On-premise versus SaaS solutions: The right choice for enterprise

By Ophir Shalitin   23 Jan 2014

AIRPORT CITY, ISRAEL: Software solutions for enterprise serve to facilitate a number of processes in the business world today, ranging across the board from customer relationship management (CRM), to human resource (HR) department functions, automated marketing and sales funnels, and IT support, as well as security.

There was a time not long ago that the only options for such business functions were on- premise solutions which could be quite costly, not only at the outset, but also on an ongoing basis when human resources and other needs are taken into account.

Today, organisations also have the option of Software as a Service (SaaS) solutions to accommodate their operational needs.

When assessing conditions to determine the best solutions for an enterprise, there are a number of factors to take into account. Though it can be a challenge to make equal comparisons, it is possible with due diligence, despite the complexities of each type of solution.

A look at Total Cost of Ownership (TCO)

• *The costs associated with getting started*

Adopting a system, regardless of type, will come with some start up costs. Given the cloud nature of any SaaS solution, deployment expenses will obviously be lower.

While on-premise solutions may require less computing power, they will likely need the support of more robust servers and could incur a sizable investment in hardware, which would increase deployment overhead considerably.

Nevertheless, the lower start up cost of SaaS does not necessarily signify lower total cost of ownership (TCO), and CIOs often fail to take into account the price of customisation and training, as well as the lifetime total should the business see long term success. As a result, the final ticket can come as a surprise when all is said and done.

• *Ongoing expenses*

Support and maintenance are also significant considerations that must be taken into account when looking at the TCO of

any business system.

While an on-premise solution will incur a higher, one-time deployment expenditure with a lower monthly licensing fee, this can be a bit deceptive as support costs can add up when an on- premise IT department is needed, with all of its hardware and human resource considerations.

Maintenance, too, can easily exceed expectations; after all, technology is ever changing and both hardware and software must be kept up to date to meet the demands of business, which is now comprised of ever expanding technology and big data.

SaaS solutions, on the other hand, will relay these expenses to the solution provider.

Finally, upgrade concerns should be thought of well in advance. Typically, on-premise solutions will require hardware replacement or software upgrades within five years; such costs may very well meet, or exceed, those of the original investment.

SaaS solution upgrades tend to be more manageable.

A look at other considerations

Of course, analysis of SaaS versus on-premise solutions goes far beyond cost comparisons. CIOs and CEOs should also carefully consider the following:

• *Long-term business growth projections and scalability*

Organic and inorganic business growth projections must be analysed when looking at the scalability of any kind of solution. An on-premise system will incur significant effort to scale should the business see, or exceed, exponential growth. SaaS solution upgrades, however, tend to be more frequent and thus scale more easily with the organisation.

• *Customisation options*

While perhaps more highly customisable, custom modifications of on-premise solutions must be easy to carry over when system upgrades take place. While SaaS solutions don't currently have as many readily available options, that issue is rapidly becoming a non-issue as SaaS solutions become more widely used and customisation features become more commonly accessible.

• *Mobility*

The ever changing nature of business, and growing BYOD practices, must be taken into account; SaaS is without a doubt far more manageable when it comes to the growing mobile workforce, smart mobile devices, and their use in facilitating business transactions.

• *Information Technology*

While on-premise solutions require the support of an IT department and staff, SaaS solutions provide virtual IT support, thus saving time and facilitating access to problem solving, education and self-service for employees, regardless of whether the [asset management SaaS product](#) is actually an IT service, or a solution for some other aspect of the business.

• *Security*

Making a decision about which solution best fits your security needs depends on the size of your organisation and resources. There are numerous pros and cons with regard to each solution that go beyond the scope of this article, but

with sufficient research, you should be able to determine which solution best meets your security needs, and, based on the significance of those, security may outweigh all other considerations, including costs. Nevertheless, security solutions are rapidly becoming a number one concern for SaaS Vendors.

ABOUT OPHIR SHALITIN

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