ROI in the Clouds

By Craig Gillespie and Russell Olson III, RA

"Unless you live under a rock, you are in the cloud," said the voice over in a Salesforce.com video[1]. This statement is referring to the fact that every time a person checks voicemail on a smartphone, the action is happneing in the cloud. While US$68.3 billion was spent on cloud computing in 2010, that number is predicted to more than double to US$148.8 billion in 2014 when 60 percent of all IT workloads are expected to be virtualized[2].

Now is the time for computer-aided facility management (CAFM) users to join the revolution and start using software-as-a-service (SaaS). Progressive IT departments already have switched to the cloud as a strategic advancement in how to store and manage data.

"There are many different local IT environments in our organization and few central systems. SaaS makes it possible for users across our organization to share one system without having to maintain our own infrastructure, and at a cost we can afford," said Maureen Blaufuss, Harvard University Planning and Project Management.

For other FM groups, if this strategic framework does not exist, it will be important to demonstrate a strong return on investment (ROI) to win approval for cloud implementation. After analyzing

"What is the Cloud?"

clients for the past several years, the results are obvious: the best ROI comes from SaaS with the overarching benefits being a faster ROI through lower costs and speed of deployment.

Reduce total cost of software ownership

The benefits and cost savings of SaaS compared to on-premises models are substantial. There are several hidden costs associated with on-premises applications. In a SaaS model, these are shared across many client organizations allowing SaaS providers the benefit of scale and the ability to provide SaaS solutions more cost effectively. These include the costs of hardware and software, maintenance fees on the hardware and software, IT infrastructure and IT labor costs.

When considering a SaaS solution, the total cost of ownership (TCO) for SaaS CAFM vs. on-premises CAFM is a major consideration. Comparing SaaS subscription fees against the on-premises license fees of traditional system barely is scratching the surface. For example, in on-premises installations, IT staff is required to maintain the application, which adds burden to internal costs. It also means the application resides outside the area of influence for real estate and FM organizations. The application license fees are only a modest portion of the total cost to implement, customize, manage and support an on-site CAFM application.

Multiyear cost comparison of a large CAFM implementation over a seven-year period for SaaS vs. on-premises shows on-premises solutions are front loaded with hardware and software costs and still carry substantial annual recurring costs. The analysis considered a number of factors including cost of the CAFM software and required third-party software, necessary hardware and network capacity, and IT staffing including loaded salaries and training. The study included both one-time and annual costs. This analysis did not include the cost of professional services, which is assumed to be about the same for each implementation.

Over several years, there could be a point where an on-premises solution becomes more cost effective, but this is not likely due to the evolving dynamic nature of information technology which requires upgrading of hardware, software and dealing with personnel turnover.

Other SaaS benefits

Besides the cost reductions for SaaS vs. on-premises, additional benefits include:

- **Rapid deployment.** Since there is no hardware or software purchased, or installation required by the internal IT group, CAFM users can start using the system as soon as an account is set up. SaaS is a scalable concept from simple site implementations to full-blown enterprise deployments around the globe.
- **Expert service provision.** The CAFM vendor that supplies the services are experts in FM technology, unlike an IT department that is usually more of a "jack of all trades" without any particular business focus or expertise. Therefore, support issues in the SaaS scenario are coordinated more successfully.

- **No updates or upgrades to install by IT.** SaaS users enjoy access to the latest version of the solution because updates, upgrades and enhancements are made available by the provider.
- **Ubiquitous/secure access is provided.** Users can access their CAFM solution over the internet, anywhere at any time. The CAFM SaaS provider must meet stringent security requirements to remain in business, now changing as the old guard SAS70 is being replaced by SSAE 16 which brings new reporting on controls. All data between the user and CAFM system is encrypted using secure communication protocols such as HTTPS. Multitenancy data is secured at the database level to negate the possibility of any crossover. In addition, more companies are requiring on-shore cloud data hosting.

CAFM (and even IWMS) technology in a SaaS environment is practical now and will continue to benefit facility management and real estate organizations long into the future. The bottom line is that SaaS is here to stay; it is not a trend that will fade away, but rather a powerful method of delivering software that is growing stronger as IT vendors and network operators continue to make advances in cloud computing.

"SaaS allows us to meet all our internal information security and disaster recovery requirements in a cost efficient, scalable and flexible manner without need to add additional technical hardware and people resources," said Ed Zimmerman, senior vice president, head of property support, Royal Bank of Scotland Citizens. FMJ

References:

1 www.thestateofcloudcomputing.com

2 www.thestateofcloudcomputing.com

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