

Putting the SaaS into Software

A cost benefit analysis of Software as a Service model (SaaS)
in the delivery of CMMS/EAM solutions

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"Web 2.0 is the business revolution in the computer industry caused by the move to the internet as platform"

Tim O'Reilly,
founder of O'Reilly Media

Introduction

The term **Web 2.0** is commonly used to describe the changing trends in the use of the Internet. Web 2.0 innovations have resulted in adoption of the internet "as a platform that is spanning all connected devices; Web 2.0 applications are those that make the most of the intrinsic advantages of the platform: particularly delivering software as a continually-updated service that gets better the more people who use it" (<http://radar.oreilly.com> by Tim O'Reilly, 2005) and "going beyond the page metaphor of Web 1.0 to deliver rich user experiences".

The Software as a Service (SaaS) model as part of the Web 2.0 revolution is considered a very attractive, viable and cost effective solution for delivery of business applications to businesses of all sizes. This has become more apparent in the delivery of computerized maintenance management system (CMMS), also known as Enterprise Asset Management (EAM), where increased internet availability to maintenance and facility management departments of organizations is occurring everywhere.

To evaluate whether a SaaS solution is a good fit for your organization, it is helpful to understand what the SaaS model is and how it compares to traditional, premises-based CMMS solutions. As well, it is important to be able to evaluate the costs that are associated with implementing a SaaS solution versus a traditional software solution so that the true **total cost of ownership (TCO)** of your CMMS is understood.

This whitepaper is a guide to users that are in the market to purchase a CMMS solution where there are many options to choose from, and where systems should be evaluated not just for their functionality and ease of use, but also for their total cost of ownership (TCO). The white paper particularly focuses on providing a clear outline on the TCO of the SaaS model in contrast with traditional, premises based solutions in the delivery of CMMS software.

What is SaaS?

Software-as-a-service (SaaS) is a model of software deployment, where the application is provided as a service to customers across the internet. You can think of the SaaS as "renting" the software to customers who access it remotely, most commonly over the Internet. The SaaS provider hosts the application, which it owns, on secure servers that it owns, operates, and maintains.

SaaS providers are responsible for maintaining the application and providing access to it, and offering subscriptions to its service, generally a per-user fee that is paid monthly or annually. The user pays a fee to the SaaS provider for its hosting services, and can log into their system online, via a standard web browser. The subscription fee includes maintenance of the application, system updates and upgrades, and often includes unlimited technical support. The SaaS provider and the subscriber enter into an agreement that specifies the services being provided, the service level, and the terms of use.

The SaaS Model as compared to traditional, premises-based software

The SaaS model can be contrasted with conventional or premises-based software that is purchased, installed, administered and supported internally on the customer's own network. With a traditional or premises-based software solution, the customer purchases the software licenses, rather than "renting" the application.

The customer provides all of the IT support required to maintain and support the server that houses the application, maintain and support the application that resides on both the server and any workstations on which it is installed, and install any bug fixes, updates or upgrades for the application. In addition to the upfront software licensing costs, the customer also purchases an annual support and maintenance contract from the CMMS vendor.

The table below contrasts the differences between a SaaS model and the traditional software model.

SaaS Model vs. Conventional Software Model

Components	Traditional Premises-based Software	SaaS Model
Product functionality over the Web	You provide	Provided
Access anytime, anywhere	You provide	Included
Commitment	High	Low
Security	You provide	Included
Application Server	You buy	None
Database server	You buy	None
Capital outlay	High	None
Application Costs	Paid upfront	Paid Monthly
Database license	You buy	None
Support fees	18% to 20% of license cost annually	Included
IT support	High	Minimal
Product updates and upgrades	You pay/install	Included

Advantages of the SaaS Model

Companies that choose a SaaS model for their CMMS solution gain many business benefits:

- ❖ **No software or hardware to purchase, install or maintain.** Given the current shortage and expense of dedicated IS personnel, the SaaS model means less of a burden on IT departments that already have many demands placed on them.
- ❖ **Rapid deployment.** Since there is no software installation required, maintenance personnel can get started with using the system immediately.

“Advantages of the SaaS Model...

No software or hardware to purchase, install or maintain...

No capital outlay...

No software support fees...

Spend less time on managing your application...”

- ❖ **Simple, low cost implementation for multiple locations.** Multi-site locations don't need high power servers for Terminal Server or Citrix architectures to use an SaaS model, so the implementation process is simplified.
- ❖ **No capital outlay.** Because the subscription fees can be paid on a monthly basis, without the need to purchase the software licenses outright, it is easier to budget for a SaaS-solution and pass the monthly costs through an operating budget.
- ❖ **No updates or upgrades to install.** Users enjoy access to the latest version of the solution because updates, upgrades and enhancements are made available automatically.
- ❖ **No software support fees.** Support is included with the subscription fee.
- ❖ **Anytime, anywhere** access to the system.
- ❖ **No commitment.** If the solution, or the provider for that matter, no longer meets your needs, you can cancel the service and switch to a different solution.
- ❖ **Access to comprehensive security,** back-up, disaster recovery and support services.
- ❖ **Spend less time on managing your application** and more time on your core business, doing what you are good at.
- ❖ And of course, a lower **Total Cost of Ownership.**

When considering a SaaS solution, it is important to fully understand the benefits of the SaaS model as well as the **Total Cost of Ownership (TCO)** for hosted vs. premises-based CMMS Solutions.

CASE STUDY

Cadillac Casting finds switching to eMaint's X3 easy with immediate cost-benefits. Cadillac Casting, an iron foundry company originally founded in 1922, sought a more cost-effective CMMS solution than their previous premise-based system. They needed a system that would manage up to 30,000 work orders annually. In selecting eMaint's X3 they determined that they would make a significant savings in the TCO of the software, as well X3 provided the best value in terms of speed and performance, efficiency, system functionality and ease-of-use. A cost-comparison helped illustrate the cost benefit of switching for the team:

Cost Comparison

	Existing Premised-based system	SaaS Model (eMaint X3)	Expected Saving
Initial Licensing and Implementation Costs	\$60,000	\$20,000	67% saving
Annual Costs	\$40,000	\$2,000	95% saving

As noted by Brooks Lucas, Facility Manager at Cadillac Casting, apart from the cost benefits of eMaint's SaaS solution, "eMaint is faster, easier to use, and is not cumbersome for the end users to learn and operate".

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"Switching ... to eMaint was not difficult, and the benefits were immediate. eMaint is faster, easier to use, and is not cumbersome for the end users to learn and operate. I have recommended eMaint to others."

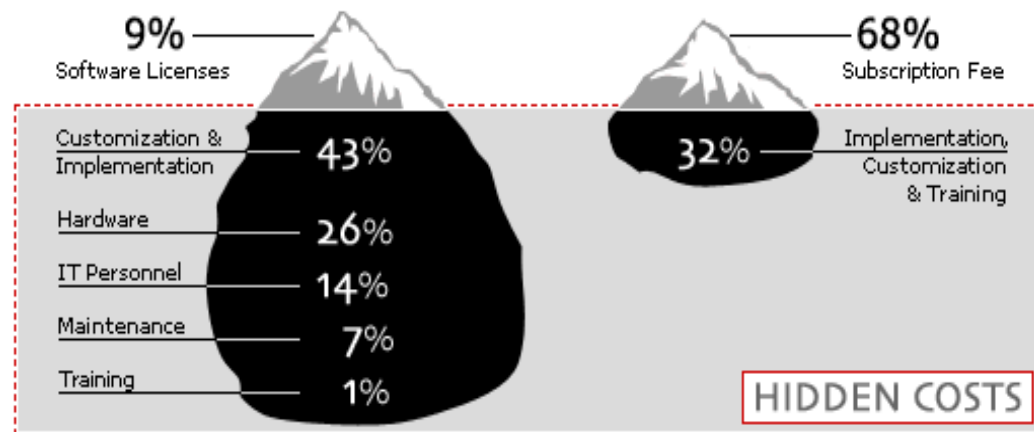
Brooks Lucas,
Facilities Manager,
Cadillac Casting

What is the Total Cost of Ownership of SaaS compared to traditional models?

When comparing the costs of a SaaS solution and a traditional, premises-based software solution, people often fall into the trap of simply comparing the subscription fees of the SaaS against the software license fees of the traditional system. The application license fees are only a small portion of the total cost to implement, customize, manage and support traditional software.

Imagine the Total Cost of Ownership (TCO) is similar to an iceberg...

If we compare average SaaS subscription fees to average software license fees, the comparison might look something like this:



While the percentages shown in the illustration above may not be an exact match to your specific situation, they provide a good general guideline for understanding and comparing the overall costs of the two models.

CASE STUDY

Power Partners realize a savings of 65% in annual subscription fees

Power Partners a leading manufacturer of pole-type distribution transformers that bring electrical power to homes and business throughout the world. It had the challenge that after upgrading their existing premise-based CMMS software license they would need to invest in new hardware/PCs on the floors to operators & technicians to be able access the CMMS. As well, slow performance of the existing premised based system was resulting in lack of system use, lack of data capture and analysis.

eMaint's customer service approach, combined with a 'try before your buy' live trial, resulted in Power Partners selecting eMaint X3 from among 20 packages. After an initial 50% cost savings resulting directly from the switch to eMaint X3, Power Partners' MRO & CMMS Coordinator, Steve Sellers, said, "We realized a savings of 65% in annual subscription fees". The switch to eMaint X3 also enabled Power Partners to keep their existing hardware and also to experience a significant increase in performance as compared to their previous system. Noted Sellers, "Because eMaint is so easy, the guys actually use it!"

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"eMaint X3 is truly amazing, with customer service and support that is unmatched. The switch ... to X3 was the right choice for us. We've realized a savings of 65% in annual subscription fees. The system is twice as fast as... (the existing system), and because it is so easy, my guys actually use it! This has been a refreshing experience."

Steve Sellers,
MRO & CMMS Coordinator,
Power Partners

How to evaluate the total cost of ownership yourself!

As you evaluate various CMMS packages to determine whether they have the functionality to meet your requirements, you are likely to identify suitable options that fall under both categories – SaaS and traditional software. Part of your evaluation process should include a cost analysis to determine the total cost of ownership for both.

The table below lists the cost categories – including Software, Hardware, Implementation, Administration, and Support/Maintenance – that comprise the “big picture” of total cost of ownership for CMMS.

You can use this guide to fill in the line items for your own CMMS project to help you fully appreciate and understand the total cost of ownership of the CMMS packages that you are considering.

Cost Categories for Evaluating Total Cost of Ownership for CMMS Packages

Software Items	Traditional Software Solution (Costs over 5 years)	SaaS Solution (Costs over 5 years)
Software Licenses / Subscription Fees	\$	\$
Operating System Licenses (eg. 2003)	\$	n/a
Server License Fees (eg. MS SQL)	\$	n/a
Hardware Items		
Server Hardware	\$	n/a
Implementation Costs		
System Installation	\$	\$
Configuration and Customization	\$	\$
Training Costs	\$	\$
Data Conversion Costs	\$	\$
Administration Costs		
IT Labor Costs for system support, data backups, database administration, system updates, etc. (As a guide, estimate 20-30% of one IT person's time will be spent on these activities.)	\$	n/a
Data Backups (Should be performed daily.)	\$	n/a
Support and Maintenance Costs		
Annual Support and Maintenance (Generally 17-23% of the software license price, paid each year.)	\$	\$
Software Upgrades (Major upgrades are sometimes not covered under the general support and maintenance plan.)	\$	n/a
TOTAL COSTS	\$	\$

Chances are, after completing a spreadsheet like the one listed above, you will have a better understanding of the financial requirements for your CMMS implementation, and can make an educated decision about which model – Traditional Software or SaaS Solution – is the best choice for you.

As a provider of both types of CMMS solutions, I've seen situations where, for one reason or another, the traditional software model was the right fit for the client. But more often than not, especially for small to medium-sized organizations, the SaaS model proves to be a more advantageous and cost effective solution that will reap the most benefits for the customer.

For More Information:

Please contact our eMaint team to learn how we can help you in delivering CMMS success.

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