SaaS CRM vs. on-premise CRM: which is the right choice for your business?

An in-depth comparison to guide you through the CRM platform selection process
INTRODUCTION

Any quick Google search or a quick scan of industry blogs and articles reveals varying (and sometimes conflicting) viewpoints when it comes to choosing the optimal way to implement CRM solutions.

Everyone it seems is talking about Software-as-a-Service or SaaS-based CRM, on-demand CRM, hosted CRM, cloud options, on-premise CRM and hybrid approaches.

One way to break through the noise is to simplify the discussion – and focus comparatively on the two most prevalent choices for CRM applications – SaaS CRM versus on-premise CRM.

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Some simple definitions for this discussion

A cacophony of terms hits you as you research the various approaches to CRM implementation, including:

**On-premise CRM** is the conventional approach in which the CRM application is installed on site, on your computers and in your data center, with your IT resources managing it.

**SaaS CRM** is web-based software purchased as a subscription, which means the application is available to you as needed though a computer's web browser. Your internal IT resources or a service partner configure the CRM, and then the application is maintained by the SaaS provider. This approach allows businesses to meet fluctuating demands.

**Cloud CRM** is a scenario in which the application provider manages the CRM software and the infrastructure is hosted and managed by a service provider. Sometimes the application provider and the service provider are the same firm. For instance Salesforce.com offers you its CRM application that can run on the Salesforce.com cloud, dubbed Force.com. Or you can select a CRM application such as Sage and then have a cloud service provider such as Amazon host and manage the infrastructure.

For the purpose of this white paper, we will be contrasting on-premise CRM and SaaS CRM.

So which way to go?

In a recent report, Forrester notes that SaaS CRM is becoming the default choice as buyers look to see if this approach meets their needs before they seriously consider an on-premise CRM.¹

A look at the numbers supports that viewpoint. Analysts forecast that by 2015, one-third of all spending on customer relationship management software will be for SaaS technology versus 26 per cent in 2010.² Information technology analyst Gartner predicts that the CRM market will enter a three year shake up in 2011, as a number of key trends begin to take hold. This includes changes to marketing and customer service technologies and the introduction of new projects and implementations.

But before you lock down your choice, you need to determine if you can achieve maximum business value from a SaaS-based CRM solution – or if on-premise CRM will better meet current and future business objectives.

Weigh the benefits of each, and then ask yourself some key questions to help you define what your company really needs and expects from your CRM solution.
Benefits of SaaS CRM

A valid case can be made that SaaS CRM offers some immediate benefits to your organization. For instance, SaaS CRM requires no upfront IT infrastructure, software installation or configuration, which means less cash outlay, fewer labor requirements and lower financial risk to get your CRM solution going. In many cases, deployment is easy, and comprehensive support is part of your service agreement package.

SaaS pricing is typically a per-user per-month subscription. This utility-based pricing model is simple, predictable and reduces cost overruns.

Once your SaaS application is up and running, you can access data easily via the Internet and any supported Web browser – which makes access for remote and mobile workers easy. Additionally, SaaS CRM does not require more of your often over-burdened IT staff, leaving them available to focus on other projects and initiatives. For example, software upgrades happen dynamically, with no involvement from your staff.

Benefits of On-premise CRM

If your organization’s infrastructure is already in place, purchasing your own CRM application and then running it and managing it on premise might be the right option for your business. One advantage is obvious: You have more control over every aspect of your CRM solution – from Service Level Agreements (SLAs) to dedicated system and security and regulatory compliance requirements.

You also can be directly involved with any business critical integration decisions and processes. In addition, an on-premise solution carries less chance that data will be inaccessible due to a loss of outside connectivity issues with your service provider or compromised in any way due to factors outside your control.

Ask these questions; then make your choice

As you research your SaaS vs. On-Premise CRM solution options, ask these five questions to help guide your decision-making process:

1. What are your SLA requirements, especially if you are in a highly regulated industry?

With a SaaS solution, you do not control when regular maintenance is done or when upgrades are scheduled. When your CRM solution is on site, you are in charge of scheduling these and any other
activities that may cause disruptive downtime. This is particularly important if your company requires the highest ongoing levels of availability with little or no tolerance for downtime.

For instance an unscheduled upgrade occurring at the same time as a regulatory audit could be catastrophic for your company. Also companies in highly regulated industries, such as financial services for example, simply cannot tolerate unplanned or provider-planned downtime.

Data security is another issue. Healthcare organizations must adhere to strict compliance requirements, such as HIPAA. Therefore the sensitivity of customer data may preclude a SaaS CRM choice.

Many national, state or provincial governments require that certain data sets be stored within its borders. Often a SaaS service provider cannot meet that commitment, because data may reside in data centers in a variety of global locations.

2. **Do you have the IT staff available to support and administrate the CRM over the long term?**

   From initial project rollout to testing, ongoing support and administration, IT expertise is mandatory in order to ensure the CRM solution consistently delivers the required performance and reliability. While software patches, trouble-shooting and security updates are necessary for any application, many SMBs are under-resourced when it comes to IT staffing, especially expert information security staffing. Conversely leading SaaS CRM firms frequently tout data security as a core competency.

   Demands on the CRM solution will evolve over time as your business grows and matures. More users will be added, and the CRM will be integrated across a broader range of applications. For an on-premise CRM, your organization will require internal expertise to continually manage this ongoing evolution.

3. **How much customization does your CRM solution need?**

   As a rule of thumb, an on-premise CRM solution will allow for much more customization as well as customization control than SaaS CRM. However it is paramount that you clearly define exactly how much and what kind of customization you require. Otherwise your run the risk of discovering too far into your deployment that your chosen approach does not meet your customization requirements, resulting in wasted time, money and resources.

   Complexity of your CRM solution – particularly complexity of the service management component – is a very important factor. Often a more complex solution is better suited to on-premise deployment.

   With on-premise CRM, you have more choice in defining workflows and fine-tuning performance as opposed to SaaS-based CRM. With SaaS, you cannot control performance – you get whatever the SaaS provider delivers.
Handling upgrades is another vital facet of the customization discussion. When your SaaS service provider upgrades the CRM application, will your previous customizations and integrations be adversely affected? Will those customizations be maintained or will they be lost? As a general rule, upgrades will not affect customization of an on-premise CRM solution (since you control its release), but every SaaS CRM has its breaking point.

4. Does the cost-per-seat formula work in your favor?

While SaaS CRM may seem the more affordable choice today, will it accommodate growth in an equally affordable way?

SaaS CRM can be a less expensive option when you have a low volume of users. However if you have a higher volume of employees, such as staffing a call center, a SaaS CRM solution that’s priced per seat may not be as promising to your bottom line.

5. How tightly do you want to integrate CRM with other solutions?

The more tightly you need to integrate your CRM solution with other enterprise solutions, the more likely the on-premise CRM solution is the right one for your company. In many cases, SaaS-based CRM carries certain limitations as to how much and how many ways you can integrate. You want your applications to able to share and transfer customer data easily.

Not all SaaS providers provide well-defined or extensive application interfaces and web services. One service provider may support outbound calls but not inbound calls. Another may limit file transfer protocol (FTP) activity, or handle IP addresses in such an open way that you are vulnerable to receiving unwanted or hacked files.

Security and privacy around data transfer is certainly an issue here, too. You need secure data integration that allows you to move customer data to all the different touch points across your company without risk.
A final word of advice

The decisions you make around SaaS versus on-premise-CRM are an important choice, but keep in mind the need to make these decisions within the broader context of risk and reward.

For instance, make sure you understand your business processes and cross-departmental workflow before deciding on any type of CRM solution. Consider creating a business process diagram first to help you outline the ideal process map. Be sure to factor in both the short-term and longer-term view.

You also want to make sure that your requirements will be met across a variety of criteria, including capabilities, cost, ease of integration, ongoing maintenance and, of course, the ability to empower users. Above all, deployment flexibility is essential in ensuring that your CRM solution continues to meet your business objectives today and tomorrow.

As suggested in a recent industry analyst report, when you purchase your CRM application, involve IT in purchase decisions early on. This will help to avoid the most frequently cited downstream issue of data integration and address potential concerns around customization as well as inadequate security and scalability.³

Summary

Today, your company has increasingly more options when it comes to where and how you want your CRM solution. On one hand, SaaS-based CRM might be an attractive, affordable option that can be deployed quickly and easily without having to expand or retrain your IT staff. On the other hand, on-premise CRM gives you more control at every level, including SLAs, integration, compliance and security. In either scenario, heading to the cloud can be part of your longer-term solution.

To ensure you make the right choice for your unique business and IT requirements, start with the right questions. Consider SLAs, regulatory compliance, security, customization, cost and integration. With a clear understanding of how these factors impact SaaS versus on-premise CRM, you will be well on your way to reaping maximum benefits from your chosen solution.

About the author

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1 The Forrester Wave: CRM Suites for Midsized Organizations; June 16, 2010
2 QAS; Data Quality New: CRM spending to focus on SaaS; February 9, 2011
3 Gartner Says Spending on Social Software Will Exceed $1B Worldwide by 2013; February 8, 2011