

Choosing the Best CRM for Your Organization



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Executive Summary

CRM buyers have a wealth of deployment options available to them, providing unprecedented flexibility, cost-efficiency and business value. They can opt for an on-premise packaged software installation, subscribe to one of the Software-as-a-Service (SaaS) offerings delivered via the Internet, or deploy a combination of these approaches. This gives organizations the power to fine-tune their CRM deployments to match the needs, strategic objectives and budgets of business users.

Choosing the right option involves carefully considering your needs. Not only must business end-users and IT managers analyze their business scenarios, they also must understand the strengths and limitations of the available solutions. The good news is that organizations have more options today than ever. This permits them to mix and match on-premise and SaaS solutions flexibly to meet their needs and to adjust their deployment configurations as circumstances change.

While evaluating CRM solutions involves a number of criteria based upon innovation, insight, industry-expertise, integration capabilities and infrastructure, this white paper focuses on the last point -- infrastructure. Specifically, this paper describes and analyzes the five most popular deployment scenarios to help IT and business decision makers pick the best option for their business needs.

Introduction

Today's CRM solutions encompass not only sales, service, and marketing automation but also customer loyalty, Internet and mobile commerce, and the Web 2.0-driven value of "social CRM." When combined with business analytics, CRM is expanding beyond its process management roots to become a vital predictor of business activity.

Businesses are responding to the opportunity. A Gartner survey found that [more respondents expected to increase their spending on CRM software in 2011](#) than any other application category. Gartner expects the [overall CRM market to exceed \\$12 billion in 2012](#).

As CRM has expanded to encompass elements of collaboration and Web 2.0-style engagement, the software tools to support it have grown and become more diverse as well. Today, buyers have the luxury of choosing from a vast selection of products to help develop and nurture customer relationships. Choice has presented new challenges, however: IT and business professionals must evaluate their options wisely in order to ensure their CRM investments meet their company's specific requirements.

Why Is CRM Important?

According to surveys, the cost of finding new customers is estimated to be three to five times that of retaining existing customers.

Keeping customers isn't easy, though. The Internet has lowered the cost of switching and made markets more price-sensitive. Customers increasingly ask for custom solutions to their problems, using comparative shopping services and freely available rating systems to pit competitors against each other.

In this increasingly competitive environment, businesses must find new points of differentiation, not only in products but also in customer experience. In fact, customer experience has emerged as the most important competitive differentiator between vendors in many markets. The focused ability to anticipate and respond to customer needs will separate market leaders from the also-rans.

CRM applications can achieve this goal in three critical ways. First, they enable sales, support and marketing personnel to gather detailed information about individual customer needs, enabling them to offer personalized products, services and support the customer can't find anywhere else.

Secondly, historical, real-time and predictive analytics provide insight about customer behavior that can greatly benefit the business. Thanks to advances in data collection technology and processing power, businesses can now predict customer needs with a higher degree of accuracy than ever before. This predictive analytics capability maximizes the effectiveness of every customer interaction, whether upselling or cross-selling, by recommending related purchases or providing answers on the spot to the questions customers are most likely to ask. For example, knowing that customers who buy red sports cars also are highly likely to buy premium sound systems can help an automaker shave costs and deliver more targeted products.

Finally, today's CRM solutions need to address the multi-faceted needs of businesses that interact with customers across multiple channels. Building a 360° view of the customer and maintaining consistency in the customer experience when customers engage with a company via the Web, contact center, social networks, mobile devices, or in person, is crucial.

The best CRM systems enable buyers to extend capabilities as their business demands and to customize the solution to their industry. When integrated with back-office systems, Internet commerce servers and customer contact center software, robust CRM applications track every customer "touch." This helps the business build a complete profile of each customer and deliver a targeted set of goods and services.

Deployment Options to Consider

There are a few basic options for CRM deployment:

- On-Premise CRM
- Vendor Managed On-Premise CRM
- Multi-Tenant Software-as-a-Service
- Single Tenant Software-as-a-Service
- Hybrid Combination

For many enterprises, an on-premise approach may still be the best option because of the fine level of control it provides. Organizations own the application infrastructure, which gives them the ability to apply additional horsepower for transaction-intensive applications and to use their preferred programming and customization tools to extend the application's functionality.

Deployment Model	License Model	Location	Customer Control	Financing Model
On Premise	Perpetual	Customer	Maximum	CapEx
Vendor Managed On Premise	Perpetual	Vendor	Medium	Both
Multi-Tenant	Subscription	Vendor	Minimum	OpEx
Single Tenant	Subscription	Vendor	Medium	OpEx
Hybrid	Both	Both	Varies	Both

CRM deployment options at a glance

Software as a service (SaaS) is quickly gaining favor as a rapid way to get an organization up to speed with CRM quickly. Today's SaaS applications benefit from world-class data centers, redundant services and state-of-the-art security provided by hosting vendors. Service-oriented architectures make it possible for SaaS services to be customized to a high degree even by non-technical users. Many organizations now look at SaaS as a complement to traditional on-premise deployments.

On-Premise CRM

In a typical on-premise deployment, an organization buys or leases infrastructure, including hardware, operating systems, databases and other system software, and installs a packaged application in its data center. The organization owns the entire package and is free to customize it as needed. Furthermore, the organization has complete control over the infrastructure and data.

Oracle Corporation's Siebel CRM products lead in this category. And, [on-premise deployments still make up about 70% of the CRM market, according to Gartner](#).

Advantages: For organizations that need complete ownership and control over every aspect of the deployment and maintenance of the CRM application and its infrastructure, on-premise is the way to go. Organizations that choose this option can customize the deployment as they wish. Organizations are also in sole, complete control of data storage and protection. Given the years of development invested in on-premise CRM, this deployment option is still very powerful and feature rich. Some CRM providers offer highly customized vertical industry solutions that extend on-premise deployments with a level of sophistication that are not yet available with SaaS offerings. While SaaS deployments have grown significantly in user count, on-premise CRM continues to excel in scalability and high volume environments like call centers. Finally, organizations have perpetual use of the software, unlike the term licensing model with SaaS.

Considerations: Historically, the primary downside of an on-premise deployment has been cost and time. However, recent advances in deployment technology, particularly rules-based configuration, have reduced installation and deployment times significantly. On-premise is still a more expensive option than SaaS in the short term, but it is no longer orders of magnitude more expensive. What's more, on-premise deployment can actually be the least expensive option over time because organizations avoid ongoing monthly fees.

Recommendation: Choose on-premise if you have an interest in controlling the infrastructure, have very specific business requirements that need customization, and have in-house IT infrastructure and development resources to maintain an on-premise deployment. This option is also a candidate for organizations in highly regulated industries with stringent data privacy and protection policies.

Vendor Managed On-Premise CRM

This approach is identical to that outlined above except that a vendor provides most or all of the operational support for the application at its hosting site. The organization preserves all the functionality of the application and the ability to customize to a certain extent and integrate with legacy systems with a high degree of control. Modifications may be done with a mix of internal and vendor-supplied resources.

Advantages: This option has all the advantages of the traditional on-premise approach as well as the added advantages of shorter deployment times and access to outside expertise. Because the application provider has extensive knowledge and experience with the CRM software, the organization's learning curves are shorter and users can be up and running in less time than with a traditional on-premise deployment. The organization can focus on using, enhancing and extending the application, while the vendor focuses on the operational aspects of monitoring, patching, infrastructure, database, middleware and application layers. Robust security, high availability and best-practice performance are table stakes in these contracts. The vendor may also be able to improve functionality with custom and industry-specific deployments, without extensive ramp-up time.

A robust governance process keeps the CRM application aligned with the needs of the business. Extensive reporting on service levels, periodic review of service level performance, project status, changes and innovation activities provide a high level of control and minimize planned and unplanned outages.

Costs are generally fixed, so budgeting for these services is predictable, often on a per-user basis. The vendor takes the risk and the organization benefits from the vendor's commitment to service levels without having to manage resources to achieve them. Top-performing vendors use virtualization and task automation to deliver cost-effective service.

Considerations: The extent to which resources are shared, and how far organizations depart from standardized implementations, are the biggest cost drivers of this approach. The greater the level of customization and infrastructure investment, the higher the cost. Vendors may also need additional time

to learn the specific needs of the business. Additional management overhead may be involved to coordinate the activities of external and internal staff.

Recommendation: For users who want the advantages of on-premise CRM, complete infrastructure control, and the highest levels of security and data protection, the vendor managed on-premise CRM option deserves serious consideration. Organizations should negotiate service agreements carefully to be sure they have the scope of services they need and a clear picture of the required investment.

Multi-Tenant SaaS

In a typical SaaS deployment, a vendor provides the application as a service that is licensed by multiple organizations. All aspects of infrastructure management and application delivery are handled by the service provider, conforming to a service-level agreement negotiated with the organization.

The SaaS market is growing rapidly, with hundreds of companies delivering all kinds of applications this way. [Gartner expects SaaS sales to account for 33% of the total CRM market by 2015.](#) CRM has been a prime driver in the SaaS market because basic CRM functions apply to many businesses and rapid deployment is attractive to companies seeking immediate sales impact.

Advantages: Multi-tenant SaaS is the ideal option for organizations with limited capital assets, variable work force needs, or limited IT resources. There is almost no up-front investment; costs are usually borne as an operating expense, and users can be added or dropped as business demands, with a corresponding impact on costs. Typical SaaS deployments are faster than on-premise by eliminating certain tasks, such as the need to purchase physical hardware and deploying software. Modern SaaS applications housed in world-class data centers provide superior performance and availability. SaaS also offers a best-practices approach to deployment because vendors learn from managing a large number of users, each with different needs. Upgrades and fixes are done quickly, minimizing maintenance for IT staff.

Considerations: Organizations give up some control over upgrades, enhancements and planned downtime. Service-level agreements need to be negotiated carefully to minimize surprises and disruptions. Data ownership issues also occasionally have been an issue when data is hosted off site.

Again, careful attention to contractual obligations is required. SaaS implementations also can carry a hidden cost: While per-user pricing is attractive in the short term, large installations might be more expensive over time than on-premise solutions.

In the past, integration had been cited as a primary deterrent for adopting SaaS. However, the SaaS industry has made giant strides in improving integration options in recent years.

User view – Australian DHS:

The Department of Human Services (DHS) of Australia's Victoria province turned to Oracle CRM On Demand when bushfires devastated large areas across the region in 2009, killing 173 people and destroying more than 2,000 homes.

The department had just three days to set up a case management system to identify people affected by the bushfires and to arrange accommodations, clothing, food, and other services. More than 800 case workers had to be able to use the system with minimal training.

Using Oracle CRM on Demand, the DHS was able to get caseworkers up to speed in as little as 30 minutes. With all necessary documents posted in a single repository, workers in remote locations could access the necessary forms and information instantly from workstations or laptops connected to wireless networks. Within four weeks, they had processed more than 4,000 applications.

The system's assignment capabilities were also essential in managing the deployment of resources to the places where they were most needed. A grants management system built with Oracle CRM On Demand enabled administrators of a relief fund to register individuals and household relationships, record key demographic information, confirm identities, establish eligibility for multiple grant types, and approve payments. These capabilities would have been impossible to deliver in such a limited timeframe without an on-demand application.

Recommendation: If flexibility and speed of deployment are important, then SaaS is the right solution for you. SaaS also makes sense if different solutions need to be deployed in different departments. For organizations seeking maximum flexibility and long-term cost control, on-premise solutions may still be the better bet. However, SaaS is a popular option for organizations that want fast results at a relatively low start-up cost.

Single Tenant SaaS

Although multi-tenant SaaS implementations offer best-of-breed security and reliability, some organizations demand an extraordinarily high level of control. This may be a function of regulatory requirements or scheduling demands that limit scheduling flexibility for planned downtime. Historically, their only option has been a full on-premise deployment of a packaged application. But vendors are beginning to innovate with private versions of their SaaS products that deliver the cost and availability benefits of a hosted solution while adding a level of customer control and greater flexibility with a dedicated stack.

A single tenant SaaS solution is identical in every way to a multi-tenant model with the exception that the single tenant SaaS application is run on an infrastructure that is dedicated to one organization. This includes servers and software and may also extend to bandwidth. A key benefit of single tenancy is that, because they are on a dedicated stack, organizations can determine upgrade and maintenance schedules within a window of time.

Advantages: The single tenant option opens the SaaS option to a class of organizations that wouldn't consider it otherwise. These include organizations in highly regulated or security-conscious industries, where any kind of shared-space deployment would be considered too risky. These organizations can get all the advantages of SaaS . rapid implementation, limited need for IT resources, and expert service . while maintaining some level of control and flexibility.

Considerations: The cost of this option is understandably higher than that of multi-tenant SaaS. Vendors must cover the additional overhead of providing dedicated technology and staff, so the per-user charges and minimum user guarantees of a single tenant option will almost certainly be higher than those of a multi-tenant SaaS deployment. Organizations also can't expect to have as much control over upgrades and customization as they would with an on-premise deployment.

Recommendation: For organizations that couldn't otherwise consider a SaaS solution, this option could be a viable alternative. It has all the benefits of SaaS without the perceived risks. However, this option is not a replacement for vendor managed on-premise deployments, which offer organizations more control in a number of areas while still benefiting from a hosted deployment model.

Hybrid Combination

Choosing a CRM solution involves making tradeoffs in flexibility, customizability, cost, convenience and speed of deployment. But this choice is not necessarily an either/or decision. A hybrid deployment option may satisfy broader organizational requirements by delivering the best features of SaaS and on-premise solutions with few of the downsides.

A hybrid deployment uses both on-demand and on-premise solutions with a high degree of back-end integration and database sharing. Users mix solutions according to their needs and may even intermingle deployment models within the same department or workgroup.

User view – Farmers Insurance Group/Zurich Financial Services:

Farmers Insurance Group and its international parent, Zurich Financial Services, present a scenario in which a hybrid on-premise/SaaS model makes sound business sense.

Farmers, which provides management and IT services for the global operation, has been a long-time customer of on-premise Siebel CRM. Following a major expansion of functionality that began in 2008, the company today supports about 6,000 employees on Siebel CRM for sales, marketing, and service activities, mostly in the U.S.

However, the on-premise solution didn't necessarily meet the needs of Zurich, a geographically diversified financial firm with operations across Europe. For one thing, insurance regulations in Europe vary by country, so the cost of customizing on-premise functionality for each region could be significant. Also, some of Zurich's operations in small countries employ fewer than 20 people, a fact that would have made local IT support particularly expensive. Finally, the company's distributed governance structure allows each subsidiary to make its own technology selection decisions. For most Zurich affiliates, Oracle CRM On Demand provided the low cost, flexibility, and CRM data integration that met their needs.

"Farmers could customize Siebel to meet the needs of its U.S. users but was also able to build a back-end data warehouse that collected data from both on-premise and SaaS users halfway around the globe," said Robert Diaz, head of the CRM Center of Excellence for Zurich. By standardizing on Oracle platforms, the company was able to negotiate license agreements that made the hybrid approach a superior alternative to pure SaaS options from competitors. Finally, the extensibility of Siebel CRM's on-premise solution met needs that were specific to Farmers' U.S. operations.

SaaS software offers compelling costs benefits, but looks can be deceiving, Diaz said. "When you look at the unique requirements of the business, the reality can be that the on-premise solution costs less," he said. For Farmers and Zurich, the major issue wasn't the deployment model but the ease of data integration. The on-premise/SaaS combination "gives us one common view of the customer," said Diaz, and in the competitive insurance industry, such knowledge is a winning differentiator.

Advantages:

Organizations can deploy the CRM approach that makes the most sense for their business needs. Workgroups or business units that are transaction intensive, such as call centers, or business units that need a high level of customization may choose an on-premise option, while highly collaborative field representatives or occasional CRM users can opt for the on-demand model. In all cases, users share common customer information.

Each business function may choose the deployment option that makes sense for its particular needs. This puts more decision-making capability in the hands of the business units. Features are matched to user requirements so they can configure the system they want locally.

Considerations:

A hybrid deployment isn't right for everyone, and businesses should carefully assess their long-term needs before choosing this approach. Large, diversified organizations are most likely to benefit from a hybrid approach because their needs are so variable. However, smaller organizations may find the hybrid model attractive as a way to "bridge" into a full on-premise solution or vice versa

Recommendation:

For organizations that are looking for maximum flexibility and business alignment, the hybrid option may be the best fit. A hybrid deployment provides organizations with the highest degree of control over infrastructure, security concerns, costs and configuration. Because individual

departments can choose between on-premise and on-demand models, they can fine-tune their configuration to match budgetary and strategic needs. They can also locate customer data where they wish.

Factors That Business Executives Should Consider in CRM Selection

Implementing and managing a CRM system involves close collaboration between decision-makers on both the business and IT side. This includes the selection of the right CRM solution and deployment option.

For business executives, the needs of the business can significantly influence the choice of deployment option. These factors include:

Business structure: Highly centralized organizations may enjoy the economies of scale of implementing a single solution and sharing it broadly. On-premise solutions are more appealing in this environment. Decentralized organizations typically push decision-making power down to business units. In these situations, SaaS solutions offer the kind of flexibility that business owners often desire.

Other business factors that come into play include variances in workforce size due to seasonality or other factors, the technical skills of the workforce, required speed of deployment, available support resources, and the need to easily accommodate multiple locations and languages. In general, companies with predictable usage needs appreciate the controls that an on-premise solution provides. Companies that must accommodate large numbers of occasional, temporary or contract workers may find that on-demand gives them more flexibility. Similarly, a business that must accommodate access by partners or external contractors may prefer an on-demand model to maintain the integrity of its corporate firewalls.

Business adaptability: The CRM market is characterized by constant change, so flexibility is important. For example, some businesses need to quickly adapt to changes in customer behavior, such as the rapid growth in mobile device use or social networking channels. For these organizations, the on-demand model may be able to more quickly deliver the necessary CRM functionality without the need for internal installation and test cycles.

Companies in stable or slow-growth markets - or with limited needs for new functionality - may prefer the fine level of control they get from on-premise deployment. The ability to upgrade at one's own pace and to deploy a limited set of features are strengths of this model.

Features and customizations: CRM solutions, whether packaged or delivered as a service, come with a basic set of features. For many organizations, these deliver 80 percent to 90 percent of the functionality they need. However, vertical industry applications and company-specific features will require custom programming, as will integration with legacy systems.

Consider how much customization your deployment will require. Match this against the features the vendors provide and inquire about the cost and complexity of extending packaged solutions. Consider whether developers can use off-the-shelf programming tools to extend this functionality or whether they must learn a proprietary language. Also consider the readiness of your legacy systems for this kind of integration. If you are using a service-oriented architecture, then the process is more straightforward than if custom programming is required.

All vendors have different degrees of expertise in back-end integration. Purchasing a CRM solution from a vendor that also provides ERP and database engines might significantly reduce your costs.

External issues: CRM involves the gathering and analysis of large amounts of customer data. In some industries, this is easier to accomplish than in others. Heavily regulated industries such as health care and banking need to pay particular attention to privacy and compliance issues. Whether choosing an on-premise or SaaS solution, look for vendors with significant expertise in these environments.

Companies in regulated industries are often subject to discovery requirements that demand swift turnaround for records disclosure. While most SaaS companies are able to meet these requirements, it is important for businesses that have demanding or unusual regulatory needs to obtain commitments from their vendors. In the case of on-premise installations, this is strictly an internal issue.

Factors That IT Executives Should Consider

IT issues revolve mainly around infrastructure, staffing and cost. Here are some factors to consider:

Staffing: All options demand some staff expense. An on-premise installation will require server administration as well as software installation and custom programming. This is clearly the most costly option, but it also delivers the most customized results.

SaaS vendors promote their products as being easy to use and to customize, but few IT organizations want to put programming in the hands of business users. If your SaaS installation requires extensive customization or legacy integration, you'll need to factor this into your staffing costs. Some SaaS implementations also require extensive configuration before deployment. Be sure to ask vendors about these options, negotiate service-level agreements carefully, and budget appropriately.

Finally, training and helpdesk support also consume resources. For an on-premise deployment, these costs fall almost entirely on the IT organization and its contractors, but even a SaaS solution may require IT support. Again, it's a good idea to negotiate these costs and responsibilities with a service provider before making a commitment.

User Adoption: Both on-premise and SaaS CRM software usually come with robust documentation, as well as online tutorials, wizards and comprehensive help screens. Most users can be up and running on basic functions in a matter of an hour or less.

User adoption and associated training costs are mainly a function of company-specific requirements. A system that is heavily customized to meet special requirements may require dedicated training programs. This is true in any deployment scenario, but an on-premise installation provides the greatest degree of customizability, particularly if integration with other internal applications is required. Traditional on-premise training is usually handled by an internal staff, which may be less expensive than using vendor or contractor resources.

Extensibility: A few years ago, this was considered a strength of on-premise applications, but advances made by SaaS vendors have brought their products closer to parity in this area. The greatest advantage of on-premise solutions is the ability of IT organizations to integrate them with legacy applications, particularly those that are unique to the business. On-premise applications may also be easier to integrate into dashboards or standardized workflow systems that contain significant amounts of custom code.

Budget: Although on-premise deployments generally cost more, much of the cost of servers and license fees is allocated and depreciated as a capital expense. This may be desirable for companies that want to amortize the cost of their CRM project over several years. In contrast, SaaS solutions are usually paid out of operating expenses and those costs may vary widely as the number of users change. If you choose SaaS, negotiate a price schedule you can live with over a period of years.

Control: Some companies are reluctant to give up control over a precious asset like customer data. Although most SaaS vendors offer excellent security, backup and data protection, organizations must still make a leap of faith by putting data in the hands of a third party.

Many organizations also want control over downtime and upgrades. Integration projects may require special testing and training on a schedule that the IT organization needs to control, or projects may need to be released in stages to production. SaaS vendors are usually willing to preview planned upgrades with its customers. However, they have the needs of many customers to consider, so the availability of staging sites should be negotiated carefully in advance.

While many users are delighted to log in and find new features available to them, IT organizations aren't always comfortable with this idea. If control is an important issue, then an on-premise or single tenant SaaS solution provides extra peace of mind.

Conclusion

SaaS is certainly growing in popularity, yet it's obvious that one deployment model does not fit all. Different organizations have different needs, and these needs can change over time. When selecting a CRM solution, be sure to work with a vendor that can address your short term requirements and longer term CRM strategy.

Oracle offers a complete CRM portfolio that provides 20+ industry-tailored solutions, real-time and predictive insight, cross-channel innovation, end-to-end integration, and secure enterprise-grade infrastructure. Oracle's CRM portfolio includes Siebel CRM, Oracle CRM On Demand, Oracle Fusion CRM, and ATG Web Commerce to provide organizations with the right solution and deployment model to ensure business success.

Oracle

With millions of users worldwide, Oracle's Complete CRM and Web Commerce solutions enable organizations of all sizes to transform their business value and deliver a superior unified cross-channel customer experience in today's competitive global marketplace.

Whether in the cloud or at your data center, Oracle offers the broadest and deepest portfolio of CRM solutions that integrates all critical customer touch-points, such as sales, marketing, loyalty, service, web and contact center, and scales efficiently to meet the global requirements of today's leading organizations worldwide.

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Paul Gillin has chronicled the information technology revolution since the dawn of the PC era. He joined Computerworld as a staff writer in 1982 and served as senior software editor at PC Week and founding news editor at Digital Review before returning to Computerworld in 1987. In 1999, he became the sixth employee at a startup soon renamed TechTarget, where he engineered its transition into a leading source of original news and technical advice. He now operates his own firm, helping technology companies connect with their customers through quality content and innovative communications strategies.