

Cloud Computing: Beyond Buy vs. Lease



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By

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Despite growing evidence that Software-as-a-Service (SaaS) solutions can produce meaningful cost-savings and provide important new functionality, there are still IT/business decision-makers and industry observers who are unconvinced that these benefits are for real.

THINKstrategies and Cutter Consortium have teamed up to conduct a series of annual customer surveys over the past four years aimed at gauging SaaS acceptance, adoption and satisfaction. We were the first to uncover widespread interest and substantial adoption (32%) of SaaS in 2005.

Last year, the proportion jumped to 62% with well over 90% of the SaaS users satisfied with their web-based software solutions, ready to renew and expand their use of the SaaS solutions, and willing to recommend SaaS to their peers. There are few legacy software vendors who can boast these satisfaction, renewal and referral rates.

Thirty percent of the SaaS users said the greatest benefit they gained from using SaaS solutions was lowering their infrastructure costs. Another 17% said they were able to obtain greater functional capabilities. Thirteen percent said their SaaS providers improved application reliability and performance, while 10% were happiest with the systematic software updates and upgrades.

The proportion of survey respondents who said they were not considering SaaS dropped from 32% in 2007 to only 9% in 2008. Of that group, 37% said they were primarily concerned about the cost-savings SaaS would bring them.

A recent Gartner opinion piece tried to appeal to this segment of the market by using the tired old argument that subscribing to a SaaS service is akin to leasing a car and would cost users more over an extended period of time. The research firm suggested that if an organization plans to use an application for more than three years, it isn't cost-effective to subscribe to a SaaS solution, just like it isn't a good idea to lease a car for more than three years.

While Gartner's argument is certainly true for simple applications that require little effort to deploy and maintain, it doesn't apply for more complex enterprise applications that demand considerable time and expense to implement and keep up and running. In these cases, subscribing to a SaaS solution isn't the same as leasing a car.

First of all, leasing a car simply enables drivers to reduce their upfront payments for the vehicle itself. When you drive the leased vehicle off the lot it immediately starts to depreciate. The dealer and manufacturer do not provide any updates or upgrades, with the exception of an occasional recall and

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maybe a free oil change. And, they certainly don't pick up the costs of housing the vehicle and making sure it will be able to start up every time you need to get somewhere.

Subscribing to a SaaS solution eliminates more than just the upfront perpetual license fee. The SaaS subscription also eliminates additional hardware, staff, facilities and other software costs required to deploy, customize, maintain and manage the application at optimal levels. So the total cost of ownership (TCO) is substantially reduced over the entire life of the application, as the respondents to THINKstrategies/Cutter's most recent SaaS survey stated.

While there may be additional consulting costs to ensure proper deployment, integration and training for a SaaS solution, these costs are generally offset by the faster implementation times, higher utilization levels and lower failure rates which ensure a quicker time to value and greater return on investment (ROI).

Don't forget that the best argument against leasing a car is that you don't have an asset you can trade in or resell when you want to at the end of the term. While the same holds true for a SaaS solution, when was the last time you heard about an organization trading in or reselling its legacy application.

So, don't let bad analysis play to your worst fears if you are still uncomfortable going down the SaaS path. Instead, talk to the growing number of your peers who are adopting and benefiting from a widening array of SaaS solutions.

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