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SaaS Client Reporting vs Traditional In-House Model

A brief review and explanation of Software as a Service Reporting vs a Traditional Reporting Model

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1 What is “Software as a Service” (SaaS)?

“Software as a Service is a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted. It is sometimes referred to as “on-demand software”. SaaS is typically accessed by users via a web browser.”

Source Wikipedia

2 Background to the paper

Whilst the description above may be accurate, it’s probably not that helpful. This paper attempts to explain SaaS reporting in more detail and to compare SaaS reporting with a more traditional client reporting in-house implementation, from the perspective of a business practitioner. For many people within the asset management industry “SaaS” is a new term that they are unfamiliar with and know little about. The purpose of this paper is to provide a clearer explanation of SaaS, by drawing comparisons between SaaS and a more traditional in-house reporting system, and also to consider whether the outcomes and conclusions identified will shape the future client reporting model.

3 Model Comparisons

3.1 Key differences

What are some key differences when assessing SaaS client reporting and an in-house client reporting system?

To answer this first point, I have listed below a number of key elements that should be considered for any client reporting system selection process, and assessed key differences between the models.

Description	Traditional Model	SaaS Model	Key Differences
High-level information gathering	RFI/RFP	RFI/RFP	Same/similar
Proof of concept	3-6 months	1 week	SaaS quicker
Go live	6-18 months	6-8 weeks	SaaS quicker
Total cost of ownership	Multiple IT infrastructures. IT team costs. Project team costs. Software licence fees.	Fixed set up costs – tariff based. Report production and storage costs – pay per use. Scalable infrastructure.	SaaS cheaper
Report storage and distribution	Time and cost of building and maintaining a library for completed reports. Time and cost of developing email and other distribution processes.	Solution pre built. Configuration required. Standard cost to set up. Reduced cloud based storage costs.	SaaS cheaper and quicker

Description	Traditional Model	SaaS Model	Key Differences
Disaster recovery	Requires separate building and separate infrastructure. May not support entire workforce.	Cloud based system may be accessed from anywhere in the world, any time by all staff.	SaaS lower risk and lower cost

The table above clearly shows that SaaS is generally faster and broadly less costly than a traditional in-house client reporting system model. Key reasons for this are that the SaaS service is already built and installed in a secure technical environment – saving all the cost and effort required to install and set up an in-house system. Also, with an in-house traditional model, the build out of the workflows, user dashboards, the reports and the distribution methods all have to be undertaken, this is time-consuming and costly. The cloud is typically significantly cheaper to utilise than an in-house infrastructure, due to the scale savings and efficiencies as well as the cloud costs are typically charged as the system is used, rather than suffering the fixed costs of the in-house infrastructure – irrespective of use.

3.2 Selection process and total cost of ownership

With a traditional client reporting system implementation there are a number of standard steps that must be undertaken in order to implement and use the new system, these typically include the following:

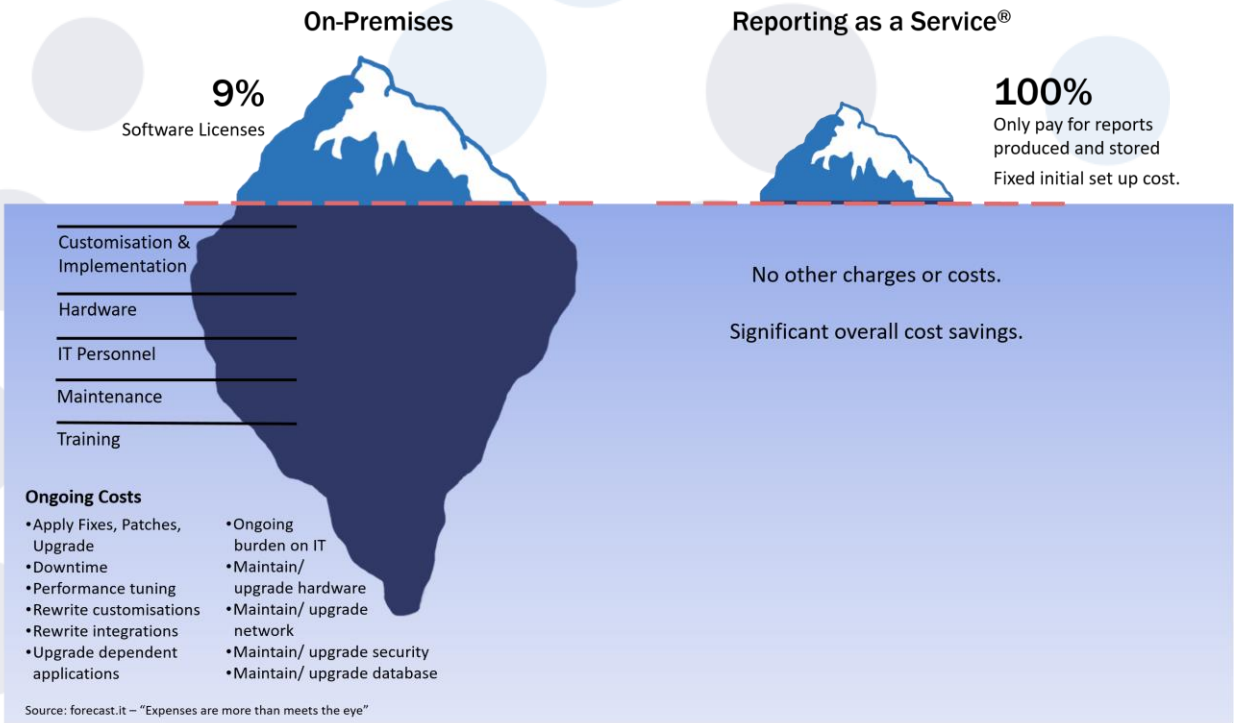
- Select the new system
- Agree and pay the annual license fee costs
- Buy and build the technical environments/infrastructures (circa 4 environments, including: Development, System Test, User Test, Live/Production)
- Create a project team to work with the business and IT, to implement and develop the system, including:
  - Define data sources and build data ingestion processes
  - Define and build the data mart for reporting purposes
  - Define and build data validation/checking processes
  - Define and build text and commentary integration processes
  - Define and build all the report templates required
  - Define and build workflow process
  - Define and build user dashboards
  - Define and build report storage library
  - Define and build the required distribution processes
  - Test each element and the entire end to end process

There are many significant costs associated with this model, for instance;

- The cost of the 4 technical infrastructures
- The analysis and specification tasks
- IT development team costs
- Project team costs
- The cost associated with the time taken for all these activities to complete, as the developments have to run in some sequential order. The project can't all be done and delivered at once.

Many of these costs are often overlooked or not taken into account when preparing a business case. Interestingly, in many cases it seems that the software licence fees equate to approximately 10% of the entire implementation costs, yet these fees are generally the element of the project that gets the most focus. Perhaps the other 90% of costs ought to be more prominent and examined more closely.

The image below provides a clear representation of the two pricing models and clearly demonstrates how the overall costs are reduced within a SaaS environment, such as the Opus Nebula Reporting as a Service® solution.



With a SaaS solution, all the required reporting elements (workflows, dashboards, reports, library etc.) are all pre-built and can be delivered at once. There is some configuration required to perfectly align the solution with the customer such as branding, layout, user roles etc., but typically this takes a few weeks or a month or so, to complete, rather than the extended period required to develop all the reporting elements required and then configure them. Because the core elements are pre-built and largely standardised, the cost of the initial and on-going development can be shared across all customers, rather than each customer having to pay and develop their own solutions.

3.3 Competitive advantage

It is also worth considering whether these reporting elements create genuine competitive advantage for a firm or whether they are actually more of a hygiene factor and that many firms accept the costs and the time taken in the belief they are creating “competitive advantage” and actually deliver to a similar standard as other firms. Surely the competitive advantage for reporting exists in the following:

- How quickly and accurately the reports can be completed and delivered to the client
- How closely the report layout and content matches the client expectation and requirements
- How clearly and logically the data and information is presented
- How closely the fund or portfolio is performing compared to expectation and mandate
- How relevant and informative any accompanying commentary is to the client
- How frequently report updates may be provided to the client

So the advantage appears more about the content of the reports and how quickly and accurately these can be delivered to the client, rather than whether your user dashboard has an additional element of flexibility or another ‘bell or whistle’.

With a SaaS model, the entire end-to-end reporting system is pre-built and ready to use in a cloud-based infrastructure. Each customer has its own ‘tenant’ or area within the system, so there is complete separation of data, text, reports etc. for each individual customer on the system. With the SaaS model there’s no need to build new data interfaces for each and every customer, no need to build new workflow processes, new user dashboards or even new report templates – they are all pre-built and available off-the-shelf. In the SaaS model these pre-built reporting elements simply need to be “configured” to suit each customer. For example, report templates are configured for customer specific branding, layout and content. Data interfaces and the data mart are configured to accept data files from customer data sources and specific file formats. Workflows are configured to match customer specific flows and specific users or teams. Rather than re-developing these key reporting elements every time a firm wants a new reporting system, in the SaaS model a pre-built template is used and simply configured to the precise requirements of the customer. Re-use of reporting elements is significantly quicker and cheaper than development from scratch. Also, over time, these reporting elements are refined and improved as new features are developed and become “best of breed”, and all SaaS customers benefit from the improvements rather than each having to develop and pay for the improvements themselves.

In the SaaS model the core development and installation is already completed and just requires configuration, so the time to go-live with the new SaaS reporting system is significantly quicker – typically 6-8 weeks, rather than 6 months to 1 or 2 years for a more traditional in-house system implementation and rollout (depending on scope and complexity). The underlying clients see the reporting benefits and improvements so much earlier with a SaaS model.

In the SaaS model the customer knows up-front exactly what the service will cost to set up and to run. On-going running costs on a traditional model are fixed, and are equal to the entire cost of the technical environments, the IT team and project team supporting and developing the system and the licence fees. As we see from the “iceberg” image above the in-house costs are significantly larger than the SaaS costs. The SaaS model typically operates a pay-per-use model. Firms simply pay for the reports produced and stored. There

is a fixed cost per report, with discounts for higher volumes. With the traditional model, the costs are typically the same however many or few reports the system produces, in the SaaS model you only pay for what you produce. In the quiet periods, the SaaS model costs reduce, whereas with the traditional model the costs are the same every day irrespective of use.

Investment firms can go live significantly quicker with a SaaS model, and with reduced and known set-up and on-going costs.

3.4 The user experience

So it appears from the sections above that there may be some compelling reasons why the SaaS model may be attractive to a firm undertaking client reporting. But what does a SaaS system really look like to a user and how does it work, and are the systems different to "use"?

These are often the type of questions we encounter from users who are familiar with an in-house client reporting system but unfamiliar with SaaS. This section seeks to explain the user experience.

With regard to using the system, the business users would hardly even know the difference. Rather than clicking on an icon on their desktop and logging onto an internal system with a username and password, they would simply click on a browser (e.g. Google Chrome, Firefox, Internet Explorer etc.) to access a login page on a web site and enter their username and password to access and use the system. Once the user is logged into the system, the end-to-end report production process is managed via the application. There is no need to log off one system and log onto another system to check something, the SaaS solution controls and manages the whole process.

Considering disaster recovery, such as when the customer can't access their main building or the production infrastructure/systems. In the traditional model, the customer's staff move to an alternative building kept free for this purpose and log onto a complete copy of the main system. Often the contingency building isn't big enough to cope with all the staff, and so a subset of staff relocates to do the work. Report delivery may slow down as there are less people working, and so client service levels may lower. In the SaaS model, all the staff can continue working, and simply need access to wifi/internet to continue to do their job. The system may be accessed from anywhere in the world via a browser – making home working a real possibility in the event of a disaster scenario. Microsoft ensures that the Azure Cloud is highly resilient with high levels of availability (circa 99.9% and above).

The scale and processing capacity available in the cloud would typically far exceed any in-house infrastructure, and SaaS systems are typically built to exploit the high levels of capacity and power available in the cloud, such that report production is undertaken in a very short time frame and system response times are fast. When the system is less busy the SaaS system can automatically scale down and save power and cost, whereas typically the in-house infrastructure will remain fully available all the time, irrespective of use and therefore waste power and cost.

So, the users would have a very similar login experience with a SaaS solution vs an in-house system. The SaaS system would be available and would work from any desktop, PC, tablet etc. for office working, home working and in a building disaster recovery scenario, whereas the in-house model would incur additional costs and provide a weaker solution in the event of a disaster scenario.

3.5 The underlying client experience

Where a firm involved in client reporting adopts the SaaS reporting model, there are a number of benefits realised by their underlying clients. The main benefits experienced by the underlying client would be improved reporting, delivered faster. Faster in terms of the initial time to market, and thereafter for each reporting period. The high levels of automation and workflow within the end-to-end reporting process would ensure the regular reports are delivered more reliably and faster for each reporting period. The automated distribution processes would not only be faster than a manual process, but would also remove the chance of a busy supervisor accidently sending the wrong report to a client.

The underlying client should also experience improved client service, as the efficiency and flexibility of the SaaS service would allow for more time to be spent reviewing and discussing the reports with the client, rather than simply producing and distributing the reports. Additionally, if the underlying client has an additional reporting requirement, this should be more easily accommodated through the SaaS model than an internal build.

So, the SaaS model supports an improved client experience for the underlying clients.

4 Conclusions

In conclusion there appear many robust reasons why SaaS based client reporting represents the future model for investment firms. Speed to market, fixed, known and reduced costs are of course a benefit along with reduced operational risks, to name a few. But perhaps the most important of all is the improvements SaaS reporting facilitates in servicing the underlying clients.

Consider this; investment firms can provide improved servicing to their underlying clients, AND can reduce their operational costs, reduce their operational risks and be more flexible and scalable in the future – by moving to a SaaS based reporting model. It would be irrational not to… wouldn't it?

Opus Nebula offers a full end-to-end client reporting SaaS solution, developed, configured and delivered via the Microsoft Azure Cloud. The founding directors of Opus Nebula have over 50 years of client reporting business and IT experience between them. If you are planning to update your in-house reporting system, or looking to replace those manual processes in the near future, please contact us to discuss your client reporting requirements and challenges. SaaS may have sounded scary and very technical at the start of this piece, but hopefully now you understand how it works, the key differences and significant benefits of SaaS compared to the traditional in-house model.

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Andrew has over 30 years' experience in client reporting and client servicing, gained in a variety of investment firms and as a management consultant. Prior to co-founding Opus Nebula and developing the Reporting as a Service solution, Andrew was Head of Reporting at HSBC Global Asset Management.

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