SearchCRM.com E-Book

Evaluating CRM: From SaaS to software, choosing the right CRM deployment style

Since its inception, on-demand CRM has raised a lot of questions from CRM practitioners. On-demand CRM has progressed in recent years, but vendors have also enhanced traditional CRM software offerings. Today, organizations evaluating on-demand, SaaS CRM vs. traditional on-premise CRM must undertake significant planning and research efforts as part of the decision-making process.

In this E-Book, find out how on-demand and SaaS CRM is altering the CRM software landscape. Learn how both on-demand and on-premise CRM have evolved in recent years and how industry trends are playing into the decision-making process at many organizations. Find definitions for key terms, and get help understanding the difference between on-demand and SaaS, single-tenancy and multi-tenancy options. Get advice on making the decision about SaaS vs. software, and learn how to find success with CRM, no matter which deployment style you choose.

TechTarget
The IT Media ROI Experts

E-Book

Evaluating CRM: From SaaS to software, choosing the right CRM deployment style

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Introduction

By Denis Pombriant, SearchCRM.com contributor

Ten years ago, on-demand computing (it has gone by various names) burst onto the CRM scene. It was a certified disruptive innovation that would change the way we think about software and how we use it. A decade down the road, the technology has certainly lived up to its advance billing but, curiously, it has not resulted in the end of software as we know it. Nor should it.

Now in its adolescence, on-demand CRM has morphed several times, gaining speed, security and robustness with each iteration, but for some customers, the idea of on-premise applications still makes sense. To complicate matters, premise-based CRM has not exactly stood still. It has evolved as much as the on-demand variety. Some on-demand innovations, such as replacing client-server interfaces with more user-friendly thin clients, have been incorporated into premise-based software.

On-demand software still enjoys some financial advantages over applications installed and supported behind the firewall, but many of the other advantages touted by its admirers have shrunk. For example, on-demand CRM software was initially easier to implement, but that was when the applications were relatively simple.

Today, regardless of delivery model, front-office software has tremendous functionality and selection. Implementation of either on-demand or on-premise CRM requires considerable forethought or the project is likely to face the fate of CRM projects in the early years.

For example, a few years ago I conducted a study of the leading premise-based CRM provider to determine whether there were best practices for selection and implementation. Far from best practices, what I discovered was that almost half (48%) of the companies surveyed had done nothing to survey their internal needs or build a case for why they needed CRM at all.

The findings provided insight into why so many CRM implementations went bad and CRM developed a reputation for failure. To make matters worse, even customers who had not analyzed their needs—and therefore had no concrete basis for their ROI—were nonetheless happy to provide their ROI figures. Their ROI were wet-finger-in-the-breeze estimates, and they were always lower than what came from organizations with real data.

Baseline analysis takes into account your business needs as well as the time, people and other resources at your disposal for a CRM project. Premise-based products give you more control over the project but also more headaches making the hardware, operating system, database, networking, security and application stack operate as one. Also, the cost of premise-based products is front-loaded, meaning that you will pay more at the outset.

On the other hand, Software as a Service hides most complexity from the user in a pay-as-you-go setup. Which is better? Who knows? A better question: Which is better for you? Only you can determine that. Interestingly, the old debate about which solution type is best is finally being eclipsed by the knowledge that those old questions are largely superficial.

More relevant questions asked during baseline analysis drive ROI, such as: Which business processes and people do we need to impact the most? How much time and money do we have? Can the project be broken down into manageable parts with several deliverables? How will my users react? What must I do to ensure that my users have rewarding experiences using the new tools? All these questions and more need to be asked and answered, and if done well, ROI will be a natural outcome of this process, not an add-on and not something you have to estimate. Like the on-demand delivery model, CRM is still a young technology, but both are well beyond their first, tentative steps. Regardless of delivery model, the incorporation of social media and other technologies will be an important next step for the front office in general because it opens up businesses and their processes to direct participation by customers. Customer participation elevates CRM from the transaction management characteristics of its roots to be the primary access point in a continuing dialog between vendors and customers.

The value of CRM is no longer in doubt—it is solid and proven, both in its performance and as a supporting part of many customer-facing business processes. If you are coming to CRM for the first time or returning as a veteran to hone your skills, this volume will help you to organize your thinking and determine how to proceed. Good luck.

About the author: *Researcher, analyst, columnist and blogger, Denis Pombriant has been providing innovative thought leadership to the CRM and on-demand markets since 2000. First as a vice president and practice leader at Aberdeen Group and, since 2004, as founder and managing principal of Beagle Research Group, LLC, Pombriant has provided unique insight into the rapid evolution of the on-demand and CRM markets.*

Pombriant was one of the first analysts to dedicate a practice to on-demand computing and the first, in 2003, to identify the tipping point in on-demand popularity when a majority of prospective CRM buyers said they would investigate a subscription over a license for their CRM deployments. His research topics have included on-demand solutions in sales, marketing and the call center as well as on-demand development platforms. Pombriant contributes widely to a variety of print and online industry publications.

CRM any way you want it

By Barney Beal, News Director, SearchCRM.com

Buy, rent, rent-to-own—the options for CRM software pricing continue to expand. Still, buyers should keep an eye on the total cost of ownership.

CRM buyers, already burdened with having to figure out the differences in functionality between applications, the complexity of integration requirements, and the various costs associated with the product, are now facing another variable—how they purchase the software.

Traditionally purchased in bulk licenses with maintenance and support costs added on from year to year, CRM has also been available for several years as a utility, where companies pay for the software on a per-user per-month basis.

"Companies are already looking at different pricing models, especially with service-oriented architectures," said Sheryl Kingstone, CRM program manager with Boston-based Yankee Group. "That's more of a pay-for-what-you-use, which is along the lines of the utility model."

Web services promise a future where applications can be bought as components and easily tied together through a common architecture, but users—and vendors—are now investigating new pricing models.

Whatever the structure for delivering CRM technology, price remains a top decision-making criterion for buyers, Kingstone said. She warned, however, that buyers must carefully weigh the total cost of ownership. For example, with an on-premise application, license costs are only 9% to 14% of the total cost, according to the Yankee Group.

"You've got to figure out where the deal is and what works for you," Kingstone said. "It depends on how you run the numbers. You don't necessarily need subscription. You have to take into account how long you're going to own the application and the annual cost."

SaaS considerations

While most organizations have experience with purchasing premise-based applications and can determine what will be required in terms of hardware, support, training and IT resources, there are considerations specific to SaaS that must be taken into account.

Security, for example, is a frequent concern for organizations worried about corporate data being held by another organization in an off-site data center. SaaS has overcome many of those concerns through rigid testing and the confidence of companies like Merrill Lynch, which trust their data to SaaS vendors. In fact, given that a SaaS vendor could probably kiss its business good-bye should it suffer a data breach, most vendors have tighter security than any customer would have on its own.

Still, there are some regulatory requirements related to ownership of data, and organizations considering SaaS CRM should demand a thorough explanation of their vendor's security setup, including its physical security at the data center.

In addition to security and uptime, integration with other applications and data centers has been a concern of companies considering SaaS CRM.

"It's probably their primary concern," said Jeff Kaplan, managing director of Wellesley, Mass.-based THINKstrategies. "Now that they've recognized [that] security, privacy and reliability are not as big an issue as they originally thought, the issue becomes how they integrate the SaaS products with on-premise and other SaaS applications."

The rise of third-party vendors offering SaaS integration, as well as the SaaS CRM vendors maturing and bolstering their own integration capabilities, has helped to allay some of those integration concerns. Also, some companies have found that they didn't need to do as much integration work as they thought.

"That still is the weak point, but it may not be as big a problem as you think when you get down to what you need to integrate with," said Bill Band, senior analyst with Cambridge, Mass.-based Forrester Research.

Some CIOs are finding that—particularly when it comes to sales force automation—there's not as much integration to do, and the requirements aren't as complex as they had feared, Band said.

"The SaaS players have added more integration interfaces to their offerings, so—as more people are getting to Web services and SOA types of architectures—that lends itself to being able to pass data more easily," he said. "Clients are also adopting more modern architectures. The vendors are offering stronger interfaces, and there are these emerging solutions that are being plugged in between. The market seems to be starting to connect the dots together."

In fact, according to a recent note from Stamford, Conn.-based Gartner Inc., the notion that SaaS applications do not integrate with premise-based applications and other data sources is a myth of SaaS. Batch synchronization, real-time integration using Web services, and mashups at the user interface level have all proven to be reliable methods for integration.

In addition, a number of third-party SaaS integrators have emerged in recent years.

The most common integration processes required are between billing and financial systems and CRM applications—or data migration and cleansing from an older CRM system, Kaplan said. SaaS CRM vendors at first provided prebuilt integrations but are now turning to third parties.

Finally, careful attention must be paid to service-level agreements with a SaaS CRM vendor.

In many cases, SaaS applications—and CRM specifically—were brought into an organization as a way for business users to get applications up and running quickly with minimal involvement from IT. With those initial contracts now running out, some companies are getting a nasty surprise when the time comes for renewal.

It's of paramount importance to establish contractual issues like uptime as well as the expectations for renegotiations when it comes to price increases and support, like hours of help desk support, according to Liz Herbert, a senior analyst with Forrester. "If you're dealing with one of the smaller vendors," she said, "you might not be able to get the [support] turnaround you're looking for."

For example, unwary on-demand application buyers may find themselves with long response times for support, limited availability on the times they can access it, or restrictions on how they can reach support, such as email vs. phone.

Organizations should ensure that they include uptime in their SLA, Herbert warns.

"Involve purchasing, IT and legal—try to get some type of service-level agreement and be clear about support," she said. "Often, it's not the people who renegotiate; it's the first-time contract signers who need to be most vigilant. In the contract, when you're hooked with first-time discounts, that's the time to start thinking about future price increases. Once you're signed up, the vendors have insight into how much you're using the software and how dependent you are."

At the outset, companies considering large SaaS implementations should forecast the number of users they will add to the system and negotiate agreements if they think they may need to scale usage up or down, according to Forrester.

Forrester also recommends holding SaaS vendors accountable for data integration by clearly mapping out current and desired processes—and defining a list of standard and customer fields that should be in the on-demand application. Firms should also be sure to stipulate how they will get their data back at the end of the contract, should they decide to end the relationship.

The hybrid option

When officials at the Administration for Children and Families (ACF) realized that their on-premise CRM system was becoming more of a problem than they had anticipated—owing to clunky upgrades, shrinking server space and growing IT staffing needs—they simply got rid of it.

The ACF, a division of the U.S. Department of Health and Human Services, switched from an on-premise CRM system to a Web-based deployment hosted in the vendor's data center. The option of switching back and forth between deployment models or using both together (the hybrid option) is being touted as a major competitive advantage by some CRM providers that offer their CRM applications both hosted and on-premise. Under the hybrid model, companies could use hosted CRM at one location, such as a small division or a far-flung office, while keeping the rest of the company on an enterprise, on-premise CRM application.

Yet organizations have been slow to adopt the hybrid model and, with some exceptions, the numbers of those moving from one deployment model to another have been limited.

“Vendors talk about how this is an advantage to start out on-demand and keep the same data model if you want to go on-premise, but to this date we haven’t seen a lot of examples of that,” said Rob Bois, senior research analyst with Boston-based AMR Research.

ACF was one customer that was happy to make the switch. The department had been running customer service applications in-house on Oracle servers for FAQs on the public website, internal Web requests and citizen support for specific audiences like the home heating assistance program for low-income families. However, every upgrade required significant IT resources, and server space was dwindling.

“It got to where we needed a [database administrator] to help manage things, and that’s pretty expensive,” said Linda Adams, CRM manager for the Health and Human Services Web Team.

Adams did a cost analysis of running the application on-premise vs. hosting it, and in 2003 convinced the higher-ups that hosting was a cheaper option. While switching over the domain links was a difficult task, the process went smoothly.

Despite ACF’s success, switching deployment models carries risks, warns Denis Pombriant, managing principal with the Stoughton, Mass.-based Beagle Research Group.

“You’ve got many of the same deployment situations as changing vendors when you do that,” Pombriant said. “There’s an awful lot of customization that’s going to have to be redone or moved—if it can be—to the hosted application. That’s not necessarily a trivial task.”

For Pombriant, when it comes to hybrid applications, the connection between hosted CRM and legacy applications is the more important one.

“A lot of companies that think hybrid solution think in those terms,” he said. “Rather than having some hosted CRM, some on-premise CRM, their idea of hybrid is bringing new systems into the fold and integrating.”

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The ROI of SaaS vs. on-premise CRM

By Barney Beal, News Director, SearchCRM.com

Determining whether to deploy on-premise or on-demand technology can be a difficult task. Get advice from analysts Forrester Research and Gartner Inc.

When vendors such as Salesforce.com and RightNow emerged on the enterprise application scene, offering CRM via the Software as a Service (SaaS) model, traditional software vendors argued that the model made little sense for large enterprises.

Yet, after seeing successful deployments and losing business to the SaaS upstarts, enterprise CRM vendors like Siebel and SAP changed their tune and released SaaS offerings of their own. Now, a multitude of deployment options exists, with some vendors offering both on-premise and on-demand versions of their software. Others offer on-demand software on a dedicated server, dubbed "single tenancy," meaning customers do not share the same server and database with other customers, though some argue that only multi-tenant architectures are truly SaaS. Still more claim to offer "hybrid" deployment options, telling customers they can begin on-demand and move to on-premise.

So which deployment model makes sense for which size of company? There is no clear answer, but research from Cambridge, Mass.-based Forrester Research suggests that on-demand deployments do offer an economic advantage for smaller organizations, while on-premise may still be a better choice for large enterprises.

"[The emergence of large enterprises deploying SaaS has] really changed my opinion on Software as a Service," said Ray Wang, a Forrester analyst. "[For companies with 50 to 100 users] it's a slam dunk. Even for those with 250 to 500, they have to think [whether] they want to retain all the IT staff that aren't critical to the business."

Wang researched the ROI of SaaS and on-premise deployments using Forrester's Total Economic Impact (TEI) methodology. The method includes factors beyond just costs, such as benefits, risks and flexibility of the deployment. The research also took into account more than just CRM applications and included security, supply chain, and ERP applications.

Clearly, SaaS has made inroads into large enterprises. The number of enterprise companies that have begun to embrace SaaS CRM increases every day and includes names like ADP and Merrill Lynch.

Yet Forrester found that larger firms may still get a better deal with on-premise tools.

For companies with 100 to 249 employees and 50 users, according to Wang, SaaS applications provide better TEI through a 10-year lifecycle of ownership, as well as lower cumulative costs. In addition, businesses with 250 to 499 employees and 100 users also see better TEI over a 10-year cycle with SaaS applications. These organizations tend to delay upgrade cycles because of integration and customization efforts, and they see the advantage of SaaS around year seven of a deployment.

In businesses with 500 to 999 employees and 250 users, on-premise applications show TEI advantages in year six and total cumulative cost advantages in year seven.

Similarly, Stamford, Conn.-based Gartner Inc. recently issued research debunking some of the myths of SaaS. Among them was the idea that SaaS is less expensive than on-premise software. According to Gartner, that's true over a two-year period but may not hold up over five years because on-premise deployments can become less expensive as the capital assets depreciate.

Gartner also challenged the notion that SaaS is priced as a utility—like an electric bill, charging only for what you use. Actually, most companies are forced to commit to a pre-determined contract that's independent of their actual use, Gartner wrote.

Forrester uses some common assumptions based on its experience with clients, Wang said. In general, on-premise deployments have greater up-front costs, including hardware maintenance, upgrades and support costs, on top of license fees. SaaS applications often include fees for extra features such as mobile and offline access, industry-specific functionality, extra storage and premium support.

The benefits of SaaS include independence from IT, quicker upgrades and deployments, and improved usability. On-premise tools show more pronounced integration benefits. On-premise applications provide greater integration, stronger customization and tailored configuration capacity, but SaaS tools reduce IT staffing requirements, effectively making the flexibility category a wash, according to Forrester's report.

Actual results will vary for different companies, but there are some guidelines for enterprises struggling to measure the ownership costs of the two deployment models. Forrester suggests that firms should assess tools over a 10-year period, factor in the total number of centralized users, and consider emerging hybrid models.

"It's good to use the right framework," Wang said, "and have a way to discuss SaaS as a deployment option."

Evaluating CRM: Terms to know

On-demand CRM vs. SaaS CRM vs. hosted CRM: These terms are often used interchangeably, but most experts will agree that they are not synonymous. According to industry expert Denis Pombriant, the term "hosted" means that someone else is managing the application via a remote computer. Software as a Service (SaaS), on the other hand, is a software distribution model where hosted applications are made available to a customer over a network, typically the Internet. The term "on demand" is used to describe applications that are available via the SaaS or hosted delivery models.

Multi-tenancy: When you hear about multi-tenancy in the context of on-demand it means that multiple companies are using a single, remotely hosted database. Every organization's customer data is stored in the same database and kept separate. One of the benefits of multi-tenant on-demand CRM applications is that they tend to be less expensive. However, some companies worry about the security of their customer data in a shared database.

Single-tenancy: In an on-demand environment, single-tenancy means that each customer is provided with a dedicated database, middleware and application instance. Since single-tenancy provides customers with their own private database, these types of CRM applications are often the choice of companies with sensitive customer data.

Hybrid CRM: A hybrid CRM deployment is the combination of on-premise and on-demand CRM implementations. In this situation, a company would have some of its offices or departments using the on-premise version of its CRM application, while others would be using a hosted version. Hybrid CRM deployments are most popular in companies that have multiple small field offices using the hosted version and large headquarters staff using the on-premise model.

Application service provider: An application service provider (ASP) is a company that provides customers with access to specific, remotely hosted applications or services over the Internet. ASPs usually provide their applications or services on a pay-per-use or subscription basis. SaaS CRM vendors are generally considered ASPs.

Web services: Web services, sometimes known as application services, are services provided by an ASP that are made available to users over the ASP's Web server. These services usually include both programming and data but can sometimes include human resources. SaaS CRM is an example of a major service offered as a Web service.

Service-oriented architecture: A service-oriented architecture (SOA) is the underlying structure that supports communications between services, including Web services. SOA allows multiple computing entities to interact and perform together. In SaaS CRM, SOA is used to enable seamless integration of a company's various service programs.

FAQs about on-demand and SaaS CRM

Q: What are the main differences between on-demand CRM and on-premise CRM?

Paul Greenberg
President, The 56 Group, LLC

A: The differences between on-demand CRM and on-premise are substantial. They are architecturally different, with on-demand CRM being constructed around what is called a multi-tenant architecture—meaning many clients can run off a single instance of the applications/services that reside on a server at a remote site. On-demand applications are ordinarily accessed via the Web. Alternatively, the on-premise versions are each a separate version that resides on a server that sits behind the firewall of a company. The CRM application there is ordinarily accessed via the desktop or some remote connection to the desktop.

The on-demand business model is hosted, meaning that the CRM provider is not the company that is using the application but another company that is assuming the overhead—the server maintenance, the data maintenance and the costs associated with that. A company usually pays for on-demand CRM through a per-user monthly subscription fee. Often, there are costs associated with the start-up of the application or the customization required, but the maintenance costs are built into the subscription fee. Alternatively, the on-premise model includes a license fee that pays for the installation and implementation of the software and the hardware that it needs to run. There are usually service fees associated with the implementation. The license to use the software is also often priced per user or by server or by flat fees.

The features and functions are pretty much the same in each. For example, whether it's on-demand or on-premise, the sales functionality is the same. The on-demand model has gained huge ground over the past few years, and all but the most complex implementations are likely to benefit from going on-demand rather than on-premise.

Q: What basic criteria should we use to evaluate Software as a Service (SaaS) CRM? How is evaluating SaaS CRM different from evaluating on-premise CRM?

Denis Pombriant
Founder and Managing Principal, Beagle Research Group, LLC

A: You should evaluate Software as a Service (SaaS) CRM the same way you'd evaluate any CRM product—first, take stock of your needs and then try to find a product that best meets those needs. Also, you need to take into account the time and cost of customization, because no solution will ever be perfect.

SaaS presents additional issues to consider. We're in a building phase for SaaS, and most of the infrastructure that provides high reliability in other utilities, like the phone system, is still being deployed in SaaS.

One of the most important issues, in my mind, is backup and how well protected you are against experiencing downtime. I think it is unreasonable to think that you will never experience downtime, so you want to ensure that it will be minimal. In my opinion, a vendor that has a fully redundant data center to back up the primary gains points in the evaluation. A vendor that needs to ship backup tapes to another location in the event of a problem is a less desirable choice.

Evaluating and managing your expectations appropriately will be a big help in this era when the SaaS infrastructure is still being built out.

Q: What are common problems with SaaS implementations for ERP and CRM, and how should we plan for them?

Denis Pombriant
Founder and Managing Principal, Beagle Research Group, LLC

A: A SaaS implementation for ERP and CRM is a big deal and you do need a plan, but even before that you should be looking at your business processes and asking yourself what kind of support those processes need. What applications are involved? Where is the data stored? What kind of response times is needed? Can you work with a batch update to the data once a day, or do you need near real-time access to new data regardless of which system owns it?

Batch data updates tend to be relatively easy and there are extract, transform and load (ETL) tools to help with the process. For more real-time data sharing, you need integration technology or middleware, and you need to evaluate the options out there. I can't tell by the question whether both your ERP and your CRM systems are SaaS or just one, but any time you deal with SaaS you need a service-level agreement (SLA), and if the two systems are from different vendors, you need to consider what happens if one system is down—how is transaction data stored, etc?

Q: Is there a general rule on the implementation cost for a SaaS rollout at 20+ locations?

Denis Pombriant
Founder and Managing Principal, Beagle Research Group, LLC

A: If you have 20+ locations, this will significantly affect implementation costs owing to travel and training, and those costs are highly variable—so no, there is no rule of thumb. There are also customization costs and other services that the annual fee may not cover.

I would look at the costs involved in deploying other systems or the costs of other similar projects within your organization to come up with an estimate. You could also ask to speak with reference customers for the vendors you are considering and get their input on projected costs.

Q: What are the security risks associated with SaaS CRM?

Denis Pombriant
Founder and Managing Principal, Beagle Research Group, LLC

A: This is a great question on several levels. Security issues with SaaS were largely settled for many vendors a few years ago, but the issue of security—and a formal approach to managing it—is causing some old issues to resurface. The formality is being driven by new technologies that live under the umbrella of governance, risk and compliance (GRC).

There are industry standards in place for data centers but, in my opinion, that's not enough because vendors aren't required to use them. A large and successful SaaS vendor may have all of the security bells and whistles, but a small vendor that is just starting out may not. The problem is that on the Internet both vendors can look big, prosperous and secure. Buyer beware!

I think physical security is pretty well managed for most vendors, and procedures within any organization can help prevent hacking, phishing and other attacks. However, the evidence suggests that it's not perfect. Still, I think vendors can do a better job of maintaining security than many small companies can simply because they have more capital and other resources dedicated to the task.

In my opinion, security risk gets dicey in areas you don't see or think about much. For example, what about the risk of having a single data center backed up to tape? The single location might be at risk for a natural disaster, and without a live, mirrored backup, recovering from the tape might be possible, but who knows how long it could take for the tape to reach a safe place?

I think business downtime with on-demand CRM or SaaS CRM, not outright data loss, is the big security risk today. It's not what you'd think of first, but I guarantee it's something a lot of vendors are already working on. When an on-demand vendor has an initial public offering (IPO), one of the targets for that new money is a mirrored data center. Check the government filings.

Q: What kind of support can we expect from SaaS CRM software vendors? What are some common pitfalls?

Denis Pombriant
Founder and Managing Principal, Beagle Research Group, LLC

A: There is no concise answer to this question because many things can happen, and each vendor might prepare differently for those possibilities. For example, downtime is something that many people keep under a microscope—for good reason. Most large SaaS CRM vendors have taken the step of ensuring that their facilities are up to the standards that the industry has developed over the last few years. These standards insulate the physical facility as much as possible from things like earthquakes and floods. They also have uninterruptible power supplies, and each has rigorous on-premises security to prevent intrusion. Nevertheless, people still worry about backup and recovery as well as security and encoding their communications, and a great deal more. Suffice it to say that the foreseeable problems—the ones that made some people skittish about this form of computing—have been dealt with.

Pitfalls include downtime and data loss, which can take us in a lot of directions. Data loss is not something that I lose sleep over, given the redundancy of modern systems, but downtime can still be an issue. Downtime might not cause you to lose your data, but it may prevent you from getting at your data—which can be just as bad. Many of us think about SaaS in Boolean terms—it's either on or it's off, and we have been conditioned to think that it's always on. But consider what would happen if a primary site were to suffer a catastrophe that caused the site to restore a backup. While it is very possible that no data would be lost, it is also possible that restoring from a backup could take a while—24 to 48 hours or more.

My advice is to ask your vendor what the recovery plan is in such an event. Some vendors have mirrored data centers so that a problem in one will simply mean that another center has to take over the load. That could degrade performance temporarily, but considering the alternative, it might be fine for a short time.

Q: If my on-demand application goes down, what are some best practices for dealing with users during downtime?

Denis Pombriant
Founder and Managing Principal, Beagle Research Group, LLC

A: The best practice that I can think of is to have a plan ready for such a possibility. Better yet, ask yourself whether there are ways to build redundancy into your daily practices. For example, most on-demand solutions give you a remote or disconnected user capability for those times when you might be out of wireless range. Most also offer a download of some information to desktop products like Outlook. Using some of those capabilities can build redundancy into your daily practices, so that if you have an event, you might be able to get by for a short time.

Q: I sell SaaS CRM applications to different vertical industries. I'd like to understand how a company using business process outsourcing (BPO) can benefit from deploying an on-demand CRM solution.

Denis Pombriant
Founder and Managing Principal, Beagle Research Group, LLC

A: One of the advantages of on-demand applications in a situation like this, where BPO is being used, is that the application can be made accessible to any party in the company's business process network, with proper security being observed. You could do the same thing with an in-house system, but you would be responsible for essentially building your own on-demand solution with a private network and all the rest. Who needs that?

CRM brings together all of the information about a customer in one location or database. There could be situations where you might be doing your job in North America while a part of service and support is taken care of by an on-demand call center in some other part of the world. Having a single version of the truth across all elements of an outsourced business process network is a great way to enable information sharing throughout an organization.

Much the same can be said of national accounts. Are you serving national accounts from regional offices that don't share information well? If so, you are losing a lot of valuable opportunities to serve your customers with consistent pricing, policies and services. Whatever the customer-facing business process, having the flexibility that an on-demand CRM system provides gives you the benefit of being able to see the big picture.

Q: In your opinion, in the future, will on-premise CRM be completely replaced by on-demand CRM, or will on-premise implementations always have a place in the CRM market?

Denis Pombriant
Founder and Managing Principal, Beagle Research Group, LLC

A: When I think about on-demand CRM and this question my mind goes naturally to—radial tires. Yup, radial tires came on the market in the 1960s or 70s, I believe. At first they were available only on imported cars—my brother's MG had Pirellis, and I will never forget the experience of taking my first corner in a car with rack-and-pinion steering and radials. Wow! It was better in so many ways. Old bias-ply tires were the norm, and for a while it seemed that there would always be a division and the two types would co-exist. Then, the inevitable tipping point occurred. Radials lasted longer, gave a better ride, used less fuel and wore more evenly—overnight, we all went to radials. We've been through the same kind of transition in the last eight years with on-demand computing. We've seen the superiority and the ease of use associated with on-demand CRM. In my mind, the question is this: When will vendors wind up their on-premise businesses and go completely on-demand? This changeover is a business model issue and very complex—more complex than changing the tire-making technology.

The other thing to keep in mind is that tipping points are very specific. For example, on-demand sales force automation (SFA) is a "no-brainer," but using on-demand software in the call center is a different matter. There is still a legitimate reason for a large call center operator to operate an in-house call center despite the fact that on-demand call center solutions already exist. The issues are cost, complexity and control. So, for the time being, I think we are in a transition state. The real question is: How long will the transition last?

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