

CRM *OUTSIDERS*

CRM Total Cost of Ownership: Fees, Subscriptions and Hidden Costs

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Executive Overview

The way companies use and pay for customer relationship management (CRM) applications is changing. Moving from a predominantly perpetual license-based system, where companies paid a large up-front sum and then smaller annual maintenance fees, CRM software providers are now moving towards monthly or annual subscription fees to access CRM software on the Internet.

The various pricing schemes can create confusion among buyers as they try to assess the total cost-of-ownership (TCO) of different CRM services priced under various schemes. For example, there are still several companies offering license-based pricing models. Also, some companies offer a subscription option in addition to a perpetual license option.

The following analysis provides a comparative price analysis of four leading CRM solutions for midmarket organizations. Forrester Research defines midmarket organizations as any organization with revenues of less than \$1 billion and/or fewer than 1,000 employees. The CRM solutions included in this TCO analysis are:

- Microsoft Dynamics CRM 2011
- Sage SalesLogix
- Salesforce.com
- SugarCRM

For this analysis we looked at the following costs and requirements: for premise-based solutions we included the server and end-user (named user) licenses and annual support and maintenance fees. For on-demand solutions we looked at the annual end-user (named user) subscription fees. Each solution had to include mobile access, integration with Microsoft Outlook, a customizable reporting engine and configuration and customization capabilities.

We looked at the three-year TCO (total cost of ownership) for a 10-user; 25-user; 100-user and 500-user deployment. We are assuming the following storage requirements: 5GB for the 10-user; 10GB for the 25-user; 15GB for the 100-user and 25GB for the 500-user deployments. For this analysis, we used standard list pricing as available in July 2011. Term, volume and other discounts (such as discounts available under the Microsoft Enterprise Agreement) have not been considered.

Hardware costs for on-premise deployments, such as servers, security firewalls, and other associated costs such as human capital, which are needed to maintain these systems, have not been included in this cost analysis.

All price information is sourced from reputable web sites and referenced throughout the analysis.

Vendor Pricing Analysis

Microsoft Dynamics CRM 2011

Microsoft Dynamics CRM is a full suite of CRM solutions focusing on sales, marketing and customer support. Similar to Sage SalesLogix, Microsoft Dynamics CRM can be purchased as a premise-based traditional server software solution or as a SaaS deployment with monthly subscription fees.

Microsoft Dynamics CRM

Each server that runs Microsoft Dynamics CRM 2011 requires a Server License. Two Server Editions are available for Microsoft Dynamics CRM 2011;

- Microsoft Dynamics CRM 2011 Workgroup Server 2011 (a maximum of five named Users licenses)
- Microsoft Dynamics CRM Server 2011

Since this TCO study looks at deployments of more than five users, we're only going to review pricing of the Microsoft Dynamics CRM Server 2011.

Microsoft Dynamics CRM 2011 servers are licensed under the Microsoft Server/CAL licensing model, meaning that they require a separate server license for each server on which the software is installed, plus a User Client Access License (CAL) for every internal user who accesses CRM. There are several Client Access Licenses available. The most common CAL is the "full" User CAL. A "full" User CAL is a licensed user who has full read and write access to all the Microsoft Dynamics CRM functionality from any device.

In addition, Microsoft also has pricing for External Connectors. The Microsoft Dynamics CRM 2011 External Connectors enable companies to extend Microsoft Dynamics CRM to external users such as customers, partners and suppliers.

Pricing and licensing of Microsoft Dynamics is complex and can vary based on the existing Enterprise Agreement (EA) a company may have in place with Microsoft. For companies who do not have an EA in place, Microsoft offers a Business Ready Licensing plan.

For comparison purposes, we are we are using Business Ready Licensing pricing with the "full" User CAL pricing in this TCO study..

Microsoft Dynamics CRM 2011 Business Ready Licensing	Microsoft Dynamics CRM Server 2011
Server (per instance)	\$4,999
User CAL	\$999
External Connector (per server instance)	\$4,999
Software Assurance (support and maintenance)	25%

Microsoft Dynamics CRM Online

Microsoft Dynamics CRM Online is a Software-as-a-Service per-user subscription-based model available in 40 countries. Microsoft Dynamics CRM online is sold on an annual commitment basis:

- Microsoft Dynamics CRM Online User Subscription License (USL). This includes 5GB of storage per organization
- Microsoft Dynamics CRM Online Storage Add-on

Microsoft Dynamics CRM Online	Monthly subscription per user	Annual subscription per user
CRM Online USL	\$44	\$528.00
Microsoft Dynamics CRM Online Storage Add-on	\$9.99 per GB per organization	\$119.88 per GB per organization

Sage Software

Sage SalesLogix

SalesLogix is the top-of-the-line CRM offering from Sage Software. Sage SalesLogix is available on-premise (Sage SalesLogix) as well as in the cloud (Sage SalesLogix Cloud). Pricing for these deployment options is very different, leading to some confusion. Sage SalesLogix comes in a variety of flavors: Standard, Advanced and Premier. Deploying SalesLogix involves a number of different cost points. These include the server fee, user license fee, and additional server fees for mobile access, customization, integrations, etc. Sage charges an annual maintenance fee on the total cost of the solution. This maintenance fee is between 15-21%, depending on the level. For this TCO study we're using the Sage-recommended Sage Business Care Silver Plan. The Silver Plan comes at an 18% annual maintenance fee, calculated off the total cost.

Sage SalesLogix solution does not come with mobile access, a Microsoft Outlook Plug-in, reporting or customization and integration capabilities. To get access to these services, customers need to deploy additional servers and capabilities.

- **Configurations and Customizations.** Unlike all other solutions reviewed in this report, Sage SalesLogix customers have to pay extra for configuration and customization capabilities. They get this with the Sage SalesLogix Architect.
- **Exchange server link.** Unlike all other solutions reviewed in this report, Sage SalesLogix customers have to pay extra for integration with Microsoft Outlook. They get this with the Sage SalesLogix Exchange Link.
- **Mobile.** Unlike all other solutions reviewed in this report, Sage SalesLogix customers have to deploy another server to access their CRM solution from mobile devices. They get this with the Sage SalesLogix Standard Enterprise Server.
- **Reporting.** Unlike all other solutions reviewed in this report, Sage SalesLogix customers have to deploy a Sage SalesLogix Pivot Reporter Server in order to get reports from their CRM solution

These are the four most commonly needed additional costs. An overview of all the Sage SalesLogix pricing options can be found here: <http://www.blytheco.com/saleslogix/price.asp>

The breakdowns for the fees for SalesLogix editions are as follows:

	Standard*	Advanced	Premier
Sage SalesLogix Server	\$2,995	\$5,995	\$8,995
Sage SalesLogix Architect	n/a	\$1,295	Included
Sage SalesLogix Exchange Link	\$2,995	\$2,995	Included
Sage SalesLogix Standard Enterprise Server	\$2,995	\$2,995	\$2,995
Sage SalesLogix Pivot Reporter Server	\$3,995	\$3,995	\$3,995
Total server costs used in this TCO white paper	\$12,980	\$17,275	\$15,985
Named User Pricing			
Named User (1-50)	\$795	\$995	\$1,095
Named User (51-200)	\$695	\$895	\$995
Named User (200+)	\$595	\$795	\$895
Business Care Plans			
Sage Business Care Bronze Plan	15%	15%	15%
Sage Business Care Silver Plan	18%	18%	18%
Sage Business Care Gold Plan	21%	21%	21%

Sage SalesLogix Cloud

Sage Software also offers an on-demand option of SalesLogix; Sage SalesLogix Cloud. This solution includes mobile access, a Microsoft Outlook Plug-in, reporting as well as customization and integration capabilities. The pricing for Sage SalesLogix Cloud is a simple annual per user subscription.

Sage SalesLogix Cloud	Monthly subscription per user	Annual subscription per user
Named User	\$65	\$780
Concurrent User	\$100	\$1,200

For the purpose of this TCO study, we are only comparing the Named User subscription pricing.

Salesforce.com

Salesforce.com is delivered solely as a SaaS offering, which means customers do not pay server fees or annual maintenance charges. The subscription fee is inclusive of maintenance, some but not all of the editions include mobile access, a Microsoft Outlook Plug-in, reporting as well as customization and integration capabilities.

The breakdown of subscription list prices for the various Salesforce.com editions is as follows:

Edition	Monthly per-user costs	Annual costs per-user
Contact Manager (no more than 5 users)	\$5	\$60
Salesforce Group (no more than 5 users)	\$25	\$300
Salesforce Professional	\$65	\$780
Salesforce Enterprise	\$125	\$1500
Salesforce Unlimited	\$250	\$3000

Since this TCO study looks at deployments of more than five users, we're only going to review pricing for Salesforce Professional, Enterprise and Unlimited Editions.

Hidden Costs

In the Contact Manager, Group and Professional Editions, Salesforce.com arbitrarily limits customer usage and integration capabilities. For example advanced reporting, full mobile access, workflow and API level integration capabilities to other software solutions are only available with the Enterprise and Unlimited editions. This leaves customers that reach any such limits no choice but to eventually upgrade to Salesforce Enterprise Edition. This is an important TCO factor to investigate when considering Salesforce.com

Remember, these additional prices are not one-time server fees—they are annual fees that must be paid each year in order to access your data and CRM system in the manner you see fit.

Please review <http://www.salesforce.com/crm/editions-pricing.jsp> for more information on the Salesforce.com pricing.

SugarCRM

SugarCRM is offered under a subscription model, similar to Salesforce.com, but with some important differences. The subscription fee is inclusive of maintenance, and includes mobile access, a Microsoft Outlook Plug-in, reporting as well as customization and integration capabilities. SugarCRM aims to limit the “hidden fees” that some CRM providers do not include in their base license costs.

In addition, Sugar can be deployed either as an on-demand or SaaS deployment, or on the user’s own servers. In addition, Sugar can also be deployed on a number of public clouds, including Amazon EC2, Windows Azure, Rackspace and IBM GTS cloud. Sugar partners also deploy customer instances in their private clouds. In contrast with other CRM vendors who offer a choice in deployment, Sugar is priced the same, regardless of deployment option.

Sugar comes in four subscriptions: Professional, Corporate, Enterprise and Ultimate. You can consult <https://www.sugarcrm.com/crm/products/editions> for more information around the differences in these versions. Pricing is as follows:

Edition	Monthly User Fee	Annual Cost Per User
Sugar Professional	\$30	\$360
Sugar Corporate	\$45	\$540
Sugar Enterprise	\$60	\$720
Sugar Ultimate	\$100	\$1200

Three-Year TCO Analysis

No two CRM solutions are the same, and of course pricing varies as well. Because of the wide difference between the up-front and continuing costs across product offerings, a single-user or single-year cost analysis is incomplete. Instead, it becomes necessary to compare the total costs associated with on-demand or SaaS products versus on-site or server-based solutions over time.

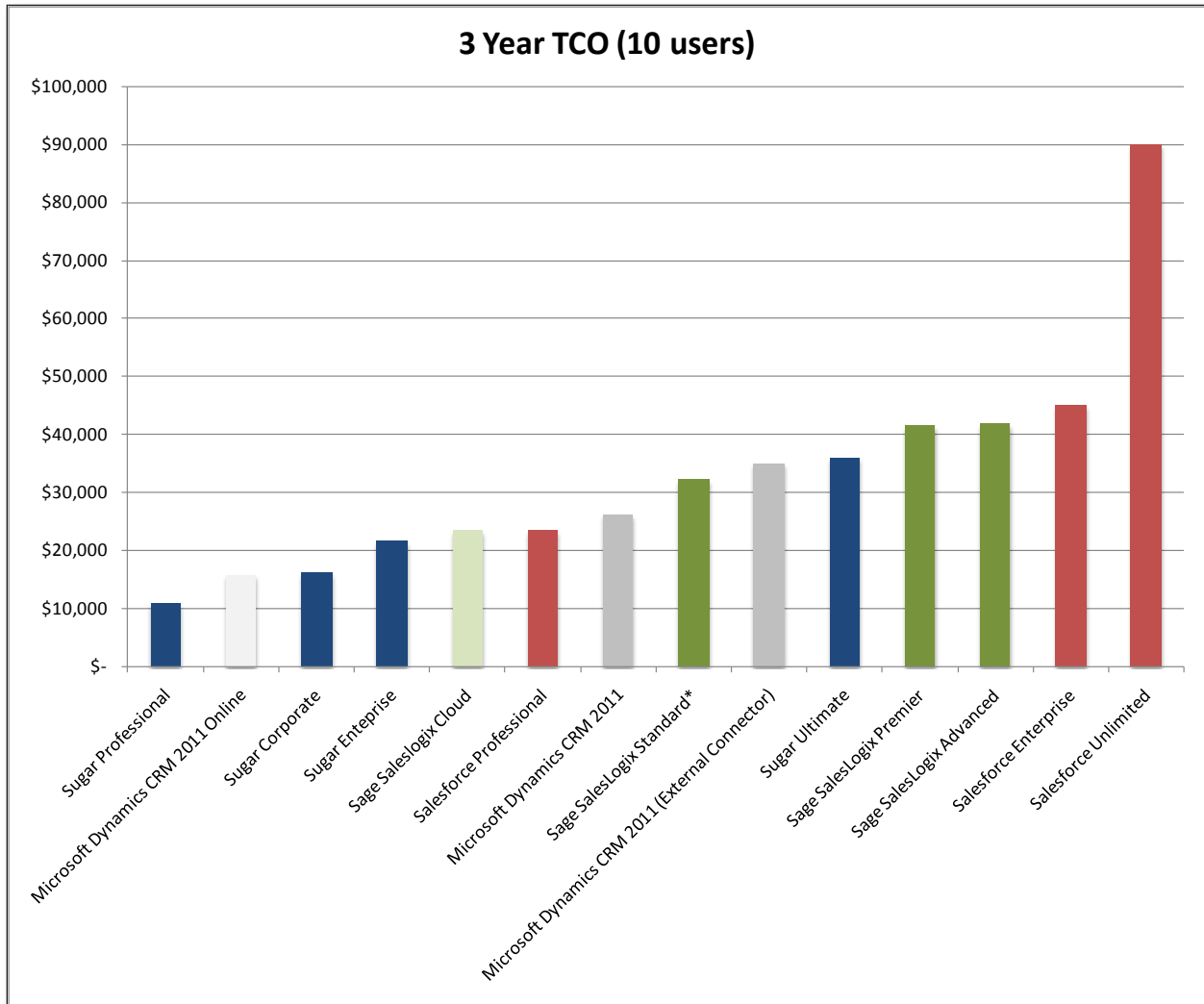
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Note: Sage SalesLogix Standard does not have configuration and customization capabilities. This skews the TCO analysis a bit, which is why we put an asterisk next to Sage SalesLogix Standard in the charts shown.

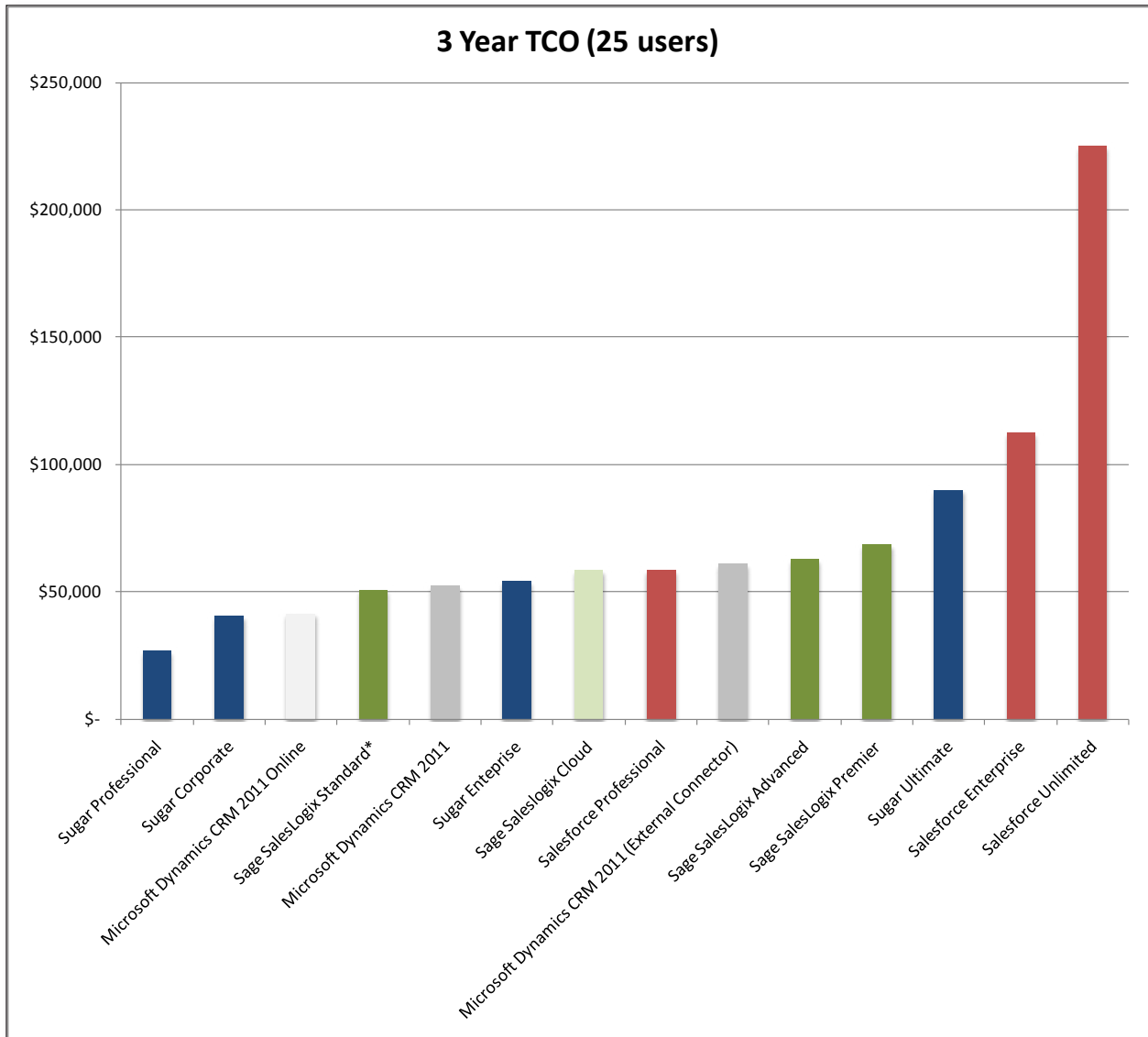
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Hardware costs for on-premise deployments, such as servers, security firewalls, and other associated costs such as human capital, which are needed to maintain these systems, have not been included in this cost analysis.

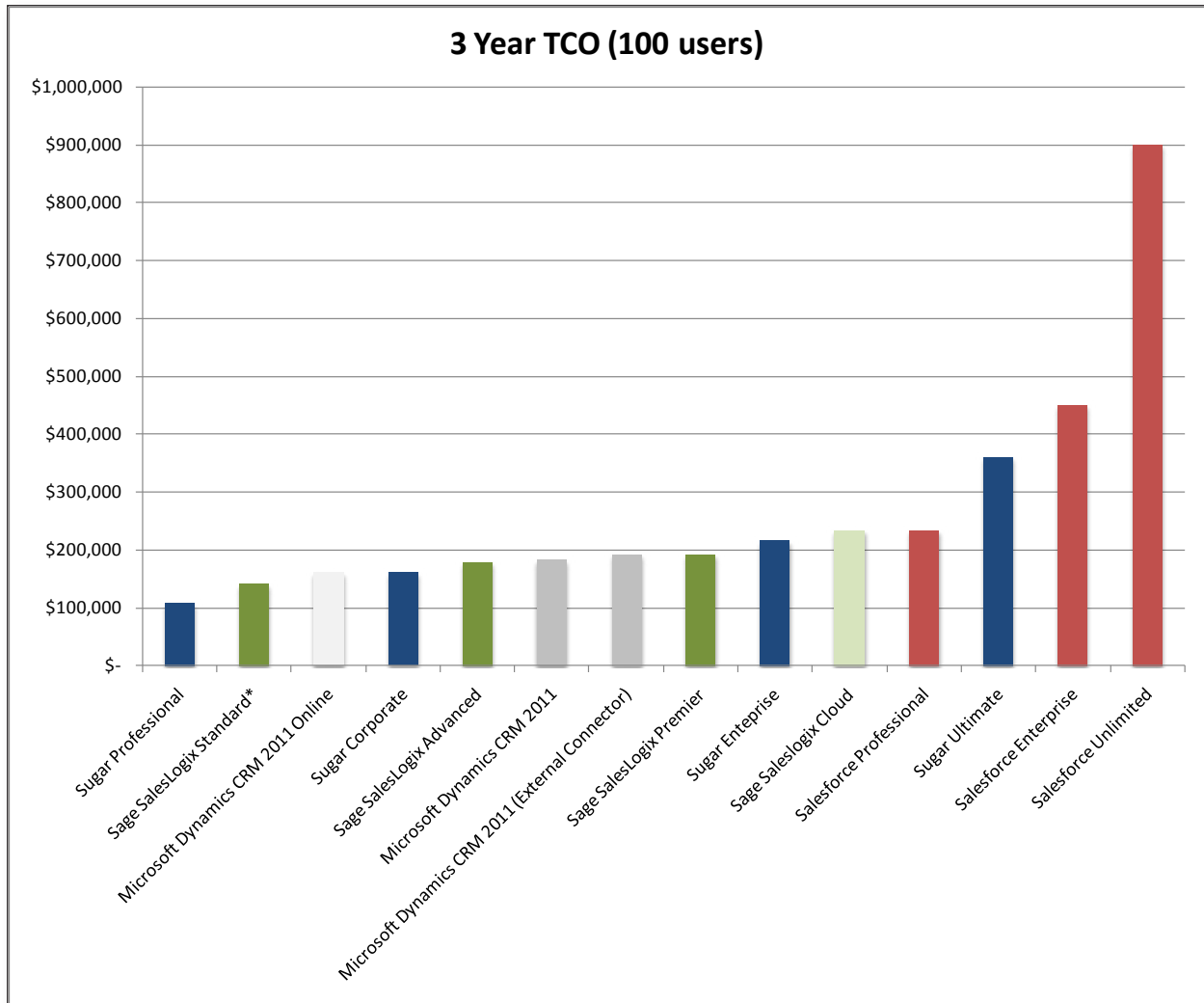
10-user deployment



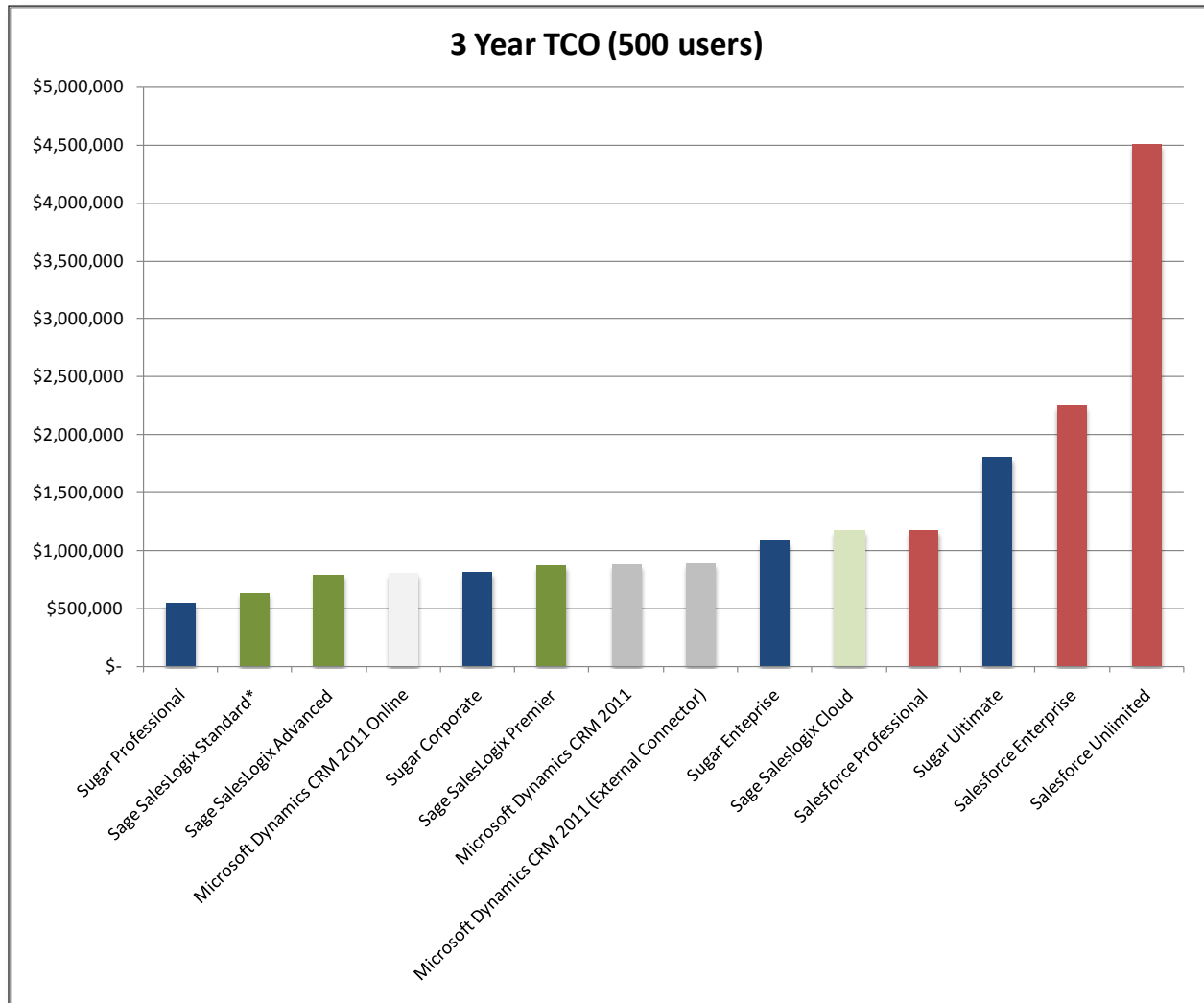
25-user deployment



100-user deployment



500-user deployment



Conclusions

Choosing the right CRM for your business includes many factors. Total cost of ownership is but one of these factors. However, the importance of low TCO increases when considering the lifecycle of the CRM deployment. Choosing an inexpensive, entry-level CRM may seem a smart choice now. But if that system cannot scale as your business grows, the deployment can prove more costly in the long run. Also, while some products seem to be licensed at a certain price, be sure to ask deep questions regarding additional fees to integrate that CRM tool with other systems, or for mobile access.

This short analysis provides some basic insight into the costs of buying and maintaining a CRM system. Several pricing and deployment models exist—and it is important to understand which model best addresses your business issues. Before making any decision, be sure to plot out the value to be generated from the deployment, including but not limited to the hard dollar costs.

Appendix/References

- List Pricing for Sage SalesLogix: <http://www.blytheco.com/saleslogix/price.asp>
- List pricing for Sage SalesLogix Cloud: http://customerfx.com/pages/saleslogix_cloud/2011/03/05/SalesLogix-Cloud-Pricing.aspx
- List Pricing for Microsoft Dynamics CRM: http://crmdynamics.blob.core.windows.net/docs/Pricing_Licensing_Guide.pdf
- List Pricing for Salesforce.com: <http://www.salesforce.com/crm/editions-pricing.jsp>
- List Pricing for SugarCRM: <http://www.sugarcrm.com/crm/products/editions>

About the Author

Chris Bucholtz is Editor-in-Chief of CRM Outsiders. Chris is a long-time journalist, blogger and CRM industry influencer. For over 17 years he's been a technology journalist for some of the industry's best print and online media. After his role at VAR Business, he became the first Editor of InsideCRM, a Focus.com brand. He then took the reigns as Editor-in-Chief of ForecastingClouds.com—an online destination delivering rich content and thought leadership views regarding CRM and ERP cloud solutions. He's also a regular columnist for CRMbuyer.com.

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