

# WHITE PAPER

## Evaluation Framework: To Build or to Buy CRM Software?



### Abstract

Creating new customers and managing loyalty of existing customers has become a key challenge for businesses in today's hyper-competitive world. Alluring campaigns, effective communication, in-depth sales analytics, and faster responses to service requests have become necessities for an organization to increase sales. Thus, organizations across the world are keen in investing on Customer Relationship Management (CRM) Software to provide features to improve sales personnel productivity, sales conversion, customer experience, and effectiveness of sales and marketing initiatives. However, the question is, 'Should you buy a CRM product package or build custom software?' This white paper offers a framework to evaluate both options, based on factors related to fitment of features, product future roadmap, platform flexibility, and commercial impact.

## What does an organization need from a CRM software?

Sales processes are unique! That is a fact - even for organizations in the same industry vertical, because each organization has its own strategy, target market, products or services mix, and approach to executing sales life cycle.

Therefore, when your organization goes on the hunt for a Customer Relationship Management (CRM) software, there can be a dilemma in the choice between packaged CRM applications that offer readymade generic CRM processes, and a custom application with processes and components catering to your specific requirements. This paper gives a basic framework, built on the following four factors:

- Fitment of Features** - Packaged CRM tools come with standard features, based on the generic CRM needs identified from multiple industry verticals. Of course, these software packages offer features to customize and extend inbuilt features to build the industry-specific needs, but there are certain limitations. It is important to evaluate if these readymade features fit or can be extended to your organization-specific requirements.
- Platform Flexibility** - Your organization may have an IT landscape and every new software deployed, should be compatible with this landscape in terms of UI, integration, accessibility, and security. Furthermore, the software should be customizable to implement organization-specific processes.
- Commercial Impact** - Implementation of a new CRM product will have cost

implications in terms of licenses and change management. Comparison of the 'Total Cost of Ownership' and commercial benefits will help in determining whether buying the CRM application would be a better alternative, or building it.

- Upgrade and Support** - What is the roadmap for upgrade and support for the new CRM application? How will it impact the maintenance of the supporting software in your IT landscape? Will upgrades require purchase of fresh licenses? Answers to such questions define the roadmap for productized CRM software development and thus, one of the evaluation factors.

### Fitment of Features

Any CRM package comes with a standard framework of Marketing (Pre-Sales) and Sales and Service (After-Sales) modules. However, the extent to which the default features can be used 'as is' and the extent to which these features can be configured or customized defines the fitment. In some cases, it is also possible that organizations do not utilize all the modules. Below are a few questions, which help in evaluating such questions on fitment.

### Do you need all the components offered by the packaged CRM?

Listed alongside are some of the typical features of most CRM applications. The list is not exhaustive, but enumerating the features of the shortlisted options serves as a starting point, to understand the offerings of packaged CRM applications and the features required.

Available Components	Required
<b>Marketing Module</b>	
Contacts Management	Yes
Campaign Management	No
Leads Management	No
<b>Sales Module</b>	
Prospect Management	Yes
Customer Management	Yes
Opportunity to Invoice	Yes
Products Management	Yes
Competitor Management	Yes
Customer Interactions	No
Sales Team Management	No
<b>Service Module</b>	
Case Management	Yes
Service Calendar	Yes
Service Level Agreements	No
<b>Other Features</b>	
Charts	Yes
Reports	Yes
Mobility	Yes
Multiple languages	Yes
Offline availability	Yes
CTI Integration	Yes
Auditing	Yes

The above exercise also gives your organization a good understanding of components that have to be built new if packaged CRM is not chosen.

## Do the applicable components have features specific to your business requirements?

For each of those components which are applicable to your organization as per the exercise in the previous question, further evaluation needs to be done if the features meet the high level CRM requirements. Below is an example of such an evaluation for 'Contact management' feature.

Your Requirements	Available
Creating contacts with detailed information	Yes
Relating contacts with other records	Yes
Importing list of contacts	Yes
Merging contact information	Yes
Planning interactions with contacts	Yes
Following contacts in social media	No
Synchronizing contacts with smartphones	No
Synchronizing contacts with Outlook	Yes

In the above evaluation, we find that for contact management five out of seven features are served by the packaged CRM application. A similar exercise on all the requirements of your organization will give a basic count of requirements and the

requirements covered by the features of a packaged CRM application. Let us assume this exercise shows the Packaged CRM features satisfy more than 70% of your requirements - then you may proceed with other factors of this evaluation framework.

## Platform Flexibility

With reference to the existing IT landscape of your organization and based on business requirements, there can be a few specific requirements from a CRM application about the flexibility in customizing the default features, integrating with legacy applications, and set up as per organization security standards and accessibility requirements. This section extends the framework to evaluate the flexibility of the CRM platform.

### Customization Flexibility

- Is the UI flexible and customizable?  
Some companies have very specific user interface needs from the CRM application. This is more relevant in B2C organizations where your customer is one of the users of CRM application. The UI becomes very critical from a branding perspective – especially providing a user-friendly interface for your customers compared to your competitors. In such a scenario,

even if packaged CRM applications do not match your UI requirements, your organization can still consider packaged CRM as a platform in the background for sales teams / internal employees and build a separate UI for customers. Such a decision however, depends on the complete evaluation of alternatives.

- Is the code customizable?

It is quite possible that even if the packaged CRM application fits the requirements, there are some specific requirements that need enhancements or even coding – a custom button, for example, that enforces certain complex calculations or business rules. Hence, it is required that the packaged CRM also gives you the flexibility to add custom code on top of the platform. Though most packaged CRM applications do offer such flexibility, another complexity to watch out for is the impact these customizations have on application upgrades.

The effort of such customization either on packaged CRM or on custom application may eventually be the same. Nevertheless, such evaluation helps in understanding the degree of customization needed. If this degree is greater than 30%, developing a custom application can be considered, subject to the other factors.





## Set up and Infrastructure

- Is your current infrastructure enough to support the application, or does it need upgrades?

Any application, whether packaged or custom-built, needs a supporting platform and both server-side and client-side supporting software. Supporting software on the server-side can be acquired by purchasing licenses and organizing the relevant hardware infrastructure. However, it is possible that the selected packaged CRM may need supporting software not existing in the current organizational landscape, or the investment required to make this acquisition may significantly increase the Total Cost of Ownership (TCO). This could become a critical factor in choosing packaged CRM and building a custom one, as you can build the custom application on top of your existing IT landscape.

- How much of data needs to be migrated? Does the packaged CRM have import options?

An organization moving from a legacy application to a new CRM application might require migration of historical

data. As data is most critical in defining sales strategies, the new application should provide enough flexibility to easily transform and migrate the old data effectively, through methods suitable in a given scenario. This depends especially on the format, size, and structure of the data to be migrated. Packaged CRM may have pre-defined methods of migrating data. In exceptional cases where the predefined tools are not suitable for data migration, there are third-party applications, which can also serve the purpose. The cost of this tool would affect the decision to buy the packaged tool though.

- Does the application meet your organization's security standards?

Information is power in this hyper-competitive world. Hence, CRM should enforce data security both internally and externally, and have flexibility to set up organizational hierarchy and sales teams' access to data based on region, role, or hierarchy. External security may require features to enforce Active Directory logins, browser

security, and compatibility with remote access. Each of these features have their attached opportunity costs that need to be considered while choosing between packaged and custom-built CRM tools.

- Is single sign-in possible? What is the version of Active directory used?

This is especially more relevant in cases where productivity improvement is one of the expected benefits from the CRM tool. When users have to work on multiple systems, 'Single sign-on' and compatibility with existing Active Directory setup helps end users to seamlessly transition from one application to another.

If the selected application is cloud-based hosted or managed in an external network, and accessed through the internet then single sign-in may become a complex setup. Based on the needs of your organization, this could be one of the factors deciding the selection between packaged and custom application.

## SMAC – Social, Mobile, Analytics, and Cloud

- Does the application have Social CRM capabilities?

This question becomes more relevant especially for B2C companies. Nowadays, the customers' feedback and discussions on social media like YouTube, Facebook, and Twitter provide a lot of information about your company's products, services, and campaigns. Also, such social communication of target customers give ideas for enhancing and bringing services based on your competitor's weakness or the demand-supply gap in the market. Further, some CRM tool extensions can convert conversations on the social media into support tickets and help enhance customer connect.

Therefore, any CRM application with features to analyze customer activity on social media and to post / manage your company communication through social media leads the race of desired CRM applications.

In case, your company has such a requirement then packaged CRM may be more preferable considering that building such features in a custom solution can be challenging.

- Is the application extensible to mobile and tablet as well?

With a wide range of smartphones and advanced mobile platforms, many applications are accessible through Apps or mobile browsers. This has become more important for sales personnel, as it is faster and more responsive to access sales data from a mobile device, than opening a laptop for the same.

If the packaged CRM software comes with readymade Apps and compatibility with mobile browsers, they are preferable as opposed to the effort and time required to build custom Apps.

- Does the CRM application have analytics to provide dashboards or reports for decision-making?

CRM applications generate a lot of sales data, but can they analyze this data and provide actionable and decision-making reports? Most of the CRM applications come with features to create charts, reports, and dashboards, but these features are usually not as advanced as packaged 'Business Intelligence' or 'Reporting Applications'.

Based on your company's needs, it may be required either to use 'as is', or customize the packaged CRM

with analytical capabilities, or to buy a separate analytics tool. The cost of each of these options are considerations while deciding between packaged CRM tools and custom software.

- Is the application required in Cloud platform?

Cloud is the new IT strategy! As Cloud service providers have improved their infrastructure, security options, and maintenance services, many organizations are trying cloud-based applications, especially for IT needs, where remote 24x7 access is required and IT costs are high. CRM on cloud is also good, as sales personnel are on the move and the access to application in organization network can be difficult.

Consider the example of an organization with a team of 100 sales personnel, travelling across geographies. They may need an application accessible over the internet from anywhere. Another point in favor of CRM on cloud is the cost of implementing an on-premise CRM application that can go significantly high, based on the number of users and the data that is accessed. If your business scenarios demand 'anytime / anywhere' access and your user base is high, it may be a better option to go with a cloud-based CRM application.





## Commercial Impact

### Total Cost of Ownership

Considering all the factors including number of licenses, customizing, and configuring as per the organizational needs, and change-management costs, the total cost of implementing packaged CRM vs. custom applications can be the deal-maker for either.

Packaged CRM cost factors -

- More the users, more the licenses
- More the customization, the greater the effort and cost
- Product Vendor support horizon, costs for forced upgrades and cost of support from third parties

Custom CRM cost factor –

- The cost of creating a CRM framework similar to packaged CRM could be huge
- Time-to-market and risks are greater, which could have a significant commercial impact

- Upgrading custom applications may demand more effort as opposed to packaged applications
- Application extensibility is an additional cost factor

### Training and Staffing Costs

- What are my training and change management costs?

For any new application, there are costs associated with training your user base on the application features and processes. However, if the custom solution is built as an extension to an existing legacy system, these costs may be comparatively lower and the user acceptance higher. On the other hand, with packaged CRM solutions with completely new UI and processes, both training and change management costs can be high. There are some applications like Microsoft

Dynamics CRM, which are accessible through Outlook as well, making the UI more generic like other Microsoft applications. For such products, the user acceptance could be high, due to familiarity with Outlook UI.

- Do I need to recruit new staff for the application maintenance?

For execution of the project and support after go-live, the organization might have to build capabilities internally. However, depending on the strategy of building or buying a CRM application, the staffing requirements may change. In case of custom application development, the project life cycle and the activities may be more demanding and staff-intensive, compared to packaged CRM implementations. Additionally, the effort for testing a custom application could be much higher as the test footprint would be significantly larger.

## Upgrade and Support

### Upgradability

- What is the impact of supporting software upgrade?

Every application, custom or packaged, has a life cycle with periodic hotfixes and upgrades. In the event of any upgrade of the supporting software, such as browsers, operating systems, communication applications (Outlook or Lync), or database servers, there can be a corresponding impact on the CRM application (both custom and packaged).

However, for the packaged applications, product vendors have dedicated teams to test and develop hotfixes as per the roadmap of the supporting software. Such hotfixes are released periodically, to fix bugs and improve compatibility. These hotfixes are free – and makes maintenance of the packaged CRM application a lot easier.

- What is the packaged CRM application upgrade cycle?

Product vendors release upgrades to the application typically every 18 -24 months. You may want to consider another 6-12 month period for the new version to get industry feedback as stable, and ready for migration. This means, every 24-36 months, you may have the option of upgrading your application. Today, with the IT landscape is frequently changing due to the demand for better UI, mobility, faster performance, and ease of access, such upgrade options are always welcome.

### Application Support

As mentioned in the previous section, 18-24 months after a new version release, vendor support for the previous version

is revoked in a 36-48-month horizon. However, it depends on other factors like

- Number of existing implementations of the older product versions
- Feedback and acceptance of the new version of the product
- Support for the supporting software for the older version
- Stability of the existing product version
- Demand from the current customers

These factors can be very relevant in scenarios of large organizations where the complete rollout of the CRM applications may take multiple years, and product support expectations are higher. In any case, popular software packages usually have third party support offered even after revocation of vendor support. This is usually from implementation partners.



## Conclusion

Based on the factors explained in this paper, an evaluation framework can be prepared to decide between buying a packaged CRM application and building a new one. Moreover, this evaluation will also let you kick-off the strategy for CRM implementation, preparation of the high-level requirements, and choosing the right vendor to implement the CRM application for you.

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