Choosing the Right Solution: On-Premise vs. Hosted

In our technology-savvy society, the term "hosted solution" is used frequently in a variety of contexts. Hosted solutions, also called cloud solutions, are also often referred to as "Software as a Service" (SaaS). But what, exactly, are these solutions? Simply, they refer to "software and services that run on the Internet, instead of locally on your computer."[1] For example, a cloud photo storage service can house all your digital photos in a secure location accessible online, instead of on hard-drives, CDs, flash drives, or other physical hardware.

In general, the benefits of using a hosted solution at your dealership include convenience, ease of use, 24/7 access from any Internet-enabled device, automation of manual processes, reduced physical clutter, decreased reliance on IT staff, and cost savings. A hosted solution is also scalable, easily growing and shrinking to meet your needs, and they provide back-up redundancy, keeping your data safe and software solutions up-to-date—all with very little manual intervention on your part.

So, to help you decide which type of solution is right for your dealership, let's dive into pros and cons of each option.

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1. Start-Up Costs and Scalability

As a significant piece of hardware for your dealership, an **on-premise server** requires a substantial up-front investment. You'll need to invest in a server large enough to take care of your current needs as well as expected future growth. You should not cut corners here. The hardware you buy should meet or exceed automotive industry standards. You don't want to be replacing your hardware every few years. So, it's better if you can start by purchasing a server with a premium processor, increased RAM, and more space than you currently need. Else, you will be spending even more money in the long run.

In addition, you'll need dedicated physical space to house the server at your location. That space will need to meet specific requirements to keep your equipment running smoothly, including special power, ventilation, air conditioning, and cleanliness needs.

A **hosted solution**, on the other hand, eliminates the need for an on-site server, so start-up costs are much lower, and you won't have to waste space or energy accommodating in-house equipment. Additionally, hosted solutions are easily scalable, able to adapt efficiently and effectively to either growth or reduction, so you can pay only for the space you need. As you become more successful, you can just add to your hosted solution as needed.

HOSTED: PAY FOR WHAT YOU NEED

2. Upgrades and Updates

Software providers continuously provide upgrades and updates for their technology, including new products, features, functions, security, or bug fixes in the software. When you use an **on-premise solution**, you must manually install these upgrades and updates station by station. Due to the time-consuming nature of this task, some dealerships may put off these updates, putting themselves at risk of a security breach. With a **hosted solution**, upgrades and updates occur automatically as part of the maintenance of your solution. They run behind the scenes and are often provided at no additional cost.

HOSTED: AUTOMATE YOUR PROCESSES

3. IT Support

If you opt for an **on-premise solution**, you'll likely need to invest in IT expertise to set up and maintain both the equipment and infrastructure, keep your equipment and software updated and running smoothly, as well as address any problems or hardware failures that may occur throughout the year. Some dealerships will even hire an IT staff. These costs can be quite significant in many cases.

In contrast, when you choose a **hosted solution**, much of your setup, maintenance, and problem-solving responsibilities go away. Those responsibilities pass to your hosted service provider, so you no longer need the IT expertise required for an

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on-premise solution. Additionally, as part of the maintenance of your server, every piece of equipment that is part of the hosted solution gets software updates automatically. With IT responsibilities off your shoulders, you can anticipate considerable time and cost savings.

HOSTED: ELIMINATE MAINTENANCE RESPONSIBILITIES 👍

4. Accessibility

With an **on-premise solution**, your system and data are typically inaccessible from outside of the store. A major benefit of a **hosted solution** is that it allows you to log into your dealer management system from any location, as long as you have an Internet connection. Your business is not bound to your brick-and-mortar location.

This mobility allows executives to stay on top of issues without being in the dealership itself. It also shortens the approval process since reviews and approvals can be taking place in different locations. Moreover, it unchains your sales consultants from their desks. They can meet buyers in the lot and stay by their sides for the entire visit.

Note, however, that a hosted solution does rely on your local Internet availability. So, if you are in an area of the country with poor internet connectivity, an on-premise solution may be a better option.

HOSTED: WORK FROM ANYWHERE 👍

5. Backups and Data Recovery

When you have an **on-premise solution**, data backups and data recovery can be cumbersome and time-consuming tasks for your dealership. You may need to back up multiple PCs or workstations every night, using a flash drive or CD (mediums that are subject to fail, break, or get lost) or an Internet backup service (which comes at an additional cost) to hold your important data. Sometimes, staff forget to run backups altogether. The data recovery process can also be time consuming and fraught with error.

When using a **hosted solution**, your information gets backed up automatically, multiple times a day. There are no flash drives, CDs, or additional services to worry about, and if your computer malfunctions, sustains damage, or is destroyed by fire, flood, or other disaster—like one of the hurricanes that whipped through this year—you can quickly get back up and running. You can even set up your business at an alternate location. All you'll need is an Internet connection and your security credentials.

HOSTED: ELIMINATE MANUAL PROCESSES 👍

6. Security

When it comes to security, a comparison between on-premise and hosted solutions clearly favors one side. Most **hosted solutions** provide state-of-the-art security that's superior and more highly encrypted than common solutions you would find in the marketplace to protect your on-premise solution.

On a hosted solution, your security updates automatically in the background, and when a new threat is discovered, quickly acts in your defense to remove the risk. With hosted solutions like Autosoft's hosted DMS option, you can also set up user-based access for even tighter security.

HOSTED: GAIN TIGHTER SECURITY 👍

In Conclusion

The decision between an on-premise solution and a hosted solution really comes down to two questions. First, do I have the Internet connectivity I need to utilize a hosted solution? And second, what is the true cost of an on-premise versus hosted solution? In most cases, you'll find that, over a period of time, your all-in costs are actually lower for a hosted solution and the benefits you receive are unsurpassed. Once you consider your costs and benefits, choosing the right solution is simple.

1 Definition from Bonnie Cha at Recode:
   https://www.recode.net/2015/4/30/11562024/too-embarrassed-to-ask-what-is-the-cloud-and-how-does-it-work

2 Belinda, "Pros and Cons: Cloud Servers vs. In-House Servers," Interface Technologies, Nov. 3, 2015
   https://interface.ca/pros-and-cons-cloud-servers-vs-in-house-servers

3 "The Pros and Cons of Cloud Vs. In House Servers," SysGen Solutions Group
   https://sysgen.ca/cloud-vs-in-house-servers

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