

I am often asked the difference between Licensed software vs Subscription based software accesses that (SCC IT) offer, here is a brief explanation indicating key differences (pros and cons)

#	Factors considered	Licensed Software Cost	Software usage on subscription basis
1	Raw Software Cost	One time License cost are mostly on higher side	Initial setup and localization cost + recurring subscription cost.
1.1	Cost of Deployment (as licensed software is normally delivered in CD/DVDs) thus they are usable only when these are deployed on machines within the premises	Cost of hardware (Servers - Database/Software and Network server) are to be included in the cost	Cost of these upfront cost are less significantly as these are shared by the software supplier with other customers
1.2	Cost of Hardware upgrades: Not to underestimates the evolving hardware industry, hardware upgrades are part of recursive expenses to keep operations live	Cost of upgrades need to be budgeted	End customers are insulated from this factor and software suppliers keep their infrastructure in sync with industry trends
1.3	Cost of IT man power	Required to maintain software operation ability	No need for specialized IT man power
1.4	Cost of licenses for technology used for application	Cost of Language (.Net for eg) and database (Oracle) need to be included in addition to the business application	Cost is included in first time setup fees and shared amongs many other customers thus much less in comparison
2	Cost of Maintenance	Organisation may need to sign separate annual maintenance contract also as otherwise licensed software provider may not give support to your operations	Includes cost of maintenance within its subscription cost.
2.1	Cost of operating application	Cost of Logistics to keep hardware running (electrical/office space/UPS etc)	None, the cost is included in subscription fees
2.2	Service and Support Quality Assurance	AMC cost is normally taken upfront at the time of start of period with no assurance except contractual clauses (that may not be used for the sake of litigation), in case of poor service, cost incurred on license has to be written off	As it is monthly or quarterly service, supplier is always under pressure to deliver good service to the customer. Customer power is much stronger in these relationships.
3	Cost of software upgrades	Software upgrades may be charged	These costs are included in the subscription cost.
4.1	Cost of Visit to site (as Licensed software may be deployed onsite server)	Annual Maintenance supplier may charge for every visit to onsite as an addendum cost	As software and hardware are hosted on internet, any problem could be diagnosed

5	<p>Number of Users: Number of users are dynamic in any enterprise thus a scalability (up or down) must be weighed accordingly</p>	<p>Licenses are mostly issued in term of number of users, thus cost incurred on license for the users could not be reversed or reduced in case your user base shrink. If it is not unlimited license, you may have to incur cost of license for every ramp-up in user base</p>	<p>remotely. Freedom to reduce or increase number of user as and when it may be required. Thus reducing the cost or increase the cost when it is appropriate depending on situation.</p>
6	<p>Cost of Decommissioning (may be required for multiple reason)</p> <ol style="list-style-type: none"> 1. Software supplier ceasing to stop service of old version 2. Software is totally out of sync with current industry trends 3. Software is tight and not-scalable thus not in sync with company expansion plan 4. Technology behind software is getting obsolete thus managing it is costing more 5. Company diversifying If you are in planning stage to diversify to other business lines. 	<p>Licensed software may become useless and license cost paid has to be written off.</p> <p>Also note: in case you have taken specialised license software for limited users that not proportional to your real user base (eg. in Calibration industry, license software may be taken only for operator staff who would take observations from engineers and fill it in the application). The cost of operator staff should be added in such cases to arrive at real cost for the purpose of comparison with the subscription based usage model.</p>	<p>Subscription based model, Simply switch it off at no cost to provider or your firm just inform the supplier of stopping the service from next billing cycle.</p>