How To Reconsider Budget Concerns By Using SaaS

The Problem:

So much to do, so little budget to do it! That's what we hear often from frustrated operations personnel that truly want to improve their operation.

Why are budgets a concern? Considering even a little history, that's easy to understand. First of all, we have the recent pandemic and the uncertainty it has caused. Also, we have changing political times and the economic uncertainties such things cause. But, mainly, when talking about the cost of software solutions, we have the historical way that software has been delivered.

The Solution:

The old way software was delivered, was as a licensed product that was installed on site at a client's location. It took a lot of time and energy to strike a purchase agreement, purchase hardware, install the hardware, install the software, make provisions for backups, perform system updates and patches, go through training, etc. All that added up to big capital costs, lots of delay, and at the end of the day, an ongoing and increased IT burden on client staff to maintain the new system.

Today, more and more software is being delivered via the Internet – The Cloud. There's no hardware to purchase, there's no provisioning of space in a computer room, there's no need for battery backup or a generator, there's no software to install, and startup is easy. It has been said that by 2025 over 95% of all business systems will be delivered as cloud-based Software-as-a-Service (SaaS) solutions.   Why? Because there are no up-front capital costs. Startup is quick. Training is minor. And instead of taking on all sorts of internal burden, the customer focuses on getting value from the solution, and the vendor deals with all the technical minutia required to maintain and upgrade the systems. So, rather than thinking of capital costs and ongoing internal costs and skill necessary to deal with the solution, think of a small incremental operating cost that most find to be a no brainer.

On-Premise versus SaaS Cost Considerations

On Premise Software	Cloud-based SaaS Software	SaaS Cost Difference
Primary Server Hardware	Included	
Backup Storage and Backup Solution	Included	
Physical server location – must be installed in a suitable room for a server, requiring	Included	

room, 24x7 cooling system, backup power, and more.		
Training	Minimal	
Initial Software Cost	None	
Annual Cost	Lower Annual Cost	Opex versus Capex. SaaS costs are fully expensed either monthly or each fiscal year.
Staff to maintain servers, backups and system patches and software upgrades	Included	
Information Security Concerns – plan, technical implementation, procedures, intrusion detection, firewalls, remote connectivity systems (if any), and more.	Included	
Business Continuity Plan – backup servers available? Plan for recovering from an outage?	Included	

What about startup costs?

This is perhaps an even more compelling reason to go with a SaaS solution. Why? Because with SaaS you can start small. With On-Premise, you're forced to make a big commitment because you have to provision servers and more; so, you can't just step into a solution for a few users or for a short period of time without committing to the whole she-bang. This creates a ton of inertia to change, too. Once you've committed, if the solution turns out to not be the perfect fit, there's a lot of pressure to stay the course because you've made a big investment in it.

The cloud makes it possible to start small and grow as needed. You can't really do that with most On-Premise solutions.

What about Opportunity costs?

Have you considered what you're losing by not being able to move forward quickly to improve and innovate at your facility? If the solution you are considering can help you, can be valuable to your operation, there's a real cost here.

Simply stated, SaaS solutions offer lower startup costs and faster implementations, freeing the customer up to get its benefits more quickly, reaping the "opportunity value" the solution provides versus letting time slip away and reduce the benefits you could be already getting. Business Continuity and Disaster Recovery

What about Business Continuity and Disaster Recovery?

Consider the reality of On-Premise solutions. For most, it's simply infeasible to create a robust business continuity and disaster recovery plan for all IT systems. Most companies devote the majority of their IT budget to their important systems of record. It's just way too expensive to have instances in multiple cities, backups in multiple locations, including air-gapped backups, failover and hot standby systems that are ready to pick-up in the event of a hardware failure or other system event. Any competent cloud service provider, will include all of this in your annual subscription price, and it will be done at a level that, most likely, your own company could not attain. Why? There are multiple reasons, but the easiest one to think about is that the software solution, the hardware, software and the entirety of its operation is an existential concern for the vendor. Literally, the vendor's viability depends on running a quality operation. If it doesn't it won't survive long. But for most client solutions, that's not the case for the client. If a given business system is down or impaired for a period of time, for some customers, it's not that big of a deal, particularly when compared to the customers "systems of record." We're simply saying that the customer's IT department is not going to stop everything just because one of many, many systems they are responsible for is impaired or down, unless it's deemed a critical system of record. That's logical. The main point here is that it's much more of a concern to the vendor than it is to the client, in a vast majority of cases.

What about Scaling Up or Down?

This is yet another implicit benefit of SaaS solutions. Capacity planning, hardware, storage and bandwidth requirements are the vendor's problems. You don't have to worry about out-growing the server you've bought. Not only that, with most vendors, you'll even be able to downgrade your use of the service, if that's appropriate. So, this eliminates the concerns a given client might have to consider with On Premise solutions.

The Conclusion:

Hopefully, the considerations above will help you understand and explain the value of a SaaS solution, and why most business systems are moving to the Cloud and being delivered as Software-as-a-Service. Consider how quickly you could be reaping the benefits of a SaaS solution. Once you realize all that a SaaS solution provides, the cost will likely be far less significant than it initially may seem.