



SAAS VS. ONSITE HOSTING

SOFTWARE AS A SERVICE (SAAS) VS. ON-SITE HOSTING

A Closer Look at Why Companies are Selecting SaaS over On-site Models

The Costs, Risks and Benefits of SaaS vs. On-site Hosting

The concept behind SaaS is simple. Rather than the client hosting the application on their own servers, the SaaS provider hosts the application on their servers while taking care of support, maintenance, installations, upgrades and security on behalf of the client. On the other hand, in the traditional on-site hosting model, the client is tasked with building the proper infrastructure to host the application in-house and employs their own IT resources to provide ongoing maintenance and support.

First there are the costs to consider. Using the SaaS model, the costs are mostly in the subscription fees. Subscription fees include maintenance, upgrades and some level of customer support. SaaS solutions are also less expensive to implement because there are no hardware purchases to approve, order, install and support. There is also little or no training required and thus IT resources can be redeployed to more strategic areas. Forrester Research estimates that a client could run a SaaS solution for a few hundred users with just one system administrator while on-site implementations can require two to three employees.¹

For on-site hosting, there are greater upfront costs including hardware, maintenance, upgrades, support and administration. Implementation time is also much longer and thus costs more time, money and resources. For example, hardware procurement can mean weeks of RFPs, gaining approval from a CFO and/or CIO, creating a development environment, and testing equipment. In addition, there can be ongoing charges including potential upgrades for old or broken equipment.² Overall, the total cost of ownership (TCO) for the traditional delivery model can cost up to four times the purchase price of the software per year to manage applications on-site.³ One study by Triple Tree and SIAA concluded that the SaaS models delivers a TCO five to ten times lower than the traditional software licensed delivery model.⁴

Next, there are the risks to weigh. In light of Sarbanes Oxley and other SEC regulation, one of the biggest concerns for IT professionals in the financial services has been security and implementing the proper IT controls. Many worry that their highly sensitive data will be transmitted over a network other than their own if they host their applications off-site. However, the real risk is in on-site hosting as most data security breaches occur within internal firewalls. Actions as simple as visiting web sites and opening email files can be enough to compromise the security of data.

Rackspace, a leader in the global managed hosting market with over 10,000 clients including 15% of the Fortune 500, estimates that security incidents originate from inside an organization about four times more often than they originate from the outside. In most cases, SaaS providers are taking the appropriate steps to ensure strong access rights, data security and physical security. Many are obtaining SAS 70 Type II certificates, an auditing standard that complies with Section 404 of the Sarbanes Oxley Act, to prove their internal safeguards to host sensitive data.⁵ This means that SaaS vendors are providing data security measures that are often more extensive than what a customer could guarantee if the application was located on-site.

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Even for healthcare providers or financial institutions, in most cases it is actually safer for those types of companies to have their data hosted by the right provider. According to TowerGroup – “with the aspect of security growing in complexity and changing at an every increasing rate.... now is the time for financial institutions to consider outsourcing the IT portions of security”.⁶

Other risks associated with on-site hosting include deployment complexities, implementations risks as well as additional resources needed for training and support.⁷

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Finally, the benefits of using SaaS programs include the elimination of hardware, remote support of the product, and interoperability with other business applications.⁸ Overall, SaaS provides a quicker to deploy, lower risk alternative to traditional on-site hosting because business units are less dependent on IT as they are able to effectively evaluate, procure and deploy applications without involving busy IT resources.⁹ In addition, the SaaS model provides the benefits of automatic frequent upgrades; ease of use; the ability to implement enhancements on an ongoing basis; quicker deployment times and thus quicker ROI; ease of scaling; and compliance with Web service standards.¹⁰

Conclusion

With the future trend moving towards SaaS, many cost conscious companies are weighing the benefits and risks alongside costs and selecting SaaS as their solution. The last few years have already shown great advancements in security, specifically with the onset of SAS 70 Type II certificates. As SaaS continues to replace the traditional on-site hosting model, the smaller risks associated with the deployment model, such as integration capabilities, continue to be fine tuned and improved to the point where they will become negligible relative to the cost/benefit of implementing SaaS.

The Norbury Solution

Norbury Financial designed the Norbury Links service using the model of SaaS because financial institutions need a more advanced level of security in hosting applications. All of Norbury's data centers are SAS 70 compliant - the highest industry measure of operational control and infrastructure available.

A few key items make Norbury's hosting model a better solution than traditional on-site hosting for financial services. First, Norbury's back end infrastructure consists of a storage area network (SAN) which offers several advantages including redundancy, scalability, reliability and performance. The SAN is spread over many clustered servers and connected with fiber optic network cables in order to provide fast, redundant access to subscriber data.

Next, Norbury exceeds the backup and business continuity requirement that any company could ensure on-site. Each Norbury data center is supplied by redundant data providers, 3 redundant data sources and powerful generators. Norbury offers a 100% uptime guarantee and automated data backup.

Finally, Norbury takes the highest security precautions available. The biggest source of virus and hacking attacks results from client activities such as web browsing or using email. Norbury doesn't allow these types of activities behind our firewall, making our network safer than any client's internal network.

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Additional security precautions include: encrypted credentials, node locking, user login, IP restrictions, password protected access from client application to client database, 25X7 monitoring by staff and 128 bit encryption of all communication with servers.

About Norbury

Norbury is the future of research software for managing the internal operations of investment professionals - including Portfolio Managers, Analysts, Directors of Research and Chief Operating Officers. Norbury's flagship product, Norbury Links, is the only information management solution of its kind designed with an ASP/SaaS model of delivery - the most secure method of data hosting available. Links saves investment professionals time by centralizing and indexing internal and external research for easy retrieval and cross referencing - making collaboration among colleagues, and across geographical locations, seamless and simple. Norbury has been helping investment professionals make better informed and faster investment decisions since 2004. For more information or to schedule a demonstration of Norbury Links, contact Norbury at 617-701-0505 or visit <http://www.norburyfinancial.com>.



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- ¹Forrester Research, The Financial Economic Impact of SaaS, Liz Herbert, September 2006
²Forrester Research, Comparing the ROI of SaaS vs. On-premise, Ray Wang, September 2006
³Computer Economics, Software on Demand Attacking the Cost Structure of Business Systems, Frank Scavo, April 2005
⁴InfoTech Research Group, SaaS-What is it and Why You Should Care, September 2006
⁵Forrester Research, SaaS Gathers Steam in Large Enterprises, Liz Herbert, June 2006
⁶CIO Update, Financial Services Firms Should Outsource Security, CIO Update Staff, January 2007
⁷Forrester Research, The Financial Economic Impact of SaaS, Liz Herbert, June 2006
⁸PC Magazine, SaaS Experts Predict 20% Growth, Natalie Del Conte, September 2006
⁹Forrester Research, Salesforce.com: Time for a Standard SLA, Liz Herbert, January 2006
¹⁰Forrester Research, The Financial Economic Impact of SaaS, Liz Herbert, September 2006

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