

SaaS versus Custom-Built Solutions

How far the world has gone in the world of Enterprise software. Ten years ago off-the-shelf software was expensive, you had to commit to a range of setup, maintenance, consultancy and training costs. Assessing the pros and cons of building software yourself vs. buying off the-shelf software made sense and was in fact a routine exercise in many large organizations.

Today, thanks to the explosion of cloud-based software, it seems that there is a cheap, lightweight solution for practically any business problem out there. So should you build your own or subscribe to a SaaS software instead? In the article that follows we evaluate both options, drawn from decades of experience in IT.

Choosing between off the shelf software versus going custom used to be a much easier decision. Off the shelf pre-made software was expensive to implement, there were usually long-term commitments, and hidden fees and costs. Back then, going custom was a matter of investing some time up front to save you in the long run.

In the past 10 years however, with the emergence of Software as a Service, there has been a shift in those going custom to those choosing SaaS. This is thanks to the capabilities of shared hosting, and cloud-based solutions greatly reducing the costs. Below you will find our analysis of things to consider when choosing between SaaS or a custom-built solution.

1. Degree of Customization

In Theory...

- Custom-Built: Fully customized to your specific needs
- SaaS Subscription: Meets the majority of the needs of your organization

... and in reality:

Custom-built software has long been considered superior due to the fact that it can meet all of your organization's needs, however, this can definitely be a misconception. Constraints on resources means that certain features must either be postponed or removed indefinitely, features may not be properly tested, and certain stakeholders will end up with far inferior solutions. When going custom over SaaS subscription, companies often over complicate certain details while leaving out important functionality and are limited to the solutions brought by that single organization. SaaS subscriptions commonly focus on solving a single solution very well and then building functionality on top of this. They benefit from the

collective inputs of other leaders in that industry, and often can provide solutions far beyond those that have been thought of within a single organization.

2. Product and Feature Improvements

In theory...

- Custom-Built: Allows for new features to be added easily as your operation grows
- SaaS Subscription: Pressure from competitors forces SaaS companies to constantly improve and update their systems.

... And in reality:

Both statements can be true, however there are some important things to take into consideration. SaaS solutions continually take in customer feedback to develop their product roadmap which allows them to thwart the competition and ensure their own success. New product features and improvements are baked into the pricing model and therefore your solution continuously upgrades as long as you continue using the SaaS.

SaaS typically follows short, agile development cycles, releasing new updates every 2 to 4 weeks. Custom Built solutions can also function in a very similar way, however for most companies, after the initial product is built, the team is disbanded and moves on to their next project. Outsourced development firms often make their code so that only they will be able to easily add new features, and they can often be slow to get you back on their schedules. On top of that, any additions beyond the original contract are going to cost you. Make sure if you are going custom that you are prepared to spend tens of thousands of dollars adding and improving features.

3. Speed of Implementation

In theory...

- Custom-Built: Months or Years
- SaaS Subscription: Immediate

... And in reality:

While almost nothing is immediate, SaaS solutions can be implemented in a matter of days or weeks depending on the amount of training required and stakeholders involved. Usually this training has already been developed which can greatly reduce any complications when it comes time to begin live usage. Custom-Built software on the other hand can take months or years to develop depending on the complexity and when it is finally ready, you are the one responsible for training and onboarding all stakeholders.

4. Costs

In theory...

- Custom-Built: Is expensive up front but can save you in the long run
- SaaS Subscription: Much cheaper but has recurring monthly/annual costs.

... And in reality:

Whether adding developers to your staff or bringing in an outside development firm, custom software will cost you a large sum just to get to the starting line with a working product. Beyond that you'll be footing the bill for maintenance, hosting and updates just to keep the software working the same way as you purchased it which can run you thousands or even tens of thousands of dollars per year. And this doesn't even account for the possibility of failure which affects as much as 30 percent of development projects.

SaaS businesses are able to distribute these costs across many customers resulting in much lower prices to the end customers. They already have a working product in the market greatly reducing the probability of failure. Best of all, there is only 1 set price to deal with, no variable costs month to month which make budgeting rather difficult.

Conclusion:

So when should a company choose to build custom software instead of using SaaS? You must ask yourself:

- Is software a core competency for your organization?
- Do you have employees with a deep understanding of software that can jump in should a problem arise?
- Is there not a current solution in the market that solves the exact problem(s) that you are trying to solve?
- Do you have the available time and resources to develop and continue to iterate this system so that you don't fall behind the competition?

If the answer to any of these questions was no, then you almost certainly would be better off subscribing to SaaS to solve the problem.