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Centerbase CloudBased Law Firm Management & Growth Platform

Cost Breakdown of Cloud and On-Premise Software

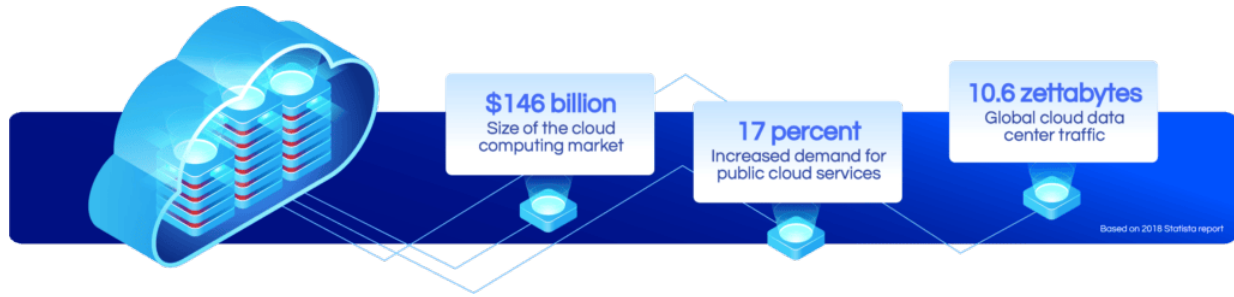
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Because of its prevalence, most people already know what this is, but put simply, [the cloud](#) allows an internet user to access a third-party computing resource located in almost an endless network of interconnected servers that allow you to run your computer's applications over the internet without having to buy, install or manage your own servers.

What this means is you could run your firm's IT operations with nothing more than a browser and internet connection. By using the cloud, firms of all sizes can reduce IT costs, manage data storage needs more effectively, and improve staff flexibility. In a short amount of time, the cloud has emerged as one of the most meaningful innovations in technology.

The cloud symbol was first used to represent the public telephone systems on our dial-ups and since the original basis of the internet was through dial-up modems, that symbol has been used and now represents what we know of today as "the cloud." Before we go on, it is important to note that when we say "client-server," the word "client" does not refer to your customer. Depending on your role, this word means two different things (depending on if you're on the IT team or an attorney.) The word "client" to an IT person means a device used by one person at a time to access the internet. Essentially it is just an access point, whether it's a smartphone, tablet, PC, you name it. These access points (or clients), and central servers which supply applications and data, are shared amongst several clients and can be accessed at any one time. So when you sign in to Gmail, or anywhere on the internet, you're not the only person at that exact moment who can gain access. Thousands, if not millions of people could access their Gmail account at the same time through their own client-server.

Characteristics of the Cloud



Let's take a look at the five essential characteristics of the cloud:

1. On-demand self-service
2. Broad network access
3. Resource pooling
4. Rapid elasticity
5. Measured service

On-demand self-service

On-demand service essentially means you order what you want when you want it. You can unilaterally make such provisions either regarding server settings or network storage without the need for any interaction from the provider's IT administrator. Further examples of such resources include storage, processing, memory, network bandwidth, and virtual machines.

Broad network access

Broad network access means you have access to your data over the standard network through client platforms such as your smartphone, PC, or laptop.

Resource pooling

Resource pooling simply means that providers serve multiple customers, with provisional and scalable services. These services can be adjusted to suit each customer's needs without any changes being apparent to the customer or end-user. When you access a server on the internet, it's not only your information on that server, there is other people's information as well. Sometimes there may just be one server for 50 different people and sometimes it could even be located overseas. As attorneys, this is incredibly important to be aware of. Many firms will just sign up or pay for cloud services and have no idea where their actual data is being stored, or who it's being stored with. Sometimes it's because they don't care, and other times it's because they don't know to ask. So make sure you [ask your vendor](#) this question!

Rapid elasticity

Rapid elasticity allows users to automatically request additional space in the cloud or other types of services. ... In a sense, cloud resources appear to be infinite or automatically available. That's very different from older systems, where the limits of storage or memory were immediately visible to a user. Compared to on-premise servers, this process is significantly easier and more convenient.

Measured service

Resource usage can be monitored, controlled, and reported. This provides transparency for both the provider and the consumer of the service. Your firm can actually get insight into the performance of your network with statistics that monitor your usage.

Will the Cloud Save my Firm Money?

The first question that many firms ask cloud providers is, "how much will it cost?" This is a logical question, but the price range varies so drastically, that it makes more sense to narrow down specific goals and aspects of your firm. Let's take a look.

Take a look at the chart below. The first thing you need to consider is the upfront expenditure. Let's look at the on-premise category first. A good quality single server with no redundancy can run anywhere from \$3,500-\$8,000 if you're going low end. A decent, middle-of-the-road server will land you north of \$10,000. With that, you will need a backup system, which incorporates both software and hardware which could easily tack on another \$2,000+. Next, you will want a quality

APC battery or locate your system in a colo-data center to protect all of this valuable equipment. Following that line item is your server licensing. This is not per physical server, but per virtual server which typically runs inside of one box. Traditionally, you will be running an active directory, a file server, and a database server. Best practices dictate you separate these roles into multiple servers, but you could combine some of these roles into two servers, which is where you get the \$1,900. Next are your user licenses or your client access licenses. This is required for each person who needs access to the server. If they run slightly over \$40, and you have 15 people at your firm, you're looking at about \$840. Another expense is your Microsoft SQL licenses which almost every on-premise case management system requires. You can pay for this by the processing core, or by the user, but either way, it comes out to about the same. Finally, There will definitely be implementation fees to get this all together and have your firm up and running. With the going IT rate, you're looking at about \$5,000 of total labor.

The next two columns are much more simplistic. All the listed services are either included in a private cloud or are not applicable. With the cloud, you will still have a labor fee that will either be due upfront or spread out with payments over a designated period of time. For web applications, if you're considering a change, this will oftentimes require the assistance of a third-party consulting firm.

Expenses	On-Premise Servers	Cloud	Web Applications
Server(s) Hardware	\$5,500	Included	N/A
Backup Solution	\$2,000	Included	N/A
APC Battery	\$1,500	Included	N/A
Microsoft Server Licensing (\$950/ea.)	\$1,900	Included	N/A
Microsoft User Licenses (\$42/ea.)	\$840	Included	N/A
Microsoft SQL Licenses (\$209/ea.)	\$4,180	Included	N/A
Terminal Server Licenses (\$133/ea.)	N/A	Included	N/A
Setup Fee	\$5,000	\$4,425	\$7,500
Total Up-Front Cost	\$20,920	\$4,425	\$7,500

Now that we have talked about the upfront costs, let's look at some of the common monthly expenditures:

Expenses	On-Premise Servers	Cloud	Web Applications
Server Maintenance (\$200-\$350/ea.)	\$5,500	Included	N/A
User Support + Anti-Virus (\$49/user)	\$735	Included	\$735
Offsite Backup (25-75 cents/gig)	\$100	Included	N/A
Remote Access (GoToMyPC: \$30/user)	\$450	N/A	N/A
Cloud Storage (\$0-\$50/user)	N/A	Included	\$105
Total Monthly Costs	\$6,785	\$2,085	\$840

The first line item is your server maintenance. If you have a server, you will want to make sure that it is properly maintained, monitored, [secured](#), and audited on a routine basis. This is especially critical with the [security](#) threats we face today. Assuming you're running 2-3 virtual servers, you're looking at about \$500.

User support entails the support for each computer, anti-virus work, print capabilities, and general network support. The average spend for this is about \$49 per user, per month. Some firms will have an in-house IT team, others will outsource the help. The former is quite costly as you're salaried these additional team members, but outsourcing your support can be tricky if you need immediate assistance. For web applications, keep in mind that if you can eliminate all of your servers, this cost will remain, and in some cases, this cost may increase as computer management becomes increasingly difficult with no server to help automate management.

Next is the offsite backup category, this is native to almost all cloud solutions, whereas on-premise servers need to be backed up nightly. Be warned that if you are not backing up your data, you risk losing it in a crash. Paying for such solutions varies drastically in price, if you're looking for a full backup and [disaster recovery](#) solution, you could be looking at thousands per month. For the sake of our example, we took the very basic backup system which typically charges between 25-75 cents/gig.

Now, looking at remote access, this also runs natively to any cloud-based solution. If you have an on-premise option, you can get a dedicated terminal or Citrix server. This would add significant spending to the upfront and server maintenance columns. Since we're considering a 15-user law office, chances are, they're using RDP over VPN directly to their desktop, or more commonly, a GoToMyPC or log me in a type of solution.

For storage, most firms with on-premise servers are using their file server which could be your S drive or your T drive (for example). Additional costs here come from when your file server runs out of space or there's a server malfunction or breach.

Everything we just mentioned encompasses the average base cost for each solution. Each service provider is different, and fees will vary depending on what your firm chooses to adopt vs. waive.

Ready to see how cloud-based Centerbase cuts costs and raises your revenues?

Get a demo today!

The Takeaway

The chart below looks at some features that cannot be quantified mathematically, but they hold immense value.

Each firm has to evaluate which of these intangible assets are most critical, and which are considered to be more of a luxury. Consider things like mobile access and liability. Do you have plans to geographically expand your firm? Do you want your staff to be connected with centralized access to the same data? Do your due diligence before signing on the dotted line.

Ultimately, all of these intangibles should help you evaluate whether your firm should pursue cloud, on-prem, or web application services, so don't take them lightly!

Intangibles	On-Premise Servers	Cloud	Web Applications
Mobile	Limited	Robust	Medium-Robust
Security	Low-Medium	Robust	Robust
Reliability	Low-Medium	Robust	Robust
Scalability	Limited	Flexible	Flexible
Centralization	Centralized	Centralized	Fragmented
Liability	Risky	Limited	Limited
Software Robustness	Robust	Robust	Limited
Support	General	Legal-Centric	Fragmented

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