



SaaS vs. On-premise

The Ecommerce Platforming Showdown

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Overview

Choosing an ecommerce platform is one of the most important decisions you'll make as a retail company. From your site's load time to your growth potential to your employee headcount, your choice of ecommerce platform affects much more than just your monthly payment.

And one of the most fundamental platform decisions mid-market and large merchants have to make is whether to leverage a SaaS platform, which means outsourcing hosting and back-end management to a company specializing in ecommerce, or to select a platform that requires the retailer to provide on-premise hosting and management.

If you're at this fork in the road, there are a few questions you're probably asking.

Which type of platform is...

- more cost-effective?
- easier to integrate with my other business systems?
- easier to customize for my brand?
- more scalable as my company grows?
- easier to update, maintain and keep PCI secure?
- faster to implement?

In this ebook, we'll cover the answers to these questions and more, providing you with all the support you need to choose an ecommerce platform with confidence.

Let's start the showdown!

Total Cost of Ownership

We'd all love to live in a world where cost wasn't one of our top concerns, but of course it is. And for on-premise and SaaS ecommerce platforms, the cost difference can be significant, especially over a four-year span.

On-premise Ecommerce Platforms

When looking at the cost of an on-premise platform like Magento, the first numbers you'll see are the licensing fees. You'll often see two numbers for Magento pricing: free, for the small-business community version, and \$22,000 per year for the Enterprise Edition. However, it's important to note that these numbers are only part of the total cost of ownership.

Your total costs include:

- Licensing fees - \$0 to \$22,000 per year and up as you add additional servers
- Infrastructure - including web / app servers, databases, firewalls and load balancers
- Development, design and app integration costs
- Managed support costs - updates, troubleshooting, bug fixes, patches and training
- Technical staff hire - must have one dedicated employee on staff, \$50k-120k/yr depending on your market

Forrester estimates that [80% of on-premise spending](#) goes toward maintenance, while 20% is used for new projects and initiatives. This doesn't automatically mean an on-premise solution isn't right for your company, but it's a decision to go into with your eyes wide open, recognizing that maintenance will be a major time and budget commitment.

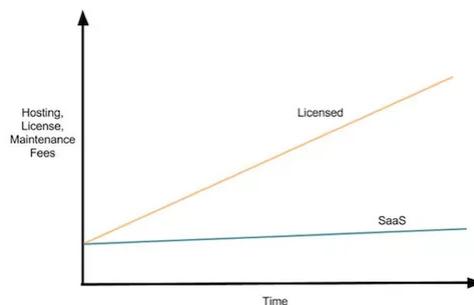
SaaS Ecommerce Platforms

SaaS platforms offer a couple of major cost savings: 1) they're managed by companies who have economies of scale working in their favor, and 2) they are typically priced to grow with your company, rather than requiring high up-front expenditures.

With a SaaS platform, your total cost of ownership includes:

- Value-based fees - \$12,000 to 30,000 per year and up, based on value metrics (pay more as you grow)
- Development, design and app integration costs - full access to front-end code for your dev/design firm, open API for business app integration

Research has shown that SaaS solutions can cost [up to 50% less](#) than licensed (on-premise) solutions over a four-year period.



One quick way to find out what these savings would look like for your company is to use BigCommerce's [Total Cost of Ownership calculator](#), comparing the entire cost of using an on-premise solution vs. a SaaS platform.

Round 1 Winner: SaaS

This is a clear-cut contrast. The lifetime cost of SaaS platforms is significantly lower than on-premise solutions, primarily due to the complexity and cost of building and maintaining an in-house data center.

Business System Integration

Most merchants have cobbled together as many as 15 different backend technologies that work together to power their site. Your ecommerce platform doesn't operate independently from the rest of your business' tools and systems, which may include any or all of the following:

- ERP (such as Jagged Peak, Oracle, SAP, Epicor, MS Dynamics)
- CRM (such as Salesforce, Sugar)
- Order Management Systems
- Shipping and Fulfillment platforms (such as Shipper HQ)
- Email Integrators (such as Listrak)
- Tax tools (like Avalara)
- Analytics and Optimization tools (such as Optimizely)

So needless to say, it's critical that your ecommerce platform integrates as seamlessly as possible with all of the tools and systems you're using to operate your business successfully.

On-premise Ecommerce Platforms

With an on-premise ecommerce solution, you'll need to first establish that you have the resources available to handle app integration for your site, either internally or as part of your development/design contract. If you're hoping to handle it internally, this means having a dedicated systems integrator on staff who can utilize a licensed API to create a custom integration.

It's important to note that platform vendors typically won't provide support if it even remotely appears that your integration interfered with the core of the platform. This is why it's preferable to use an experienced ecommerce development team to handle your integration.

SaaS Ecommerce Platforms

While it used to be the case that licensed (on-premise) ecommerce solutions were easier to integrate with other systems, today's SaaS platforms have virtually closed that functionality gap. SaaS solutions now provide APIs that allow the necessary hooks for integration needs. Of course, just as with on-premise solutions, SaaS integration efforts require development time, so having the right team in place is critical.

Round 2 Winner: Tie

This is an area where on-premise solutions used to have the slight edge, but today's combination of open APIs and SaaS platforms that play well with others has made this a dead heat.

Customization

As a competitive brand, you naturally want your site to reflect your unique voice and visual guidelines. It's equally important that your ecommerce site be user friendly and designed to funnel users toward the shopping cart and checkout.

Your design and development partner can be much more successful in establishing this type of branded, sales-driven site if you choose a platform that offers front-end flexibility.

On-premise Ecommerce Platforms

Flexibility is, of course, the primary benefit of building your own infrastructure and utilizing an on-premise ecommerce platform. With a skilled design and development team, Magento and other license-based, on-premise solutions can offer complete customization. They can also enable your organization to manage its own development and deployment cycles. But be sure not to trust just anyone claiming to be a Magento developer -- the system is complex and requires development professionals with special, Magento-specific certification.

SaaS Ecommerce Platforms

While on-premise platforms used to be the top choice for merchants seeking customizability, today's SaaS platforms are robustly equipped to meet the needs of today's companies. From highly flexible, modern, responsive themes utilizing popular coding languages, to easy plugin/app integration, SaaS platforms are purpose-built for designers and developers to quickly and collaboratively build beautiful, branded ecommerce sites that convert sales.

If SaaS platforms are limited in any functionality, it is typically to comply with best practices for a frictionless and compliant checkout process. For some, this is a positive attribute, while others might prefer limitless customizability.

Round 3 Winner: Tie

Both types of platforms are made for customization and can be very effective for a variety of marketing and development needs.

Back-End Scalability

If it's possible your company will grow in the coming years, it's important to consider scalability as part of your ecommerce platform choice. While both on-premise and SaaS platforms are scalable, the speed, cost and ease of scaling is different.

On-premise Ecommerce Platforms

When you're working with an on-premise solution, it's relatively easy to change your licensing structure as your company grows. Where it can get more complicated is acquiring and provisioning the servers you need to support your growth before the increase in traffic affects your site adversely.

To properly scale an on-premise platform, your IT team must be proactive in determining when more resources are needed, and must be backed by enough budget to make infrastructure purchases as needed, including not only primary servers but redundant servers for backup and business continuity. Some companies choose to outsource the monitoring of their on-premise solutions to a third-party provider of managed services, which can take some of the guesswork out of determining when and how to scale, however the costs of scaling your own infrastructure will always exist.

SaaS Ecommerce Platforms

One of the major benefits of any SaaS solution is the ease and affordability of scaling, and ecommerce platforms are no exception. SaaS ecommerce platforms are built to handle thousands of transactions a day, so even if you run a successful promotion or flash sale that drives unprecedented traffic to your site, you'll have the resources you need to handle the spike. Of course, as you scale, so do the fees you pay to your platform provider. But because of the scale at which these providers are operating, the monthly licensing fees are typically a drop in the bucket of what you'll pay for adding on-premise servers.

Round 4 Winner: SAAS

For many growing companies, eliminating the infrastructure costs and concerns that come with scaling is reason enough to choose a SaaS platform. When it comes to scalability, SaaS is king.

Security Updates & PCI Compliance

Ecommerce companies are subject to a huge level of scrutiny when it comes to security and compliance, and understandably so, given the volume of credit card data that passes through online merchants' databases. Ensuring your platform is as secure as possible means keeping up with security patches, updates and PCI compliance standards.

Since neither type of platform is inherently safer, your decision will rest on whether you'd prefer to have control over updates and compliance auditing or whether you'd prefer an ecommerce provider handle those things for you.

On-premise Ecommerce Platforms

Choosing an on-premise ecommerce platform will put the onus on your IT team to conduct updates, maintenance and PCI compliance. Keep in mind that each time the platform releases an update, you'll need to install it on all licenses individually. You will also be responsible for applying patches to any plugins you're using and running a thorough quality assurance check to make sure nothing unexpected has been affected by the updates.

Whether you're using an open-source or commercial ecommerce software, some or all of the responsibility for your organization's PCI compliance will rest on your teams' shoulders. This includes building and maintaining a secure network, developing PCI policies, conducting PCI-related meetings, analyzing code, sketching flowcharts and writing PCI reports on an ongoing basis. For larger teams that want more ownership of this process, it can make sense. However, it's important for lean or mid-sized organizations to fully weigh the time and skill needed to manage this very important part of your ecommerce business.

SaaS Ecommerce Platforms

With a SaaS platform, updates, maintenance and PCI compliance are covered for you. This is obviously the easier choice for organizations that don't have the bandwidth to build out a team to handle these tasks.

Round 5 Winner: SAAS

SaaS ecommerce platforms take a lot of the pain out of security and maintenance. This is a major reason why even some larger organizations opt to use a trusted ecommerce SaaS partner, rather than build an on-premise system.

Time to Market

When you're ready to start making money with your ecommerce site, every week that goes by can mean missed trade show opportunities and, of course, countless lost sales. So while patience is a virtue, it's important to factor in the time to market when choosing an ecommerce platform.

On-premise Ecommerce Platforms

Going into an on-premise build is more of a marathon than a sprint. You'll need to select and build the infrastructure, make staffing hires and implement security solutions before beginning the design and development process.

SaaS Ecommerce Platforms

With a SaaS platform, you start at the design and development stage, reducing the time to market by weeks or even months. On-premise launches typically take about two to four times longer than SaaS launches.

Round 6 Winner: SAAS

If time to market is important to you organization, a SaaS will always be the best choice.

Final Thoughts

For small or mid-sized online merchants, the choice between SaaS and on-premise is not terribly difficult. SaaS ecommerce platforms are not only more cost-effective, they save time, complexity, headcount and a great deal of uncertainty -- all of which add up to a compelling packaged solution for budding organizations.

Where the decision becomes more complicated is for larger organizations, for which staffing, expense and complexity are less of an obstacle. On-premise solutions are endlessly flexible and give companies complete access to their source code and customer database, a benefit for larger organizations who need to do real-time data mining.

Whatever your goals, having the right development and design partner on your side can make navigating the process much easier. We can help you select a platform, then put our expertise to work to ensure your site is beautifully customized for your brand, fully optimized to help you attract customers and keenly focused on driving sales.

The 5 critical differentiators between Magento ecommerce and BigCommerce

Want more details on how BigCommerce stacks up against Magento?

Keep reading here.

[The 5 Critical Differentiators Between Magento Ecommerce and BigCommerce](#)

Let's Talk!

Get in touch with us to discuss your company's goals and timeline, and we'll help you solve the SaaS vs. On-premise debate once and for all.



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About Us



Technoscience Inc.

Eradium is a retail innovation company.

We help our clients to stay relevant and compete in the fast-paced environment of 21st-century digital commerce.

We put the shopper experience first. We deliver solutions that are seamless and unified across every customer interaction.



BigCommerce is the leading cloud ecommerce platform for fast-growing and established brands. Online stores built on BigCommerce have higher traffic, better conversion and superior performance. You'll get a secure shopping cart with optimized checkout, enterprise-grade analytics, responsive themes and mobile commerce features, advanced marketing and SEO tools, and much more.

Learn more at:

Additional Resources

[Total Cost of Ownership calculator](#)

[BigCommerce Ebook | The 5 Critical Differentiators Between Magento Ecommerce and BigCommerce](#)

[Price Intelligently Blog | SaaS Pricing Teardown: Ecommerce Platforms](#)

[BigCommerce Blog | How On-premise, Open Source and SaaS Ecommerce Technologies Handle PCI Compliance -- And How Much It Costs You](#)

[BigCommerce Blog | How to Know if a SaaS Ecommerce Platform is Right for Your Business](#)

[BigCommerce Blog | How to Evaluate Your Ecommerce Needs: A Breakdown of Benefits for Licensed and SaaS Solutions](#)