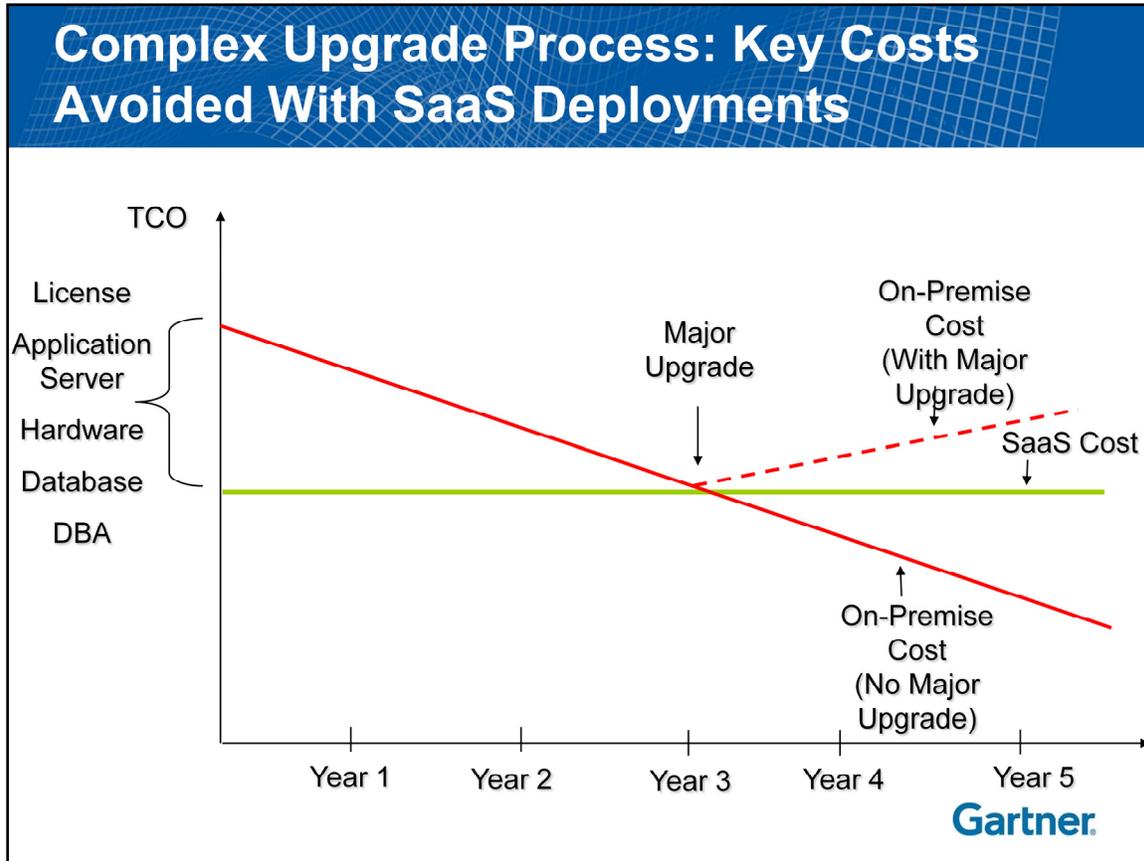




Strategic Planning Assumption: Through 2010, CRM on demand will provide as much as 10% to 13% lower three-year TCO than on-premise software for moderately complex CRM deployments.



Key Issue: How will companies adopt SaaS?

A major driver for CRM delivered through SaaS is the perceived lower TCO. For an on-premise software model, there's a line-item requirement in the IT budget for a large, upfront software and hardware capital costs associated with the delivery of the project. However, on-demand deployments enable user organizations to pay on a monthly basis. For example, a 400-salesperson user organization would pay \$70 per month per salesperson, with no maintenance charges (\$336 in the first year), as well as a 4% expense charge associated with managing frequent upgrades (provided by the on-demand vendor), in which the upfront capital costs for only the license from an on-premise model for the same users could be \$1,250 per-user (\$500,000 in the first year).

The math speaks for itself regarding why users would be enticed by SaaS. When considering other on-premise costs — such as hardware, upgrades and database administration (DBA) support — the on-demand costs become more compelling. However, user organizations must beware of great initial deals for CRM SaaS. Sample issues include three-year lock-in, uncapped price hikes on renewal and hidden costs for increased numbers of registered users (for example, for partner relationship management) or for additional capabilities.

Action Item: Companies with simple-to-moderate CRM complexity requirements should consider CRM SaaS services as a way to lower five-year TCO.



Strategic Planning Assumption: Through 2010, CRM OnDemand will provide as much as 10 percent to 13 percent lower five-year TCO than OnPremise software for moderately complex CRM deployments (0.7 probability).

OnPremise Upgrade and Infrastructure Expense Make OnDemand Less Costly

Assumptions: 400 users, Moderate Complexity, \$70 per user per month or \$1,250 per license with 20% maintenance fee, no cost difference for business change management, training, configuration, customization, assumes no hidden OnDemand fees

OnDemand Costs						
	Yr1	Yr2	Yr3	Yr4	Yr5	Total
OnDemand Subscription	\$336 K	\$336 K	\$336 K	\$336 K	\$336 K	
Subtotal	\$336 K	\$336 K	\$336 K	\$336 K	\$336 K	\$1.7 M
OnPremise Costs						
License	\$500 K	<i>Assumes Incremental Hire</i>		<i>Assumes 30% Initial License Cost</i>		\$500 K
Maintenance		\$100 K	\$100 K	\$100 K	\$100 K	\$400 K
DBA/Support	\$135 K	\$135 K	\$135 K	\$135 K	\$135 K	\$675 K
Upgrades				\$150 K		\$150 K
Hardware*	\$100 K	<i>Assumes No Excess Capacity</i>				\$100 K
Subtotal	\$735 K	\$235 K	\$235 K	\$485 K	\$235 K	\$1,825 K

*Some OnDemand vendors require users to source automatic call distribution (ACD), interactive voice response (IVR) Infrastructure for a contact center, and therefore there would be no savings compared to OnPremise.

Client Issue: What are the business and technology drivers for adopting a CRM OnDemand model?

A major driver for CRM OnDemand is perceived lower cost of ownership. Unlike an OnPremise software model, where there is a line-item requirement in the IT budget for a large upfront software and hardware capital cost associated with the delivery of the project, OnDemand deployments enable user organizations to pay on a monthly basis. For example, a 400-salesperson user organization would pay \$70 per month per salesperson with no maintenance charges (\$336 in the first year), where the upfront capital costs for just the license from an OnPremise model for the same users could be \$1,250 per user (\$500K in the first year). The math speaks for itself on why users would be enticed by the OnDemand model. When considering other OnPremise costs such as hardware, upgrades and DBA support, the OnDemand cost becomes more compelling. However, it is also important for user organizations to be wary of great initial deals for CRM OnDemand services. Issues could emerge such as three-year lock-in, uncapped price hikes on renewal and hidden costs for increased numbers of registered users (for example, as in the case for partner relationship management) or for additional capabilities.

Action Item: Companies with simple to moderate CRM complex requirements should consider CRM OnDemand services as a way to lower five-year total cost of ownership.