OnGuard CLOUD

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All-new
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Understanding **Total Cost of Ownership** To Optimize Your Security Solutions

When considering the cost of an access control system, you must consider the Total Cost of Ownership (TCO). The TCO consists of visible and hidden costs involved in a running system. To truly make an accurate comparison between an on-premises solution versus a cloud-based solution, you must analyze all of the costs.

What Is Cloud Total Cost of Ownership?

Cloud TCO refers to the process of calculating all the direct and indirect costs of selecting, deploying and maintaining a cloud-computing environment, and generally refers to the total cost of the solution over the entire lifecycle of that solution.

When considering a transition to cloud from an on-premises system, cloud TCO also includes all the costs associated with that migration; the goal of a cloud TCO calculation is to inform decision-makers of the ROI with a transition to a cloud solution.

A cloud TCO calculation can leverage a common framework for organizations of varying sizes and levels of complexity. It is important to note that no two organizations will have the same cloud TCO, even when considering the same solution, as every organization and situation is unique, as is the path to the cloud.

Comparing On-Premises Versus Cloud-Hosted

When comparing the true cost of an on-premises system versus a cloud-hosted solution, it is essential to identify and quantify all the costs of the existing system and the solution being considered. This includes capturing visible and hidden costs, as well as fixed and variable costs. Additional costs may include labor factors, power, server and ancillary equipment maintenance and replacement costs. You will also need to consider software license and upgrade costs in time and dollars, the cost of unplanned outages in time and dollars, and the costs of space for the physical on-premises system and necessary components.
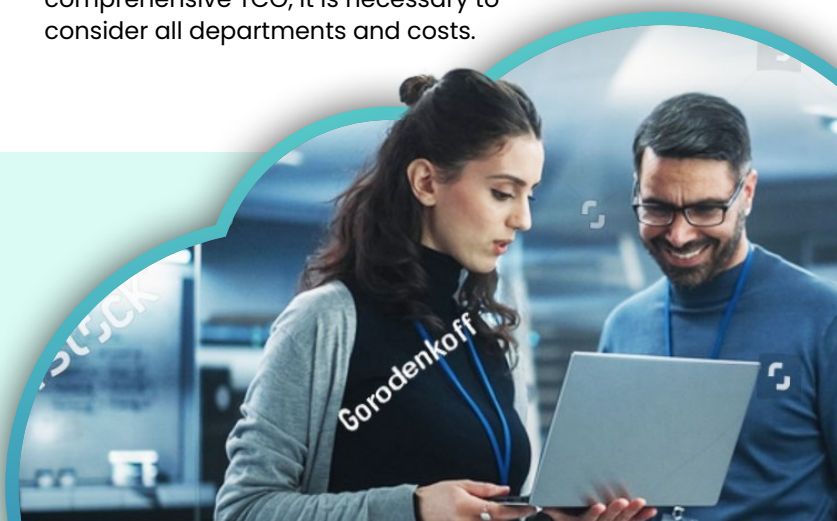
Accurately Capturing All Cost Sources

An objective comparison recognizes that an organization's cloud costs will almost certainly include infrastructure, data-transfer, database, backup, management, training and other hidden costs, such as data-egress fees, compliance expenses, premium support fees and other unexpected charges.
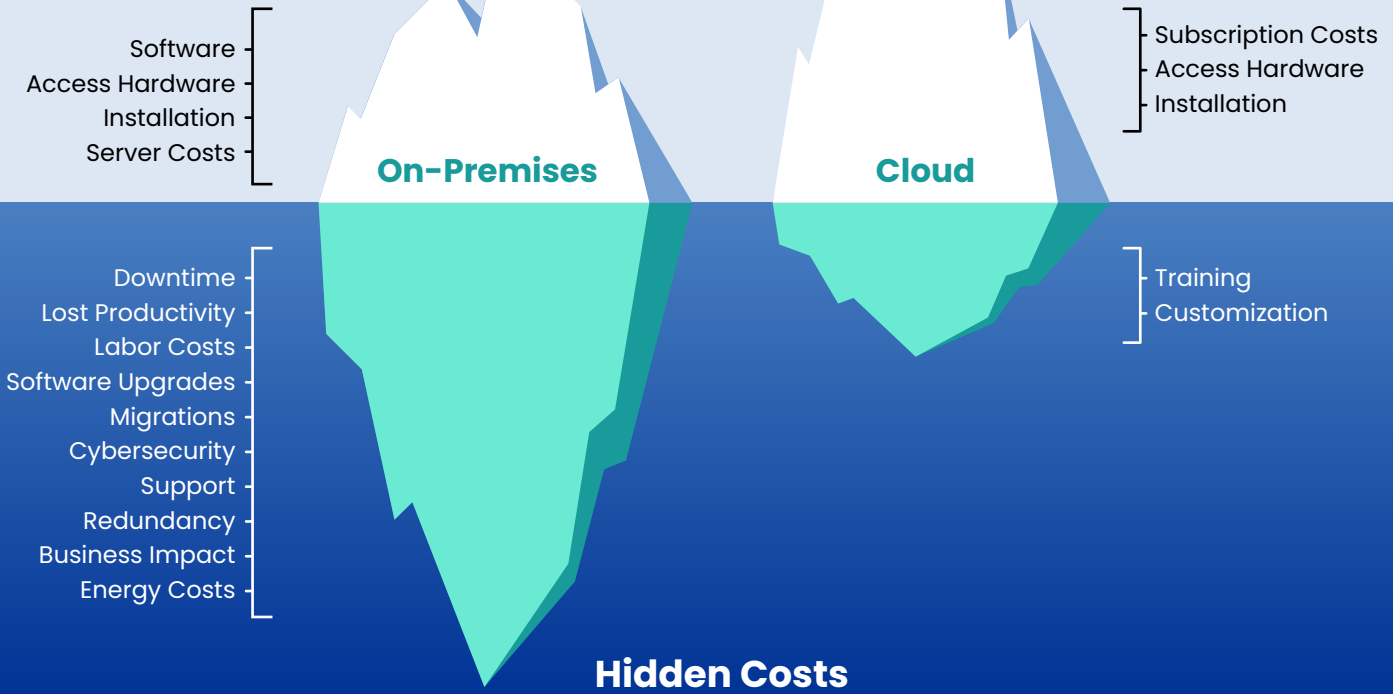
Consider Costs Beyond Your Department

Lastly, it is important to understand that the TCO spans many roles and departments. A security department administrator may be responsible for managing the security system but may have limited visibility to the costs of servers, maintenance, Operating System (OS) updates, patching and other items that impact the total cost of the system. To truly develop a comprehensive TCO, it is necessary to consider all departments and costs.

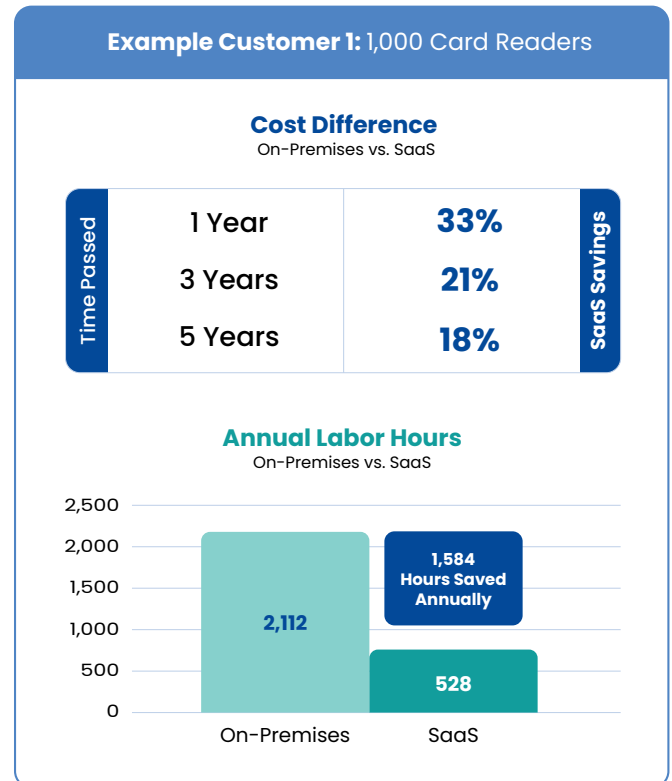Cloud can offer a predictable and more transparent cost model versus on-premises solutions.

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Visible Costs

On-Premises

- Software
- Access Hardware
- Installation
- Server Costs

Cloud

- Subscription Costs
- Access Hardware
- Installation

- Training
- Customization

Hidden Costs (On-Premises):
- Downtime
- Lost Productivity
- Labor Costs
- Software Upgrades
- Migrations
- Cybersecurity
- Support
- Redundancy
- Business Impact
- Energy Costs

Hidden Costs

What Are the Drivers That Impact TCO?

Moving to a cloud solution impacts the TCO through several key drivers.

$ **Reduces capital expenditures** by eliminating the need for purchasing and maintaining server infrastructure, shifting costs to a predictable operational expenditure model.

Offers scalability, allowing businesses to pay only for the resources they use, which can lead to cost savings compared to maintaining excess capacity in an on-premises solution.

Automatically provides updates and maintenance, reducing the burden on in-house IT staff and increasing staff productivity.

Enhanced reliability and disaster recovery options minimize downtime costs and potential data loss, further optimizing the TCO.

Total Cost of Ownership Comparison Example

Reach out to LenelS2 for a personalized TCO calculation for your organization.

Example Customer 1: 1,000 Card Readers

Cost Difference
On-Premises vs. SaaS

Time Passed		SaaS Savings
1 Year	33%	
3 Years	21%	
5 Years	18%	

Annual Labor Hours
On-Premises vs. SaaS

	On-Premises	SaaS
Hours	2,112	528

1,584 Hours Saved Annually

Chart axis: 2,500 / 2,000 / 1,500 / 1,000 / 500 / 0

Steps for Creating a TCO

1 **Is it a new system or an existing system?**

Different costs are applied based on the type of system:

- New systems will require servers, software, hardware, installation, service, support and more.
- Existing systems require only service and support costs.

2 **Are the servers virtual or on-premises?**

Server costs are a big expense, and can have a significant impact on the TCO.

On-Premises Servers

- On-premises systems often require regular maintenance, including hardware repairs, software updates and system upgrades, which can incur additional costs over time.
- Physical servers are assets that need to be accounted for in your business. Deploying an on-premises system often involves substantial upfront capital expenditure for purchasing hardware, software licenses and infrastructure components.
- Managing on-premises infrastructure involves expenses such as utilities, cooling and physical security, which may not be immediately apparent but contribute to the overall cost of ownership.
- Maintaining on-premises systems necessitates skilled IT staff with specialized knowledge, training and certifications, which can result in ongoing personnel expenses.

Hosted Servers

- Hosted servers do not require any physical devices to be maintained on-site, but do require costs from the server provider.
- Server costs can vary depending on the size of the system and resources needed to manage the system.
- Even virtual servers require updates for Windows and OS patching.

3 **Often overlooked or accounted for in another department, people costs associated with managing and maintaining the system play a relevant part in TCO.** Depending on the size of a system, there may be multiple people from operations, security, IT and others involved with management of the system.

- **Skilled Personnel:** Maintaining on-premises systems requires skilled IT personnel with expertise in hardware, software, networking and security, which can result in higher personnel costs.

- **Training Expenses:** Training staff to manage and support on-premises infrastructure incurs additional expenses for courses, certification and ongoing professional development.

- **Staffing Levels:** On-premises systems may require higher staffing levels to ensure round-the-clock monitoring, troubleshooting and support, leading to increased personnel costs.

- **Turnover and Retention:** High turnover rates among IT staff can result in recruitment, onboarding and training costs, as well as disruptions to operations and productivity.

- **Specialized Consultants:** Organizations may need to hire specialized consultants or contractors for specific on-premises projects or expertise, adding to the overall personnel expenses.

- **Employee Benefits:** Providing employee benefits such as health insurance, retirement plans and paid time off further adds to the total people costs associated with maintaining on-premises systems.

- **Productivity Losses:** IT staff spending significant time managing on-premises systems may have reduced availability for strategic initiatives or other value-added tasks, impacting overall productivity and efficiency.

4 **Compare the costs to manage an on-premises versus cloud-hosted solution.**
Now that you've collected all the costs, you can compare your on-premises solution to a cloud solution.

Summary

An objective calculation of the cloud TCO of an access control solution depends on a complete evaluation of all the cost factors described, including the visible and hidden, as well as the fixed and variable costs.

Some of the benefits of a cloud solution may include overall cost savings, enhanced solution, scalability, solution flexibility, access to managed services, and an expanded solution reach.

Organizations of varying sizes may reach different conclusions with respect to whether cloud has a lower TCO as compared to their existing on-premises access control solution.

Are you ready to make your move? Contact a LenelS2 Regional Sales Manager today to begin your cloud journey.

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