

# The Five Hidden Costs of In-House IT Development

You have a highly skilled IT department, why would you ever outsource any software needs? Perhaps the following five hidden costs of in-house application development will provide valuable reminders of lessons learned daily elsewhere.

## 1. Design & Implementation Time

Ever try to articulate every aspect of a technology application to an IT department in a language you both understand and that they can build from? It isn't easy! Countless hours must be spent in "discovery" before the IT team can even begin to get a handle on exactly what exactly you need. More likely than not, what you need is well outside of the scope of your IT department's mission-critical focus and its day-to-day skills.

So you've finally nailed down the specifications and the IT team is off and building. Unless your application has been given higher priority than your core business, IT will be diverted from your application on more than one occasion, delaying implementation. Is your deadline soft and flexible? What is the cost of missing your deadline?

## 2. Available Expertise

Best practices take time to learn, cultivate and develop. While your IT department is fully versed on best practices for your core business, what about best practices for your specific application? Do you or does anyone in your organization have the broad experience operating this sort of application to know best practices well enough for them to be incorporated in the new program? If you're going to wait until the program is operating to figure out its best practices, make sure to plan for the learning curve rolling out this new application!

## 3. Opportunity Costs

Opportunity costs are incurred when your staff is diverted from your core business. Do you really want to divert your IT department from their core function? Do *you* want to be diverted from your core function as you spend countless hours working with IT to define, redefine, test and retest your in-house application? Is this a good use of anyone's time? There are true opportunity costs when going the route of in-house application development. You may be focused on the new application, but be cautious appreciating that those you answer to, including those focused on the bottom line, will be interested in and looking at these opportunity costs.

## 4. Maintenance & Support

You have finally launched your in-house application -- Congratulations! You are off and running. You have just a few questions and seem to be having a minor issue with one thing. Sorry, make that five or ten things. Your IT team is finally back to their core business function, catching up on other projects, so good luck getting immediate help. Can you blame them? Is your IT group available to you 24/7 as your needs increase when the application is live? Get in line for their attention.

## 5. Updates & Upgrades

You have gotten your questions answered, worked out the kinks and you are cruising along with your in-house application. Right through month one, month two, maybe even year one, but now you're looking around and noticing that perhaps from competitors, external vendors, or your own vision of the program, you want upgrades -- You need better, faster, more efficient. Or, whether for a new event or program iteration, changes and customizations are now necessary, but are only available by going through IT again. Head on back to square one.

Bob Violino puts it this way as he describes Cowen and Company's in-house solution, "their application was costly to maintain, difficult to upgrade and lacked the functionality of some newer software on the market for managing relationships with customers."<sup>1</sup> Gartner Inc. furthers this point citing "unmet performance expectations with on-premises solutions" as key drivers in the trend toward SaaS adoption."<sup>2</sup>

## What is SaaS?

Software as a Service (SaaS, typically pronounced 'sass') is a model of software deployment whereby a provider licenses an application to customers for use as a service on demand. The term 'Cloud Computing' means the same thing. SaaS software vendors host the application on their own web servers...SaaS is generally associated with business software and is typically thought of as a low-cost way for businesses to obtain rights to use software as needed versus either developing or purchasing and installing software on certain computers. On-demand licensing enables the benefits of commercially licensed use without the associated complexity and potential high initial cost of equipping every device with the applications that are only used when needed.<sup>3</sup>

## How SaaS Hurdles the Five Hidden Costs of In-House IT Development

### 1. Speed of Deployment

Because SaaS solutions require little capital investment, securing necessary approval is substantially easier and less time consuming. When it comes to implementation, even SaaS providers who deliver customizations to their base platform can deploy in record time compared with deployment times of in-house solutions because theirs are not ground-up implementations. Design, development and implementation times are limited to client-specific customizations and so are substantially shorter. According to a recent survey by Gartner Inc., organizations expecting to maintain or grow their usage of SaaS cite cost-effectiveness and ease/speed of deployment as primary reasons for adoption.<sup>4</sup>

### 2. Expert Technology

SaaS providers are in the business of providing function-specific solutions. This is what they do, day in and day out and as such, most are experts in their respective fields and have gone to great lengths to incorporate what they have learned through trial and experience as best practices. Based on their 2008 poll of 544 IT decision makers at midsize organizations with 100 to 999 employees, the Enterprise Strategy Group puts forth that increased use of SaaS is a result of a lack of internal expertise -- especially among small and midsize businesses (SMBs) -- and expenses associated with setting up and managing systems in-house.<sup>5</sup>

### 3. Core Business Focus

When employing SaaS, your focus and your IT department's focus can remain where it should be -- on your core business and improvements thereof, thereby eliminating this opportunity cost. This is precisely the reason Russell Wright of South Yorkshire Housing Association is interested in expanding their use of SaaS, "I'm definitely interested in trialing other SaaS application in future because I'm finding that they free me and my team to concentrate on more strategic issues."<sup>6</sup>

### 4 & 5. Lower TCO (Total cost of Ownership) Including: Maintenance & Support and Updates & Upgrades

SaaS providers amortize costs among all users and as such the cost per customer is dramatically lower when compared with the development, operating and maintenance costs from the in-house solution. With SaaS, companies do not have to worry about the

direct costs of software licenses, server maintenance or IT staff to manage the programs. Cowen and Co. estimates that it has saved 25 percent on operating and maintenance costs in the three years since it moved to a SaaS CRM application.<sup>7</sup> Hosted software can bring cost savings of 25% to 60% if maintenance and IT staff are factored in says IDC Framingham.<sup>8</sup> The vast majority of SaaS providers include the following within the licensing fee at no additional cost:

- Hosting – Included
- Maintenance – Included
- Customer service – Included
- Upgrades – Included

## Key Additional Benefit of SaaS

**Anywhere / Anytime Access** -- No one needs to explain the prominence of and need for mobile applications. People and employees in every industry are constantly on the move, working remotely, while commuting, and from just about anywhere. Access to current data from anywhere is critical to maintaining and improving upon this increased mobility. SaaS applications are accessed via the Internet and as such are available anytime, anywhere, through any Internet accessible device or location. Gordon Anderson, MD of National Carphones supports this point when he says of their SaaS applications, "The whole essence of having everything on a server somewhere in the middle of cyberspace means that we can access our systems anywhere at any time. The fact that it's customizable for different levels of operative as well means that they get the key information that they need in real time."<sup>9</sup>

## SaaS Benefits Summary

Beth Enslow, SVP of Enterprise Research for the Aberdeen Group summarizes the benefits of SaaS in this way, "Many companies are driven to use SaaS because their current systems lack the functionality they need, especially in managing external processes with customers or suppliers. SaaS systems often have more innovative and easier-to-use capabilities in these areas. In addition, companies like the fact that they can take the burden off the internal IT staff of having to manage system upgrades, troubleshoot problems, and so on. With SaaS, they can automatically ensure that their business is running on the most current version and thus can exploit the latest functionality and run more advanced business processes than competitors."<sup>10</sup>

It must be pointed out of course, that not all SaaS providers are created equal and conducting due diligence to ensure true expertise and best practices in addition to sufficient data security and reliability is always a necessity.

## The Trend Toward SaaS

The trend toward increased adoption of SaaS is well substantiated.

- A 2008 Gartner survey found that 90 percent of organizations surveyed expect to maintain or grow their usage of SaaS.<sup>11</sup>
- Further, Gartner predicts that by 2011, 25 percent of new business software will be delivered as SaaS.<sup>12</sup>

- A survey by Enterprise Strategy Group Inc. found more than one-third of respondents already using SaaS offerings and another 28 percent reporting that they are likely to implement SaaS applications within the next 24 months.<sup>13</sup>
- Market researcher IDC projects a 40% “counter-cyclical boom” of SaaS in 2009 due to its increased attractiveness in a tough economic climate.<sup>14</sup>
- Gartner further substantiates this point saying that, “Despite the slumping worldwide economy, the adoption of SaaS is growing and evolving in the enterprise markets. What’s happening you ask? The newbies are challenging the incumbents. SaaS popularity is increasing and everyone is looking for ways to save money, so the interest for platform as a service grows.”<sup>15</sup>
- Especially in these tough times, companies are looking for easy to use, easy to deploy, cost effective business solutions that improve the bottom line.

The independent experts at Saugatuck Technology recently took a hard look at whether cloud computing is truly ready to take on mission-critical applications and found a whopping 84% of cloud computing users say they're delighted with their decision to migrate away from their on-premise accounting applications.<sup>17</sup>

## Sports Systems SaaS Solutions

As a SaaS application software provider, Sports Systems is in the business of applying web technology to increase control and productivity in the areas of ticket management (TicketTracker) guest and hospitality management (GuestPass) and event accreditation (PressPass). TicketTracker consolidates and streamlines oversight and reporting of ticket requests and allocations via a single online process. GuestPass is end-to-end guest management: from customer nomination and guest invitation and registration to hospitality management and post-event follow up. PressPass replaces manual tasks to streamline the entire accreditation process for the event, the media and other attending groups.

Built on the same backbone platform after several years of development work and several million dollars invested, TicketTracker, GuestPass and PressPass are fully tested and proven cost effective solutions that offer complete customization with quick deployment and a short time to value. With 25 years of experience supporting events with technology innovations, Sports Systems provides best of breed SaaS applications which incorporate best practices gleaned and perfected over thousands of events and years of continuing evolution.

Sports Systems is committed to providing services that meet the needs and exceed the expectations of its clients with a staff responsiveness that is unmatched. To learn more about these three services, [TicketTracker](#), [GuestPass](#), and [PressPass](#), and other related services, please visit our website at [www.SportsSystems.com](http://www.SportsSystems.com).

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