



# Symplified

The On Demand Identity Company™

## THE DOLLARS AND SENSE OF WEB IDENTITY MANAGEMENT

HOW SAAS CUTS THE HIGH COSTS OF  
WEB ACCESS AND SSO BY 75%

A Symplified Business Analysis

July 2008



# Executive Summary

## Big Savings From On Demand Identity

IT infrastructure software has a well-established track record for large projects experiencing frequent cost overruns and missed deadlines. Expensive software and extensive customization are the prime contributors to expanding identity management costs, spiraling budgets for identity projects to lifecycle costs that are 4-5 times more than the price of the initial identity software license. Even 'free' or open source software has significantly higher lifecycle costs.

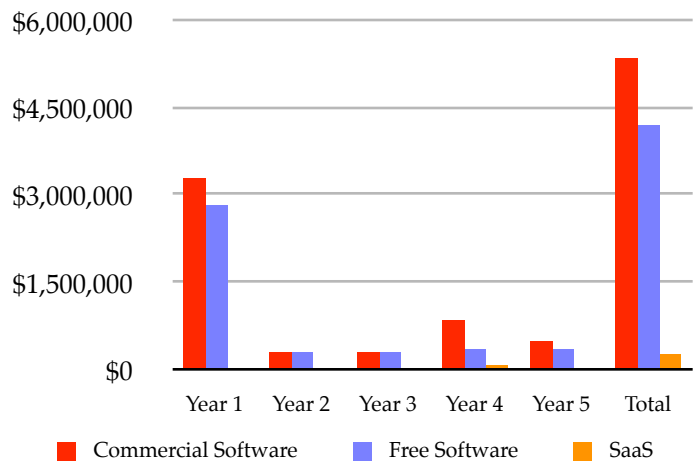
Exploding IT infrastructure costs are fueling the fast-growing marketplace for Software as a Service (SaaS) as an alternative to software. SaaS reduces the cost and complexity of IT infrastructure and identity deployments. This Simplified analysis shows the compelling SaaS TCO advantages over software, driving identity lifecycle costs down by more than 75% based on real-world data. Mid-market companies are leaders in deploying IT infrastructure as SaaS, providing their CIOs with greater agility, a stronger focus on innovation and less maintenance.

Chief amongst the IT infrastructure costs targeted by SaaS are large expenses for custom code integration and support to deploy and operate enterprise identity software.

### Advantages of SaaS

- Lower up-front costs
- Avoidance of IT infrastructure costs
- Greater simplicity
- Better security
- Automated upgrades
- Better scalability
- Increased resilience and availability
- Ease of evaluation

### 5 Year Total Cost of Ownership Comparison



### Beyond the Bottom Line

Simplified's SaaS identity offers much more than lower costs. Simplified's cloud-native architecture integrates differently than software enabling Enterprise 2.0 identity mashups. By residing on the Internet and being delivered as a 'no software' subscription service, SaaS offers fundamentally different capabilities than software:

- Network effect distribution
- Cloud connecting hub
- Expertise On Demand
- Service mindset
- Risk free simple trials
- Cloud native architecture
- Greater business agility
- Guaranteed success
- Reduced vendor lock-in
- End to the upgrade treadmill

# Moving Beyond Software Cost and Complexity

IT infrastructure has a well-established track record for large projects and lengthy schedules, becoming an out-of-control lightning rod reflecting “bad habits and siloed decisions of the past.”<sup>1</sup> Networks, computing platforms, data repositories, and management layers today are plagued by very high:

- Acquisition costs - Buying IT infrastructure software and hardware
- Deployment costs – Making technology work takes extensive integration lasting months or years
- Operational costs – Support, maintenance, training, power, environmental, staffing and upgrades

Expensive IT infrastructure software is the prime contributor to expanding identity management costs, spiraling lifecycle budgets for identity projects to a factor of 4-5 times more than the initial acquisition cost.<sup>2</sup> Every company, large or small, has to manage data about people – various types of identity information – that must be protected. The pervasive identity management problem, when addressed with enterprise software, needs costly IT infrastructure support to:

- Prove users are who they claim to be
- Manage where users can go, and when
- Control what users can do with protected resources
- Provide the convenience of SSO for customers, partners and workforce
- Sync user accounts between a company’s trusted network and cloud-based systems

Identity management adds the critical security functions of authentication, access control and authorization to resources and processes, while logging actions for compliance. Growth in identity software and services is forecasted to jump from almost \$2.6 billion in 2006 to more than \$12.3 billion in 2014.<sup>3</sup>

The biggest cost item elevating identity projects to these costly multiples is the custom code needed to integrate identity software with migrating and consolidating user repositories, and the upgrades needed to dependent software packages and protected applications.<sup>4</sup> Other major contributors to escalating identity costs are maintenance and upgrades to IT and physical infrastructure.

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<sup>1</sup> Gartner, IT Infrastructure, Operations and Management Summit 2008, Andy Kyte

<sup>2</sup> Burton Group, Provisioning Market 2008: Survival of the Fittest, Pg. 13, Lori Rowland & Gerry Gebel

<sup>3</sup> Forrester, Identity Management Market Forecast: 2007-2014, Pg. 6, Andras Cser & Jonathan Penn

<sup>4</sup> Burton Group, Provisioning Market 2008: Survival of the Fittest, Pg. 13, Lori Rowland & Gerry Gebel

# Software as a Service Comes of Age

A parallel IT development working to reduce the escalating costs of IT infrastructure and identity deployments is software as a service (SaaS). SaaS is growing at more than 20% annually, forecasted to jump from \$5.5 billion in 2005 revenues to \$11 billion in 2010. Salesforce.com reports more than 40,000 customers around the globe. By comparison, the licensed software market is forecasted to grow at a much slower 6% annual rate.<sup>5</sup>

The prime driver of the SaaS revolution is reduced cost and complexity. Companies replacing licensed software with SaaS applications report IT savings of 50%-75%. Mid-market companies are leading the trend of deploying IT infrastructure as SaaS.<sup>6</sup>

High IT infrastructure costs are a target for the economic benefits of SaaS. Chief amongst the IT infrastructure costs SaaS seeks to reduce is the expense of identity management, and lowering or eliminating the custom code needed to integrate identity, make it operational and allow it to meet changing business needs.

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<sup>5</sup> IDC, Predictions 2008: The Post-Disruption Marketplace Takes Shape, Frank Gens,

<sup>6</sup> Saugatuck Technology, Mid-market SaaS Adoption 2008, Bruce Guptill

## SaaS Advantages

SaaS is a new, fast-growing market leveraging the multi-tenant business model to offer an alternative to software. SaaS cuts dependency on software while delivering a 3X-5X cost advantage.

- **Low One-Time Costs** – SaaS avoids all one-time costs for acquiring, installing, configuring, updating and backing up application software and IT infrastructure, plus the integration burden. This includes user and administrative training, and upgrades to IT and network infrastructure, physical security, power and environmental.
- **Avoids Supporting IT Costs** – SaaS shared infrastructure avoids entirely recurring costs for maintaining, supporting and upgrading computing platforms and databases. Also avoided are more power and staff to manage and operate them.
- **Simplicity** – SaaS solutions are designed to quickly make users and administrators productive. SaaS offers consistent browser-based management with a quality user experience to speed adoption and boost productivity. Application and system managers have little or no data, connectivity and platform issues to manage.
- **Security** – SaaS is delivered from specialized hosted environments that offer strong physical and logical security. SaaS security is based on economies of scale. Specialists and countermeasures enforce compliance policies for the most security-aware and demanding organizations, benefiting all users. SaaS security must be carrier-grade SAS 70 Type II, which is expensive and beyond the reach of most mid-market companies.
- **Regular Upgrades Included** – As a service, SaaS is regularly upgraded with new functionality and capabilities (usually quarterly) and is immediately available to all users. Users benefit from the increased productivity provided by upgrades with no additional investment.
- **Better Scalability** – A SaaS solution quickly scales to accommodate tens or hundreds of thousands of new users, without investing in new IT infrastructure and people.
- **Increased Resilience** – As an on-demand environment, SaaS must always be available. Disaster recovery is instantaneous for all applications and data. The level of disaster recovery provided by SaaS applications is beyond what most mid-market companies can provide.
- **Ease of Evaluation** – SaaS offerings can be evaluated online with a simple trial process to validate decisions before purchase.

## Licensed Software Advantages

Buying and owning software is a mature market with benefits developed over some 40 years as technology has evolved.

- **Perpetual Ownership by the Customer** – As a capital asset, the customer has a perpetual license to use the specific version and release of licensed software in their business. This can help some businesses to plan operations and processes around the software’s functionality.
- **Optimized for Inside the Firewall** – Licensed software is designed to operate inside a trusted network, so it usually is amenable to configuring for trusted intranet users and limited external access.
- **Single Licensee Design** – Enterprise software typically is designed for use by one company, or licensee, in a “single tenant” environment.
- **Provided by Large Incumbent Vendors** – Large IT and software companies have long-lived relationships with customers that span hardware, software and services and generations of technology, business processes and management.
- **Large Enterprise Design** – Large companies have many departments, with users specializing in different and specific types of functionality (how differently are word processing and spreadsheets used by marketing, legal, sales, R&D and executives?). Enterprise software typically is loaded with functionality to meet the unique needs of each different organizational department or group.

## Licensed Software Disadvantages

Enterprise software, the incumbent delivery model, is embedded deeply into many businesses. This level of dependency and expense raises many issues that cause users to seek alternatives

- **Missing Mid-market Focus** – Licensed software has matured with the top-down model targeted at large Fortune enterprises. It is difficult to ‘strip down’ enterprise software. It’s difficult to change the pricing and distribution of expensive enterprise software to be affordable by the mid-market. Even more difficult is the shift in mindset to a service orientation that software companies simply lack.
- **Infrequent Upgrades** – The cost and complexity of licensed software, coupled with a large number of users on different software versions, makes upgrades difficult and expensive. Licensed software vendors offer infrequent technology upgrades.
- **Vendor Lock**- Investments in proprietary software, with related network, computing and security infrastructure, are difficult to change. Change is risky, vendor options limited, customers have less negotiating power and higher cost.

- **Costly Customization** – Licensed software is designed to be customized. Customization requires time-consuming and expensive custom coding, leading to brittle environments.
- **Delayed Projects** - Complex software and installations cause lengthy deployments. Slipped schedules and delays are commonplace in large and complex licensed software installations.
- **Complex Evaluations** – Enterprise software is complex, expensive and time consuming. Software trials or proof-of-concepts are similarly difficult.
- **High Lifecycle Costs** - Training, support, maintenance and upgrades for licensed software are ongoing and expensive, typically 20%-25% of the software license acquisition cost per year.
- **Expensive Support** – Staff costs for IT support grow over time, with integration coding, platform, application, and database skills accounting for as much as 70% of an IT budget.
- **Ongoing Depreciation Expenses** - Hardware platforms and software licenses typically are capitalized, resulting in costly yearly depreciation expenses that can be an additional 20% of acquisition cost or more.
- **Physical Infrastructure Costs** – The cost of power, air conditioning, floor space, physical security, insurance, etc. is rising. Infrastructure costs increasingly are allocated to each software application, driving costs higher.
- **Security Infrastructure Costs** - Maintaining physical and logical security approaching a SAS-70 Type II data center is very costly and beyond the means of most companies.

## SaaS Disadvantages

As a new technology and market entrant, SaaS has some unique disadvantages. Some companies are deterred by lack of experience with SaaS.

- **Flexibility and Customization** – Critics say SaaS applications are monolithic and inflexible, with little room for customization and tailoring of an application to the specific needs of a customer.
- **One Size Fits All Functionality** - Enterprise software adherents claim that SaaS applications are “one size fits all” and lacking the rich set of features and robust configuration options offered by licensed software applications.
- **Mid-market Focus** – SaaS vendors initially focused their efforts on mid-market companies, delivering simplicity and ease of use. In 2008, 40% of companies of all sizes have adopted a SaaS application, a number forecast to grow to 70% adoption by 2012 (Saugatuck).
- **Requires an Internet Connection** – SaaS is part of the network and requires a reliable Internet connection.

## The Bottom Line

Perfect solutions are very rare in today’s complex IT marketplace. Licensed software and SaaS both have advantages and disadvantages to be weighed individually according to each company’s situation. The large cost and convenience advantages of SaaS are fueling rapid growth, clearly indicating that most companies are seeking SaaS alternatives and voting with their dollars.

	SOFTWARE	SAAS
<b>Advantages</b>	<ul style="list-style-type: none"> <li>Perpetual Ownership</li> <li>Single Licensee Optimization</li> <li>Trusted Network Focus</li> <li>Large IT Vendor Relationships</li> <li>Enterprise Design</li> </ul>	<ul style="list-style-type: none"> <li>No custom code</li> <li>Lower Acquisition Costs</li> <li>Reduced Lifecycle Costs</li> <li>Ease of Use</li> <li>Strong Holistic Security</li> <li>Regular Updates</li> <li>Easy Scalability</li> <li>Enhanced Availability</li> <li>Simple Evaluations</li> </ul>
<b>Disadvantages</b>	<ul style="list-style-type: none"> <li>Vendor Lock</li> <li>Costly Customization Required</li> <li>Infrequent Upgrades</li> <li>Project Delays</li> <li>Complex Evaluations</li> <li>High Lifecycle Costs</li> <li>Expensive Support</li> <li>Costly Physical Infrastructure</li> <li>Costly Security</li> <li>No Mid-market Focus</li> <li>Depreciation Expenses</li> </ul>	<ul style="list-style-type: none"> <li>Flexibility &amp; Customization</li> <li>One-size Fits All Functionality</li> <li>Mid-market Focus</li> <li>Requires Internet Connection</li> </ul>

# Detailed Analysis Cost Comparison: SaaS v. Licensed Software

There are significant differences between the costs of SaaS and licensed software. Software has one-time licensing, a large capital costs incurred before the installation begins. Capital costs are relatively predictable, in most cases, and are followed by significant recurring costs lasting the entire operational life of the system. Some recurring costs are predictable while some portions related to integration services can be wildly unpredictable. By comparison, SaaS has a relatively small one-time startup costs followed by predictable monthly subscriptions.

## Cost Types

A TCO model evaluates two types of expenditures – acquisition costs that are one-time in nature versus recurring expenses. Financial accounting classifies spending into two types – capital expenditures and operating expenses. Capital costs must be paid for upfront and then depreciated at additional expense over the lifetime of the purchase, making capital spending more expensive and therefore less appealing than operational spending. Operating expenses are paid for as they are used and do not need to be depreciated.

**Capital Costs:** Capital assets are one-time acquisitions that must be amortized and depreciated over the life of the asset. Capital costs for licensed identity software are one-time acquisition costs for server platforms, network elements and software licenses. Other capital costs could be upgrades to IT infrastructure, and physical upgrades to power, environmental and security controls. For simplicity we do not use depreciation expenses in this cost comparison. Although a significant non-cash expense, many different types of depreciation methods are used, which can produce different cost comparisons. SaaS has no capital costs and no depreciation expenses.

**Operating Expenses:** SaaS only incurs operating expenses, which are recurring bills for services rendered over a fixed period. Some services support licensed software and are operating expenses, such as monthly telecommunications, maintenance and support services, and utilities. All IT personnel costs are an operating expense. Installation and deployment integration services often are an operating expense.

**Sunk Costs:** Sunk costs is money spent on projects that cannot be recovered, leading to 'throwing good money after bad' rather than pursuing the most effective options. Sunk costs for software refers to the cost of time, services, hardware and software licensing. By contrast there are relatively few sunk costs with SaaS meaning CIOs have greater agility and flexibility to pursue an optimal innovation path.

## 3 TCO Models - Commercial, Free & SaaS

The three TCO models below (licensed software, no-cost software, SaaS) are based on the industry standard Software & Information Industry Association ([www.siiia.net](http://www.siiia.net)) TCO calculator. This is a widely used methodology for evaluating capital costs and operating expenses for different types of IT investments. It produces an “apples-to-apples” bottom-line comparison for a desired time period, five years and 10,000 identities in this example.

### TCO Model 1 | Commercial Software

Licensed Software TCO: This is a “real world” example with both capital costs and operating expenses. Capital acquisition costs are list prices for Tivoli Access Manager for eBusiness quoted online using IBM’s Web store. Other identity software licensed by the number of users produces similar comparisons when all infrastructure investments are considered. This example includes integration costs based on the ratio of custom coding expenses to software license acquisitions cited in analyst’s research. It also includes an upgrade in year four, a routine move to boost degraded performance and response times caused by increasing workloads from new users and applications needing authentication, access, authorization and reporting.

EXPENSE TYPE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTAL COST 5 YEARS	% OF TOTAL
Capital Expense Tivoli Access Manager (Part No. D55X7LL, inc. 12 mos. support) Unlimited Users, Quad-Core Pentium Year 1; Year 4 upgrade to 8-core	\$636,000			\$636,000		\$1,272,000	24%
Application Support & Maintenance (22% of license per year)		\$140,000	\$140,000		\$279,840	\$559,840	11%
Outsourced Server & Support	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$60,000	1%
Tivoli System Administrator (annual salary)	\$110,000	\$115,000	\$120,000	\$130,000	\$135,000	\$610,000	11%
Custom coding: Implementation, customization and integration. (4X software license Year 1, 10% Years 2-5)	\$2,544,000	\$63,600	\$63,600	\$63,600	\$63,600	\$2,798,400	53%
Training (2 Admins Year 1 & Year 4)	\$15,000			\$15,000		\$30,000	1%
Cumulative TCO	\$3,317,000	\$330,600	\$335,600	\$856,600	\$490,440	\$5,350,240	100%

## TCO Model 2 | No-Cost Software

This TCO example is for an identity software deployment using software that the vendor has licensed to the user at no cost. No-cost identity software is a tactic vendors with multiple types of software products occasionally use as a “loss leader”. In this example, the vendor hopes to sweeten the deal with the identity software, which may rely upon other software products included in the deal at regular price. Much of the vendor’s costs in the identity portion of the deal are recouped with professional services integration engagements, support and training. These deliverables are direct cost items requiring paid consultants and trainers. Companies are extremely reluctant to write off direct cost items at no cost.

EXPENSE TYPE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTAL COST 5 YEARS	% OF TOTAL
No Cost - Loss Leader ‘free’ license Quad Core CPU							0%
Application Support & Maintenance (22% of license per year)	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$700,000	11%
Outsourced Server & Support	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$60,000	1%
Tivoli System Administrator (annual salary)	\$110,000	\$115,000	\$120,000	\$130,000	\$135,000	\$610,000	11%
Custom coding: Implementation, customization and integration (4X software license Year 1, 10% Years 2-5)	\$2,544,000	\$63,600	\$63,600	\$63,600	\$63,600	\$2,798,400	53%
Training (2 Admins Year 1 & Year 4)	\$15,000			\$15,000		\$30,000	1%
Cumulative TCO	\$2,831,000	\$330,600	\$335,600	\$360,600	\$350,600	\$4,208,400	100%

### TCO Model 3 | SaaS Web Access & SSO

This TCO example is for a "real world" SaaS identity service quoted from Symplified's published pricing for a cloud-based web access solution.

EXPENSE TYPE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTAL COST 5 YEARS	% OF TOTAL
<b>Capital Expenses</b>							
SaaS is All Operating Expenses	SaaS Has No Capital Expense						0%
<b>Operating Expenses</b>							
\$3,500 Mo. Symplified cloud-based Web Access Subscription, 10,000 Users; Identity Routers \$1,500 Mo. In Year 1; Upgrade to 2nd Identity Router in Year 4	\$60,000	\$60,000	\$60,000	\$78,000	\$78,000	\$336,000	95%
One time Professional Services Quick Start Adaptor configuration.	\$15,000			\$5,000		\$20,000	5%
Cumulative TCO	\$75,000	\$60,000	\$60,000	\$83,000	\$78,000	\$356,000	100%

## 5 Year TCO Comparison | Licensed Software, No-Cost Software and SaaS

This graph illustrates the cost of each of the three software models for each of the five years in the cost analyses, plus a cumulative total. The graph reflects the substantial difference in the costs of each software model, with licensed software and no-cost software being far more expensive than SaaS. In fact, Symplified's SaaS solution costs 90% less than either commercial software or free loss-leader software.

**SaaS TCO Comparison**

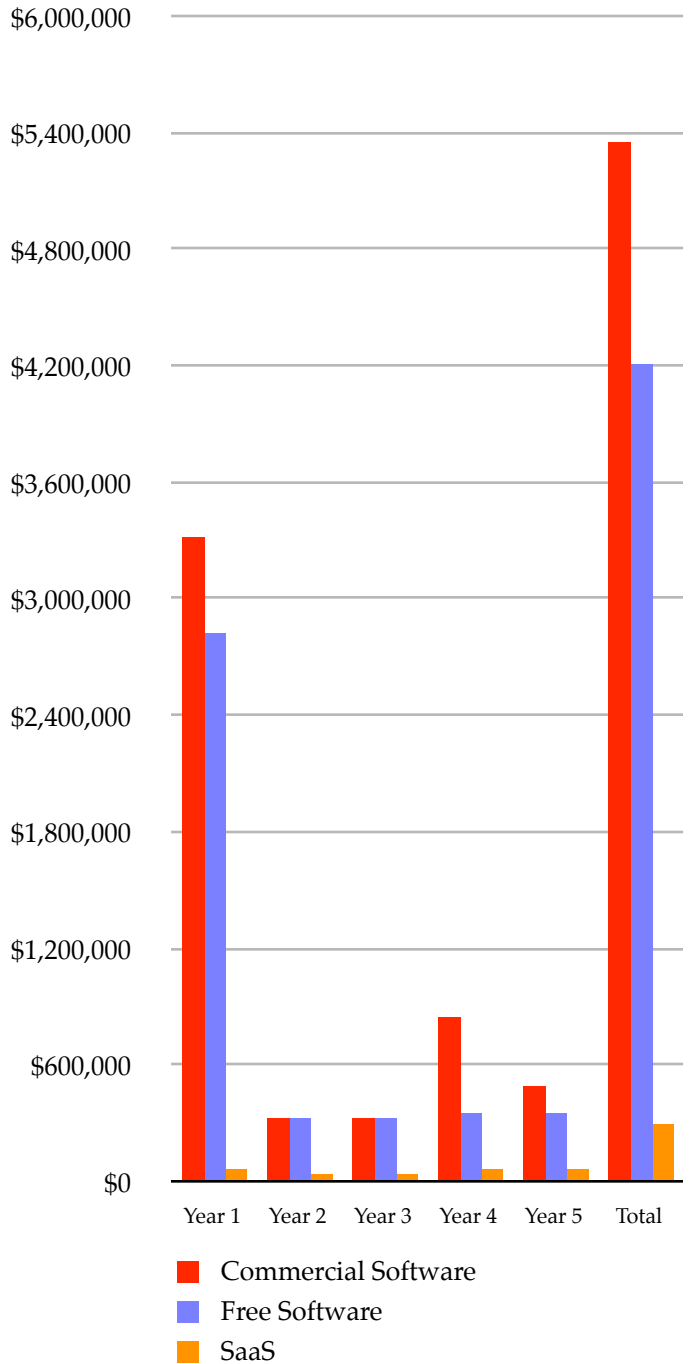
- **SaaS is 75% less compared to software**
- **SaaS has far lower upfront investment**
- **SaaS offers faster time to deployment**
- **SaaS offers subscription flexibility**

*"... if there's any software category that has a hefty amount of hassles that enterprises would like to shrug away, it's identity management, which includes provisioning users to networked resources, managing and keeping directories synced, extending access and authentication rules to partners, suppliers, and customers, as well as the headaches associated with connecting various applications to identity management software."*

**Information Week July 2008**

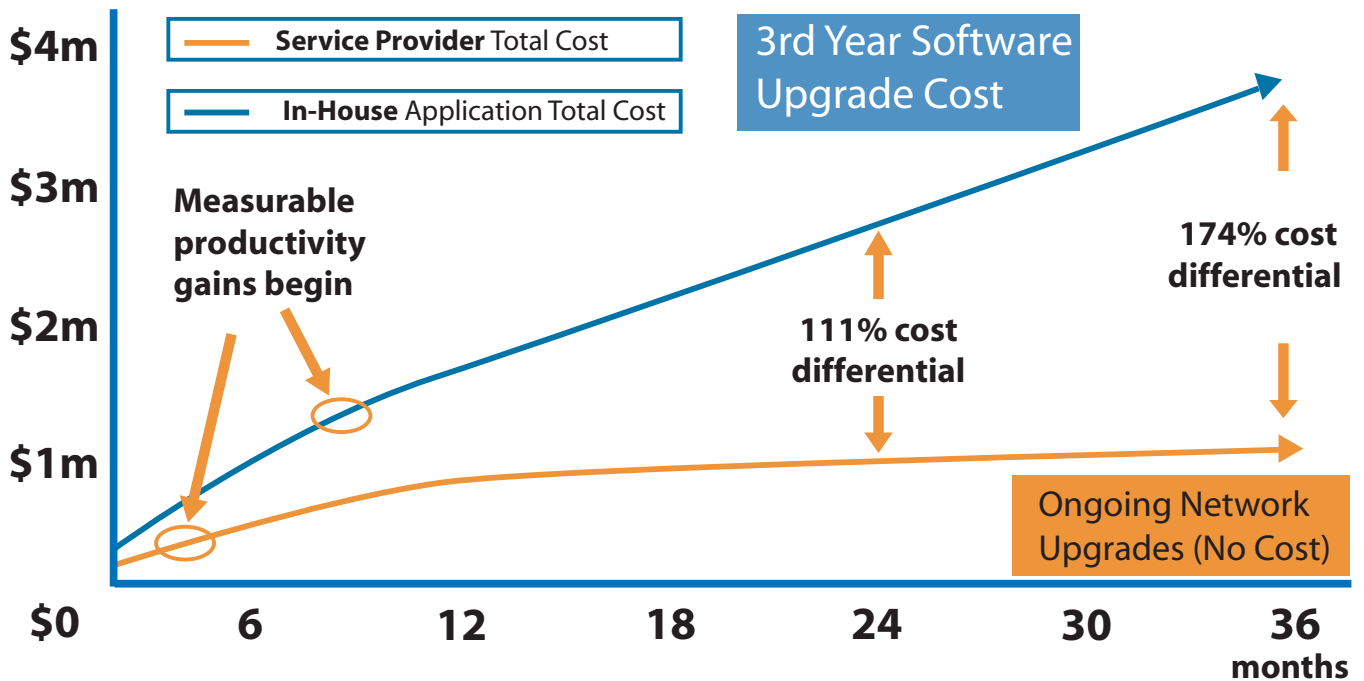
*"Cloud-based, on demand applications present new challenges for identity management practitioners. New models for managing and sharing identities are required to map to the interconnected and on-demand nature of Internet-based systems. We expect that a services-based approach to identity management will help to address the distributed nature of 21st century computing"*

**Gerry Gebel - The Burton Group**



# The Myth of the Elusive Break-even Point

A common misconception with owning software versus subscriptions is that if you own software long enough then it's less expensive than recurring subscriptions. This is not true with On Demand Identity. In fact, the cost differences between SaaS and licensed software are magnified over a typical IT lifecycle. As shown in the graph below, the SaaS cost advantages continue escalating when compared to licensed software. The cost trend lines diverge over time, with SaaS cost remaining constant while licensed software costs accelerate.<sup>7</sup> Because of the high cost of software it never is financially advantageous to purchase software when a SaaS alternative is available. Further, because SaaS is operational faster you realize measurable productivity gains more quickly thereby boosting ROI significantly.



<sup>7</sup> IDC, AppSourcing Program, 2003

# Beyond the Bottom Line

The economic benefits of SaaS grab most of the attention. However, SaaS delivers benefits beyond financial. On Demand Identity™ offers breakthrough capabilities simply not available as software regardless of price. Further, due to the evolution of the technology landscape a new cloud-native architecture is needed to fully manage identity. A cloud-native architecture is one that does not rely on plug-ins, agents, federation kits or software of any kind to be installed and run on third-party SaaS providers' servers. Additional specific advantages of a cloud delivered identity service:

- **Network Effect** – identity delivered as a network service rather than siloed software can share capabilities that are added to the network itself. For instance as more identity integrations are made to cloud systems like SaaS apps, these are available to all the network subscribers. Using the network to distribute new features, integrations and third-party capabilities is unique to the SaaS model.
- **Cloud-Enabled Collaboration Hub** – SaaS increasingly is being used as an Internet hub to connect virtual networks of trading partners, suppliers and distributors. Being located in the cloud provides an ideal venue for adding new types of connections essential in identity.
- **Cloud-Native Architecture** – SaaS services are built to be cloud ready from the start whereas legacy software was built for use within the firewall. By avoiding the use of web server plug-ins, agents, federation toolkits and other software APIs – the SaaS 'no software' architecture provides an easy, loosely coupled approach to integration that works for the cloud.
- **Business Agility** – Network services free companies from the constraints of inflexible infrastructure and brittle systems that resist change and limit choices.
- **Guaranteed Success** – SaaS lowers business risk with a service business model. There is no shelf-ware, no overstated claims of functionality. Unlike licensed software, a subscription can be cancelled if expectations are not met.
- **Reduced Vendor Lock-in** – Vendors have less control with SaaS because there's less investment in the solution. No costly integration with multiple systems, just an easy path to scalability.

- **Expertise On Demand** - 24x7 monitoring and availability with experts available on demand. SaaS expertise typically exceeds in-house talent. SaaS shields your organization from problems arising from churn.
- **Service Mindset** – SaaS companies realize they lose business if a customer’s expectations are not met. Therefore, SaaS companies typically offer strong, highly rated support programs.
- **End the Upgrade Treadmill** – Avoid complicated and expensive application upgrades, with months of preparation, integration and phases. SaaS upgrades have minimal upgrade disruptions.
- **Application Exit Strategy Supports Innovation** - Companies outgrow their business applications. SaaS flexibility support application and vendor changes without scrapping capitalized software and hardware investments. You are free to periodically reassess your business needs with changing conditions.
- **Risk-Free Trial** – With SaaS, it’s easy to arrange a “proof of concept” trial to lower the risk of a new software deployment.

## About Symplified

Symplified, the On Demand Identity™ company, is a software-as-a-service (SaaS) utility securing the B2B enterprise and optimizing business by simplifying complex online relationships. Symplified's vision is to enable Enterprise 2.0 to adopt cloud computing by integrating existing networks to the cloud. Symplified's next generation identity management services reduce the cost and complexity of Internet identity infrastructure. IT and B2B marketing use Symplified's identity solutions to increase trust online and optimize websites for marketing. Symplified's SinglePoint technology provides Web SSO, dynamic access control, identity sync, authentication, compliance and personalization specially designed for mid-market enterprises.

Symplified was founded by a team of identity visionaries with more than 40 years of combined experience in helping companies to scale and secure online business. Headquartered in Boulder, CO with offices in Palo Alto, CA, Symplified is backed by leading venture capital firms Granite Ventures and Allegis Capital.

Call Symplified ([www.Symplified.com](http://www.Symplified.com)) today at 303.318.4188, ext 1, for a no obligation free trial of identity on demand.