

Total Cost of Ownership When Considering a Move to SaaS

Evaluating the ROI of Software as a Service (SaaS) solutions vis-à-vis on-premise software can sometimes feel a bit like comparing apples to oranges. This CCH whitepaper provides an overview of the costs and cost savings associated with a migration to a SaaS model, including:

- *Access Differences*
 - *Hardware Costs*
 - *Ongoing Maintenance, Security and Support*
 - *IT Staffing Levels*
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In the last few years, Software as a Service (SaaS) has been steadily revolutionizing software delivery to corporate end-users across multiple industries, ranging from banking to Customer Relationship Management (CRM). The accounting profession is no exception. Today, more firms are evaluating the new robust SaaS tax and accounting solutions, and in the process, they're comparing functionality, efficiency and overall cost with that of traditional on-premise software programs.

At its most basic, SaaS is a new model for hosting and delivering on-demand software to a mobile workforce via the Internet. Since the SaaS model shifts many of the costs associated with solution delivery from the corporate client to the software host/provider, comparing list prices yields only a limited view. To fully appreciate the total cost of ownership when moving to a SaaS model, it's important to account for both hard and soft costs. CCH developed this whitepaper to provide a framework in which to evaluate the costs and cost savings associated with a move to SaaS, with the goal of helping accounting firms make more fully-informed decisions.

A More Efficient Way to Access Software

One of the most obvious differences between SaaS solutions and on-premise software is in the way firms access the software. With traditional software, firms purchase a number of end-user software licenses, depending on how many people in the firm will be using the software in a given year. License fees are paid up front, but sometimes not all of the purchased licenses are used, due to staffing changes or software implementation delays.

With SaaS, there are no annual individual license fees. Instead, firms pay as they go for the actual usage of the software. This seemingly minor shift transforms software from a fixed cost to a variable expense, providing firms with increased flexibility. Under the typical SaaS model, the more

a firm uses the software, the more they pay the provider. The pay-as-you-go model enables firms to add new users when they come on board instead of using capital to purchase licenses in anticipation of future new hires.

In addition to a more flexible pricing model, many SaaS providers offer a limited free-trial period (typically 30 days), in which users can try the service and make sure that it meets their needs before purchasing it. If the software isn't widely used, or if it gets poor reviews within the trial period, firms have the option not to buy, protecting them from purchasing software that fails to meet the needs of their clients and staff.

Shifting Hardware Costs to the SaaS Provider

Another area of cost savings with SaaS comes in the form of hardware and related resources no longer required to keep the software up and running. Most firms have multiple servers dedicated to housing software and client data. Servers require space, network lines, additional security measures and a skilled IT staff to maintain them in working order. In addition, many firms hire third party consultants to help them customize on-premise software to their firm's standard practices, representing a significant additional cost.

Under the SaaS model, the SaaS provider bears all costs associated with hardware, security and maintenance. As a result, firms no longer need to purchase servers to house the software and data on-site. Without the need for servers, firms using SaaS solutions can free up costly real estate and convert server space to office space for other uses. In addition, since SaaS applications are accessible from anywhere, preparers can access the software from home or from the road, decreasing the overall need for physical office space.

As far as consultants are concerned, while there is often some user-defined customization allowed through the use of Smart Client technology within a SaaS model, SaaS providers have quickly adopted industry best-practices that are able to meet the diverse needs of a broad client base, saving the costly customization fees typically paid to consultants.

Enhanced Security Included

One of the most immediate benefits of SaaS computing is that it creates an instant off-site back up, protecting firms against natural disasters and loss of data. Given the significant investment in security and back up, a trusted SaaS accounting solution provider often has more stringent security standards than even the largest of firms. Since the provider has incurred the cost of having true redundancy of servers, SaaS providers quickly become an important part of an organization's data security and business continuity plans.

No End-User Updates, No Interruptions

One area often overlooked when comparing on-premise software with SaaS solutions is the staff and time required to update on-premise software. When an IT team updates on-premise software (typically an average of 8-10 times during a normal tax season), they have to take the servers off-line for a period of time to install the update. Once that's complete, they need to modify every staff desktop and laptop computer in the firm, all of which takes time and reduces staff productivity during the time that their systems are being upgraded.

Shipping software updates can cause further delays. For example, when the IRS issues a new regulation, accounting firms naturally want it as soon as possible. Let's say that the on-premise software vendor can have the new regulation coded by Friday, and ships it out via Fed Ex to clients at that time. Clients don't receive the update until Monday, at which time IT updates the servers and computers, causing even greater delays.

When a firm uses a SaaS solution, the solution provider manages the update process, saving the firm's IT staff valuable time and resources. As a result, there is no waiting for shipping to get the most recent software updates. All staff find the updated functionality waiting for them from the moment the provider makes the upgrade live online.

Reducing or Redeploying IT Resources

IT staff are an important part of any firm, but finding people with the right combination of skills is a continual challenge for most organizations. In addition, skilled IT staff can be expensive. Today, most IT staff spend the majority of their time managing systems and keeping software up and running. While some IT staff might have been initially threatened by SaaS when the technology first began gaining traction in the marketplace, many are now recognizing that SaaS can be a means for IT to operate more efficiently and strategically.

The SaaS model requires fewer servers and significantly less direct IT involvement than on-premise software. In addition, providers like CCH have integrated with Active Directory, allowing firms to create a single sign-on across all products instead of credentialing staff within each program. This represents a huge timesavings for IT staff.

When making the move to SaaS, some firms are able to reduce their IT staffing costs, while others choose to redeploy the IT staff to other projects to support the firm's key business initiatives.

The Next Wave

There is no question that for the accounting profession, SaaS represents a significant step forward. It frees firms from the business of software maintenance and support and gives them the opportunity to truly focus on what they do best. Clearly, there are efficiencies to be gained, and in the current economic environment, all decisions must be made with a critical eye toward ROI. It's only when firms take a broad view and evaluate all of the areas affected by a migration to SaaS that they can make fully-informed decisions to best serve the needs of their clients and staff.

For more information on how CCH can help your firm evaluate the overall ROI of SaaS, contact a CCH account representative at 800-739-9998.

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