The real cost of ownership of IT service desks

Understanding the ITSM cost factors at play

Introduction

The ROI of your service desk investments can single handedly position your IT team either as a bleeding cost center or a value creator.

Investing in large traditional service desks may seem like a safe choice in the beginning, but this slowly but surely breaks your bank. Inundated with expensive licences, hidden costs and recurring expenses, the TCO of your traditional service desk spirals out of control.
More often than not, this leads to long payback periods, slow time-to-value and IT leaders struggling to achieve any ROI with traditional, legacy solutions.

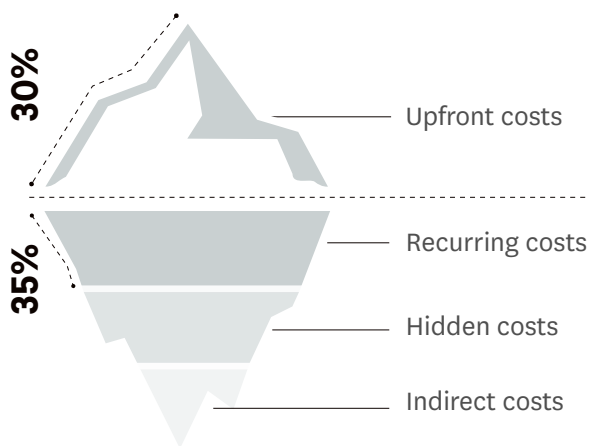Here's what we cover In this whitepaper:

- $ Explore how you save 30%-50% with modern SaaS solution

- $ Decode the total cost of ownership of traditional and modern SaaS ITSM solutions

- $ Analyze the impact of various cost factors on the ROI

- $ Live examples of improved ROI

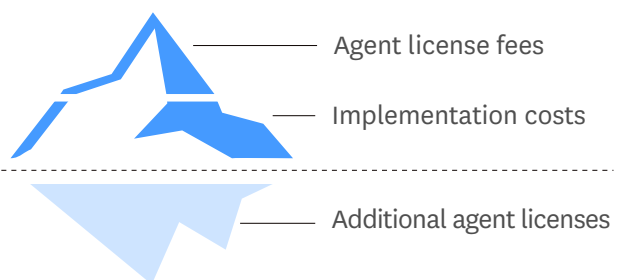# Deconstructing the TCO of a traditional service desk

With legacy SaaS service desks, what you actually pay is far more than what you initially estimate.

Based on conversations with customers who've moved away from legacy service desks, we've found four cost components that make up the total cost of ownership of legacy systems.

Legacy SaaS TCO model

30%

— Upfront costs

35%

— Recurring costs

— Hidden costs

— Indirect costs

Modern SaaS TCO model

— Agent license fees

— Implementation costs

— Additional agent licenses

Ongoing costs

Code maintenance costs

Rewriting customizations

Paid version upgrades

Paid upgrade of dependent applications

Full-time developer costs

Contract consultant costs

Personnel training

Paid support costs

Paid add-on modules

Paid user roles

Increase in license fees

Save up to 50% with Modern ITSM solutions

Cost compontent	Cost breakdown	Spends with Legacy SaaS	Potential savings with Modern SaaS
1 Upfront costs	License fees per agent	$1500	15% - 20%
	Implementation fee	$30,000-$70,000	20% - 30%
2 Recurring costs	Ongoing Support costs	$10,000 - $20,000	100%
	Add-on modules (for 750 end-users)	$45000	30% - 50%
	Add-on user roles (per approver/observer)	$180	
3 Hidden costs	Professional services fees	$50,000 - $70,000	100%
	10% Increase in License fee (per agent)	$465	
	Expensive system upgrades	$20,000 - $60,000	
	Training and certification costs	$2,000 - $4,000	
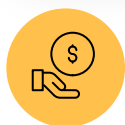
Total cost of ownership (TCO)
$159,145

Potential savings with modern SaaS
30% - 50%

1

Upfront Costs make up only 30% of your TCO

Upfront costs are the known devil of your overall TCO. These are the initial numbers that give you the benchmark for investments. But in most cases, it is only the tip of the iceberg.

Expensive licensing

Legacy SaaS licenses cost more than one and a half times as much as modern SaaS service desk licenses. As you scale your IT operations to meet growing business needs, agent licenses alone can become a constraint.

ITSM solution licensing cost
**Traditional SaaS =**
1.5X Modern SaaS
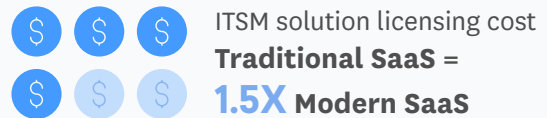
Implementation costs

Implementing a code-heavy legacy SaaS service desk often requires expensive consultants and developers. This upfront cost slots implementation and deployment as a Capex that breaks your bank and leaves you depleted.

Consider the legacy SaaS license fees for 100 agents
Implementation costs =
75% Annual license fees
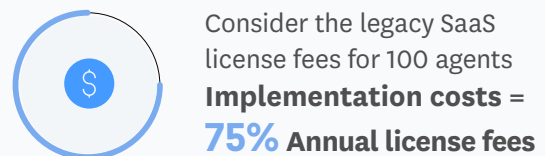
Customization costs

With heavy customizations involved, simple tasks like building workflow automations and logging change tickets become tedious and time consuming. On the other hand, the modern SaaS solution's configuration model allows for reduced costs, time, and full time resources.

Building Workflow Automation Rules

Legacy SaaS service desk
1 hour

Modern SaaS service desk
3 minutes

2
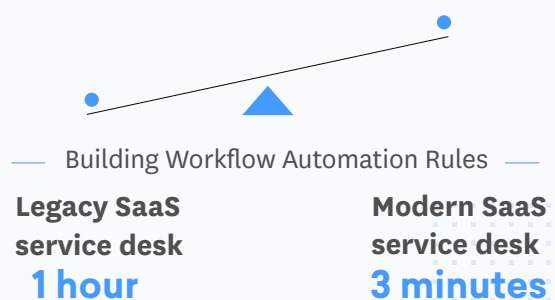
Recurring Costs account for 35% of your TCO

Recurring costs are downplayed initially. Post implementation, they start adding up to a significant amount eventually accounting for about 35% of your total TCO.

The promise of support

In most cases, legacy SaaS tools offer support only for Tier 4 issues, i.e. support if your instances are unavailable and cannot be accessed. Everyday and ad-hoc support for Tier 1, 2 & 3 issues come at additional charges and are often routed through 3rd party partners.

Legacy SaaS
Support costs =

20% Annual
**license fees of
Legacy SaaS
service desks**

Chargeable additional modules

Legacy tools often charge additionally for adding modules such as employee onboarding, asset management, problem management, change management, analytics, and more. This scenario forces the service desk manager to choose between optimizing costs and creating value for the business.

Chargeable user roles

With legacy SaaS service desks, adding a new stakeholder to the system comes at a price. Licenses for key user roles such as approvers, observers are charged for, over and above the agents. Suppose, you plan to extend the service desk for an HR use case such as employee onboarding; you pay for the HR module, for the number of employees being on-boarded and for any approvers in the workflow. With modern SaaS solutions, you only pay per agent per month.

3

Hidden Costs lead to a 1.5X increase in the TCO

Unexpected costs begin surfacing when your service desk is at the prime of operations.
At this stage, it starts becoming expensive even to maintain if not improve your service delivery.
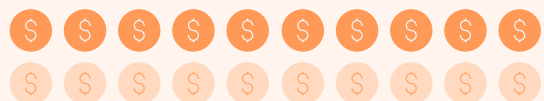
Professional services fees

Customization-heavy legacy SaaS tools combined with changing IT needs create a hidden trap of ever-increasing personnel costs. You are forced to hire paid external resources or rely on expensive partners to maintain your service desk. This leads you to incur administration, hiring and salary costs in a high attrition market.

Annually increasing license fees

Legacy SaaS service desks are infamous for increasing their annual agent license fees. This is easy to miss amidst all the confusing legal terms and conditions.You can expect the per license fee to increase by around 10% year on year.

10% increase in per agent license fee, year-on-year

The dilemma of system upgrades

The biggest hit comes in the form of system upgrades, that are rolled out every 6 to 8 months. Clients with more customized instances end up paying as much for an upgrade as they did for the initial implementation. This additional expense impedes growth. Clients with limited resources are cornered to choose between upgrading existing modules and investing in strategic IT initiatives.

Over **3 years**, for organizations with highly customized instances

System upgrade costs =

3X Implementation costs

4

Indirect expenses that cost you more than just money

With all these unforeseen expenses, you've ended up with paying an exorbitant TCO while the tool has delivered little to no value.

Loss of employee productivity

According to an HDI survey, poor quality of support increases 'average productive hours lost per employee per year' from 17.1% to 46.95%. Legacy SaaS service desks are complex and clunky requiring constant support. As mentioned earlier, the quality and quantity of support often hampers agent productivity and breeds agent frustration.

High barriers to scale; Low value add

Legacy SaaS tools have different modules such as enterprise service management, onboarding module, et al. with different pricing models. Extending the value of your service desk beyond IT to business teams becomes challenging. Organizations end up buying the additional modules at steep prices to maintain the same tool for different use cases. This is a never-ending cycle of rising costs, slow time-to-value and a TCO that slowly but surely spirals out of control.

Average productive hours lost per employee per year
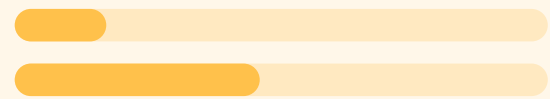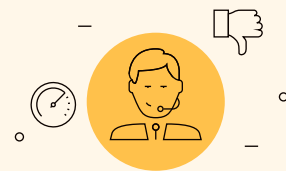
17.1% to 46.95%

User Stories

The real price of legacy service desks, as told by our customers

User story

A leading luxury retailer paid a heavy price for their legacy SaaS service desk before deciding to move away.

Workflows with custom code for simple tasks like a change output were tedious and time-consuming. Logging change tickets took over 15 minutes with dependencies on custom coding and expensive consultants.

User story

A leading global insurer's IT costs spiraled out of control owing to substantial development efforts and lengthy consultant contracts.

Creating a simple service catalog workflow took eight months and $40,000 with the previous legacy SaaS service desk. The same setup took a mere two days to set up on moving to a modern and agile service desk.

User story

A leading department store based out of London, having deployed a legacy SaaS solution for 3 years, still struggled to showcase the business value IT created for its stakeholders.

> Switching from ServiceNow to Freshservice was one of the best decisions we made. Freshservice is definitely the ITSM tool of the future. It is easy to use and implement.
>
> We had so many complicated workflows and unnecessary noise inServiceNow. With Freshservice, we managed to set up workflows and improve service delivery within a month.

Matthew Stratton
IT Service Delivery Manager, Virgin Active

> Before Freshservice, we utilized an antique Service Desk system that was inflexible and unreliable.
>
> For a very reasonable cost we now have a robust system that both our users and agents love. The advanced reporting and automation features are a team favourite. It's a great solution that's always improving.

Kevin Higgins
Technology Director, Kansas City Chiefs

About
Freshworks

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