The IT Service Desk Market Is Ready for SaaS

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The IT service desk market is well-positioned to use the software-as-a-service (SaaS) licensing and delivery model. We expect a significant increase in this market, as more solutions become available and customers increasingly seek alternative purchasing options.

Key Findings

- The number of service desk implementations delivered as SaaS is still small, but it represents a fast-growing market segment.

- Increased speed to implementation at a lower cost is a potential advantage of SaaS, compared with traditional on-premises licensing models.

- Several key IT service desk vendors will be introducing SaaS solutions in 2009.

Recommendations

- If you're evaluating new solutions, then consider SaaS IT service desk tools as a viable alternative to traditional on-premises models.

- Make the integration between the SaaS IT service desk tool and other IT service management (ITSM) tools in your environment a key selection criteria.

- Include the cost of upgrading your on-premises service desk tool to the latest version every few years into the long-term total cost of ownership (TCO) comparison between SaaS and traditional solutions.

By 2012, 10% of the IT service desk market will be made up of SaaS solutions.

ANALYSIS

IT service desk tools have been widely available in the market since the early 1990s. Since then, the core functionality of opening and closing IT-related issues and service requests has matured significantly. Today's solutions offer an integrated service desk solution, including incident, problem, self-service, service-level management and knowledge management. IT service desk tools also offer tighter process and data integration with a host of other ITSM modules, including service catalog, change, configuration, release, inventory, and service-level management.

IT service desk tools have matured in features, functionality, integration capabilities and process alignment during the past two decades; however, the on-premises model has remained a constant. The on-premises model — in which customers buy the IT service desk application, purchase fixed/named or concurrent licenses, install it on their own servers or pay someone to host the servers, and then pay a yearly support and maintenance fee — has not changed a great deal until recently.

The SaaS model for IT service desk is becoming a more feasible and credible alternative to the traditional on-premises model. In the SaaS model for IT service desks, the customer pays a concurrent or fixed/named license fee on a periodic subscription basis. From an infrastructure perspective, the IT service desk vendor hosts the SaaS tool for the customer and performs the bug fixes, patches and major upgrades. SaaS is not new to the software industry, with specific applications being offered in this model for more than a decade, and SaaS is becoming more popular across the software industry (see "Predicts 2009: Software as a Service Gains Traction").

SaaS has been slow to gain ground in the ITSM software market; however, Gartner has seen more IT organizations considering SaaS for IT service desk. Prior to 2007, it was rare for Gartner clients to inquire about SaaS for IT service desks, but, during the past two years, we have seen a remarkable growth in interest. In 2008, more than 50 Gartner clients inquired about SaaS for IT service desks as potential solutions for their organizations.

We estimate that SaaS IT service desk vendors currently have 1% to 2% of the overall market, but we expect that number to increase sharply during the next several years. By 2012, 10% of the IT service desk market will be made up of SaaS solutions. Gartner considers the IT service desk market to be a prime candidate for significant growth in SaaS deployments and revenue for several reasons.

Signs an IT Service Desk Is Ready for SaaS

There are viable vendor solutions on the market, and more are coming: Three years ago, there were no viable IT service desk solutions on the market being offered as SaaS. The vendors focused on the traditional on-premises pricing model and the hosting model. Even if a customer was interested in SaaS, there were no IT service desk solutions with proven capabilities or track records in the IT service desk market. However, during the past three years, we have seen a significant increase in the number of vendors offering SaaS solutions and gaining customers. Service-now.com has led the SaaS market in new customers and market buzz; however, other vendors, such as InteQ, HP, Parature and Staff&Line, also have solutions. Axios, CA, Cherwell Software and FrontRange Solutions are scheduled to release their SaaS IT service desk solutions in 2009. We have spoken to dozens of Service-now.com, Parature, and Staff&Line

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SaaS service desk customers who were more than satisfied with the implementation, features, functionality, pricing and maintenance of these vendors' solutions.

IT service desk tools have mature, Web-based clients: IT service desk tools are also ready for SaaS, because all functionality can be used with a Web client. Earlier this decade, many IT service desk tools required a client to be installed on a desktop to accomplish more-advanced administration and configurations. Today, most IT service desk tools can manage 100% of the functionality, configuration, administration and reporting with just the Web client. There is no more need for a desktop client for IT service desk tools, which lends itself nicely to SaaS.

There are potential cost advantages: IT service desk tools can be expensive, and even a midsize organization with 150 IT employees can easily find itself spending $250,000 and beyond for a new service desk tool. With such a price tag, especially in the current economic environment, even IT organizations with old and poorly implemented service desk tools may find it difficult to justify a new tool purchase to the business. To justify such a large software purchase, most IT organizations will need to achieve buy-in from many stakeholders, to undergo a return-on-investment (ROI) study, and, often, to receive purchase approval from a finance board.

Some IT organizations report to Gartner that the amount of time required to make such a high capital investment in IT service desk tools is burdensome and time-consuming. One IT organization that Gartner spoke to (which later purchased a SaaS IT service desk solution) said that it could easily take a year to purchase an on-premises service desk solution, even though everyone up to the CIO knew they needed a new solution and it had already been budgeted for. Because SaaS IT service desk tools are often purchased through the operating budget on a month-to-month basis, IT management is often able to buy the tool without the rigor involved with a capital purchase.

Gartner recommends that a formal TCO study for a new service desk tool, whether SaaS or on-premises, be conducted as part of the selection process (see "The Cost and Benefits of SaaS vs. On-Premises Deployment"). Include the cost of upgrading your on-premises service desk tool to the latest version every few years into the long-term TCO comparison between SaaS and traditional solutions.

Ease of implementation: Because the IT service desk market is mature, dozens of highly competitive vendors have largely caught up in terms of features and functionality in incident and problem management. Many Gartner clients tell us that as much as 95% of the features and functionality of leading service desk tools are the same. Although differences in features and functionality are being considered less frequently as a driving force in the vendor selection process, IT organizations have increasingly based their selection criteria on the ease and speed of tool implementation when making a vendor selection.

IT organizations have long lists of ITSM functionality and processes they need to implement, limited budgets and, possibly, a "bad taste in their mouths" from past costly and overscheduled software and process implementations, so they're looking to implement IT service desks in the shortest possible time, with less complexity and customization. SaaS solutions have the potential to greatly reduce implementation times and costs, because there are no hardware and software installations to worry about. An out-of-the-box SaaS IT service desk implementation, with modest customization and integration, can be implemented with cost and time savings of 10% to 25%, compared with on-premises solutions.

One Gartner client bought a SaaS service desk solution on a Monday and put it into production by Friday. Although this is a unique case, it would be hard to duplicate such performance with an on-premises solution. However, as the complexity of workflows and integration increases, the gap advantage between SaaS and on-premises implementation times narrows, because a larger percentage of the deployment time is associated with configuration, process definition and

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integration, which are equally difficult with both delivery models (see "Fact Checking: The Five Most-Common SaaS Assumptions").

Ease of upgrades: SaaS solutions also hold the promise of periodic feature and functionality upgrades that require little involvement. Having the SaaS provider perform upgrades is important for IT service customers for two reasons.

- Few organizations consider the IT service desk to be strategic to their overall business goals; however, most want to keep up with the most up-to-date features, process improvements, reporting and other functionality in their IT service desk tools. With the upgrade to the latest release of a service desk tool seen more as maintenance and less strategic, IT organizations are attracted to the prospect of leaving upgrades to the SaaS provider. IT organizations that have or need a highly customized service desk tool and want to control upgrades will find this features of SaaS less appealing.

- Service desk tools have an unfortunate history of long and costly product upgrade paths, largely due to the large number of customizations that vendor tools required. Although, in recent years, most IT service desk vendors provide straightforward and relatively inexpensive product upgrade road maps, many customers have experienced (or are still experiencing) lengthy, resource-intensive product upgrades. Service desk customers not been diligent in upgrading to the latest version of the software, because the customization they did to the tool made upgrades difficult and because keeping up with the latest version was not deemed strategic. Therefore, these customers have found themselves on older versions of the tool and now realize that an upgrade to the latest version has become a timely and costly endeavor. IT organizations that have lived through painful service desk upgrades (or have heard horror stories from colleagues) have told Gartner that the idea of regular and modest-effort upgrades done by the SaaS provider is attractive.

Fewer potential risks: IT service desk tools purchased through the SaaS model also present fewer financial and implementation risks for IT organizations. On average, IT organizations replace their service desk tools every five years, and we speak to clients every week that have failed implementations of their service desk tools and wish they could change tools. The reasons for failed or inadequate IT service desk implementations are rarely technology issues, but have more to do people, processes, revolving IT management and changing business conditions. However, whatever the reason for a failed implementation, many IT organizations find it difficult to justify ripping out their current service desk tools in favor of starting over or getting a new tool. Thus, they may be stuck for five years or so with any service desk tool decision they make today.

Although SaaS IT service desk tools and their implementations are far from free and should be considered strategic purchases similar to on-premises solutions, IT organizations feel that the reduced initial outlay enables them to mitigate risk and increases their flexibility, should they decide to switch tools. In the words of one Gartner client, "I can try out a SaaS IT service desk solution for a year, and, if the implementation doesn't work out, or we change our minds for any reason, then we can always go back and purchase an on-premises solution."

Familiar user-licensing model: Most service vendors sell IT service desk tools with fixed/named and concurrent user licenses. Some vendors also include charges for the development and production server licenses and integration connectors; however, most of the tool cost is associated with the number of required fixed/named and concurrent user licenses the IT organization needs. The fixed/named and concurrent user licenses are bought for the IT personnel using the tool and are not associated with the number of end users in the organization. Fixed/named and concurrent user licenses work well for SaaS vendors that have already adopted

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this familiar licensing model; therefore, SaaS vendors don't have the burden of introducing a different licensing model to potential customers.

Fewer security concerns: Data security continues to be a major reason IT organizations hesitate to adopt SaaS solutions. In a poll conducted during a presentation at the Gartner Data Center Conference in December 2008, the No. 1 reason IT infrastructure and operations managers were not adopting SaaS was security and privacy. Security must be a key criterion in any decision to use external SaaS providers, when critical customer and business information is involved.

Choosing the right SaaS provider can lead to security improvements (see "Critical Security Questions to Ask a SaaS Provider"); however, many IT organizations don't consider the data in their service desk tools to be sensitive. As one Gartner client said, "If my competition got hold of my service desk tool data and was able to see that I have problems with our laptops, connectivity, Microsoft applications and so on, it wouldn't be a big deal. There isn't much exposure to sensitive data there." Although data security and privacy is a concern with SaaS solutions, it is less a concern with service desk tools.

SaaS IT Service Desk Tools Aren't for Everyone

SaaS IT service desk tools are not viable options for every organization. Careful tool selection analysis that includes features, functionality, integration capabilities, reporting, TCO, country data location laws, system availability, security, vendor strategy, implementation ease and flexibility needs to be performed before deciding to rip out your solution and replace it with a new solution. Of these, the integration strategy between the IT service desk tool and other ITSM modules (which are still primarily on-premises solutions), such as asset management, configuration management database and PC configuration management, often requires the most scrutiny. Nonetheless, the value propositions of service desk SaaS will result in increased investments by vendors and increased deployments by customers.

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