementing, upgrading and fixing equipment? They have to be supported with training, payroll, benefits, professional development and more. Thanks to having to juggle all of these concurrent demands, this often means that neither the software company nor the consulting firm is run particularly well.

Now look at a On-Demand company. It doesn't have to implement or repair equipment in the field, support multiple versions of software or incur the cost for shipping patches, so it has the luxury of laser focus on one thing: building better software to serve customers.

### Beware the Imposters

Because On-Demand is associated with so many desirable attributes, some companies are calling themselves on-demand when all they do is host the software. Watch out. Using our power analogy, this kind of hosting is similar to housing customers' individual generators at the company warehouse as opposed to in their homes. They save space, but they pay the company for hosting equipment, and all of the other factors that make non-On-Demand inferior remain. Adding new features still requires the manual

upgrade of 1,000 separate generators rather than one or two big ones. Customers still incur upgrade costs. The company still needs to support multiple versions. And product velocity slows down.

Other "hybrid" companies have some On-Demand offerings but also try to pass off an enterprise product as on-demand. You know it's not on-demand because they can't simply turn it on for you or give you a trial. These are the most dangerous. They'll use on-demand to get you in the door, but they really want to convert you to their monster, largely unaffordable enterprise offering. It's easy to spot. Do consultants make up over 50% of their staffing? How many engineers work on their On-Demand vs. their enterprise product? You can't serve two masters.

### **Conclusion**

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As AMS software evolves, more organizations are saying yes to On-Demand /on-demand solutions instead of enterprise software as the preferred member management mechanism. The economics of a On-Demand business allow it to operate more competitively, which means that a true (non-imposter) On-Demand solution can provide better software at a lower cost than the alternatives.



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