BIGCOMMERCE | Anchor Group

SaaS VERSUS On-Premise

THE ECOMMERCE PLATFORMING SHOWDOWN

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Introduction

Switching ecommerce platforms is an important decision that can put your business on a path to greater online revenue. From your site's load time to the protection of your customers' payment data to your growth potential, your choice of ecommerce platform affects much more than just your monthly payment.

One of the most fundamental platform decisions companies have to make is whether to leverage a software-as-a-service (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, you're probably wondering which type of platform is:

- More cost-effective
- Easier to integrate with other business systems
- Easier to customize
- More scalable as your business grows
- Easier to update, maintain, and keep PCI compliant
- Faster to implement

In this ebook, we pin SaaS and on-premise ecommerce platforms head-to-head to see which one wins in each of these critical areas.

Let's start the showdown!

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Total Cost of Ownership

We'd all love to live in a world where cost wasn't one of our top concerns, but it's always going to be a determining factor in business. The cost difference between on-premise and SaaS ecommerce platforms can be significant—especially over a four-year span.

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Total Cost of Ownership

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. Magento's on-premise options include the Community Edition, which is open-source and free, and the Enterprise Edition, with licensing ranging from $22,000 to $125,000 per year based on annual gross sales revenue. However, it's important to note that these numbers are only part of the total cost of ownership.

Your total costs include:

- **Licensing:** $0 to $22,000 per year and up.
- **Infrastructure:** Costs for web/app servers, databases, firewalls, and load balancers.

- **Development:** Programming, design, and app integration costs.
- **Managed support:** Fees for updates, troubleshooting, bug fixes, patches, and training.
- **Hiring technical staff:** One dedicated employee on staff at a cost of $50k-$120k/year 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.

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Total Cost of Ownership

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're 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 development/design firm and open API for business app integration

Research has shown that SaaS solutions can cost up to 50% less than 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 to compare the entire cost of using an on-premise solution vs. a SaaS ecommerce platform.

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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.

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We found that there were a lot more people that worked on BigCommerce in terms of development. We were comparing all of the feedback versus a Magento installation, where it was much more difficult and more expensive to do the same stuff BigCommerce gets you without much effort or cost.

— Doug Root
CEO, Atlanta Light Bulbs

ROUND 2

Business System Integration

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

- ERP (such as Brightpearl, Oracle, SAP, Epicor, and MS Dynamics)
- CRM (such as Salesforce)

- Order management systems (such as OrderDynamics)
- Shipping and fulfillment platforms (such as ShipperHQ)
- Email integrators (such as Listrak)
- Tax tools (such as Avalara)
- Analytics and optimization tools (such as Optimizely)

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

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Business System Integration

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 want 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 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.

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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.

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The solution allows for real-time data exchange between BigCommerce and multiple other ERP and warehousing systems. We leverage the API-based integration with BigCommerce and have the flexibility to communicate with a variety of target systems using APIs, EDIs, and other messaging frameworks.

— Gopal Chandrasekaran
Managing Director, arizon.digital

ROUND 3

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.

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Customization

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 on-premise solutions can offer complete customization. They can also enable your business 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 Magento-specific certification.

SaaS Ecommerce Platforms

While on-premise platforms used to be the top choice for companies seeking customization, today's SaaS platforms are robustly equipped to meet the needs of your business. From highly flexible, modern, and responsive themes utilizing popular coding languages to easy plugin/app integration, SaaS platforms are purpose-built for designers and developers to quickly 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. This is a positive attribute for some businesses, while others might prefer limitless customizability.

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ROUND 3 WINNER:

Tie

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

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Thanks to the platform's open API, we're building out more customizations that are making our online store even more effective as a sales tool, both on the front- and back-ends.

— Myles Fleming
Business Manager - Operations, IT & Marketing,
Kidstuff

ROUND 4

Back-End Scalability

If you expect your company to grow in the coming years, it's important to consider scalability as part of your ecommerce platform decision. Both on-premise and SaaS platforms are scalable, but the speed, cost, and ease of scaling is different.

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Back-End Scalability

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 adversely affects your site.

Your IT team must be proactive in determining when more resources are needed to properly scale an on-premise platform. You must also have enough budget to make infrastructure purchases, including primary servers and 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, but the costs of scaling your own infrastructure will always be a factor you'll need to consider.

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 operate, the monthly licensing fees are minimal compared to what you'd pay for adding on-premise servers.

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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 clearly the best choice.

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Companies looking to run a more effective online business are increasingly making the move to SaaS for its flexibility, scalability, and operational efficiency, and in this regard, BigCommerce is a true industry leader.

— Fred Lebhart
CEO, Efelle Creative

Security, Updates, and PCI Compliance

Ecommerce companies are subject to a massive amount of scrutiny when it comes to security and compliance, which is understandable when you consider the volume of credit card data that passes through online merchants' databases. Ensuring your ecommerce 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 prefer to have control over updates and compliance auditing or whether you want an ecommerce provider to handle those things for you.

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Security, Updates, and PCI Compliance

On-premise Ecommerce Platforms

If you choose an on-premise ecommerce platform, your IT team will be responsible for conducting 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 need to apply patches to any plugins you're using and run a thorough quality assurance check to make sure nothing unexpected has been impacted by the updates.

Whether you're using open-source or commercial ecommerce software, some or all of the responsibility for your company'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 businesses that don't have the bandwidth to build out a team to handle these tasks. Since the ecommerce provider is responsible for PCI compliance, you are protected from payment card data breaches and don't have to worry about the costs and hassles of managing compliance yourself.

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SaaS

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

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We're excited because the BigCommerce enterprise platform is uniquely positioned to support large brands' unique challenges of being agile while meeting enterprise requirements of performance, security, and flexibility at scale.

— Daniel Townsend
Founding Partner, The Plum Tree Group

ROUND 6

Time to Market

Every day that goes by while you're waiting for your ecommerce site to be ready to sell online can mean countless loss sales. While patience is a virtue, it's important to factor in the time to market when choosing an ecommerce platform.

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Time to Market

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, implement security solutions, and make many other key decisions before beginning the design and development process.

SaaS Ecommerce Platforms

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

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ROUND 6 WINNER:

SaaS

If time to market is important to your company, a SaaS solution will always be the best choice.

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Our entire migration process from Magento to BigCommerce only took a few months. That was great turnaround time for us, because we were still 100% operational during this entire transition process.

— Wayne Ainsworth
Ecommerce Manager, Awesome GTI

Final Thoughts

For mid-sized companies, the choice between SaaS and on-premise is not terribly difficult. In addition to being more cost-effective, SaaS ecommerce platforms save time, complexity, headcount, and a great deal of uncertainty—all of which add up to a compelling packaged solution for growing businesses.

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 enterprises who need to do real-time data mining. However, SaaS platforms are also highly customizable, are far more cost-effective, and enable enterprises to go to market much faster.

Whatever your goals, having the right development and design partner on your side can make navigating the process much easier. We'll put our enterprise ecommerce expertise to work to ensure your site is:

- 1/4 the cost of on-premise ecommerce solutions like Magento
- Launched in half the time of on-premise platforms
- Beautifully customized for your brand
- Fully optimized to help you attract and convert customers
- Seamlessly integrated with your back-office systems
- Completely secure and PCI compliant
- Focused on driving sales

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Want more details on how BigCommerce can help grow your enterprise?

[Take a tour of our ecommerce platform](#).

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BigCommerce has an unparalleled commitment to their customers, and built a platform that not only meets, but anticipates the needs of today's mid-market brands. As an enterprise ecommerce solution, they've thought of everything.

— Fred Lebhart
CEO, Efelle Creative