virtualDCS
The Cloud Computing Experts

Escrow is dead?

WHITE PAPER

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Executive summary

Software as a Service is a rapidly growing sector within the Cloud Computing industry, with more companies strategically migrating to the Cloud for the benefits that the service provides. Typically, these advantages include improved availability and accessibility, without upfront hardware or software costs. Consequently as Cloud and SaaS technology expands traditional Escrow protection has become outdated.

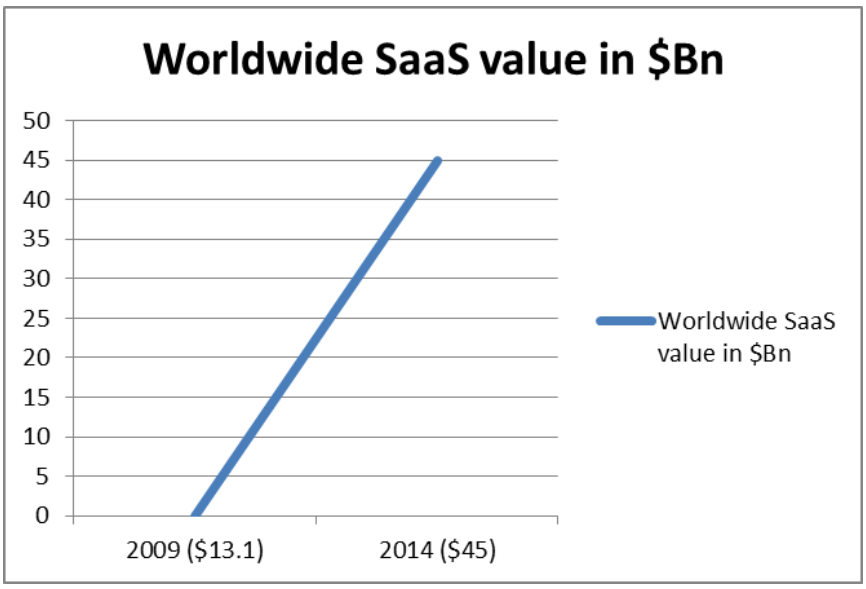
Historically, if a software provider was unable to complete their contractual obligations, then Escrow would have been the solution for companies that had the software installed on their local servers. However, since the expansion of the Cloud traditional Escrow solutions cannot protect users in the same way and some of these Cloud advantages have become disadvantages. This is why a unique collaboration between the Cloud and Escrow is the perfect solution.

The growth of the Cloud and SaaS

Between 2012 and 2015 the Cloud Computing industry is predicted to grow at a rapid rate and by 2014 it is expected to be worth £6.1bn in the UK alone.

A key element of this growth is from Software as a Service (SaaS) technology, and IDC has predicted that it SaaS revenue will grow at six times faster than all other software deployment methods.

IDC continues to estimate that by 2014 they expect SaaS to hold a compound annual growth rate of around 25.3%, and that in 2012 80% of new commercial enterprise apps will be deployed on Cloud platforms.



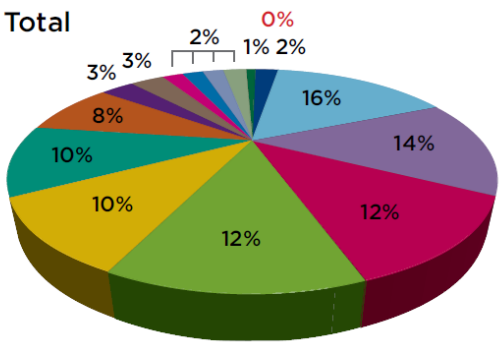
Source: IDC

Why are businesses migrating to the Cloud?

In 2011, research was conducted by the Cloud industry forum, where the study sampled 450 senior business and I.T. decision makers from, small and medium end user organisations.

The sector categories of these businesses included:

In which sector does your organisation primarily operate?



Sample: 450

- IT and technology
- Education
- Business/professional services
- Manufacturing
- Financial services
- Retail, distribution and transport
- Local or central government
- Public sector: including armed forces and emergency services
- Public healthcare and services
- Private healthcare and services
- Construction and property
- Utilities and telecommunications
- Charity/not for profit
- Entertainment, media and leisure
- Hospitality/catering
- Other

Source: Cloud Industry Forum, "UK Cloud Adoption and Trends 2011".

When asked the question 'Which of these was the primary reason for adopting Cloud-based services?' the responses were as follows:

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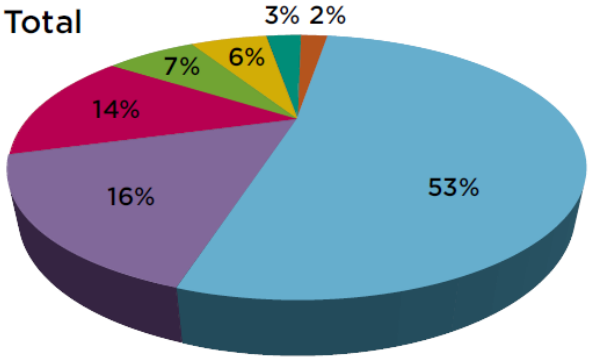


- Flexibility
- Cost saving
- Low cost of adoption
- New service offering
- Skills gap
- RoI
- Other

Source: Cloud Industry Forum, "UK Cloud Adoption and Trends 2011".

The research shows that the benefits of the Cloud, as previously explored, can be correlated toward the growth of both Cloud Computing and SaaS. Furthermore, 85% of participants that were currently using Cloud services expected to see an increase in their Cloud usage over the next 12 months.

Why are businesses using SaaS technology?

Unlike traditional solutions, new benefits received from Software as a Service Cloud implementations include:

- No upfront hardware costs are required.
- No upfront software costs are required, as SaaS is a subscription based solution.
- Faster implementation of software,
- Reduced support costs,
- Upgrades and patches are maintained by the author, with no additional costs required.
- Managed backups,
- The business can also take advantage of their improved availability and accessibility.

However, if the software provider was to become unable to supply their service these additional benefits could potentially become disadvantages.

Business apprehensions of the Cloud

Despite the availability of Cloud Computing and SaaS technology, businesses are still cautious of the Cloud. Participants that said they were currently using the Cloud, or would do in the future, expressed their concerns for the overall technology.

The results were as follows:

What are your most significant concerns, if any, about the adoption of cloud in your business?

Only asked of respondents who either currently use cloud or will do at some point in the future	Total	No. employees Fewer than 20	20-200	More than 200
Data security	**64%**	62%	61%	68%
Data privacy	**62%**	68%	61%	60%
Dependency upon internet access	**50%**	53%	58%	42%
Confidence in the reliability of the vendors	**38%**	32%	38%	41%
Contract lock-in	**35%**	30%	43%	30%
Cost of change/migration	**32%**	27%	35%	33%
Contractual liability for services if SLA's are missed	**31%**	16%	38%	33%
Confidence in knowing who to choose to supply service	**28%**	27%	29%	28%
Confidence in the vendors business capability	**24%**	16%	25%	26%
Confidence in the clarity of charges (ie will they be cheap on-prem)	**22%**	16%	26%	21%
Lack of business case to need cloud service	**21%**	11%	27%	22%
Base	**323**	73	112	95

Source: Cloud Industry Forum, "UK Cloud Adoption and Trends 2011".

When addressing the concerns of the Cloud, in the respondents view it is understandable why they may be reluctant to migrate completely, or choose to have a contingency plan in place, should any unforeseen circumstances arise. For example, what happens if their software vendor goes out of business? Traditionally, Escrow would be the perfect contingency solution.

What is Escrow?

Traditional software Escrow is a three way agreement between the Escrow company, software vendor and the software user. Under the terms of an agreement, the software owner would supply the Escrow company with a copy of the source code behind the developer's key software applications.

The Escrow company would then hold this material and in the event that the software owner cannot comply with their contractual obligations then they would release the source code to the end user, where they can take control of the software. The end user then has the option to either maintain the software themselves or appoint another software house to maintain it.

Why did traditional Escrow work?

When using Escrow before the Cloud, the software was traditionally installed on local servers, where the following advantages applied:

- Software is installed on the user's computer hardware.
- Hardware is stored onsite where the user has complete access and control of the facilities.
- The user would have an understanding of how the software was installed and potentially some understanding of how the software was supported.

Ultimately, the business would receive the source code, have access to all the information and the right to use and maintain the software themselves.

Current Escrow complications

When taking the Cloud into consideration, what happens if the software author becomes bankrupt or their platform becomes unavailable? Would an Escrow service help in this situation?

Under traditional Escrow, the company would discover issues, such as:

- Having access to the source code, but not their data.
- They would also have no guarantee of retrieving their information.
- They would have a lack of understanding of the Software architecture,
- No I.T. support.
- They may need to purchase hardware to store software, or hire a new Cloud provider.

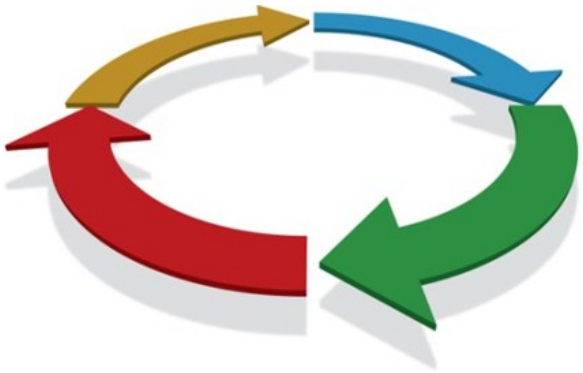
A SaaS package provides an overall Software solution, and while all these issues were being resolved under traditional Escrow the company would remain unproductive. A simple Escrow solution in this instance would not be an effective contingency plan.

The solution: a hybrid Cloud-Escrow combination

Cloud services are constantly evolving, so in order to solve this particular issue Escrow and Cloud based disaster recovery services have combined in order to create a hybrid Cloud solution. This enables the users to continue using the software while retaining their data, taking customer protection to another level.

Within this solution the SaaS service is replicated entirely into a second location, ready to be activated in the event of a disaster. The synergy between the two solutions results in a greater overall service.

The lists of physical, commercial or otherwise, that can be mitigated through this solution include:



- Loss of a data centre partner,
- Physical loss of a live data centre,
- Major system failure,
- Loss of company data,
- Administration or bankruptcy of the software author.

With the whole system being duplicated, the legal/commercials of this service mean continued operations of the SaaS solution. This service means that users can, if necessary, extract their data using native tools.

The system can be run from the failover site, and can also be failed back to the live site. Customers can also request this level of insurance from their providers. Finally, the SaaS asset is protected, making it easier for administrators to sell on the service, potentially without affecting any clients.

Conclusion

Cloud technology is constantly evolving, changing the way that businesses operate and because of this technology methods of business continuity also need to progress. The Cloud provides businesses with access to a range of benefits that were previously unavailable, and Escrow also has to evolve to comply with these changes in order to keep up with user demands. Collaboration between the Cloud and Escrow is the ideal solution.

About virtualDCS:

The founders of virtualDCS have pioneered the development of the Cloud Computing industry for over a decade. As one of the first companies dedicated to Cloud services in the world, our customers are confident that they only receive the finest solutions. Our approach is to work in partnership with our clients to ensure that their infrastructure is ready to exceed the service levels demanded by their business.

From left to right: Richard May and John Murray. The founders of virtualDCS.

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