

Cloud computing

What can it do for your vacation ownership business?

Cloud computing is all the rage. We're all at it – even though we may not know it. From Facebook and GoToMeeting to Google Apps and Microsoft Hotmail, if you already use these services, you are using cloud computing technology. And if these major players are involved, then it is clear this is going to be the way forward.

So what is cloud computing? Just as the applications and uses for this technology are widespread, so are the definitions. Generally speaking, however, it is a term for anything that involves delivering hosted services (such as software, storage and servers) over the internet.

If that is still a little confusing just think of it as internet computing. Users can access software, servers and storage resources over the Internet, in a self-service manner, through a web browser.

Whatever the definition, the goal is simple: To provide easy, scalable access to the latest computing resources and IT services.

Instead of buying, installing, maintaining and managing these services in-house, you access and use them through a web browser. With increased high speed internet access, improved security and the current economic situation, it is not surprising that interest in cloud computing has really taken off.

Cloud services can be divided into three categories but for this exercise, we are going to focus on Software-as-a-Service, also known as SaaS. Here the vendor uses multi-tenant architecture to deliver the hardware infrastructure and the software product and then interacts with the user through a front end portal. The provider hosts the application and the data so the user is free to use the services from anywhere.



By 2013, 12 percent of world software market will be Internet based forms of SaaS and cloud computing, according to Merrill Lynch*.

This cloud service has three distinct differences from traditional software solutions:

1. It is sold on demand – users have access to it for as long as they want
2. It is elastic and flexible – users can have as much or as little as they want at any given time
3. It is fully managed by the provider – the user needs only a computer and internet access

So what are the benefits of cloud computing for today's vacation ownership business?

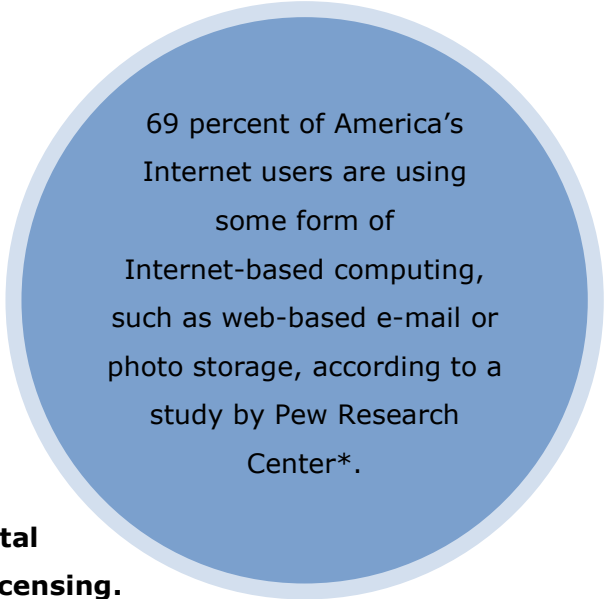
Most vacation ownership resorts and businesses simply don't have the time, expertise or resource necessary to develop, buy, install and manage the computing infrastructure needed to run software solutions on their own. Cloud computing enables resorts and businesses to break free from these constraints. This means:

1. **Low start up costs and access to high quality solutions with NO upfront capital investment in hardware or software licensing.**

Cloud computing enables budget-strapped small companies to achieve high-quality solutions with limited capital.


2. **New functionality and capabilities can be added immediately -** without further cost as the software evolves and as the business grows. With SaaS, applications are always current.

In traditional on-premise solutions, software updates occur at intervals, and they typically represent major changes in functionality and sometimes incur significant costs. With cloud-based applications, updates happen automatically, are incremental and typically do not disrupt workflow. Clients never need to worry about updating hardware to accommodate new software capabilities*.



69 percent of America's Internet users are using some form of Internet-based computing, such as web-based e-mail or photo storage, according to a study by Pew Research Center*.

3. **Device and location independence** – access the cloud from your desktop, your laptop, your smart phone or your iPad. And let your multiple office locations and your members view the same, up to date information and data in real time, any time.



A survey by ScanSafe, a SaaS provider of security services, revealed that 78% of IT managers believe economic uncertainty makes SaaS more appealing*.

4. **Scalability and flexibility** – fast growing resorts can expand the number of users and locations quickly, easily and at modest cost.
5. **Ease of management** – no need to maintain a large IT department or worry about licenses or purchasing additional hardware.
6. **Pay for what you need** - either through subscription or on a pay-as-you-go model and terminate the contact if you want to.
7. **Greater financial visibility.** A cloud-based service provider can always tell you how much it will cost to add a user or process another transaction. In most situations, IT is hard-pressed to deliver that same kind of financial transparency.
8. **Healthier return on assets** - as the cost is incurred in the same period the value is delivered the balance sheet doesn't carry an ever-depreciating capital asset of hardware and software that lowers the important financial metric of return on assets.
9. **Eliminate on-going costs** - of traditional on-premises, internally managed applications such as maintenance and upgrades.
10. **Supporting entrepreneurs and businesses who want to keep ahead of the competition** - by utilising the latest software which is accessible from anywhere, IT personnel can turn cloud computing into a competitive advantage.

The financial benefits of cloud computing and services

Source: Forrester Research, Inc.

Factor	On premise	Cloud computing
Expenditure type	Capital expenditure Operating expense	Operating expense
Cash flow	Servers and software are purchased upfront	Payments are made as the service is provided
Financial risk	Entire financial risk is taken upfront with uncertain return	Financial risk is taken monthly and is matched to return
Income statement	Maintenance and depreciated capital expense	Maintenance expense only
Balance sheet	Software and hardware are carried as a long term capital asset	Nothing appears on the balance sheet

Still wondering if cloud computing is for your business?

"A move towards clouds signals a fundamental shift in how we handle information," writes Stephen Baker in Business Week. "At the most basic level, it's the computing equivalent of the evolution in electricity a century ago when farms and businesses shut down their own generators and bought power instead from efficient industrial utilities."

Whether your resort or organisation outsources most IT functions or has its own in-house team, cloud computing applications must be considered. Here are some areas you might want to consider when comparing cloud services with traditional on-premises software.

1. What is the total cost of ownership?

Cloud computing can offer clients decreased hardware costs, faster implementation and lower license costs compared with on-premise alternatives.

2. What are the hardware, software and maintenance considerations?

In a cloud-based computing environment, computer memory, speed, and disk space are not so significant because data is stored and computation occurs "in the cloud." For software, a key issue is managing updates. Typically, in cloud-based computing, updates are passed through automatically without additional cost.

3. What are the security risks?

In a cloud-based software environment, physical security is stronger because the loss of a client system does not compromise data or software. Over the past few years, security has improved so the service provider's system is better protected against outside attack than ever before.

Conclusions

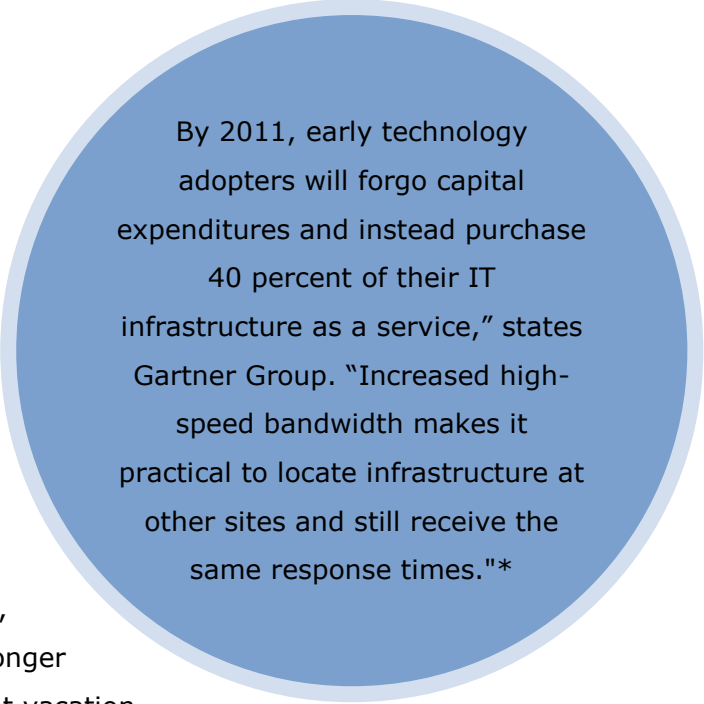
While there are plenty of vacation ownership software providers available, they follow the traditional, inflexible and, dare we say it, old-fashioned on-premises model.

For an industry that is renowned for its constant evolution and the development of products and services that reflect the needs of the consumer, such out-dated technology is just no longer suitable. It simply doesn't provide what vacation ownership businesses and their clients today require. Cloud-based service providers such as Merlin Software for Vacation Ownership are motivated to deliver quality service to attract and retain customers.

Cloud computing has its detractors, just as the vacation ownership industry still has today – but why go to the cost of buying all your hardware and software requirements when the cloud computing model allows you to access the latest technological advances while paying for it on a pay as you go/subscription model, using what you want, when you want.

Sound familiar?

Cloud computing is the new timeshare of the technology world. It worked for your product – it can work for your software too.



By 2011, early technology adopters will forgo capital expenditures and instead purchase 40 percent of their IT infrastructure as a service," states Gartner Group. "Increased high-speed bandwidth makes it practical to locate infrastructure at other sites and still receive the same response times."*

* CBS Interactive Inc. February 2009. With thanks to *Forrester Research, Inc.*