



REALIZING LOWER TOTAL COST OF OWNERSHIP BY OBTAINING CRM SOFTWARE THROUGH ASP

Introduction

By obtaining the functionality provided by Customer Relationship Management (CRM) software from an Application Service Provider, organizations can dramatically decrease the total cost of ownership (TCO) of the CRM solution. This paper describes the areas where TCO is lowered and controlled. The ways to achieve return on investment (ROI) sooner are also described in this document.

The ASP model

In the ASP model organizations don't buy and implement the software solution, but they rent the functionality needed from an Application Service Provider. The functionality will be delivered over the Internet and organizations pay on a user per month basis.

This way, organizations can concentrate on their core business while lowering IT infrastructure investments and saving on many (hidden) costs.

Forms of ASP

We differentiate between *One-to-One* and *One-to-Many* ASP models.

In the *One-to-One* model the CRM application is provided as a dedicated solution to only one organization. In this model the organization benefits from services provided, like the software, the application maintenance and the guaranteed availability.

In the *One-to-Many* ASP model the organization does not only benefit from all the benefits provided by the *One-to-One* model, but by confirming to implementation templates and a standard set up, the organization also enjoys shorter implementation times and lower maintenance costs.

Controlled Investment

By choosing for the ASP model, organizations can convert investments into operational costs, which are agreed on and known for a certain period of time.

The actual amounts spent on the software are in line with the cost savings realized by this software solution. Further to that, organizations that choose for ASP enjoy a greater amount of freedom: you can always cancel the service if you don't need it anymore.

Lowering Cost of Ownership

Research has proven time after time that at least 75% of the total cost of ownership during the entire lifecycle of an application occurs in the operational phase. This means that trying to control TCO mainly implies controlling operational application maintenance.

By just obtaining the availability and the functionality of an application from an ASP, the risk of efficient maintenance and therewith controlling operational costs is completely handed over to the ASP. Contractually, for instance through a Service Level Agreement (SLA), you are in complete control of what these costs will be for your organization.

The main areas of cost savings by using an ASP model are:

- Maintenance Costs
 - o Application maintenance is concentrated on one single location
 - o Updates and fixes are applied by the ASP. No time is wasted on application downtime, testing, staging, etcetera.
 - o No need to invest in systems and application monitoring
 - o No need to invest in recovery and backup
- Hardware Costs
 - o No upfront investment in servers, pc's and network capacity is needed. All functionality is delivered through an internet browser, requiring only very low bandwidth.
- Software Costs
 - o No need to purchase 'unused seats'. Only for the exact amount of actual users per month is paid.
 - o The need for additional database licenses is eliminated.
- Support Costs
 - o No need for additional IT support
 - o Less need for application support
- Training Costs
 - o No need to build in depth application (maintenance) knowledge

Increasing ROI

By obtaining CRM functionality through an ASP model organizations can increase and speed up the Return on the Investment.

- TCO is lower, so the break even point where organizations start earning money after paying back the initial investment is reached quicker
- Organizations can concentrate on their core business
- Availability of the application is guaranteed and downtime for maintenance and upgrades is reduced. That way productivity can be increased.
- Business processes are supported constantly, also when situations change. With a conventional (in house) implementation changing or updating software mainly is a complex and drastic operation. The main reason for this is the fact that the software often is installed on multiple machines. In the ASP model this is of no relevance, and therefore it is much easier to add or modify functionality. The result is an optimal support of the best possible software solution.

Decreasing the risk of failed implementation

In the conventional, in house model there are many factors that can contribute to failed implementations. Two main factors are long duration of the implementation and the lack of in depth knowledge of the software to be implemented.

Because of the timely duration of the implementation it often happens that the functional requirements defined at the start of the implementation loose their relevance along the way. This results in low user acceptance of the new application.

By adopting the ASP model, organizations rely on the proven application knowledge of the ASP. By confirming to templates the implementation time is decreased dramatically and the user acceptance will be high.

This way the risk of a failed implementation is eliminated.

Benefits of ASP

Summarizing, the main benefits of adopting the ASP model are:

- Focus on the core business. Do what you're good at!
- No need to build in depth application maintenance knowledge
- Out of the box implementation by using proven templates
- Go live soon! Sign a contract, follow the implementation checklist, train the end-users and go!
- No maintenance, no infrastructure building, no complex license matters!
- Convert investments into operational costs. Align costs with savings.
- Freedom! You use the CRM system as long as it fits you. You simply cancel the service if you want to switch to something else.
- Controlled investments, defined in a Service Level Agreement.