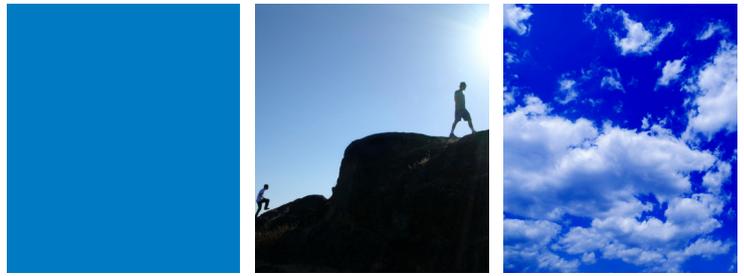


BEYOND TOTAL COST OF OWNERSHIP WHITEPAPER

A Simple Business Case for SaaS

You probably already understand the basic differences between traditional on-premise software applications and software delivered as a service or 'SaaS': on-premise software must be installed on each computer on which it will be used, whereas SaaS applications are hosted and managed by a third party, and can be accessed from anywhere, typically through a web browser.



'Buy versus Rent' for Managers

A traditional question for IT and business managers has been 'build or buy?'

The rise of cloud computing in the current era prompts a different question: 'buy or rent?'

Traditionally, the rollout of an enterprise software system has been a large project.

Deploying software such as office productivity applications has required a process of managing access to each user's computer while it was on the corporate network, installing the software and then troubleshooting any issues as the user works with the new application.

Rollouts of Enterprise Resource Planning (ERP) or Customer Relationship Management (CRM) software has required large teams of consultants or in-house applications specialists to configure, test and roll out the software.

Using Software as a Service streamlines these processes:

- No installation is required on users' computers, all applications are easily online

- Enterprise-grade software applications are typically deployed, configured and tested much more quickly than when being deployed in-house - a timeframe of weeks rather than months is usual, in part because there is no requirement to install and test substantial infrastructure changes to support the new software.

Upgrades are also streamlined, to the point that they are invisible to users. Upgrades occur in the hosting environment, and users see the changes when they next access the applications.

With its simplified deployment model and reduced investment in up-front license and configuration costs, SaaS also provides the flexibility to change the software applications you use as your business requirements change or as better solutions come on the market.

Financially, SaaS is typically provided under a rental agreement that covers licensing, maintenance and upgrade fees. Rental agreements can be costed per-user/per-month, as a subscription for an unlimited number of users or under other costing models agreed between the buyer and the SaaS provider.

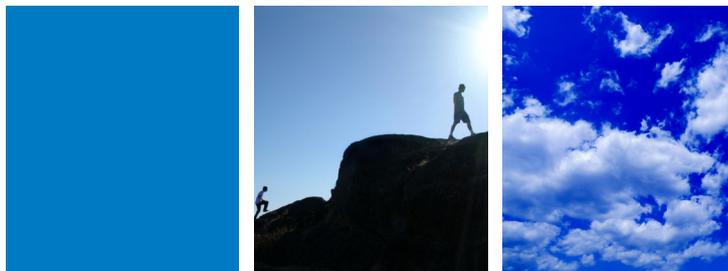
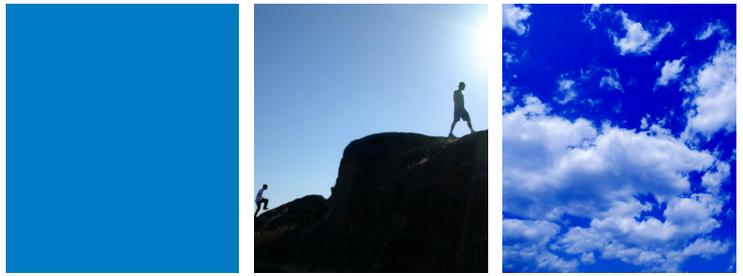


Table 1 - 5 Year TCO comparison for 1000 users of a typical Microsoft collaboration solution

As well as simple numbers, you should consider how the different financial models work for your organisation.

For example, on-premise solutions often involve large up-front expenditure on licensing and implementation costs - including capital expenditure if significant hardware is required - whereas SaaS offers fixed, ongoing operational expenditure.

	ON-PREMISE (\$000)	SAAS (\$000)	SOURCE OF SAVING
IMPLEMENTATION / DEPLOYMENT			
IMPLEMENTATION FEES			
Professional services			Reduced deployment time, minimal customisation, no application or infrastructure testing required
Basic infrastructure testing / deployment	200	20	
Application infrastructure testing			
Hardware			
SOFTWARE			
User licenses/ subscriptions	60	25	
MAINTENANCE (YEAR 1)			
Annual license fee (Years 2-3)	N / A	N / A	On-premise requires significant upfront costs plus 20-30% annual maintenance
Annual maintenance fee (Years 2-3)	40	N / A	
UPGRADE			
Upgrade expenses (every 4 years)	150	0	
5-year total (\$000s)	450	125	



'Buy versus Rent' for C-Level Executives

For executives, the 'buy versus rent' decision is largely decided by the Total Cost of Ownership (TCO) of

This means that you will analyse the value you are getting from the service, and can make any adjustments in volume or other aspects of the service to ensure it continues to meet business requirements.

Maintenance costs are included in the subscription cost, not charged separately.

Configuring versus Customising - TCO Starts at the Ground Floor

For many software applications, particularly enterprise-grade ERP and CRM applications, there is a large investment in customising the software to meet the unique needs of the organisation. The upfront investment in customisation and the ongoing requirement to keep these customisations in line with base software upgrades and changing organisational needs, result in a significant ongoing investment in the software.

By comparison, most applications delivered as SaaS offer a degree of configuration that stops short of customisation. Configuration allows you to control some aspects of the software to suit your needs, but does not involve programmatic upgrades.

Because of this, the software can easily be updated by your provider for the benefit of all its customers simultaneously, allowing more frequent upgrades and patches.

More strategically, it creates a scenario where your SaaS provider and all of its customers are constantly improving the application for the benefit of the entire customer base.

Beyond Simple Total Cost of Ownership

TCO analysis of on-premise installation versus using SaaS is not the only measure of what is the right solution for your organisation. It's important, but don't forget also to examine the merits of capex versus opex spend, the flexibility to change applications and the ability to receive more timely upgrades.

A Total Solution

To request more information or to find out how Data#3 can help your organisation transition to a SaaS deployment then contact us today!

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