

CRM Compared

CSI's Guide to Comparing On-Premise and On-Demand



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Preface

The decision to implement CRM (Customer Relationship Management) is an important step towards taking your business to the next level. There are several options when choosing a CRM solution, so it is important to select the one that best fits your company's needs and objectives. This article compares the traditional and hosted CRM options and gives tips for making the right choice.

Contents:

- ◆ Standard Features
- ◆ The Traditional Approach
- ◆ Hosted
- ◆ On-Demand vs. On-Premise
- ◆ Making a Decision

Standard Features

The software component is a key factor in your CRM initiative. A CRM software package, or solution, organizes your customer data and facilitates the interactions between your sales staff and customers. Standard features that come with a CRM solution include:

- ◆ Single source for customer data
- ◆ Central repository for customer documents
- ◆ Account and contact management
- ◆ E-mail, letter, and fax templates with mail merge abilities
- ◆ E-mail integration with Outlook
- ◆ Sales history tracking
- ◆ Activity scheduling and calendar management
- ◆ Marketing campaign management
- ◆ Sales tracking and forecasting
- ◆ Customer service ticketing and resolution
- ◆ Self-help web portal

While the feature list between different solutions may be similar, there are two basic approaches to delivering them, on-premise and on-demand. It is important to understand these delivery models and their pros and cons, in order to select the option that best fits your business.

The Traditional Approach

The traditional or on-premise approach to implementing CRM software involves a onetime purchase and installation. It is often referred to as on-premise because the software and server hardware are located in your office building. Although this may sound simple, the process is more involved than walking down to your local store and buying the system off the shelf. The initial installation and implementation requires planning and technical and product expertise. The benefits and drawbacks to the on-premise approach are listed below:

Benefits

- ◆ **One-time License Cost**
The licenses for on-premise CRM software are paid in full at the time of purchase.
- ◆ **Ownership**
You own the software, customer information, and any customizations made to the system. In addition, you also receive future software versions, fixes, and updates.
- ◆ **Direct System Access**
The software and server computer reside within your office. This improves security by ensuring that only your employees have direct access to the system. Additionally, direct access may provide faster performance for your users.
- ◆ **Flexible Software Architecture**
On-premise solutions provide more options in terms of customization and integration with accounting or back office systems. Having direct access to your system enables you to take advantage of technology options not available with hosting.
- ◆ **Remote Access**
Users in the field can access and update data in the air, from a hotel, or anytime an internet or network connection is unavailable.

Drawbacks

- ◆ **High Up Front Cost**
The cost of implementing an on-premise CRM solution includes the cost of the software licenses, required hardware, and the technical personnel required to manage and maintain the system. These three elements contribute to a high initial cost.
- ◆ **Upgrades**
It is necessary to upgrade your system as improvements are made by the software vendor. These upgrades usually require the assistance of a CRM expert.

Hosted

While the traditional approach is the upfront purchase of a CRM solution, the hosted, or on-demand approach, is similar to leasing a packaged solution. For a monthly fee, the provider grants access to software on the provider's hardware. Hosted solutions are often referred to as on-demand because you can get near immediate access to their CRM solution. As with on-premise, it is important to evaluate this option by reviewing the benefits and drawbacks.

Benefits

- ◆ **Low Up-Front Cost**
The on-demand approach was created to provide a cost effective way for companies to enjoy the benefits of a CRM solution without the larger upfront investment.
- ◆ **Turn-Key Installation**
On-demand installations can be accomplished in substantially less time than on-premise solutions. On-demand solutions require minimal if any software installation and no hardware purchases.
- ◆ **No System Maintenance**
On-demand solutions include attractive service level agreements that guarantee system availability. Your on-demand service provider is responsible for system maintenance, upgrades, and support. This reduces or eliminates the need for IT personnel.

Drawbacks

- ◆ **No Ownership**
On-demand service providers charge for the use of their services. When your agreement expires, you do not own the software or any customizations. You do, however, own your data. Each provider offers assistance if at any time you need to move your data.
- ◆ **On-going Service Costs**
You pay monthly fees as long as you use the service. Some providers require minimum length contracts that may include fees for early cancellation.
- ◆ **Limited Framework**
On-demand solutions are delivered over the internet. This means users are subjected to potential internet slowness and possible down time.

On-Premise vs. On-Demand

On-premise and on-demand solutions provide two basic options when it comes to implementing CRM. While there are significant differences, there are also many similarities between the two approaches in terms of costs and features.

Differences

- ◆ Pricing Model
On-premise is paid for in full at the time of purchase. On-demand is billed as a monthly service fee.
- ◆ Initial Cost
The initial investment for on-premise solutions can be considerably higher than on-demand solutions.
- ◆ Ownership
You own on-premise solutions. You lease on-demand solutions.
- ◆ Available Technologies
On-premise has several access options. On-demand is limited to Internet access, which can impact system availability as well as system integration.
- ◆ Hardware and Software Maintenance
On-premise: you are responsible for upgrading and maintaining the system. On-demand: the service provider is responsible for upgrades and maintenance.
- ◆ Time to Delivery
On-premise solutions usually take longer to implement than on-demand solutions.

Similarities

- ◆ CRM Expertise Required
You will need to consult with a CRM expert when implementing either approach.
- ◆ System Training
Both on-premise and on-demand systems require training so employees know how to use the solution.
- ◆ Data Migration
Your existing customer information will need to be converted to the new system.

- ◆ Maintenance and Support

Both on-premise and on-demand solutions require additional maintenance and support fees after the first year.

- ◆ Vendor Technical Support

Both on-premise and on-demand vendors provide quality technical support.

Making a Decision

Ask yourself the following questions when evaluating the option of on-premise vs. on-demand CRM solution:

- ◆ Are your IT resources constrained or non-existent?
- ◆ Do you have a limited budget?
- ◆ Do you need a CRM solution as soon as possible?

If you answered yes to any of these questions then on-demand may be the right option for your business. While on-premise is a great option for many companies, it is not always a good fit for everyone. The on-demand model was created to allow small business owners to obtain CRM without the upfront costs associated with an on-premise system. On-demand is the option that allows small to medium businesses to compete with larger sales organizations. CRM has become a must in today's business world, and the on-demand approach makes these tools cost effective for the small business owner.

While these are the most common solutions today, other options do exist outside of on-demand and on-premise. On-premise solutions can often be leased-to-own through a 3rd party finance company.

As part of our multiple deployment options, Customer Systems also offers a host-to-own design. This allows you to host a web CRM solution, and after two years you own the system and can either continue hosting or bring it in-house. This is often a better fit if your company doesn't have the up-front funding, but really wants to own CRM. It is also be a much cheaper long term option!

These are just a few of the CRM solutions that Customer Systems has available. We can help you decide which option is right for your business, your people and your environment.

About the Author

Tim Agersea has been supporting and implementing complex CRM projects for the last ten years. Tim first started working with sales and marketing projects at SalesLogix Corporation (now held by Sage Software). As a Managing Partner for Customer Systems, Tim leads the services team, working with both standard languages and proprietary systems. Tim is a certified Sage SalesLogix, Sage CRM, and MS CRM consultant. He is also a member of the Technical Advisory Board for Sage.



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