SaaS vs. Traditional ITAM tools:
How the Hosted Approach Delivers Greater Value

Executive Summary

Technology environments are becoming more complex, and are evolving and changing at an increasingly rapid pace. That's why many companies are turning to IT asset management (ITAM) solutions as a means to more effectively monitor, control, and manage the various components within their architectures.

ITAM solutions help organizations better understand what hardware and software assets they own, where they reside, and how they are used. As a result, they can improve the way they manage and maintain these assets throughout their lifecycle, and ensure that return on investment (ROI) is maximized.

With ITAM in place, companies can improve service levels to end users, and dramatically reduce the total cost of ownership (TCO) of technology assets across the enterprise. For example, ITAM can:

- Decrease the costs of system support and administration
- Minimize the expenses associated with internal IT audits
- Reduce potential monetary losses from security breaches
- Ensure compliance with licensing agreements and eliminate the risk of fines
- Enable closer tracking of IT expenses
- Provide in-depth analysis of system usage to minimize asset duplication and underutilization
- Enhance application performance and reliability by facilitating more timely upgrades and replacements

While the benefits of ITAM are clear, many organizations struggle to decide which deployment approach is best. Is an on-premise application the best choice? Or can a hosted solution offer the more economical route?

This white paper discusses the differences between on-demand ITAM applications (also known as Software-as-a-Service, or SaaS) and on-premise solutions. It highlights the additional benefits that can be achieved by choosing a SaaS-based system, and builds a strong business case that clearly demonstrates that on-demand ITAM solutions are far more cost-effective than their on-premise counterparts.

As research and statistics presented in this paper show, the total cost of ownership for an on-premise ITAM application over the first three years would be 60-200% higher than the cost of an on-demand solution. The cost differences are even more staggering when it comes to the initial funding of the application, with the cost of an on-premise implementation reaching over 3-6 times the cost of a SaaS solution for the first year period.

Finally, readers will learn how to account for and calculate the savings that can be realized through the on-demand approach, so they can be accurately articulated to management to aid in the decision to choose an on-demand ITAM application.

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On-Demand vs. On-Premise ITAM: Which Is Better?

An ITAM package can deliver significant value, no matter which deployment approach is selected.(*) However, even greater advantages can be achieved through the implementation of an on-demand ITAM solution:

Increased Affordability

An on-premise ITAM solution can be quite costly, requiring a large upfront investment in software licenses, as well as the purchase of servers to support the application. On-demand ITAM is far more economical. No upfront investment in perpetual software licenses and servers is required, and clients pay only an affordable subscription fee based on system usage.

Accelerated Implementation and Rollout

Too often, companies waste significant amounts of money purchasing software that is never utilized. Why? Because the tasks associated with implementation—such as allocating licenses, installing the software on user desktops, and testing the servers— are too time-consuming, and are often pushed side when other priorities arise.

With on-demand ITAM, all needed components are already "up and running", dramatically reducing the implementation time and costs. Training required for most on-demand ITAM solutions is also minimal, so users can begin enjoying the benefits of their new application almost immediately.

Reduced Maintenance

An on-site ITAM solution can put further strain on already overworked IT resources, adding yet another application for them to oversee. On-demand ITAM eliminates these hassles, because the service provider is responsible for all monitoring, administration, upgrades, and other related tasks.

Minimal Risk

The risk of project failure with on-premise deployment is high. IT projects are often notorious for going over schedule and over budget, leaving senior executives to question the necessity of the initiative and the value it will deliver. According to Robert Lewis, president and founder of IT Catalysts, IT project failure rates average close to seventy percent. With hassle-free deployment and a simple "pay as you go" model, subscription-based ITAM software significantly minimizes the risk of project failure.

Guaranteed Performance

On-premise solutions require IT staff to devote a tremendous amount of time to keeping systems available and accessible at all times. Additionally, there are often variables outside the control of IT teams, such as power failures, that may impact system performance. On-demand solutions already have the appropriate mechanisms in place to minimize such impacts—including redundant servers and backup power sources—enabling SaaS providers to offer service level agreements that guarantee performance and uptime.

* For more information, please download the "Making the Business Case for IT Asset Management" white paper from our Web site at www.SAManage.com

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The Potential Savings

While the advantages of an on-demand ITAM application listed so far are quite compelling, the following items provide the IT team with hard quantifiable benefits that are often needed to persuade the powers to be.

Lower Upfront Investment

Getting started with a SaaS ITAM solution will cost much less than the initial purchase price of an on-premise package. On-demand ITAM services can be subscribed to for a low service fee of just $20 per PC per year, with all maintenance, support, and administration included. For a company with 500 end-user desktops, the total cost would be as little as $10,000 annually.

In contrast, on-premise ITAM would require a much higher upfront investment, with companies spending tens of thousands of dollars on the initial license purchase alone. For example, the license cost for an on-premise ITAM solution can be as high as $57 per PC. For a company with 500 PCs, the application itself would cost $28,500.

Faster, More Cost-Efficient Deployment

On-demand ITAM can be up and running in a fraction of the time it takes to deploy an on-premise application. There is no hardware to purchase, install, provision, and test. Integrating the software with the rest of the organization's IT environment and deploying it to end users is fast and easy. And because on-demand ITAM solutions are Web-based, remote access is seamless—any user can utilize the application, from any location, even when not connected to the company's network.

Companies that choose an on-demand ITAM solution will also spend nothing at all on related hardware. This is compared to the cost of the application servers needed to operate an on-site ITAM system. On average, the initial purchase cost of an application server is between $3,500-7,000, and an average server lifespan of 3 years.

Additionally, an on-premise solution requires implementation, system integration, and training that can span weeks, and require the dedicated assistance of valuable IT resources. Real-world studies have shown that an on-site ITAM application can take at least 40 hours to implement. And, with the average IT technician earning $33 per hour (based on research conducted by Salary.com), these hours can result in additional expenses of over $1,300. In comparison, on-demand ITAM solutions can be implemented in as little as a half a day, costing only about $130 to deploy.

Reduced Maintenance

With an on-premise ITAM solution, there are additional expenditures to consider, including the cost of annual maintenance and upgrades. These costs usually average 15% of the total license fees each year, translating to additional $4,275 for a company with 500 PCs.

There are a variety of other cost items involved in on-premise deployment, including additional operating system licenses, air conditioning to maintain optimal temperatures in server rooms, and database back up tools. These items, too, can add up to thousands of dollars each year. According to IDC, for example, the cost of powering and cooling a server alone is $0.50 for each $1 in server capital spending, increasing to $0.70 by 2010.

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Presenting the Case for On-Demand ITAM

While the evidence outlined above clearly shows the on-demand ITAM solution is far more cost-effective and offers more rapid and significant ROI than its on-premise counterparts, presenting these findings in a clear and concise manner is key to securing executive support.

The sample charts below displays all costs and savings highlighted in this paper for companies with 500, 250, and 100 PCs respectively. The previously mentioned industry standard numbers have used in these formulas.

Example 1: Company with 500 PCs

Cost Item	Formula	On-Demand (SaaS)	On-Premise
Software License			
Initial purchase / licensing	500 PCs X Cost per PC ($57 for on-premise; $20 for on-demand)	$10,000*	$28,500
Annual software maintenance	15% of initial purchase price (conservative estimate)	N/A	$4,275*
Deployment			
Integration, implementation & deployment	# of hours needed (40 for on-premise; 4 for on-demand) X $33 (hourly rate for IT technician)	$132	$1,320
Infrastructure Costs			
Server/s	Server acquisition costs	N/A	$3,500
Ongoing maintenance	10 (# of hours of annual administration) X $33 (hourly rate for IT technician)	N/A	$330*
Indirect costs	(AC, backup, data center, etc.)	N/A	$1,750*

* Recurring annual costs

Total Costs (based on 500 PCs)		
First Year Cost	$10,132	$35,400
Three-year Total Costs	$30,132	$48,110

Additional Costs of On-Premise ITAM (based on 500 PCs)	
First Year Cost	249%
Three-year Total Costs	60%

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Example 2: Company with 250 PCs

Cost Item	Formula	On-Demand (SaaS)	On-Premise
Software License			
Initial purchase / licensing	250 PCs X Cost per PC ($57 for on-premise; $20 for on-demand)	**$5,000***	$14,250
Annual software maintenance	15% of initial purchase price (conservative estimate)	N/A	$2,138*
Deployment			
Integration, implementation & deployment	# of hours needed (40 for on-premise; 4 for on-demand) X $33 (hourly rate for IT technician)	**$132**	$1,320
Infrastructure Costs			
Server/s	Server acquisition costs	N/A	$3,500
Ongoing maintenance	10 (# of hours of annual administration) X $33 (hourly rate for IT technician)	N/A	$330*
Indirect costs	(AC, backup, data center, etc.)	N/A	$1,750*

* Recurring annual costs

Total Costs (based on 250 PCs)			
	First Year Cost	**$5,132**	**$21,150**
	Three-year Total Costs	**$15,132**	**$29,585**

Additional Costs of On-Premise ITAM (based on 250 PCs)		
	First Year Cost	**312%**
	Three-year Total Costs	**96%**

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Example 3: Company with 100 PCs

Cost Item	Formula	On-Demand (SaaS)	On-Premise
Software License			
Initial purchase / licensing	100 PCs X Cost per PC ($57 for on-premise; $20 for on-demand)	$2,000*	$5,700
Annual software maintenance	15% of initial purchase price (conservative estimate)	N/A	$855*
Deployment			
Integration, implementation & deployment	# of hours needed (40 for on-premise; 4 for on-demand) X $33 (hourly rate for IT technician)	$132	$1,320
Infrastructure Costs			
Server/s	Server acquisition costs	N/A	$3,500
Ongoing maintenance	10 (# of hours of annual administration) X $33 (hourly rate for IT technician)	N/A	$330*
Indirect costs	(AC, backup, data center, etc.)	N/A	$1,750*

* Recurring annual costs

Total Costs (based on 100 PCs)			
First Year Cost		$2,132	$12,600
Three-year Total Costs		$15,132	$18,470

Additional Costs of On-Premise ITAM (based on 100 PCs)		
First Year Cost		491%
Three-year Total Costs		201%

Conclusion

By substantially reducing the total cost of ownership, IT Asset Management solutions delivered on-demand can offer far greater value than on-premise applications. Furthermore, with a significantly lower upstart cost, the Software-as-a-Service delivery model helps organizations reduce the short-term cash flow burden and the risk associated with the project.

Using this white paper and framework to clearly spell out and quantify these cost differences, project leaders can present a persuasive business case for Software-as-a-Service IT Asset Management.

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SAManage: On-Demand IT Asset Management Services

SAManage is a leading provider of robust on-demand IT Asset Management services. The SAManage cutting-edge solutions empower companies to gain complete visibility into their IT environments, so they can more effectively manage their assets, minimize related risks, facilitate compliance, and optimize utilization.

With SAManage, companies can:
- Easily deploy comprehensive IT Asset Management at multiple locations across the enterprise
- Achieve greater visibility into asset inventory and usage
- *Proactively* detect and prevent IT-related risks such as illegal software, security gaps, or missing patches
- Ensure compliance with software licensing agreements and regulatory guidelines
- Reduce technology costs and improve budget management
- Minimize the time and effort required to address helpdesk issues with instant access to asset configuration data
- Capture and organize IT contracts and software licenses in a centralized system
- Correlate assets to contracts and leases as well as their department and business units, users, and technical owners

Powerful and Secure On-Demand Solutions

The SAManage on-demand service completely eliminates the time and expense associated with implementing an IT Asset Management solution. There are no servers to manage, and no software to install. Enterprise-wide deployments can be completed in just minutes, and new features and enhancements are available immediately. SAManage offers a free trial period that allows you to "try before you buy". To find out more and start your free trial, visit our Web site at www.SAManage.com.

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16541 Redmond Way,
Suite 416
Redmond, WA 98052

Tel: 888-250-8971
Fax: 425-940-7749
info@SAManage.com