

## THE NEW CRM CHOICE: ON-PREMISE SOFTWARE OR SOFTWARE-AS-A-SERVICE

Choosing Between On-Premise and Software-as-a-Service Applications Requires that Companies Assess Functionality Requirements, Organizational Structures, Costs and Long-Term Goals

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## CRM PROCUREMENT STRATEGIES

When it comes to customer relationship management (CRM) software, Software-as-a-Service (SaaS) has become a viable option for companies formerly accustomed to only running their software onsite. However, is one approach better than the other, and should companies choose hosted CRM software just because they can?

For procuring software, SaaS is still a relatively new approach. Even so, a recent survey of business executives by Saugatuck Technology Inc. found that one in three enterprises already has at least one SaaS application in place. Furthermore, Gartner Group predicts that soon, more than half of all new sales force automation deployments will be delivered via SaaS. Yet, while uptake of SaaS applications is increasing, and procuring CRM via SaaS offers numerous benefits, on-premise CRM applications may still best meet the needs of some organizations. Accordingly, CRM projects must now begin by answering this fundamental question: “on-premise or SaaS?”

## HOW TO CHOOSE THE RIGHT SOLUTION

Finding the best solution is not simply about selecting Siebel, SAP or Microsoft versus Salesforce.com, Oracle CRM On Demand, NetSuite or hosted software from SAP and Microsoft. Rather, the right answer requires an evaluation of business goals, CRM maturity, existing CRM infrastructure investments, functionality requirements and long-term business goals. In addition, companies must assess business size, organizational structure and the extent to which customer-facing practices are standardized across the organization. With such an assessment, organizations can then determine whether an on-premise or SaaS CRM application will best meet their existing and future needs.

Selecting the most appropriate software will help companies achieve their business goals more quickly. This includes standardizing sales practices; increasing sales, marketing and service efficiency; creating better tie-ins between business groups and business partners;

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## SAAS CRM APPLICATION VENDOR PROFILE

### *Salesforce.com*

*Salesforce.com, one of the world's largest CRM vendors — with more than 40,000 customers and over 1 million subscribers — offers its easy-to-use, eponymous application exclusively via SaaS. Originally designed to automate sales, marketing, service and call center practices of small and midsize organizations, Salesforce.com is now used by numerous large enterprises as well, which rely on it to increase customer satisfaction, productivity, revenue growth and business intelligence. Its streamlined customer relationship management functionality is accessible via multiple devices, including the BlackBerry and iPhone. The company also offers AppExchange, a repository of more than 800 compatible applications and add-ons, and IdeaExchange, a user-determined forum for selecting future software functionality.*

## WHY PROCURE CRM VIA SAAS?

and enabling additional opportunities for cross- and up-selling.

Based on its extensive experience in helping companies implement CRM systems to achieve their business goals, Innoveer has found that, in general, on-premise CRM software will better meet the needs of organizations with more advanced CRM-related sales and business processes, as well as more widespread or deep implementations of standardized CRM practices. Conversely, SaaS CRM applications often work best for organizations which have more typical requirements and CRM programs, or that require deployment in weeks.

Procuring CRM via SaaS has numerous potential upsides: faster rollouts, ease of use, few IT maintenance or management requirements, extensive out-of-the-box capabilities, effortless upgrades, and a strategy for quickly unifying sales, marketing, service and call center practices. However, in precisely which situations is SaaS a better choice than on-premise? Here are some examples that highlight when a SaaS CRM application may best fit an organization's needs:

- **Low-Risk Path to CRM Maturity:** Many Innoveer clients that use both Siebel and the Oracle E-Business Suite for some business units select Oracle CRM On Demand when introducing CRM to other groups, such as remote sales offices. This enables rapid implementation without having to commit to a specific number of users, since that is sometimes an unknown variable. Furthermore, Oracle CRM On Demand offers an easy integration or upgrade path to on-premise when the additional offices grow and might benefit from using the on-premise Siebel application.

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### Oracle CRM On Demand

*Siebel is the world's most widely used CRM software, and Oracle CRM On Demand for Siebel (formerly known as Siebel On Demand) provides organizations with a cost-effective and rapid technique for implementing CRM software. Oracle CRM On Demand offers many of the benefits of Siebel — including prospect management, strategic customer relationship management, as well as marketing, sales and service best practices — without the monitoring, maintenance, software management or upgrade overhead. Furthermore, it offers a direct migration strategy for organizations or business groups that may wish to later move to the on-premise Siebel CRM application.*

- **Prevent Application Complexity:** One financial services firm turned to Innoveer to help it adopt Salesforce.com to replace its over-customized CRM application, which had fallen out of support, could not be upgraded and was so complex that it required specialized expertise to maintain. This led the company to pursue SaaS CRM to rapidly replace its on-premise application, simplify existing business practices and also counterbalance an IT culture prone to customizing all software.

- **IT-Free Implementation:** One Innoveer client, a large software vendor, wanted to create a unified approach to sales, marketing and service, but its IT group had preexisting commitments that precluded a rapid implementation. Accordingly, the company selected Oracle CRM On Demand to immediately gain the required business capabilities.

- **Work with New Mobile Devices:** SaaS vendors often add new functionality to their applications, such as integration with the latest mobile devices. This consideration drove one Innoveer client, a financial services firm that relies heavily on BlackBerries, to pursue SaaS CRM. Ultimately, it selected Salesforce.com, largely because of Salesforce.com's integration with BlackBerry. (Other Innoveer clients are likewise evaluating Salesforce.com's new iPhone capabilities, and Oracle CRM On Demand has similar options.)

## SAAS CRM CAVEATS

While SaaS CRM often fits the needs of many organizations, there can be notable exceptions.

- **Prone to Customizing:** Companies with unique CRM requirements, or that can achieve better business benefits from customizing their software,

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## SAAS CRM APPLICATION VENDOR PROFILE

### *NetSuite*

*NetSuite CRM offers growing and midsize businesses on demand, Web-based business applications to run their entire company. With thousands of customers globally, NetSuite has earned numerous awards for market leadership and innovation. Customers, analysts and press recognize that NetSuite provides integrated front office customer relationship management (CRM), back-office enterprise resource planning (ERP), and ecommerce in one powerful application with the modularity and flexibility to meet your specific business needs. NetSuite CRM solutions and applications provide real-time business intelligence on every department within your company, automate business processes across your entire business and eliminate the majority of IT costs and complexity — and the headaches that go with them.*

should avoid SaaS. Otherwise, they may not be able to achieve the competitive advantage that can be gained from a well-tailored application, such as on-premise CRM software, which is better suited to extensive customizations.

- **Tight Integration:** One Innoveer client found that functionally-speaking, SAP CRM, Salesforce.com, and Oracle CRM On Demand would meet its CRM business requirements, which included extensive integration with both its SAP application and its SAP Business Warehouse. While it was a difficult decision, the group ultimately selected on-premise SAP CRM because of the tight integration possible, the benefits of having relevant in-house skills, and the existing ownership of required licenses.

- **Existing Licenses:** Some Innoveer clients consider switching to SaaS solutions when faced with an upgrade of their on-premise solutions. While a SaaS solution may fit current requirements, sometimes even better than the on-premise system, the company will already have purchased the on-premise licenses. When combined with the existing infrastructure and IT resource investments, this generally makes keeping the on-premise solution the most appropriate option.

- **24/7 Customer Service:** Another Innoveer client must be ready to move at a moment's notice, day or night, because of the nature of its products and customer-base. So, while the organization is relatively small in size, with clearly-defined business practices that make it an ideal SaaS candidate, such software does not support 24/7 customer service because of scheduled downtime for maintenance and upgrades. As a result, the company opted to run on-premise Siebel CRM software. (Note that Oracle CRM On

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## CRM VIA SAAS: 5 FACTORS TO CONSIDER

Demand does offer a Private Edition that delivers greater maintenance flexibility.)

Discussions of SaaS CRM applications tend to focus on rapid deployment, low risks and marginal costs. However, when evaluating SaaS, also take these factors into consideration:

- 1. Deployment Fast, but not “Instant”:** CRM projects succeed through a combination of people, process and technology changes, and SaaS substantially cuts technology-related implementation time. However, it is important to still allow time and resources to address any required people and process changes first. This may take some up-front time and planning, as well as on-going effort, and companies often benefit from outside expertise to help ensure adoption.
- 2. Sharing is Still a Virtue:** For businesses — or business divisions — with less mature sales processes, SaaS is an excellent tool for creating more mature CRM best practices. New practitioners, however, must ask if they are ready for the “relationship” aspect of CRM. In particular, if salespeople do not already share customer data, companies must address this before introducing any new CRM technology, including SaaS applications.
- 3. Life Beyond the SaaS Ecosystem:** Application “ecosystems” from various SaaS vendors offer third-party application add-ons guaranteed to work with their core SaaS applications, but companies do not have to limit themselves to this approach. Thanks to SOA and SaaS integration software and hardware, they can interface with many other on-premise (both custom and off-the-shelf) and SaaS applications.
- 4. For Customizations, Prove the Business Case:** The virtue of SaaS — including its low costs and seamless upgrades — is simplification, streamlining and allowing the application to define many business practices. Thus, any customization a company does consider must first be justified: How will it increase revenue, reduce costs or improve the customer experience?

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## 10 REASONS TO SELECT ON-PREMISE OR SAAS

	<i>On-Premise</i>	<i>SaaS</i>
1) <b>Cost</b>	More cost-effective for larger deployments	No up-front license or maintenance costs or infrastructure investments
2) <b>Customization</b>	Many possible customizations — can build pretty much anything (Innoveer recommends only customizing where it can be justified by business benefits, and not over-customizing)	Customization is very quick and easy, but is much more limited, allowing business requirements to be quickly met and avoiding software over-customization
3) <b>Functionality</b>	Advanced CRM capabilities across many different business processes in many industries	Meets the needs of a small or midsize business, but also allows larger organizations to simplify complex practices
4) <b>Integration</b>	Integrate the software with other software in a variety of ways, and especially with back office systems	Certified add-ons, and integration with most applications or databases via plugins, SOA or integration-as-a-service
5) <b>IT</b>	Requires IT department to help configure and deploy necessary infrastructure and software	Minimal IT department help required — a boon for overworked IT departments
6) <b>Licenses</b>	Enterprises may already have extra licenses for CRM software	Easily add/remove users, and subscription fees adjust accordingly
7) <b>Management</b>	Directly configure computing environment, databases and performance	Vendor handles infrastructure, maintenance and upgrades
8) <b>Procurement</b>	Companies “own” the software, meaning they can alter, expand and maintain it however they desire	Sold directly to business leaders, which helps overcome any potential cultural resistance to using CRM
9) <b>Analytics</b>	In-depth pre-built BI and reporting, the warehouse can be extended with other relevant business data	Reporting and dashboards are available out-of-the-box, providing extensive analysis capabilities instantly, with no additional effort
10) <b>Uptime</b>	Better for mission-critical environments because companies control the uptime themselves	Uptime equal to what many businesses can maintain themselves

## SELECT THE RIGHT TOOL FOR THE JOB

With the above use cases and caveats in mind, companies have a template for determining whether on-premise or SaaS CRM applications will best meet their requirements. Before selecting technology, however, companies must identify their business goals. Next, they must weigh a variety of relevant factors — from existing CRM maturity and infrastructure to customer-facing practices and long-term visions.

After selecting an on-premise or SaaS application, companies must pursue a project that delivers new business capabilities in stages, which enables companies to achieve their sales, customer service and marketing goals quicker than waiting months and months for the complete program rollout. This means that however CRM is procured, its fundamental role is to support customer-facing practices. Of course, selecting the most

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appropriate tool will help organizations achieve these goals in the most rapid, productive and cost-effective manner possible.

## ABOUT INNOVEER

INNOVEER SOLUTIONS, an award-winning customer strategy and solutions consultancy, provides advanced customer management services to high-technology, life sciences and insurance companies, among others, in the areas of planning and strategy, technology implementation, and optimization. The company's deep industry knowledge, broad technical skills, and Multishore methodology enable organizations to address their critical customer-facing issues and achieve an integrated view of all customer information. With an exclusive focus on customer management since 1998, Innoveer has worked with more than 300 organizations to increase their overall business growth, improve internal efficiency, and enhance the customer experience.

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