

DPS: Moving to SaaS, the supplier's view

By [Gillian Law](#)
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We hear lots about companies who have saved money and simplified procedures by moving to SaaS (Software as a Service) systems. But what of the companies supplying the software, shifting from their reliable old licensing model to the new world of on demand services. How's it working out for them?

"It's let us enter markets we could never have reached before," says Paul Palmer, managing director of DPS (Distribution Planning Software Ltd). "And we have more sales into the customers we were already working with – so it's been a great move."

DPS moved its Logixcentral vehicle scheduling and route optimisation software towards SaaS to tackle some specific business problems, Palmer says.

DPS faced four main problems:

"We were failing to penetrate some big corporate markets. You'd go to a big transport company with lots of sites – they don't tend to have one big site, but lots of smaller ones. And they'd tend to just buy for the bigger sites – it wasn't cost effective for them to buy our software for them all. I tried to find a model to get us in there, a multi-licence discount, but the reality is that it wasn't selling. So that was a problem – we were getting two or three sales per customer when it should have been 10 to 12."

As for SMEs, DPS's software was generally out of their reach – paying £20,000 up front and then 15 percent a year could have put them out of business before they started.

"And the third problem we faced was an ongoing headache in terms of international expansion. Time and cost was frustrating. You'd open an office in France, say, and then you have all the costs of that and of staffing – mostly we ended up losing money. It's just an expensive option. And on the other hand we used some overseas dealers who turned out to be, well, let's say they weren't always telling us the whole truth!," Palmer says.

"The fourth problem was just how do you sell? Do you go direct, with a fleet of sales people, or through a channel? SaaS hasn't solved that one, but three out of four isn't bad!"

Changing to a SaaS model wasn't a trivial matter or one to be undertaken lightly, he says.

"It meant paying three or four people to sit in the corner for a two-year project. That's a big human investment, with no payback over that time, and it took a lot of planning and restructuring., rethinking traditional models."

Fortunately, DPS had been moving towards a more modular structure in its software over the previous few years, but the technology changes needed were still challenging.

“It’s paying back now, but it took three years!”

The SaaS product started as a more basic version of the licensed software but has gradually caught up, and is now at the stage where new changes are made there first. All new customers are now opting for the SaaS product. Intriguingly, DPS’s original customers have been slow to move to the SaaS model, but Palmer believes everyone will have moved across within two or three years.

The best change? The markets DPS can now reach.

“We can now reach and help the guy with two trucks. New business sectors, and new geographic areas – we had never sold in the US before and now we have US agents clamouring to work with us.”

There is one downside to a move to SaaS: cashflow.

“In 2010 we had more new customers than ever before, but far from our highest turnover because we miss out on that initial large cost. In fact, the biggest change in the company hasn’t been technical at all – it’s been in commercial planning and the way we run things overall. We used to have a team of salespeople who travelled the country, in company cars, making three or four visits to each potential customer. Now it’s all emails and Webex and online meetings – that’s where the radical change is,” he says.

The software industry has changed too, since DPS began this process. “Back in 2007, we won an Innovation award for what we were doing, because it was really new. In 2010 we won again for the same product – but we won the specific ‘SaaS’ award. That shows the change in how SaaS is seen.”

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