

An abstract graphic consisting of numerous overlapping circles and teardrop shapes in shades of purple, green, and dark blue, scattered across the middle and lower-left portions of the page.

# Sage CRM Whitepaper

On-Demand or on-premise CRM:

5 things to consider before making your decision.

# Introduction

Internet-based technologies have played an important role in the development of modern CRM applications over the last several years. They have been the critical driving force behind the rise of on-demand CRM, and have also enabled on-premise CRM vendors to dramatically simplify deployment and administration. CRM has become far more accessible as a result; adoption rates have soared, and companies today enjoy unprecedented choice when it comes to how they want to purchase, consume and support their new business applications.

Deployment, nonetheless, is a 'how' rather than a 'what', and competing CRM solutions are separated by a broader range of considerations than just the choice between on-demand and on-premise. Additionally, the relative advantage or disadvantage of one deployment type over the other is entirely dependent on each company's individual objectives and circumstances, which are likely to change over time and vary according to a number of criteria. This whitepaper, therefore, aims to provide a clearer understanding of the context of deployment within overall selection criteria and examines the five key considerations associated with the area.

## Five things you need to consider before choosing your new CRM solution

This whitepaper examines the five most important considerations associated with CRM selection and discusses how both on-demand and on-premise deployments impact upon them.

These considerations are broadly categorised as the following:

1. User empowerment
2. Investment timeline and total cost of ownership (TCO)
3. Data sensitivity
4. Availability of internal IT resource
5. Integration

### 1. User Empowerment

A CRM solution should: (1) provide powerful functionality that supports your users in their daily activities, (2) be sufficiently flexible so that it can be configured and customised to meet their particular needs.

Deployment type will impact on each of these areas.

### Functionality

The functional breadth and depth of CRM solutions varies significantly from vendor to vendor. It is important, therefore, to clearly set out your functional requirements up-front in order to identify the solution that is going to provide you with the best fit over the lifetime of your installation. While you may initially focus on the roll-out of CRM within your sales organisation, extending it to encompass marketing and customer service functions may be an objective over the longer term.

Solution maturity is an important consideration in this area. Generally, more mature solutions with a number of major product releases behind them will provide broader and deeper functionality than those with a less established revision history.

Companies should conduct a detailed examination of any potential supplier's feature-set. This is particularly important in relation to on-demand solutions where the market is characterised by new market entrants. Today, the most functionally complete on-demand CRM providers are those that have leveraged their on-premise expertise to deliver their solution in an on-demand environment.

## Configuration and customisation

Whether at the point of initial roll-out or later in the solution lifecycle, companies should be mindful of the configuration and customisation requirements of their new CRM solution.

Configuration caters for basic changes in areas such as: (1) simple workflow, (2) access and security, (3) user provisioning, (4) team membership and (5) user preferences. Administrator-level and user-level configuration flexibility will enable you to map your new CRM solution more closely to the needs of your users and business processes. Both on-demand and on-premise solutions generally provide a wide range of configuration options.

Customisation caters for more complex functional requirements such as: (1) creation of custom entities e.g. 'venue' in the case of an event management company, (2) custom screens, (3) custom tabs and (4) complex workflow.

Existing screens, tabs and entities can normally be customised with relative ease within both on-demand and on-premise solutions. On-Premise solutions, however, tend to provide a more effective solution where additional custom screens, tabs and entities need to be created from scratch or where complex workflow orchestration is required.

Owing to security requirements, customisation capabilities within on-demand CRM solutions are generally provided on a codeless basis i.e. does not require development expertise. The same online security considerations do not apply in the case of on-premise deployment. Companies selecting an on-premise solution, therefore, should investigate to what extent customisation can be carried out on a codeless basis.

## Accessibility

Companies expect their CRM system to be available to customer-facing staff regardless of their location or access scenario. If your company has field-based or remote-office employees, then mobile access is a 'must have' requirement for your new CRM system.

On-Demand provides a compelling proposition for companies with mobile and remote office workers. You should ensure, however, that any prospective on-demand CRM solution caters for disconnected access scenarios; situations where an internet connection is not available. Additionally, if your mobile workforce uses PDAs, smart phones or Blackberry devices, you may be best served by selecting a solution that has been specifically optimised for mobile device access.

You may also consider on-premise solutions that have been fully web architected. This type of on-premise solution provides similar advantages to on-demand solutions in terms of distribution and administration from a central server to users over a broad geography using the internet.



## RECOMMENDATION

1. You should fully define your functional requirements up-front and then determine which solution and deployment type is going to provide you with the best fit over the lifetime of your installation. Solution maturity is important, particularly in the case of on-demand solutions.
2. You should understand to what extent your functional requirements can be addressed out-of-the-box, and which ones will require further configuration and customisation. By using codeless configuration and customisation tools, regardless of whether your new CRM solution is on-demand or on-premise, should make it easy to carry out these changes without the need for extensive development expertise. Extensive customisation requirements are likely to be best served by an on-premise solution.
3. If you have remote offices or field-based staff, your new CRM system should be available to these users, regardless of their location or access scenario. On-demand solutions are particularly suited to this requirement; however, you should ensure that they adequately cater for situations where an internet connection is not available.
4. If your staff requires CRM access on a mobile device such as a PDA, smart phone or Blackberry, you should specifically ensure that this is catered for by your new CRM system.

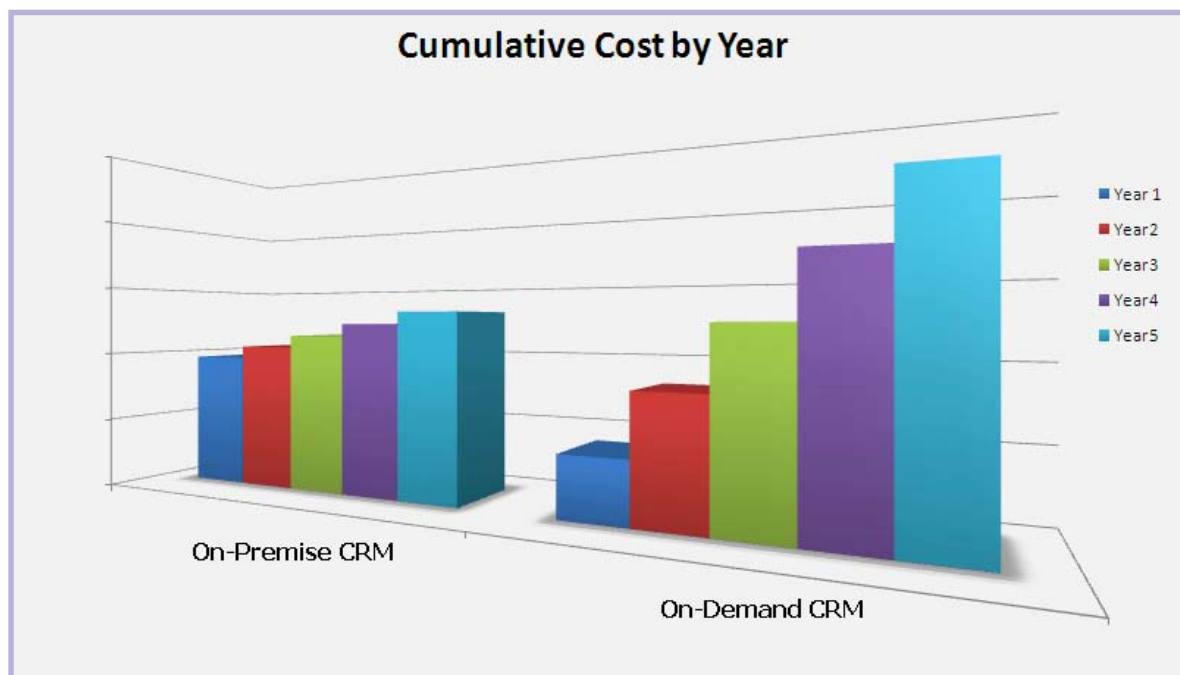
## WHAT DOES SAGE CRM PROVIDE IN THIS AREA?

- Full suite CRM across sales, marketing and customer service for both on-demand and on-premise users
- Basic to intermediate customisation capabilities for on-demand users
- Advanced customisation capabilities for on-premise users
- Extensive codeless customisation across on-demand and on-premise solutions
- Full web architecture for both on-demand and on-premise users
- Full offline capabilities for disconnected users
- A user experience specifically optimised for mobile devices such as smart phones, PDAs and Blackberry devices.

## 2. Investment Timeline and TCO

The average lifecycle for a CRM solution today is in excess of 5 years (1). Arriving at a clear understanding of the likely total cost of ownership (TCO) associated with any new CRM deployment is an important consideration in any selection process. Deployment choice influences this area considerably and companies should compare the investment and cost structures of both models thoroughly before making a decision.

On-Premise CRM will require upfront capital investment which will be written down over the lifetime of the system. On-Demand CRM, by contrast, involves fixed, periodic subscriptions over the solution lifecycle. On-Demand, therefore, can provide several advantages to companies with limited budgets as it does not require the same upfront expenditure on software, hardware infrastructure or implementation services. When viewed beyond the near-term, however, on-demand solutions can result in higher costs when compared to their on-premise peers.



By way of example, the graph above provides a cost comparison between on-demand and on-premise solutions over a 5 year period (2). As we can see, the on-demand solution requires a lower up-front investment (approximately 56% lower than on-premise) and provides a lower TCO over a 2 year period (approximately 21% lower than on-premise). The total cost associated with the on-demand solution, however, increases at a faster rate than that of the on-premise deployment. By year 3, therefore, the on-demand has overtaken the on-premise solution as the most costly, and its TCO is approximately 9% higher than the on-premise solution. By year 5, this gap has widened further, and the on-demand deployment is approximately 56% more costly than the on-premise solution. In real-terms, this could equate to a difference of over £25,000 for a typical 50 user deployment over the lifetime of the system. It is also worth noting that as the number of users increases, this difference becomes more pronounced.

On-demand, therefore, will suit organisations that: (1) wish to benefit from lower up-front investment thresholds and (2) prefer a predictable, fixed monthly cost. On-premise CRM, by contrast, is more likely to suit companies where a lower medium-to-long term TCO is a key requirement.

1 Source: Gartner

2 Assumptions: (1) standard retail pricing for 50 users across both deployments, (2) On-Premise implementation cost at 1:1 ratio to up-front software license cost and includes the cost of incidental hardware purchase, (3) On-Premise annual maintenance at 20% of up-front software licence cost, (4) No maintenance or implementation costs for on-demand, (5) On-Premise and on-demand deployments have identical functionality and capabilities.

## Accounting treatment

On-Demand and on-premise deployment models are treated differently for accounting purposes. An on-premise solution can be included on a company's balance sheet as an asset and written down over a multi-year period. On-demand subscriptions, however, are generally accounted for in the period that they fall due. Pre-payments of on-demand subscriptions are not typically classified as assets on the balance sheet.

## Carrying out a like-for-like cost comparison

Cost comparisons should be carried out on a like-for-like basis as functionality and product capabilities vary significantly between providers. It is also important to understand the functional differences between editions of the same product. It may be the case that some functionality has been jettisoned from entry-level packages in order to reach a lower cost or to provide for a more compelling upgrade path in the future when further functionality may be required.

## Incremental costs

You should also be mindful of charges for incremental service additions. In the case of on-demand, these may include charges for additional storage or backing up of data. You should, therefore, understand clearly what is (a) provided, (b) not provided or (c) an additional cost option, within the potential vendor's service contract.

Finally, the fact that CRM is delivered on-demand does not preclude the need to retain IT resource for enhancements and system administration. Customisation and integration requirements, for example, can have a significant impact on the TCO for both on-demand and on-premise solutions. These costs are generally factored into the analysis of on-premise solutions because third party resource requirements are integral to this deployment type. In the case of on-demand, however, these costs are frequently overlooked because of the "plug and play" perception surrounding this deployment type.

## RECOMMENDATION

1. You should carry out a detailed analysis of all foreseeable costs over the expected lifecycle of your new solution.
2. Regardless of whether on-demand or on-premise is selected, you should factor in a realistic cost for consulting and system administration activities to be carried out on the system over the course of its lifecycle.
3. On-Demand CRM can provide several cost advantages to companies with a limited budget or a requirement for a short term CRM deployment.
4. The ability to migrate from one deployment type to another will allow you to leverage the cost-economies of both models over the long term.

## WHAT DOES SAGE CRM PROVIDE IN THIS AREA?

- A low TCO for on-premise deployments
- A low, predictable monthly cost for on-demand deployments
- A low cost on-premise environment for companies with extensive customisation and integration requirements
- A simple on-demand service contract without hidden lock-in clauses and uncapped renewal price hikes with a pay-per-month option in certain regions.

### 3. Customer data sensitivity

While on-premise CRM retains customer data in-house, on-demand CRM externalises customer data to a 3rd party facility. The degree of customer data sensitivity, therefore, will have an influence on deployment choice.

For certain companies, customer data is perceived to be too sensitive to be hosted externally and on-premise CRM, therefore, will generally be the preferred option for these organisations.

In some circumstances, however, on-demand CRM may actually provide greater data security and protection when compared to on-premise deployments. In the case of an SMB for example; hosting customer data in a highly secure, purpose-built third party data centre with high levels of redundancy, backup and monitoring may deliver a level of security and protection that could not be achieved cost-effectively internally.

The sophistication of hosting operations varies significantly between on-demand vendors. A comprehensive review of any potential solution provider's data centre, therefore, should be a core component of any on-demand evaluation process.

### RECOMMENDATION

1. Your choice of deployment type should reflect the sensitivity of your customer data.
2. On-Premise CRM represents a solid choice for companies with customer data which is deemed to be particularly sensitive in nature. The fact that customer data is hosted internally, however, does not necessarily mean that it will provide greater levels of security than an on-demand provider's purpose-built 3rd party data centre.

### WHAT DOES SAGE CRM PROVIDE IN THIS AREA?

- Deployment choice between on-demand and on-premise
- A world class, SAS70 certified data centre for on-demand deployment

## 4. Availability of Internal IT Resource

The availability of internal IT resource is a key factor to consider when selecting a potential CRM solution. Initial project roll-out and on-going support and administration will require IT expertise; sourced internally or externally. Your choice of deployment model, therefore, should reflect the availability of in-house IT staff.

Deployment CRM must be capable of being deployed quickly and easily. As such, customers should be up and running in days and weeks rather than months. Shorter implementation timeframes equate to lower project costs. They also reduce project risk and facilitate an earlier return-on-investment in the solution lifecycle.

On-Demand deployments remove the need to install software locally or carry out hardware and software installation and configuration in-house. On-Demand, therefore, is particularly suited to organisations with limited or no internal IT resource. Companies with limited internal IT resource may also consider on-premise CRM solutions which are fully web-architected.

Web-architected, on-premise solutions provide a distinct advantage over traditional client/server products and leverage similar economies of centralisation as on-demand solutions. This means that they can be entirely deployed from a central location without the need to invest in expensive and maintenance-intensive technologies, such as Citrix or Microsoft Terminal Server.

## Ease of ongoing support and administration

Regardless of whether your CRM solution is deployed on-demand or on-premise, you should ensure that it delivers adequate performance and availability to meet your user's needs. Day-to-day activities such as provisioning new users, importing data, writing reports or carrying out upgrades, can equate to a significant increase in IT workload over the lifetime of the application. Moreover, when an issue arises, there should be a clearly defined support structure in place which provides issue resolution on a timely basis.

On-going administration can represent a sizeable burden for companies deploying an on-premise CRM solution for the first time; particularly in the case of SMBs which generally operate with limited IT resources. On-Demand represents an attractive proposition for these companies. On-Demand CRM solutions, however, are entirely reliant on external resource for support queries. Companies considering on-demand CRM solutions, therefore, should carry out a detailed review of the vendor's support services and clearly understand service level obligations across: (1) scheduled availability, (2) case response times and (3) application upgrade roll-outs. Customer reference calls should be used in the evaluation of any potential service provider's support provision.

Equally, companies considering an on-premise solution should ensure that there is a realistic understanding of the additional support burden associated with the roll-out of the new application. Again, fully web-architected on-premise CRM solutions provide a distinct advantage over traditional client/server-based systems by minimising, or totally removing, the administration that is required at the client end, and facilitate upgrades, patch updates and new user provisioning from a central point.

Both on-demand and web-architected on-premise CRM solutions are particularly suited to companies with mobile employees or multiple offices over a broad geography. They also benefit organisations with a large number of employees where regardless of the number of location or access scenarios, typical client/server deployments can be difficult and expensive to maintain across every user desktop.

## On-the-ground support

Even if your company has sufficient internal IT resource to deploy and manage your new CRM installation, the availability of local, on-the-ground expertise from your CRM vendor, or certified partner, is reassuring, particularly when you are investing in CRM for the first time. Multi-lingual support may also be a factor for companies with offices across several locations. Local expertise can be used to (1) resolve support issues, (2) train new users or (3) provide consulting services around the further extension and optimisation of your CRM system.

Where on-premise CRM solutions have traditionally been supplied and supported through local vendor offices and partner networks, on-demand providers have adopted a more centralised model of service distribution and support provision. As a consequence, they generally do not have the same level of expertise available regionally as their on-premise counterparts.

## RECOMMENDATION

1. You should give careful consideration to a broad variety of factors that may impact upon roll-out complexity and cost, as well as on-going support and administration. These include: (a) geographic distribution of offices, (b) workforce mobility requirements and (c) number of users.
2. On-Demand is particularly compelling for companies with little or no internal IT resource.
3. On-Premise may provide a more effective solution for companies with internal IT staff where the additional support requirements can be integrated easily into existing internal service level agreements.
4. Local consulting and support expertise available from your potential CRM vendor or its certified partner network should be examined, regardless of deployment model.

## WHAT DOES SAGE CRM PROVIDE IN THIS AREA?

- 100% web architecture that ensures the solution can be deployed quickly and cost-effectively on-demand or on-premise, and over multiple locations where required
- A fully web-architected on-premise solution that combines ease-of-deployment with significant customisation and integration capabilities
- Self-service, codeless administration tools and easy-to-use wizards for both on-demand and on-premise deployments that reduce or remove the need for dedicated IT resource
- A global network of Sage offices and business partners to provide local, on-the-ground support for on-demand and on-premise CRM users

## 5. Front-to-Back-Office integration

The primary objective of a new CRM project is to unify customer information across a company's front-facing activities; sales, marketing and customer service. This, however, does not necessarily guarantee the full 360 degree customer view that a company may aspire to. To realise a truly comprehensive customer view, you should consider integrating your CRM system with your back-office environment.

Front-to-back-office integration enables front-office users to access the financial and transactional data associated with their customers (data not normally generated by or stored within a CRM system) without the need to leave their CRM application. Such data may include invoice history, sales history, payment history or other important back-office related customer information.

Front-to-back office integration also provides for significant time and cost savings through process automation; reducing, or removing the need to re-key and re-verify information as it passes from one system to the next. Examples of these 'straight through' processes include: (a) generating a quotation in CRM based on pricing contained in the ERP application or (b) populating an order directly into the back office system through CRM workflow.

Integration capabilities should, therefore, be an integral part of any CRM evaluation, particularly when deciding between on-demand and on-premise deployment models.

On-Premise CRM has traditionally lent itself to point-to-point application integration with ERP solutions and, therefore, is seen as the more integration-centric of the two deployment types. On-Demand, by contrast, has been more generally seen as a standalone deployment. This situation, however, is changing, with an increasing number of on-demand CRM providers making it easier for their services to be integrated with other business applications, regardless of whether they are located inside or outside the company firewall.

The incorporation of Web Service APIs by on-demand CRM solutions has been a key facilitator of this change. Web Services APIs provide a standards-based, flexible and cost-effective approach to enterprise application integration. The increased availability of Web Services APIs within on-demand solutions has meant that they now represent a viable option for companies with basic to intermediate integration requirements.

Additionally, companies using a packaged ERP solution should examine CRM solutions that provide out-of-the-box integration with their particular back-office environment. Integration-ready solutions can be particularly appropriate for companies that want to get their back-office integration up and running quickly and cost-effectively.

## RECOMMENDATION

1. The front-to-back-office integration capabilities of any potential solution, whether on-demand or on-premise, should be examined as part of any CRM evaluation process.
2. While on-demand deployment may be increasingly viable for companies with basic to intermediate integration requirements, companies with more complex requirements may be better served by selecting an on-premise solution.

## WHAT DOES SAGE CRM PROVIDE IN THIS AREA?

- Standards-based Web Services APIs that enable quick and cost-effective integration capabilities between Sage CRM on-demand/on-premise with 3rd party applications and back-office environments
- Out-of-the-box integration between Sage CRM and Sage's market leading ERP packages. Sage 200 and Sage 1000 suites both offer on-premise out-of-the-box CRM integration to ERP based on Sage CRM (minor functional differences due to integration please see suite documents for further information).

- It is also worth noting that where a vendor provides both on-demand and on-premise CRM using the same Web Services APIs, such as Sage CRM, you can potentially change deployment types while still retaining the same back-office integration.

## Conclusion

Deployment type is an important choice, but should be made in the context of a broader variety of considerations. Companies should be mindful of the expected lifespan of their new CRM solution and ensure that their requirements will be met across a variety of criteria including: functionality, cost, ease-of-maintenance, ability to customise, ability to integrate and ability to empower users.

Both on-demand and on-premise deployments have their own particular benefits and drawbacks. Some manifest themselves in the near-term while others come into play at a later stage in the solution lifecycle.

While this whitepaper has discussed the broad spectrum of business and technology considerations that impact on deployment choice, a company cannot realistically be expected to make a definitive deployment decision upfront given the wide variety of future variables. Partnering with a CRM vendor that provides deployment choice, therefore, is a distinct advantage. Sage offers its customers unprecedented flexibility in this area; allowing them to choose the most appropriate model for their needs at the point of roll-out, as well as the freedom to move to a different model in the future if their needs change.

## About Sage CRM

Sage CRM is an easy to use, 100% web-architected CRM solution with out-of-the-box but customisable business process automation. It can be easily deployed and maintained on-premise or on-demand, delivering freedom of choice and rapid return-on-investment for your organisation. Sage CRM's customisation capabilities, unified data architecture and .NET web services interface provide the inherent flexibility for your organisation to adapt the solution to changing business requirements easily and cost-effectively.

Sage CRM unifies all aspects of customer interaction, regardless of customer-facing function (sales, marketing or customer service) or channel (branch, call centre, online, field-based), to support deeper customer insight, improve relationship lifecycle management and enhance service delivery.

Sage CRM is provided against a backdrop of over 5.4 million SMB deployments of Sage business applications globally, and has been specifically designed to address the customer process requirements of fast-growing small and mid-sized companies.

## Further information

Further information on Sage CRM and SageCRM.com can be obtained by contacting your local Sage office or certified Sage Business Partner. [www.sage.co.uk/crm](http://www.sage.co.uk/crm)



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