

THINKstrategies



***A Guide for IT Managers  
and Business Executives  
of Growing Companies***

**Making the Choice Between  
On-Premise and On-Demand  
Solutions**

An Independent Analysis Published on Behalf of Citrix Online



## Today's Escalating Business and Technology Challenges

*Managing a growing business has never been more challenging.*

Business owners and executives must grapple with a rapidly changing marketplace. Globalization and the Internet are transforming the competitive landscape. While they are both creating new market opportunities, they are also lowering traditional barriers to entry in many industries. This is making it harder for businesses to differentiate themselves in order to win and sustain customer loyalty. At the same time, escalating fuel costs are making it more expensive to conduct face-to-face sales meetings and on-site support visits.

Information technology (IT) managers must contend with an escalating array of technical challenges. They have to deploy an effective Internet platform to support corporate marketing and sales strategies. They have to provide an effective communications platform to facilitate a company's sales and support requirements. And, they must implement systems which can track and analyze the productivity of these sales, marketing and support activities. While plenty of products exist to address these needs, they require significant capital and skills to be fully utilized.

These challenges are driving an increasing number of growing companies to seriously evaluate whether they should purchase and maintain traditional, on-premise technology to meet their business requirements, or if they can take advantage of a new generation of "on-demand" solutions to achieve their business objectives.

*The purpose of this guide is to help business and IT decision-makers make educated choices between traditional, on-premise products and the new generation of on-demand solutions.*

## The Trade-Offs of Traditional On-Premise Technology Products

For years, organizations have relied on traditional, on-premise IT products to help them automate their work processes and improve their productivity. Many companies have grown accustomed to evaluating various product alternatives to meet their needs. They've become adept at implementing, maintaining and managing these technologies to ensure they are getting the optimal value from their investment. These companies prefer the control that comes with owning and operating their own IT equipment, as well as the opportunity to customize their hardware and software to meet their specific business needs.

However, the essential networking technologies needed for communicating with dispersed workforces, customers and partners have become increasingly complex and costly. Implementing remote access, voice and web conferencing, and activity tracking systems can require integrating and managing a combination of expensive hardware and software products and services.

Deploying and maintaining on-premise hardware and software can also create challenges for many companies. It requires a significant upfront capital investment, substantial in-house staff skills and a close working relationship with a variety of technology suppliers and service providers. It can also mean making additional investments in redundant systems, technical training and vendor support services.

As a result, IT often becomes a distraction for many companies with straightforward technology requirements, who would prefer to focus on achieving corporate objectives. For these companies, a new generation of on-demand solutions is available.

## The Advantages of On-Demand Solutions

THINKstrategies has found a growing number of companies would prefer not to deal with the capital costs and ongoing hassles of owning and operating their own hardware and software to support relatively straightforward business functions. Rather than perform these functions themselves, they are contracting with specialized service providers who can do them more effectively at a lower cost. This allows the company to focus on its core business. THINKstrategies refers to this sourcing strategy as “out-tasking.”

The most obvious example of this approach is payroll services from providers such as ADP. Rather than buy the hardware and software, and dedicating the staff to handle this routine business task, most companies are very comfortable contracting with a specialized service provider, like ADP, to satisfy their needs.

Many service providers are offering a new generation of “on-demand,” or Software-as-a-Service (SaaS) solutions to meet companies’ business and IT requirements. These turn-key solutions can be acquired on an as-needed basis for a subscription fee based on the number of users or service level required. The service provider makes the capital investments, handles the technology management issues and supplies the technical support necessary to meet its customers’ needs.

These on-demand, SaaS solutions are often more reliable and cost-effective than hardware and software that companies purchase and manage themselves. AMR Research has found that it often takes companies twice as long and costs them twice as much to deploy technology as they originally expected. Ongoing maintenance and support costs can also exceed ten times the original purchase cost. AMR Research has also found that many companies only utilize a fraction of their hardware and software capacity because they misjudge their requirements or poorly configure their systems. As a result, companies generate less of a return on investment (ROI) from their IT than they planned and must withstand a higher total cost of ownership (TCO).

Compounding these challenges is an ever-increasing number of security threats. Computer hackers and Internet viruses can disrupt business operations and usurp sensitive corporate data. This is leading a growing number of companies to recognize they don’t have the inhouse skills to contend with these security challenges.

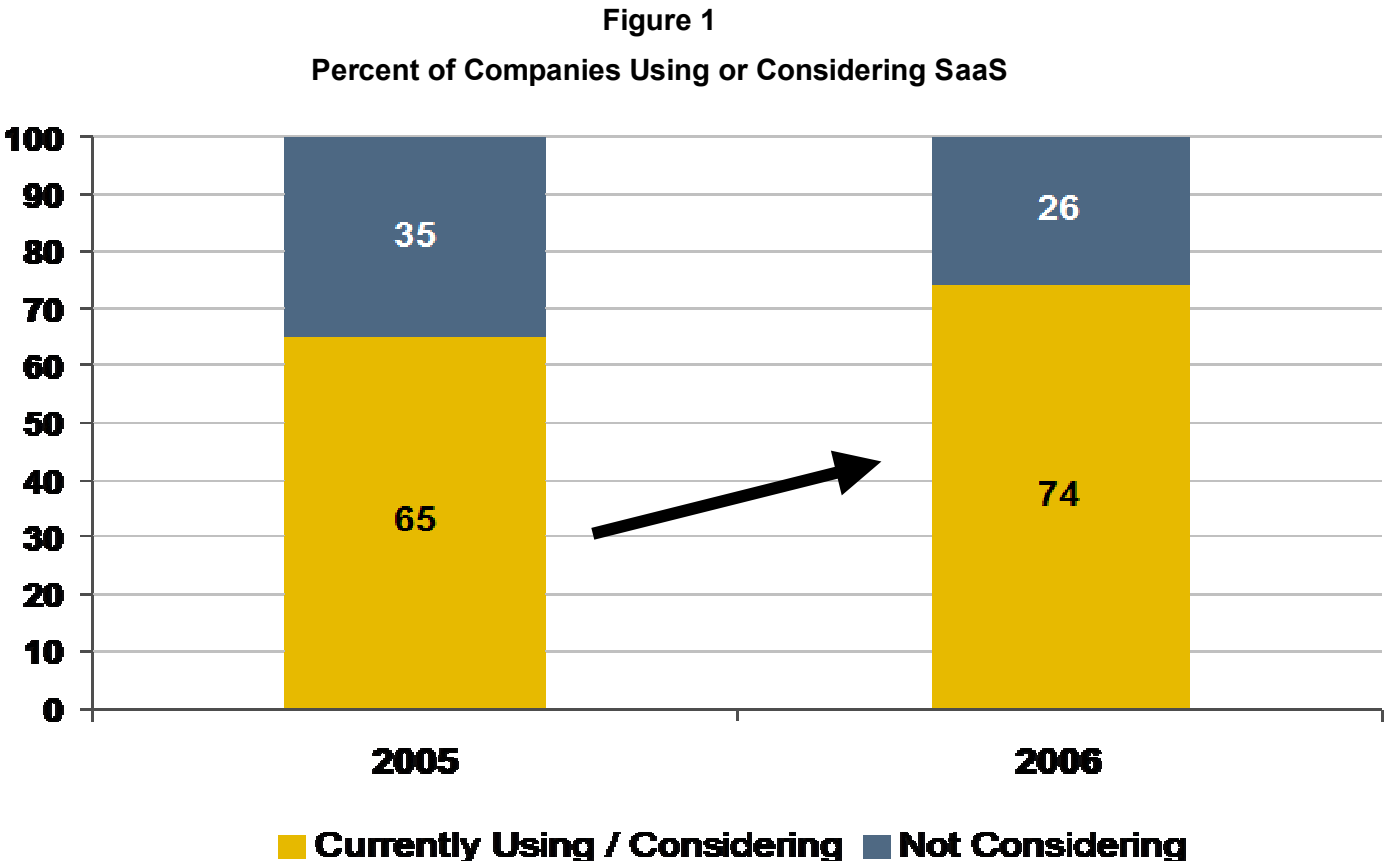
Because of these challenges, many research reports have found that most companies’ inhouse IT staff will spend 80-90% of their time just trying to keep their hardware and software up and running. This leaves little time for the IT staff to support the strategic needs of the company or help the company innovate.

Just as an assortment of consumer-oriented web-based services—like online banking and on-demand entertainment services—have made our personal lives easier, new SaaS solutions are enabling business users to better communicate, coordinate and collaborate internally and externally to achieve their corporate objectives.

The beauty of on-demand, SaaS solutions is that businesses don’t have to buy, install and maintain complex hardware and software products to take advantage of the latest communications and collaboration technology. Instead, they can subscribe to on-demand SaaS solutions to meet their business needs.

THINKstrategies survey research, in conjunction with Cutter Consortium, has found a growing number of companies of all sizes are adopting on-demand, SaaS solutions.

As Figure 1 shows, the percentage of companies surveyed by THINKstrategies and Cutter Consortium who have adopted or are considering SaaS solutions has jumped from 65% in 2005 to 74% in 2006.



*Source: THINKstrategies/Cutter Consortium 2005 and 2006.*

Not only is SaaS interest and adoption growing, but THINKstrategies/Cutter Consortium's survey research has also found that over 80% of current SaaS users are satisfied with their on-demand solutions, plan to renew and expand their use of SaaS, and would recommend SaaS to their peers. These are far higher satisfaction levels and referral rates than traditional hardware and software can boast.

Despite the successful implementation of SaaS among a growing number of companies, many IT managers and business owners continue to be uncertain about the security of SaaS solutions or uncomfortable relinquishing control of their IT or business requirements to a third-party.

The truth is that many businesses are severely challenged contending with the escalating array of security threats aimed at compromising their corporate data or disrupting their operations. Few companies can afford the luxury of building a dedicated internal team of security experts to fully combat these threats. Many companies who are adopting or considering SaaS are doing so because the SaaS vendors have invested in the necessary security products, policies and procedures to safeguard their customers' valuable data and ensure optimal availability of their services.

Today's SaaS solutions can also give many companies greater control over their software applications. Rather than depending on internal staff which may have limited experience deploying and maintaining various applications, SaaS users can rely on vendors with proven expertise and more extensive support resources in specific application areas to meet their needs. SaaS vendors have also made tremendous investments in the service-delivery infrastructure to ensure maximum service availability. They have also invested in reporting systems that enable customers to receive regular availability and activity reports to verify the reliability and quality of their services.

In fact, many SaaS solutions can make IT professionals' jobs easier. The IT department no longer has to select, install, integrate, maintain and manage a variety of hardware devices or software applications to satisfy routine business needs. The web-based functionality of SaaS also allows the IT staff to more easily give remote employees and authorized third-parties access to important applications and share important data.

As a result of the turnkey nature of SaaS, IT professionals no longer need to struggle with technology and application deployment and maintenance issues and can focus on more strategic initiatives which help their company achieve its corporate objectives.

## **A Checklist for Making the Choice Between On-Premise Products and On-Demand Solutions**

Business and IT decision-makers should use the following questions to determine whether on-premise products or on-demand solutions are best suited to meet their needs,

1. Do you have the financial resources to withstand the upfront capital costs of acquiring the hardware and software to support your business requirements?
2. Do you have the internal skills to select the right hardware and software to meet your business objectives?
3. Do you have sufficient resources to successfully deploy and keep your hardware and software up and running?
4. Do you know if you are getting the best performance and greatest value from your hardware and software investments?
5. Do you have the expertise and experience to combat today's escalating security threats?
6. Would you rather focus your limited financial and staff resources on your core business?

If you answered "no" to any of the first five questions or "yes" to the last question, you should seriously consider today's leading SaaS solutions to address your business needs.

SaaS has proven to be a viable alternative for addressing a company's business application needs and IT management requirements. It eliminates the risks and amortizes the costs of deploying and maintaining your own hardware and software. SaaS vendors can also provide a higher level of service availability and security than many companies can achieve on their own. And most importantly, SaaS can enable companies to focus on their core business rather than dealing with the hassles of managing their own technology.

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***This independent analysis was sponsored by Citrix Online.***

### **About Citrix Online**

Citrix Online, a division of Citrix Systems, Inc. (Nasdaq: CTXS), is a leading provider of easy-to-use, on-demand applications for remote desktop access, Web conferencing and collaboration. Its "Simpler Is Better" approach to empowering business productivity online offers small and mid-sized businesses, consumers and professionals an easier, more cost-effective and secure way to access and interact with information, customers, partners and employees in real time. Citrix Online's award-winning services, which are used by more than 20,000 businesses and hundreds of thousands of individual subscribers, include: Citrix® GoToMyPC® for easy, secure remote PC access from anywhere; Citrix® GoToAssist™ for live, easy remote support; Citrix® GoToMeeting® for online meetings made easy; and Citrix® GoToWebinar™ the industry's first do-it-yourself solution for Web events. Based in Santa Barbara, California, Citrix Online has satellite offices and data centers distributed around the world. GoToMyPC®, GoToAssist™, GoToWebinar™ and GoToMeeting® are trademarks of Citrix Systems, Inc. and/or one or more of its subsidiaries, and may be registered in the U.S. Patent and Trademark Office and in other countries. All other trademarks and registered trademarks are property of their respective owners. For more information, please visit [www.citrixonline.com](http://www.citrixonline.com).

### **About THINKstrategies, Inc.**

*THINKstrategies is a strategic consulting services company formed specifically to address the unprecedented business challenges facing IT managers, solutions providers and investors today as the technology industry shifts toward a services orientation. The company's mission is to help our clients re-THINK their corporate strategies, and refocus their limited resources to achieve their business objectives. We help enterprise decision-makers with their sourcing strategies, IT solutions providers with their marketing strategies, and investment firms with their technology investment strategies. THINKstrategies is also the founder of the Managed Services Showplace ([www.msp-showplace.com](http://www.msp-showplace.com)) and Software-as-a-Service Showplace ([www.saas-showplace.com](http://www.saas-showplace.com)) online directories and information resource centers. For more information regarding our unique services, visit [www.thinkstrategies.com](http://www.thinkstrategies.com), or contact us at [info@thinkstrategies.com](mailto:info@thinkstrategies.com).*