



Hosted Shipping APIs VS. On-Premise Shipping Solutions



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Introduction

The realities of eCommerce require businesses to be fickle about their technology. The technology that forms the bedrock for all eCommerce business operations has to be reliable, scalable, and agile. Moreover, eCommerce solutions tend to come with long integration periods on top of big price tags, so each decision to partner with a solution provider isn't just a question of money, it's also about investing time and trust. A brand won't win on the strength of their technology alone, but a brand can gain a significant advantage over their competitors by making the right investments into their technology.

So when we poll prospective partners, we're surprised to see how many of them use on-premise shipping solutions. The Aberdeen Group reports that 70% of surveyed companies have invested in private cloud solutions¹, but we find that 48% of our prospective partners are still using carrier-provided on-premise solutions. Given the growing popularity of other cloud-based solutions, it's confusing to see more on-premise deployments when it comes to shipping solutions. On-premise solutions simply don't provide much benefit to eCommerce businesses, regardless of how big or small they are. The limitations of on-premise solutions threaten a brand's agility, which hurts a brand's chance for future growth.

In this whitepaper, we'll assert that hosted shipping APIs are a better, more affordable, and more reliable shipping solution for today's eCommerce business. This is not a whitepaper meant to challenge the viability of on-premise solutions as a whole. There are other industries and business requirements where on-premise solutions would be more advantageous. But for eCommerce businesses that require carrier connectivity, label printing, and package tracking at minimum, hosted shipping APIs just make sense.





The Cost of Owning On-Premise

The act of deploying an on-premise solution automatically ties you to building a team to maintain and support it. Most on-premise vendors will sell you on the control, customization, and security of the solution. Once you bring the solution in-house, you can do anything with it as long as it's within the licensing agreement. But those benefits come at a cost - deploying an on-premise solution also entails dedicating resources to maintaining and supporting the solution.

How much does it cost? You have the licensing and maintenance fees to go along with the integration fees, which you might be able to negotiate down if you're a bigger business. But there are costs beyond the purchasing of the solution. You'll need to dedicate two different developer teams - one for integration and one for support - to install and maintain the on-premise solution. You'll also have to buy and maintain your own servers, as well as acquiring the necessary IT resources for server upkeep. And if you plan on installing the on-premise solution offsite to a remote data center, you'll have to pay for the security and upkeep for that physical location as well. The total cost of ownership of an on-premise solution is much more than the initial fees to even buy it in the first place.

Most shipping APIs don't require a team of engineers to provide upkeep for the Solution. Hosted solutions are supported and maintained off site, meaning all uptime and downtime responsibilities are effectively outsourced. On top of that, integrating a shipping API into your technology stack is a much easier and shorter deployment than installing an on-premise shipping solution. On average, integrating with a shipping API like EasyPost should only take a day's worth of work from a single developer. APIs like ours are usually backstopped by client documentation in multiple languages, making it simple for developers to build integrations with us. On the other hand, deploying an on-premise solution can take weeks, or even longer depending on your available developer bandwidth.

And those benefits associated with owning on-premise? They extend to hosted solutions as well.

As hosted APIs have grown, you can get all the benefits of control, customization, and security without dedicating huge amounts of resources towards maintenance and support. APIs can be integrated and built to work with any system, allowing teams to be creative in how they're used. For instance, our customers use our Tracking API webhooks to power automation for their product returns. When it comes to providing technology to power your logistics, you can meet all your requirements with a hosted shipping API.





Inherent Scalability of Hosted Solutions

Scalability should be a factor in any decision involving new technology purchases. It can be expensive to add tech to your business, they're more like investments than they are simple purchases. So you want your tech to run as long as possible, and to work no matter how fast or how large your business scales.

Most businesses focus on the functional aspect of scalability. How well will this solution work when the business grows to 2x, 5x, or 10x its current size? Will its feature set continue to be relevant? Will its functionality degrade as the operational load increases? These are legitimate concerns, especially since it's a pain to replace an existing solution for a new one because of scalability issues.

For both on-premise and hosted shipping solutions, functional scalability isn't much of a problem. Both on-premise and hosted solutions will maintain functionality no matter how big the business grows, but there are key differences in how they scale.

There's no question that on-premise solutions can scale with your business. However, that scalability all depends on how much you're willing to invest to make it happen. It's important to know that an on-premise solution's scalability is relative to how many servers, IT specialists, and developers you can spare. And when you account for solution updates, the problem gets even more complex. On average, on-premise solutions take 5 times as long as hosted APIs when it comes to rolling out new features and updates.

Hosted APIs are different. Most hosted services - our API included - use resource pooling to get the amount of server resources needed to continue running. It's how major hosted services like Salesforce manage to service multiple enterprise-level businesses on a single hosted platform. On top of that, updates and new features are automatically rolled out with detailed documentation for your developers. With no servers to maintain on your end, it's much easier to scale up with a hosted API than it is with an on-premise solution.





Ripping Out Legacy Technology

One of the arguments to maintaining an existing on-premise solution is the cost of ripping it out and replacing it. With so much already invested into buying and maintaining the solution, it would represent a sunk investment to rip and replace it. Take the State of Washington as an example, their Office of the Chief Information Officer reported that 31% of their IT systems were legacy systems². Even a sprawling enterprise like Washington's state government can still find it problematic to replace outdated technology.

This is a valid concern, especially for enterprise level businesses where the cost of acclimating your teams to a newer solution becomes a magnified problem. Ripping and replacing a solution that hundreds of employees rely on to work is going to come with some growing pains.

But with every year that's tacked onto the life of your legacy tech, you're losing money. In the context of owning a on-premise shipping solution when you're an eCommerce company, you're sinking money with the extra labor and upkeep costs that are necessary to keep your legacy on-premise solution running. At a certain point, it's better to rip-and-replace and deal with the acclimation period, because maintaining legacy technology comes with less advantages and more costs as they become more outdated.

At a certain point, the cost of acclimating your business to a new solution will be lighter than sinking resources into the upkeep of an outdated solution. To keep up in today's landscape, you'll need better technology to power your critical business operations - such as logistics. Justifying the continued maintenance of legacy tech will only serve to continue weighing your business down.





Conclusion

Again, we're not positing that on-premise solutions as a whole will be bad for your business. There will be certain use cases that require an on-premise solution, especially when it comes to sensitive functions like data security and unified communications.

But when it comes to providing shipping functionality for a business, it doesn't make sense for businesses to maintain an on-premise solution when there are so many hosted alternatives that work better.

Hosted shipping solutions give you the reliable functionality you need for your logistics to run smoothly, usually at a fraction of the cost to purchase and maintain an on-premise solution. With those savings, you can make investments towards your core business growth, instead of overpaying to maintain basic business operations.





Support & Resources

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Full Reference API

<https://www.easypost.com/docs/api>

EasyPost Business Library

<https://www.easypost.com/business-library>

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