freshservice
by freshworks

A compelling financial case for **cloud-based IT service desks**
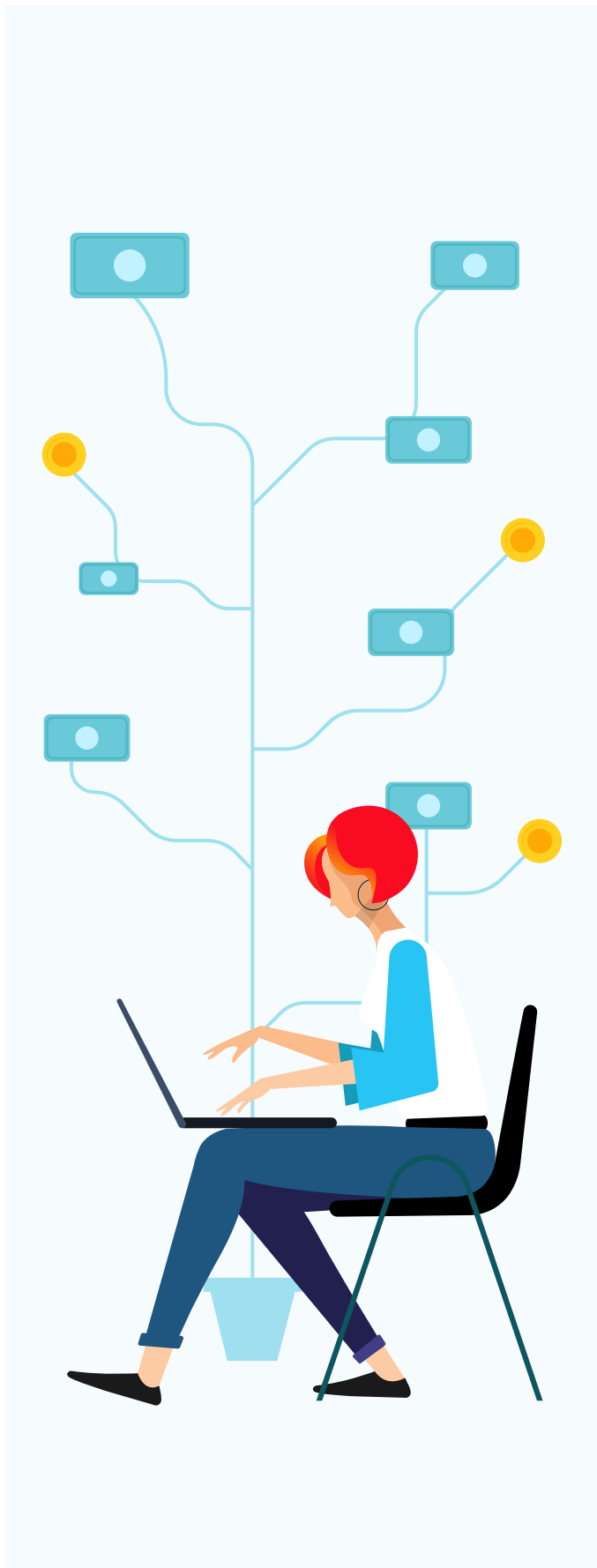
AGENDA

INTRODUCTION

cost-savings are the biggest motivation for CIOs to move to the cloud model, at 38.8%.
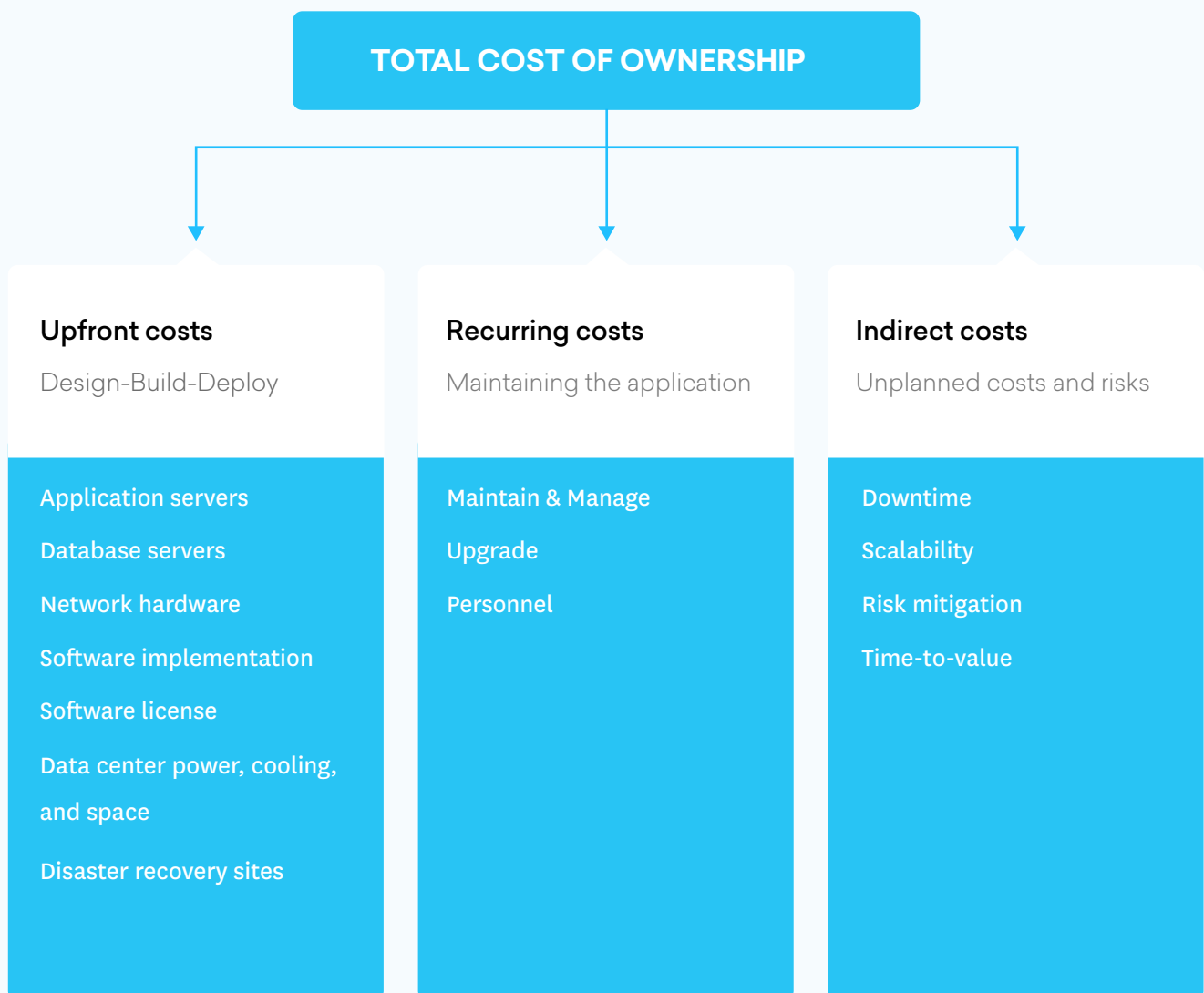
- 451 Research study, 2018

Organizations move their applications and systems to the cloud looking for improved efficiencies, increased flexibility and substantial cost savings. IT teams work with shoestring budgets and are often considered a cost center. Total cost of ownership is the biggest driver of purchase decisions for IT teams.

IT has to make expensive upfront capital investments to purchase and deploy legacy software systems. While this is a big part of the total spend, there are other hidden costs and maintenance fees that add up over time. These unplanned expenses consume already-stretched IT budgets and put improvement projects on the back-burner. Years of experience with customers moving away from legacy on-premise systems helped us create this report comparing the real costs of on-premise and cloud deployments.

A TOTAL COST OF OWNERSHIP (TCO) FRAMEWORK

Deploying ITSM applications involve huge budgets, lengthy contract negotiations and endless approvals. Understanding all the costs and its levers help you control IT spends.

While total cost of ownership is a well-understood concept, there are several areas that are vague, unknown or unplanned for. Based on the scale and complexity of the deployment, the components are different. That's why we've put together an exhaustive framework laying out all the cost components over the lifetime of ITSM systems.

TOTAL COST OF OWNERSHIP

Upfront costs
Design-Build-Deploy

Application servers

Database servers

Network hardware

Software implementation

Software license

Data center power, cooling, and space

Disaster recovery sites

Recurring costs
Maintaining the application

Maintain & Manage

Upgrade

Personnel

Indirect costs
Unplanned costs and risks

Downtime

Scalability

Risk mitigation

Time-to-value

Upfront costs

The upfront costs before going live with a new application include designing, building and deploying the system. Upfront capital investments determine the break-even period, return of investment and the approval process. The upfront costs are only a small fraction of the total costs.

Annual cost to maintain legacy software applications = **4X** cost of the initial purchase

Recurring costs

Ongoing operating expenses are required to maintain and support enterprise applications. The ongoing maintenance and system administration require personnel and expensive external consultants. Continuous changes like version upgrades, security patches and bug fixes also require significant investments of time, money and effort.

Unplanned costs

Other than the direct upfront and operational costs, there are many intangible and indirect costs that affect IT's total cost of ownership. These include security risks and data breaches, business impacting unplanned downtime, performance slowdowns and other business disruptions. These hidden costs seem insignificant but often becomes the biggest inhibitor to business performance.

COMPARING THE TCO COST COMPONENTS

Legacy On-prem &   Modern Cloud-based It

Legacy Cloud Service Desks   **vs**   Service Desks

1. Upfront costs

2. Recurring costs

3. Unplanned costs

UPFRONT COSTS

On-prem legacy service desk

HEAVY
Upfront Investment

Legacy deployments require significant upfront costs. Expensive hardware and software license fees make up a large portion of the upfront costs.

Cloud-based service desk

ZERO
Upfront Investment

Cloud-hosted service desks require no capital expenditures, as no equipment needs to be purchased. Infrastructure costs like application servers, data centers and disaster recovery are spread over the contract duration and cloud providers have a strong advantage over on-premise systems.

LENGTHY
Implementation

Legacy systems require extensive customisation and run the risk of breaking existing mission-critical business processes. To keep everything running and plan for smooth migration, system implementation requires expensive external consultants.

Deployments requires significant time and effort to setup, install, test, and tune before going live. Data migration from the old system adds an additional layer of complexity, time, and cost.

EASY
Implementation

Cloud providers offer nimble licensing and flexible subscription fees. You subscribe to the software, pay as you use and walk away when it stops serving your purpose. Cloud-based service desks are designed and built to be deployed in days and weeks with minimal implementation costs. Modern, agile service desks allow codeless deployments that don't demand external consultants or lengthy manuals.

SLOW
Start

Finally, legacy systems are not successful without investing in training for agents and business users. Besides the increases costs, this extends time-to-value from days to months.

Legacy systems lock you down even before you start off. They shift the onus of maintaining and mending it on your team. Such a complex system leaves you dependent on expensive external consultants for the smallest of changes.

QUICK
Start

Cloud-hosted service desks are built with the user at the front and center. The intuitive UI of modern service desks make it easy to use and create a happy experience for both agents and business users.

Cloud-based service desks free your capital from the prison of legacy lockdown. The metered service desk gives you flexibility to match your investment to your needs.

RECURRING COSTS

On-prem legacy service desk

HEAVY
Maintenance

Legacy systems are difficult to get up and running. The ongoing maintenance and support only goes uphill from there. The hardware and software require regular maintenance and updates that usually costs 20% of the upfront costs on an annual basis.

Cloud-based service desk

HASSLE-FREE
Maintenance

Cloud-based service desk providers maintain the infrastructure and and all other ancillary services. The monthly or quarterly subscription fee is inclusive of this. Cloud vendors spread this cost across 1000's of customers reducing this expenses.

ONGOING
Personnel costs

Personnel costs are one of the largest expenses of all operating expenses. Dedicated teams are needed for maintaining the hardware and software. Ongoing support for timely troubleshooting is non-negotiable.

ZERO
Personnel costs

Cloud vendors have dedicated teams in charge of ongoing support. They maintain the same infrastructure across all customers with higher resilience, security and stability at a lower cost

DIFFICULT
Upgrades

Upgrades and security patches are frequent costs that you will encounter with legacy systems. These upgrades cost several million dollars, take several months to deploy, are a huge disruption to the business, and consume time, money and personnel.

Legacy systems continue to squeeze IT budgets with their ongoing maintenance fees, re-implementation and upgrades costs. With businesses undertaking multiple digital transformation initiatives today, IT projects with legacy systems can become cumbersome and expensive going forward.

AUTOMATIC
Upgrades

Frequent and automatic upgrades are included in a traditional cloud model. Cloud vendors develop, test and roll out security patches, version upgrades and bug fixes to all users, at once. You continue to access secure and high performing applications without any down-time.

Cloud service desks offer payment models that shift IT spends into the operating expense bucket. This shortens approval processes for new IT initiatives, helps you take control of your IT spends and scale up or down based on you business needs.

UNPLANNED COSTS

On-prem legacy service desk

REACTIVE
Firefighting

Personnel, time and budgets are the currency of IT or any other business team. Time spent to install, configure and maintain legacy systems is time wasted. Unplanned downtime shifts the focus of entire teams to get systems back up and running. IT teams must use their time and budgets wisely and work on strategic technology initiatives, not maintenance.

Cloud-based service desk

PROACTIVE
Improvement

With little implementation effort, code-free changes to workflows and behind-the-scenes upgrades, cloud services are stress free for IT teams. With a cloud-based service desk, your team can focus on mission-critical initiatives and not spend time keeping another system running.

DOWNTIME
Costs

Legacy systems need upgrades and patching which need regular downtime. The impact ranges from loss of productivity to SLA violations and customer lawsuits. Setting up new systems or re-implementing upgrades that have gone wrong disrupt business continuity.

UP TIME
Guarantees

Cloud providers offer high availability to minimize any hardware failures and software glitches. Their deployments are designed with failover, backups and disaster recovery which allow several cloud providers guarantee an uptime of 99.9%.

ASSOCIATED
Risks

While capex and opex costs are well-known, there are several intangible costs that you incur with legacy systems. These come in the form of unplanned downtime, security breaches, slow time-to-value and reactive firefighting to keep the system running.

MITIGATED
Risks

Cloud deployments are built to be secure, stable and resilient without passing the buck to the customer. Regular back-ups and security updates are taken care of while your team can focus on the next big project.

SLOW
Time-to-value

Legacy systems are slow to deploy and slower to adapt to business changes. It takes years to see any ROI in terms of business value. Business and IT agility is now a competitive edge and legacy systems only hold you back.

FAST
Time-to-value

Cloud-based IT applications deliver value in days or weeks, not months. Whether it's rolling out new functionality or improving an old process, the time to setup and deploy can't be matched by any legacy system.

A 3-YEAR TCO ANALYSIS OF LEGACY
- VS -
CLOUD-BASED IT SERVICE DESKS

We conducted a quick study with customers who've moved away from legacy and on-premise systems to put together this cost comparison of on-premise and cloud deployments. For a company with a 100 - member service team, the total costs are as follows:

	Legacy system costs	**Freshservice costs**
Agent License fees (per year)	120,000 $	95,000 $
Asset Management fees (per year)	20,000 $	2,000 $
Implementation fees	100,000 $	20,000 $
On-going professional services (per year)	30,000 $	NIL
Total cost of ownership (3 years)	610,000 $	311,000 $

The total cost of owning a cloud-based service desk is **50% lower** **than a legacy system**

"

Switching from ServiceNow to Freshservice was one of the best decisions we made. Freshservice is definitely the ITSM tool of the future. It is easy to use and implement. We had so many complicated workflows and unecessary noise in ServiceNow. With Freshservice, we managed setup workflows and improve service delivery within a month.

Matthew Stratton

IT Service Delivery Manager
Virgin Active

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Before Freshservice, we utilized an antique Service Desk system that was inflexible and unreliable. For a very reasonable cost we now have a robust system that both our users and agents love. The advanced reporting and automation features are a team favourite. It's a great solution that's always improving.

Kevin Higgins
Technology Director
Kansas City Chiefs

Conclusion

In today's agile business environment, cloud service desks enable innovation by shifting an organization's resources and focus from IT infrastructure setup and management to creating and delivering business value. Freshservice, a product of Freshworks is a cloud-based IT service desk that is quick to setup and easy to use and manage.

We've helped organizations of all sizes move their IT operations to Freshservice and enjoy the benefits of reduced upfront capex, improved ROI, shorter payback period, speedy deployments, and greater IT agility.

Companies that moved to Freshservice

The highest rated service desk solution

Gartner Peer Insights Customers' Choice for ITSM Tools

SDI Award for Best Implementation for 2 successive years

Capterra's Most Popular ITSM Software

G2 Crowd Service Desk Software Leader 2018

www.freshservice.com

A product by

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