Toward a Framework for Evaluating Cloud-based CRM

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Title	**Toward a Framework for Evaluating Cloud-based CRM**

Summary
While Cloud-based CRM itself is nothing new, we find that many, possibly a majority, of first-time CRM buyers lack core insights to make informed and correct decisions. This *Strategic Perspective* presents a framework with key, initial questions for evaluating the market encompassing the intersection of Cloud IT and Customer Relationship Management (CRM).

So What?
In many cases, otherwise knowledgeable Cloud CRM buyers don't know what they don't know, and thus are unable to investigate areas that should be addressed in their decision making. Figuring out the first line of questioning enables the development of a framework for follow-on, in-depth investigation that delivers the right results.

Perspective

The author invites your comments and inquiries on this Strategic Perspective.

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There are many decisions surrounding Customer Relationship Management (CRM) systems. Whether the Cloud is the right approach for deploying CRM is one major decision; what Cloud CRM solution is the right fit for the any one organization is another major decision for user organizations to make. This *Strategic Perspective* provides insights and questions for helping IT and business executives to assess CRM solutions, taking into account recent advancements in the Cloud. We also discuss providers and offerings available in the Cloud CRM market.

Many assume that CRM delivered as SaaS is a foregone conclusion. CRM has often been the initial Cloud implementation for many user organizations. And many assume that there are limited options when looking at SaaS CRM solutions. But neither of these assumptions is necessarily de facto. Although the Cloud is oftentimes the proper option for deploying CRM, organizations should evaluate the specific solutions accordingly. As we addressed in a previous *Strategic Report*, even with today's relatively low adoption percentages, by YE 2014 an average of 50% of new software deployments worldwide will be made in the Cloud *(*SSR-750 "2010 Cloud Business Solutions (SaaS) Survey Data Report", 30Jun2010).

Why Cloud CRM?

There are many benefits of Cloud CRM. Some are obvious and well publicized, while other benefits are not as noticeable. The benefits include:

- *Lower Cost of Entry* – SaaS entry costs are lower than on-premise solutions and SaaS enables the conversion of capital expenditures into operational expenses. Even with the recurring nature of the SaaS subscription model, the cumulative effect of subscriptions may still be much less than the one-time capital expenditure associated with on-premise CRM systems.
- *IT core competencies focus* – Limited resources and time to market are influential factors for moving to SaaS. Clearly, outsourcing a non-core competency such as business software

administration to outside experts removes what is often viewed as a headache function and reallocates management time to more critical areas. SaaS providers manage the IT infrastructure, delivery platform, maintenance releases, new version upgrades, backups, disaster recovery and information security. Offloading the maintenance and operation of an expansive system such as CRM frees up significant budget and operational focus.

- *Predictable expenses* – SaaS pricing models are typically subscriptions (per user per month, for example). This type of pricing is simple, predictable and reduces cost surprises and overruns.
- *Accelerated time to market* – With no hardware to implement and no software to install, SaaS deployments are typically much faster than on-premise CRM software implementations. Due in part to their browser-based interfaces and intuitive navigation, Cloud business solutions often also achieve a shorter learning curve and more successful user adoption.
- *Enterprise reach* – Cloud CRM can provide a reach across and throughout the enterprise at a far greater pace and efficiency than traditional, on-premise CRM.
- *Flexibility of software* – Cloud CRM has evolved since the early days of SaaS and now provides much greater flexibility than the early SaaS CRM solutions.
- *Business agility* – SaaS applications allow user organizations to scale up or down their software utilization on-demand. This is a dramatic change from on-premise systems which require IT departments to purchase, implement and perennially manage expensive IT infrastructures in case they are needed – and provides no refunds or credits if the company doesn't grow according to projections or reduces staff.

CRM: Components and Functionality

Customer relationship management (CRM) is a well-recognized, widely-implemented strategy for managing, maintaining and enhancing a company's interactions with customers / clients and sales prospects. It involves using technology to organize, automate, and synchronize business processes – from sales activities to those related to marketing, customer service, and technical support. The overall goals are to find, attract, and win new clients, nurture and retain those the company already has, entice former clients back into the fold, and reduce the costs of marketing and client service. Customer relationship management connotes a company-wide business strategy embracing all client-facing departments and even beyond, and is commonly referred to as the "front office" of business applications. Customer relationship management typically consists of the following functional areas: Sales Force Automation (SFA), Marketing, Customer Service & Support (CSS), Customer Analytics, Sales Analytics, Sales Forecasting, Mobile Technology, and others.

The starting point for all provider/solution comparisons should be

functional; i.e., does the solution do what you need, or, can the provider configure and customize the solution to do what you need (now and in the future)?

Cloud is no different. In the early days of SaaS solutions, few were configurable, and most were point-oriented solutions with fixed or limited functionality. The recent years since the first Cloud-based CRM solutions appeared have yielded massive growth in both baseline functionality and configurability to meet specific user/company needs. Below, we list leading, influential, and emergent Cloud-based providers of CRM solutions, many if not most of which can meet the majority of buyer/user needs.

Figure 1: Cloud CRM Providers

Provider	Solution	URL
Ardexus	Ardexus Mode	www.ardexus.com
CDC Software	Pivotal CRM	www.cdcsoftware.com
Clear C2, Inc.	C2CRM	www.c2crm.com
First Wave Technologies	FirstWave CRM	www.firstwave.net
Microsoft	MS Dynamics CRM	www.microsoft.com
NetSuite	NetSuite CRM+	www.netsuite.com
Oncontact Software	Oncontact CRM	www.oncontact.com
Optima Technologies	ExSellence	www.optima-tech.com
Oracle	Siebel CRM	www.oracle.com
Right Now Technologies	RightNow CRM Suite	www.rightnow.com
Sage Software	Sage CRM	www.sagesoftware.com
Salesforce.com	Salesforce CRM	www.salesforce.com
Salesplace	Salesplace CRM	www.salesplace.com
SAP	SAP CRM	www.sap.com
Sugar CRM	SugarCRM	www.sugarcrm.com
update software	Update seven	www.update.com

Source: Saugatuck Technology Inc.

CRM Evaluation Criteria

Functionality is only the starting point when evaluating solutions. Additional criteria need to be taken into account as well when evaluating Cloud CRM solutions and these criteria should be grouped by: provider viability, architecture and technology, references and support. Frankly, these are somewhat generic in nature, but we continue to be surprised by the number of buyers who ignore or skip over these in their functionally-focused provider and solution searches. Below, we list these four critical criteria sets for assessing solutions, with their attendant comparison points.

Viability of Provider. If a particular provider is not viable as a business entity, why investigate them any further? Criteria for assessment include the following:

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PAGE - 3 -

MKT-860
March 18, 2011
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- *Financial health.* If the provider is a SaaS start-up, is the firm backed by a VC with good track record in the IT space? If this is an established software provider, what percentage of its investments is Cloud, or specifically, SaaS? What does SaaS and Cloud imply to the company's overall financial projections?
- *Profitability.* Is the business profitable, or if running at a loss, is the loss rate manageable, predictable and adequately financed?
- *Platform strategy.* Does the CRM vendor offer its own Platform-as-a-Service (PaaS), or does it align with a Master Brand's platform? What is the provider's platform strategy, both short-term and long-term?
- *Management team.* Does the management team have a solid track record with successful software providers and solid CRM experience?
- *Ecosystem.* Are your current IT providers part of, or at least peripheral to, the provider's partner and channel ecosystem? And is there a critical mass of partners to sell, implement, support, and contribute to/sustain the provider's offerings over the long term?

Architecture and Technology. How things are built and put together dictate how they will or won't work in your enterprise. Key criteria for assessing this include the following:

- *Multi-tenant architecture.* Most Cloud business solution providers emphasize and promote high degrees of multi-tenancy that make their value propositions work better for them from an economic perspective. Buyers and users should be more concerned about security access, reliability, robustness and data recovery.
- *Cloud infrastructure.* Is the provider in the business of supporting servers and DBMS, or is their infrastructure hosted by Cloud vendors such as Amazon or Google? Can the vendor concentrate 100 percent on efforts around functionality and not be weighed down by infrastructure concerns?
- *Platform/Data source dependency.* Is the software offering 100 percent dependent on a single data source? Does the CRM provider have anything else to fall back on, should their dependency on a single provider not work out? And what is *that* provider's data strategy?
- *APIs and Web Services.* Can product functionality be modified, exposed and reused in other applications via APIs or Web Services?

References. It's imperative to determine if the solution being evaluated works, works the way it needs to, and how much it takes to make it work, in real-life business environments. Criteria to consider include the following:

- *Relevance.* Are reference customers of a similar size, in a similar market, serving a similar industry, and/or trying to solve the same types of business problems?
- *Production versus trial.* Are references available from customers

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PAGE - 4 -

MKT-860
March 18, 2011
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in production?

- *Lessons learned.* If the reference company had to do it over again, from evaluation to install and implementation to running the solution, what would it do differently?

Support. Finally, once you buy it, you still need to make it work. "Cloud-based" does not remove the needs for implementation, training, integration, and tech/user support. Consider the following as key aspects for assessing providers and solutions:

- *Set-up and implementation.* Does the provider offer software and application setup services?
- *Integration services.* Does the provider offer broader data integration services?
- *Management consulting services.* Does the provider offer strategic management consulting and advisory services?
- *Third parties and partners.* If the provider lacks any of the above, does it have knowledgeable and experienced partners available to accomplish this?

The above criteria should be practical enough to help user IT and business executives create a short list of Cloud BI providers aligning to their situation, needs, and requirements. User organizations, led by IT, still need to mitigate risk by taking the following basic steps:

- *Backing up data.* We continue to be surprised by stories of data loss that stem from a lack of basic backup capabilities and practices by Cloud/SaaS solution providers. In many cases, the data could have been saved if the customer had retained copies of the data on premise and practiced frequent, regular data backups.

- *Creating a Cloud CRM Provider backup plan, or a "Plan B".* Assess and evaluate multiple Cloud CRM providers - and be ready to have one of them pick up the business if your selected Cloud CRM provider should fail.

Net Impact

In discussing the decision factors around moving to or deploying CRM in the Cloud, we should acknowledge the benefits of moving to the Cloud for business applications. These include lower costs, focus on core competencies, predictable expenses, accelerated time to market, and business agility. And we should identify the challenges as well, which include downtime and SLAs, information security, system integration, and software customization.

There are specific recommendations around taking advantage of the benefits and minimizing the risks around the challenges. For example, notice that the lowering of costs is identified as a benefit; but there is a flipside to the cost equation. User organizations should determine whether the costs associated with moving to the Cloud is a benefit or challenge. One way to accomplish this is to create a multiple-year cash projection that is reflective of your organizational environment. For on-premise systems, don't forget to include tangible expenses such as computer hardware, redundant systems, platform software (such as

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PAGE - 5 -

MKT-860
March 18, 2011
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databases, operating systems, backup programs, etc.), software annual maintenance charges, and efforts associated with system administration, database administration, near annual system upgrades, information security and IT support. Keep in mind that most hardware is upgraded or recycled about every three years. Realistic cost projections should also include the management time involved with operating in-house information systems.

The promises of a CRM solution may be irresistible to many user organizations. Those promises include: subscribing and deploying the solution almost immediately, no need to go through the capital expenditure approval process, and the possibility of bypassing cumbersome internal IT standards and protocols. Additionally, Cloud solutions provide an "instant BI workspace" so desperately needed by power users and business analysts.

But, bear in mind that there are risks, so we strongly recommend the following risk mitigation steps and strategies:

- Perform due diligence for security, backup and disaster recovery

- Evaluate true long term cost of ownership

- Determine whether there are additional source data licenses required

- Plan for worst-case scenarios

User organizations considering CRM systems should separate out the "should we buy a CRM system?" question from "how should we deploy, deliver, and manage our CRM system?" When evaluating the potential of CRM in the Cloud, users should weigh the benefits and challenges to determine the appropriate direction in deploying CRM.

About This Research

About Saugatuck:

Saugatuck Technology Inc. provides subscription research and strategy consulting services focused on the key market trends and disruptive technologies driving change in enterprise IT, including SaaS, Cloud Infrastructure, Social Business, Mobility and Advanced Analytics, among others. Founded in 1999, Saugatuck is headquartered in Westport, CT, with offices in Santa Clara, CA as well as greater Boston, MA and Frankfurt, Germany. For more information, please visit www.saugatucktechnology.com or call +1.203.454.3900.

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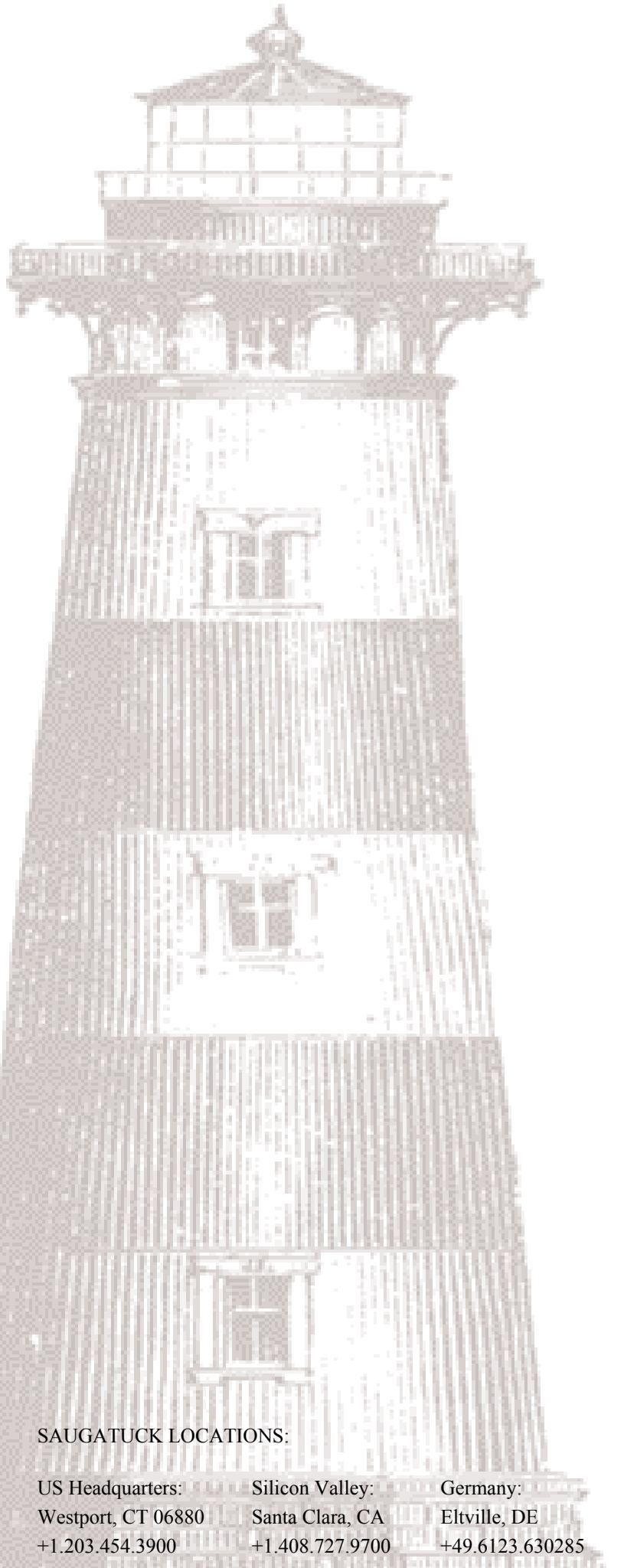
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