vivantio

Why True Saas ITSM Beats On-Premise and Hybrid Delivery Options

FLEXIBLE ITSM SOFTWARE. FOCUSED CUSTOMER SERVICE.

WHY TRUE SAAS ITSM BEATS ON-PREMISE AND HYBRID DELIVERY OPTIONS

The software-as-a-service (SaaS) vs. on-premise delivery debate has raged on since SaaS solutions were first introduced.

But as SaaS continues to gain popularity in the enterprise space and more vendors throw around the "SaaS" designation, it's important to recognize the merits of true SaaS and its advantage over both on-premise and this relatively new 'hybrid' approach, even big players pass the latter off as top-of-the-line.

Before we jump into the comparison, let's start with some basic definitions.

True SaaS

Companies pay on a subscription basis, and SaaS providers maintain the IT infrastructure needed to support application deployment and support through multi-tenant architecture. Access via the cloud is easy and cost-effective.

On-premise

Companies pay up-front costs to build out their own IT infrastructure and own and operate all aspects of a software solution.

On-premise subscription

Companies spread cost over time by paying on a subscription basis, but still must build out their own IT infrastructure and incur associated costs and responsibilities without any benefits of the cloud.

SaaS Hybrid

Companies pay on a subscription basis and IT infrastructure is hosted in the cloud, but the use of a dedicated server increases costs and limits the actual collective benefits of the cloud itself.

At Vivantio, we are believers in true SaaS for business. Read on to learn why.

TRUE SAAS IS MORE COST-EFFECTIVE

Low infrastructure costs, economies of scale keep SaaS costs the lowest.

One of the main financial arguments in favor of SaaS solutions is that customers do not have to purchase and maintain equipment on which to run the software.

Consequently, infrastructure and staffing requirements are reduced. Although these costs are incorporated into the subscription fee, they are shared amongst many customers, resulting in some substantial economies of scale.

There is also the issue of up-front capital vs. subscription fees. On-premise solutions require a substantial up-front capital investment in equipment and software, whereas SaaS solutions have regular subscription fees that are paid from operational budgets. This alters the risks associated with locking into a long-term investment.

It has also been argued that the on-premise and SaaS models are fundamentally different, altering the value of each delivery method in subtle ways. As an example, new features are more frequently added to SaaS solutions and this may be an advantage in that the customer will gain benefit from the improvements earlier.

Forrester's Total Economic Impact (TEI) methodology is a well-established and accepted method of assessing a wide range of factors to determine the return on technology investments.

Forrester used the TEI model to assess four scenarios, comparing SaaS and on-premise implementations.

In implementations of up to 100 users in organizations with up to 500 employees, SaaS showed significant benefits across the entire 10-year assessment period.

For much larger implementations, SaaS also showed benefits during the first 5 to 8 years, but on-premise managed to pull ahead by year 10.

In a separate study, which specifically compared the replacement of existing on-premise solutions with SaaS, ROI figures of between 2% and 26% were found. Payback in two examples were calculated at 12 to 24 months, with another example showing payback in 24 to 36 months.

Gartner, another leading industry analyst, also uses an ROI method that considers a wide range of factors and concluded that SaaS out-performed on-premise solutions in 5 out of the 6 aspects analyzed, including economic. They concluded that "Overall, the business value of cloud computing is significantly higher than that of on-site."

Like other analysts, Gartner also warns that the calculations cannot be generalized and actual results depend on an organization's specific situation. One of the arguments for on-premise solutions is that the initial capital outlay can be written off in later years, enabling the on-premise solution to catch up with SaaS in the longer term. These calculations typically rely on certain accounting policies, depreciation of assets and the assumption that hardware isn't replaced or upgraded substantially. Such arguments don't necessarily translate directly to cash savings, but particularly for large corporations, there may be reasons why a higher up-front capital investment is preferred based on its impact on the balance sheet.

"OVERALL, THE BUSINESS VALUE OF CLOUD COMPUTING IS SIGNIFICANTLY HIGHER THAN THAT OF ON-SITE."
–GARTNER

TRUE SAAS IS MORE SECURE

Physical data center security and formal security accreditation make SaaS more secure than on-premise or hybrid delivery.

Security matters. 53% of US executives are worried that cyber threats will impact growth, according to PwC's 23rd Annual Global CEO Survey.

The same survey places cyber threats as one of the top 10 global threats. How businesses counteract this growing threat varies greatly.

The best way to determine the overall security of SaaS vs. on-premise delivery is to examine your company's own security procedures and compare them to that of the data centers and security protocols upon which SaaS solutions rely.

One study, by an organization that wishes to remain nameless for obvious reasons, found that during one third of its on-premise installations, external contractors were left alone in a server room having been given a top-level administrator password.

The same company reported that all their customers were sending confidential and sensitive information via unencrypted email.

System security is typically more tightly and successfully controlled with SaaS, particularly if the customer doesn't have a formal security accreditation of its own such as ISO/IEC 27001.

SAAS IS MORE RELIABLE

Reliability is better and high availability (e.g. 99.9%) is significantly cheaper to achieve with SaaS compared to on-premise systems.

A SaaS provider will typically have customers in different time zones and with different operating hours. This presents some challenges.

The SaaS provider has fewer and shorter windows within which to perform maintenance, and less visibility of what their customers are doing – so they cannot easily predict peaks and troughs in activity.

The technology that addresses the issues of short maintenance windows and high availability has been around for several years, and longer-standing SaaS providers have become experts in this field, fine tuning their systems, processes and skills over time, producing a proven track record of success.

Addressing these issues has the additional benefit of improving overall availability. For example, maintenance windows are few and very short, perhaps even non-existent, but in order to cope with a growing customer base, SaaS providers need to periodically add resources such as servers, memory and processing power. To cope with this, a good SaaS provider will design their system so that it can be upgraded without taking the software off-line. An automatic benefit of such a system is that if a server develops a fault, it can be replaced or repaired with little or no impact on customers.

The same is true with regard to peak activity. A good SaaS provider has to create a system with spare capacity in order to deal with unexpected peaks in customer activity. Such a system is inherently good at operating well even while faults are repaired – the spare capacity is put to work for a short period while the repairs are made.

All of this relies on a well-designed system and 24/7 support by skilled personnel, with spare parts on hand.

In order to provide the levels of availability mentioned above, a SaaS provider typically locates their systems at a top-performing data center, ideally a global provider with good international networks. Such data centers have redundant Internet links, bomb-proof premises, generators, built-in redundancy on a global scale and massive resources on hand to contain issues and restore service quickly in the event of a major outage.

What research shows is that organizations are more worried about the reliability of their own Internet connection. For smaller organizations this is typically a broadband line. Larger organizations with more than one office location may have faster, commercial leased lines and several routes to the Internet connectivity is of course very important for most organizations. The duration of lost connectivity that can be sustained without a major impact on the business varies considerably, but given that most organizations rely heavily on their Internet connection anyway, adding SaaS applications that rely on it is unlikely to increase the risk in a significant way. If the Internet is already critical to the business and measures are in place to restore Internet connectivity quickly, then the risk in taking on a SaaS solution is most likely mitigated already.

True SaaS carries a real advantage in terms of economies of scale.

Each SaaS customer is effectively contributing a small amount towards shared resources which, assuming the SaaS provider's data center is of high quality, will achieve availability levels around 99.9%. The risk of the customer's own Internet connection failing is low in comparison to the advantages gained by buying in to a high availability platform. Consequently, a typical SaaS implementation results in a demonstrable net gain in availability when compared to a typical on-premise implementation.

To touch on a topic that few software vendors will broach; bugs in software are unavoidable. But in a true multi-tenant SaaS application, two things happen as a result of every customer using a single code base.

First, every possible permutation of using the solution is put to the test way beyond the capabilities of standard software or automated unit testing. This identifies unusual and hard to find programming errors quickly.

Second, the deployment of fixes is seamless and much faster. There's no down time, no maintenance windows and most importantly, the underlying identified issue is resolved for every customer simultaneously.

SAAS KEEPS THINGS MORE PREDICTABLE

Your success is a SaaS provider's success. Everybody wins.

If all the supplier's customers are on the same platform, then the supplier has to take measures to ensure that the platform will actually perform as guaranteed – otherwise a large proportion of their customer base will be affected if a problem should occur. The penalties could be significant.

If the platform is billed as "high availability," then it should be able to withstand a server failure without affecting customers. A high availability system is necessary for the credibility of any SaaS system, and this increases the provider's ability to actually hit SLA targets.

"TRUE SAAS CARRIES A REAL ADVANTAGE IN TERMS OF ECONOMIES OF SCALE."

Rather than dodge the contracted responsibilities by partitioning the customer base, a pure SaaS provider is accepting the responsibility whether it is defined in the contract or not.

Ultimately, the SaaS customer still has a responsibility to its own customers and shareholders etc. to provide a good service. Hiding behind a contract is not acceptable. Due diligence and a thorough assessment of a potential supplier's ability to perform show that the customer is taking its responsibility seriously.

TRUE SAAS IS FASTER TO IMPLEMENT

Quick implementations better fit today's business landscape.

Speed-to-implementation is one of the standout advantages of SaaS.

The longer software takes to get up and running, the more expensive the project and the more risk there is that requirements will change. Businesses need to be increasingly technically agile in order to maintain competitive advantage and do more with less. Long software projects do not fit this business landscape.

The alternatives to SaaS pose serious roadblocks to a speedy implementation timeline.

An organization developing its own software can fully customize the solution and build it to achieve any task desired, but this is by far the longest and most expensive option. It requires a huge amount of communication between business and technical teams and the risk that requirements will change during the project is relatively high. Flexibility is very low here.

Off-the-shelf software can be implemented rather quickly, though any changes or tweaks to software functionality can easily add weeks or even months of customization time. The risk of running off the rails is great here.

True SaaS is the quickest to implement and provides flexibility via configuration, rather than pure customization, reducing the need to involve the supplier to meet an organization's needs. This retains much of the flexibility while still enabling customers to reduce project costs and implementation times.

A pure SaaS application therefore potentially addresses several issues. Assuming the application isn't just on-premise software delivered via the web, it should be easier to configure; the SaaS model inherently removes much of the up-front cost; the organization can start to see the benefit of the improvements more quickly; there is less chance that requirements will change during implementation and the software can be adapted easily if and when requirements change.

Where the business processes are fairly generic such as CRM, Finance and Service Management, the reduced time-to-value of SaaS is a big plus.

TRUE SAAS IS MORE SCALABLE

Rising software tide raises all ships.

Scalability relates to the ability of a system to be expanded as its use increases. For those considering SaaS, this is very important, indeed. A SaaS supplier grows as it takes on more customers, and each of those customers grows, too. The supplier therefore has to be able to add capacity frequently and when it is needed.

Customers need to be sure that the supplier is able to add capacity without bringing the system down.

The term "SaaS" is used by vendors to refer to a wide range of different systems and technologies. However, some of these systems are more akin to the old ASP model and actually utilize a hybrid delivery model, which doesn't offer the same economies of scale and other benefits of a real SaaS system.

This includes some traditional software vendors that have done well in the past with successful on-premise applications, but are now trying to shoehorn those same applications into the SaaS model.

Offerings which are merely trading on the success of SaaS may compare unfavorably with regard to cost and availability. Typically, they will have less frequent upgrades and some may also charge additionally for upgrades because of the amount of work involved.

SAAS UPGRADES COME MORE FREQUENTLY

More frequent updates improve performance.

Using similar system designs, SaaS providers can update their systems quickly and easily. Pure SaaS providers can upgrade all of their customers at once.

With true SaaS, improvements are released as they become available, meaning that customers can take advantage of them as quickly as possible. The potential down side is that there can be less control over the updates. Some organizations do not like the idea that a system will suddenly and constantly change, because they cannot have their processes disrupted. If it takes time for personnel to get used to a slightly different way of doing things because the SaaS provider has changed the interface, for example, there is a cost to the customer.

But a good true SaaS provider will enable the customer to choose when to enable additional features. This achieves the best of both worlds. The feature is available as soon as it is ready to be released, so customers that can react quickly can take advantage of it immediately. Those customers who need to test it first and/or provide some training can choose to leave the feature disabled until they are ready.

Good SaaS solutions also include a test system or "sandbox" if necessary for the customer to use for familiarization and training before a new feature is enabled in their production system.

By comparison, upgrades to on-premise systems tend to be batched up and released less frequently.

vivantio

At Vivantio, we build service management solutions to help organizations provide the very best service possible.

We've been building software-as-a-service (SaaS) solutions for B2B customers across the globe since 2003, including public sector organizations, large businesses and independent service companies.

In that time, we've come to learn that great service reaches well beyond your organization's help desk: it permeates every department of entire organizations and can mean the difference between reaching and exceeding goals and coming up short.

With the Vivantio service optimization platform, we provide a unified solution that is competitively priced, flexible and scalable, so you can improve service while reducing costs and know that your unique service vision will be supported into the future.

LOCATIONS:

Vivantio (US East)
200 Portland Street
Boston, MA 02114

Vivantio (US West)
600 B Street
San Diego, CA 92101

Vivantio (UK)
25-31 Boulevard
Weston-super-Mare
BS23 1NX

PHONE:

US East: +1-617-982-0390
US West: +1-617-982-0390
UK: +44-1934-424840

ONLINE:

Email: info@vivantio.com
Web: www.vivantio.com