

The Three-Year Total Cost of Ownership for CRM Software for MSBs

Customer relationship management (CRM) has become affordable for midsize businesses (MSBs). For an MSB with 170 CRM users, throughout three years, expect to pay between \$3,900 to \$5,400 per user for a simple CRM solution, not including end-user hardware, telecommunication charges and internal help desk.

Management Summary

To better understand the total cost of ownership (TCO) for various CRM software solutions for MSBs, Gartner developed a business scenario common to the MSB that was used to analyze three-year costs from several key CRM suppliers for the MSB including:

- Best Software's SalesLogix product
- Microsoft's Microsoft CRM Professional Edition
- Onyx Software's Onyx Enterprise CRM
- Pivotal's (now owned by chinadotcom) Pivotal's Pivotal 5
- Salesforce.com's Enterprise Edition
- Siebel Systems' MidMarket Edition (which is now discontinued and is being replaced with Siebel's new midmarket solution, Siebel CRM Professional Edition)

The depth of CRM features available for each solution varies, which means these products do not have equal functionality; however, all meet Gartner's basic scenario requirements. To verify the TCO, Gartner surveyed enterprises regarding the costs they paid to purchase and deploy the solutions. Although no "average" TCO exists for CRM, this *Strategic Analysis Report* provides guidance regarding what vendors are willing to sell their solutions for throughout a three-year period and what enterprises cite they paid in the first year to deploy and maintain these same solutions.

MSBs evaluating CRM software suites should use the cost data reported in this research as a negotiation vehicle for ensuring a competitive price when purchasing a CRM suite. For those MSBs that have yet to invest in CRM software, to remain competitive, plan to spend from \$3,900 to \$5400 per user — at a minimum — on CRM software and services throughout the next three years, not including internal help desk, user laptops and desktops, and telecommunication charges.

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1.0 Introduction

The difficulty with data and averages is that looking at average total project costs for CRM is akin to a prospective homeowner using the average price of a house in Chicago or Paris to decide on the likely price of a house in a given neighborhood. The same is true of CRM projects. "Average" project costs are only one data point. However, the data does give prospective buyers an idea of what other MSBs with a similar number of potential CRM users have spent to deploy some type of CRM software solution (see Figure 1).

	Total Number of Licenses Purchased	Total Cost of the Project	Cost per User	Days to Deploy
Average cost	10 to 25	\$85,006	\$5,530	50
Average cost	26 to 96	\$235,528	\$5,187	120
Average cost	106 to 260	\$674,208	\$4,042	123

First Year Costs by Category	
Category	Percent of Total Project Costs
Software	30 to 38 percent
Maintenance and support	7 to 10 percent
Services	34 to 47 percent
Hardware	8 to 18 percent

Source: Gartner Research

Figure 1. Average CRM Project Costs Reported by Users

Project costs included any hardware, services and software needed to deploy the selected CRM solution and first year support and maintenance costs. "Days to deploy" is number of days on average it took them to deploy the solution from contract signing to production.

Table 1. MSBs' and Smaller Firms' CRM Project Costs Vary Wildly

Number of Users	Total CRM Project Costs Reported by Users
10 to 25 users	\$20,000 to \$300,000
26 to 100 users	\$55,000 to \$625,000
101 to 300 users	\$70,000 to \$2.2 million

Source: Gartner Research (June through October 2003)

The source of this data is a Gartner Survey conducted from June to October 2003 of MSBs and smaller firms using CRM software from 20 different CRM vendors with CRM solutions for this market sector. A variety of vendors are in this market (see Figure 2). Although the survey sample is small (that is, 139 surveys of which 66 provided pricing data), based on the inquiries to Gartner, it serves as a guideline of the trends in the overall user base.

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Organizations surveyed were using CRM software from the following vendors:

Number of clients surveyed	Vendor
7	Best Software's ACCPAC
18	Best Software (SalesLogix)
4	Connect-Care (merged with Firstwave Technologies)
6	Epicor Software
2	Firstwave
8	FrontRange Solutions (GoldMine FrontOffice)
3	iCode
4	Interface Software
9	Microsoft (Microsoft CRM)
3	NetSuite
8	Oncontact Software
8	Onyx Software
2	PeopleSoft
14	Pivotal
1	Relavis
16	Salesforce.com
1	SAP
7	Saratoga Systems
9	Siebel Systems (Siebel MidMarket)
9	Soffront Software

Source: Gartner Research (June to October 2003)

Figure 2. CRM Software Vendors

The client survey highlighted a number of key points:

- Among MSBs, CRM goals and objectives for deploying CRM software are fairly common:
 - 50 percent were using the CRM software to provide a 360-degree view of the customer for customer-facing employees
 - 29 percent were using the application to provide visibility into sales cycles and sales activities
 - 10 percent were using the software for customer service and support
 - 6 percent were using it for integrated sales and service activities
 - 5 percent were using the software to consolidate systems
- The organizations came from a cross section of industries highlighting the suitability and adoption of CRM software within MSBs outside of the traditional early adopter industries (such as financial services and telecommunication):
 - Software publishers

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- Business and consumer services
 - Professional, scientific and technical services
 - IT service providers
 - Financial services (such as banking, securities and insurance)
 - Discrete and process manufacturers
 - Media and advertising sales
 - Education
 - Sports and entertainment
 - Transportation
 - Communication
 - Energy
 - Non profits
- There was overwhelming proof of the benefits of CRM initiatives among MSBs, and the survey revealed that 75 percent plan to expand their system:
 - 64 percent achieved a measured return on investment
 - 95 percent improved efficiency
 - 46 percent increased revenue
 - 95 percent improved effectiveness
 - 68 percent lowered costs
 - 66 percent found CRM provided a competitive advantage

2.0 Comparing the Costs of the Most Popular MSB CRM Solutions Using Gartner's TCO Scenario

Gartner developed a scenario common to MSBs looking to deploy a simple CRM software solution. The scenario targeted the high end of the market to assist some large enterprise clients with simple CRM needs, the midsize division of the large enterprise and the growing midsize business market. See Table 2 for a description of the scenario Gartner used to gather and compare cost data from key MSB CRM suppliers that came closest to meeting Gartner's functional needs, price and TCO, viability concerns, willingness of the vendor to work with Gartner to estimate what their solution would cost throughout three years and their ability to provide references to validate costs.

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Table 2. Requirements for a CRM System

Pricing scenario:	
Company	1000 employees; \$400 million in revenue
Sales requirements	100 salespeople of which 75 need mobile offline capabilities Features: simple sales tracking, forecasting and account management.
Marketing requirements	Five marketing people Features: campaign and list management
Customer service requirements	50 customer service and support users Features: case or trouble ticket management
Managerial requirements	10 managers Features: management reporting and analysis
Executive requirements	Five executives Features: reporting and analysis
Other requirements	One system administrator license Developer tools Integration: assume one connector to legacy system Assume minor customization Data conversion End user, administer and developer training Implementation or installation services Any application server software (such as database software) including support required Any application server hardware required Standard maintenance and support plan
Resources included:	Internal staff for deployment: includes a project manager, business analyst and a technical resource at a fully burdened daily rate for three full-time equivalents of \$1,108. This was multiplied by the average numbers of days users report it takes to deploy this vendor's system. Minor and major software upgrades during the three years using internal staff or business partner to perform the upgrades. Internal CRM system administer or CRM developer salary to support, maintain and enhance the system during the three years.
Not included	Laptops, desktops, telecommunication or internal help desk were not included.

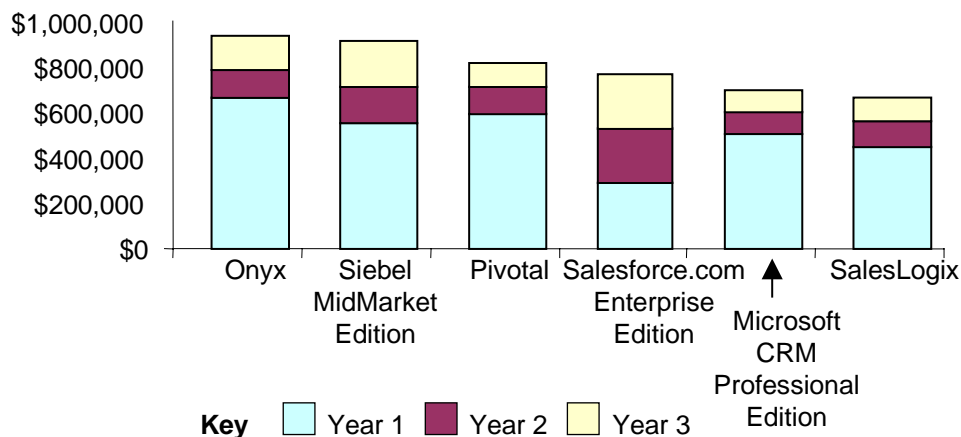
Source: Gartner Research

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PeopleSoft and SAP were asked to participate regarding their MSB CRM offerings but declined to complete the scenario and were unable to produce enough MSB CRM references. Gartner estimates their costs are still too high for most MSBs and smaller firms. ACCPAC International, NetSuite, FirstWave Technologies and Saratoga Systems also completed Gartner's TCO analysis but were excluded from the report as they did not fully meet the scenario criteria. For ACCPAC (now owned by Best Software), Gartner did a number of reference checks and determined the solution is most appropriate for a small business looking for integrated CRM and accounting functions with 10 to 15 CRM users. NetSuite was unable to produce enough references to validate its costs, but it also is most appropriate for a small business looking for integrated CRM and accounting functions. FirstWave and Saratoga were omitted due to their low company revenue raising viability concerns. Therefore, Gartner included the following vendors' products, all of which completed the pricing scenario and provided enough customer references to validate the vendors' claims:

- Best Software's SalesLogix product
- Microsoft's Microsoft CRM Professional Edition
- Onyx's Onyx Enterprise CRM
- Pivotal's (now owned by chinadotcom) Pivotal's Pivotal 5
- Salesforce.com's Enterprise Edition
- Siebel Systems' MidMarket Edition (which is now discontinued and is being replaced with Siebel's new midmarket solution, Siebel CRM Professional Edition)

Based on Gartner's scenario, we estimate three-year costs to deploy, enhance, support, upgrade and maintain these MSB CRM solutions (see Figures 3). *The depth of CRM features available for each solution vary, which means these products do not have equal functionality; however, all meet Gartner's basic TCO model requirements.*



Source: Gartner Research

Figure 3. Three-Year Costs for Shortlist of CRM Suites for the Midsize Business

It is also helpful to examine the costs of these vendors' solutions on a yearly basis (see Figure 4).

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Vendor	Year 1	Year 2	Year 3	Three-year total	Three-year cost per user
Onyx	\$660,673	\$126,102	\$146,102	\$932,877	\$5,455
Siebel MidMarket Edition	\$548,232	\$162,496	\$199,660	\$910,388	\$5,324
Pivotal	\$592,701	\$117,764	\$107,864	\$818,329	\$4,786
Salesforce.com Enterprise Edition	\$290,451	\$236,875	\$236,875	\$764,201	\$4,469
Microsoft CRM Professional Edition	\$502,771	\$98,150	\$98,150	\$699,071	\$4,088
SalesLogix	\$447,990	\$115,410	\$98,010	\$661,410	\$3,868

Source: Gartner Research

Figure 4. TCO Scenario Three-Year Cost Comparison

Table 3 presents estimated first-year costs in greater detail.

Table 3. Cost Comparison Detail: First Year Costs Only for Gartner's TCO Scenario

Project Costs	Salesforce .com Enterprise Edition	SalesLogix	Microsoft CRM Professional Edition	Siebel MidMarket Edition	Pivotal	Onyx
Software licenses	\$192,375	\$192,428	\$145,935	\$169,600	\$154,800	\$197,015
Database licenses and support	None needed	\$9,384	\$11,475	Included	\$5,310	\$12,000
Maintenance and support (assume standard plan)	Included	\$40,610	\$23,350	\$42,400	\$27,864	\$46,102
Professional services						
Implementation costs: install	None included	\$16,000	\$145,935	\$75,000	\$140,000	\$75,000
Customization: assume minor customization	\$5,000	\$6,000	\$8,000	\$7,500	Included	\$25,000
Integration: assume one connector to legacy system	\$1,000	\$10,000	\$10,000	\$35,000	\$8,400	\$22,000
Data conversion	Some help included	\$10,000	\$10,000	Included	Included	\$10,000
Internal staff to deploy solution *	\$52,076	\$78,668	\$79,776	\$87,532	\$158,444	\$118,556

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Project Costs	Salesforce .com Enterprise Edition	SalesLogix	Microsoft CRM Professional Edition	Siebel MidMarket Edition	Pivotal	Onyx
Upgrade costs: minor software upgrade**	None needed	\$17,400	None performed	None performed	Included	Included
Training (that is, end user, system administrator and developer)	Included	\$12,500	\$21,300	\$33,200	\$11,250	\$25,000
Hardware	None needed	\$15,000	\$7,000	\$18,000	\$6,633	\$50,000
System administrator salary: part time	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000
Developer salary: part time	Not included	Not included	Not included	\$40,000	\$40,000	\$40,000
Year 1 total costs	\$290,451	\$447,990	\$502,771	\$548,232	\$592,701	\$660,673
Year 1 cost per user to deploy and support CRM	\$1,699	\$2,620	\$2,940	\$3,206	\$3,466	\$3,864

Source: Gartner Research

*Gartner recommendation: Includes a project manager, business analyst and a technical resource at a fully burdened daily rate for three full-time equivalents of \$1108. This was multiplied by the average numbers of days users report it takes to deploy this vendor's system.

**Upgrade costs are internal staff resources or business partner resources to perform software upgrades.

Other notes:

- Salesforce.com is an application service provider. The rest of the suppliers' costs are for internally owned and deployed solutions, although several suppliers offer hosted solutions as well.
- For on-premise solutions, enterprises may need to budget for a database and operating system administrator, which are not included in Gartner's model.
- Other items not included are desktops or laptops, help desk and telecommunication charges.
- Gartner made assumptions regarding the internal staff required to administer, maintain and develop the system during the three years, assuming a salary of \$80,000 each.
- For on-premise solutions, Gartner budgeted for additional IT staff or business partner to assist with minor and major CRM software upgrades during the three years as required.

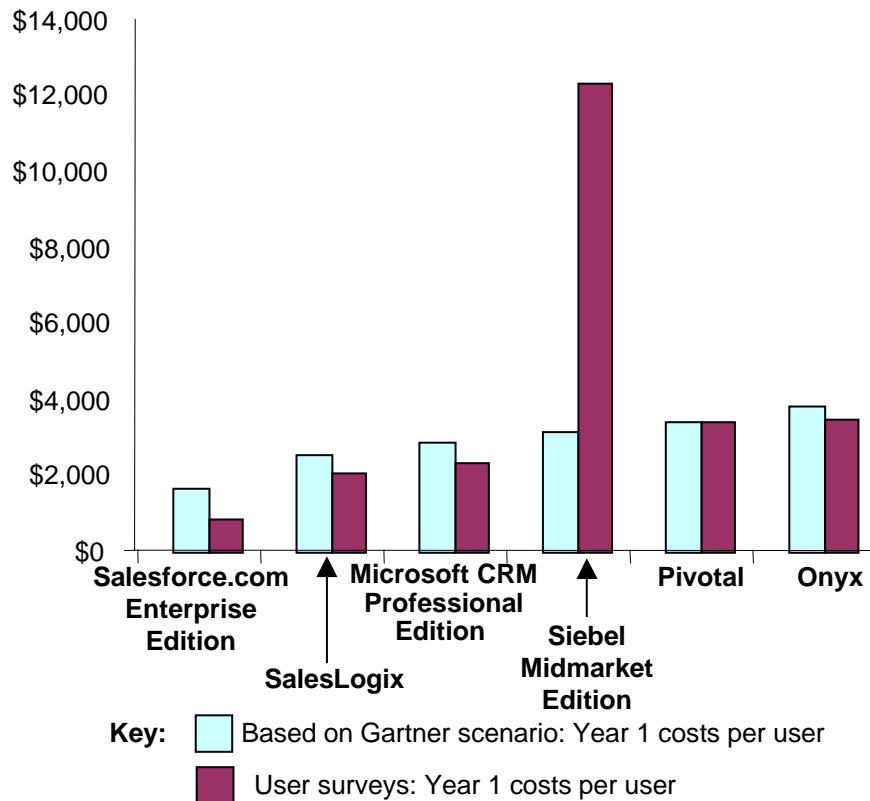
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- Only Siebel assumed maintenance price increases each year. However most of the vendors have the flexibility to do this in their contracts, they just have no applied it in the cost model. Therefore, enterprises should put maintenance price caps in their contracts, so maintenance prices may not increase more than 5 percent to 8 percent year over year, or the actual increases in maintenance prices, whichever is lower.
- Gartner's analysis did not include price increases resulting from vendors changing pricing models or rebundling products or from users' changing their requirements and getting stung by inflexible contracts. For example, an enterprise might divest of a business unit and have to re-buy the software, or it may outsource a CRM process and have to re-buy the software. Enterprises should take the opportunity to negotiate flexible agreements so they do not get hit with these unexpected costs later in the contract period.

2.1 Cost Comparison: Gartner's Scenario and User Reported Costs

The challenge with vendor supplied costs is that they frequently do not match the reality of what enterprises report paying for these solutions. Although, technically, little value exists in performing an apples-to-apples comparison because all CRM projects are unique and total costs will vary, some merit does exist in comparing the costs, if only to highlight significant discrepancies between the two data sources.

Gartner highlights the average reported costs to deploy CRM in the first year from a small sample of users that were willing to share their CRM project cost information next to first-year costs based on Gartner's scenario (see Figure 5). It is important to note that although the sample is small, based on inquiries to Gartner, it serves as a guideline of the trends in the overall user base.



Source: Gartner Research

Figure 5. First Year Costs Estimated vs. First Year Costs Reported by Users

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To assist enterprises in the decision process, it is helpful to compare the projected TCO cost per user for each vendor with the actual costs reported by users in Gartner's survey (see Figure 6).

Vendor	TCO Model: Year 1 costs per user	What surveyed users report spending: Year 1 costs per user
Salesforce.com Enterprise Edition	\$1,699	\$903
SalesLogix	\$2,620	\$2,097
Microsoft CRM Professional Edition	\$2,940	\$2,379
Siebel MidMarket Edition	\$3,206	\$12,381
Pivotal	\$3,466	\$3,487
Onyx	\$3,864	\$3,531

Source: Gartner Research

Figure 6. First Year Costs Estimated vs. First Year Costs Reported by Users

In some cases, Gartner's TCO model showed lower costs than what enterprises have reported spending, most noticeably with Siebel. Discrepancies can come from:

- Enterprises paying too much for the software (that is, poor negotiations)
- More customization and integration being done by clients than what Gartner's scenario required
- Additional functionality being purchased
- The vendor just failed to supply accurate cost data (that is, low-balling numbers to look competitive but actually getting away with whatever pricing the market tolerates) for Gartner to estimate true costs.

In the case where enterprises report lower prices than what Gartner's model suggests (such as with Salesforce.com), the enterprises surveyed likely failed to include internal staff costs to deploy and maintain the solution the first year and reported only subscription fees and any out-of-house services they bought. Therefore, Gartner's scenario is a more accurate reflection of what an enterprise should plan to spend on the solution. In addition, many Salesforce.com users start simple with limited resources and grow the system over time adding internal staff to validate data, add workflow and improve processes. With the other vendors, Gartner was able to match the first year costs in the Gartner scenario with user validation, increasing the probability of the accuracy of the estimated first year costs.

The next section of this report provides some details on each supplier's pricing practices to assist enterprises in negotiating the best deals.

3.0 Vendor Product Cost Profiles

3.1 Best Software's SalesLogix

SalesLogix, as of 4 March 2004, lists for \$850 (that is, previously, it listed for \$795) per user. In Gartner's scenario, Best Software offer a 7 percent discount and one free administrator license for 171 users, which is approximately \$880 per user with the database licenses. However, enterprises that Gartner surveyed reported paying more for the SalesLogix software — that is, approximately an average of \$1,180 per user. Best and its partners offer a number of add-on modules that enterprises can license for features like service alerts that are not included in Gartner's initial list of requirements. However, such features would be needed for effective case management. As a result, an additional \$300 in software fees per user was

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added to Gartner's model to reflect add-on software likely to be needed in the first year (for example, SalesLogix's KnowledgeSync, a product for business alerts and notifications). Products such as this may account for the elevated price reported by end-users in their overall cost per license. The support and maintenance fees were raised to reflect the add-on software.

For implementation services including training, Best assumes approximately \$54,500 for services (that is, provided by its partners) and \$318 per user for Gartner's scenario (that is, although services pricing is not done per user, Gartner created averages for the purposes of the comparison). This is similar to what other users stated. Enterprises that Gartner surveyed with 13 to 300 SalesLogix users reported spending from \$5,000 to \$80,000 on services to deploy SalesLogix, which is an average of \$435 in services per user licensed — not including internal staff costs. Once enterprises add internal staff (that is, Gartner added three internal resources for 71 days), they are likely to spend approximately \$133,000 on services for Gartner's TCO scenario.

In terms of features, SalesLogix is light for campaign and list management (that is, third-party add-on products are available for more robust campaign management with features like e-mail campaigns). The product is limited for handling customer inquiries (that is, until the second half of 2004 when v.6.2 is expected), but it does have SalesLogix Support today for handling product support issues. For a product profile with a list of features, see "Best Software, SalesLogix CRM," DPRO-109720.

For hardware, Best assumes approximately \$15,000 in hardware server fees for the Gartner scenario. SalesLogix users report spending on average approximately \$21,000 on hardware to run SalesLogix. One SalesLogix prospect with 40 users stated its SalesLogix business partner quoted it \$18,000 in hardware to run SalesLogix for its 40 users. Best believes the \$15,000 is accurate for the Gartner scenario. Enterprises that Gartner surveyed could be simultaneously upgrading servers during implementation to support applications outside CRM, thus the higher hardware costs. Gartner also did not include additional IT infrastructure (such as a firewall, dedicated Internet access, a backup machine, recovery, security or remote access equipment) that could be the difference in pricing as well.

A minor upgrade was included in year one, plus a major upgrade in year two and a minor upgrade in year three based on a quote from a SalesLogix business partner to perform the upgrades. A part-time CRM system administrator was included, but Gartner did not include a database or operating system administrator, which enterprises could need to include in their own TCO model. Enterprises have reported needing little IT support once the system is in production.

Although Best quoted a good price for the system and the lowest of any supplier throughout three years that meet Gartner's basic criteria, prospective users need to carefully evaluate their own internal IT infrastructure and their ability to support the SalesLogix system to confirm the lower TCO number. The Gartner scenario might favor a more robust architecture and feature set than what the SalesLogix product offers; but the price looks good, and Gartner likes the rich disconnected mobile client for field salespeople.

3.2 Microsoft's Microsoft CRM Professional Edition

Microsoft CRM Standard Edition, which lists for \$395 to \$695 per seat, did not meet Gartner's feature requirements (such as workflow and lead routing), thus Professional Edition was evaluated. Microsoft did not include any software discount in Gartner's model quoting list prices of \$795 to \$1,295 per seat for Professional Edition depending on role and \$1,990 for the server software. Enterprises reported paying \$571 on average per user for the software (that is, excluding server software). However, it is important to note that these clients were part of the first 1,000 enterprises to purchase the system, thus pricing discounts were likely greater than they might be now. Prospective buyers should try to leverage any

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discounts they received via purchases of other Microsoft software in Microsoft Select or Enterprise agreements or discounts from Microsoft partners.

Microsoft quoted a 1-to-1 ratio of software costs to services costs (that is, enterprises need to use a business partner for the services), plus Gartner added internal staff (that is, three resources for 72 days) bringing total services to deploy to approximately \$275,000. In Gartner's TCO scenario, Microsoft would cost about \$2,940 per user in the first year, which is slightly higher than what Gartner surveyed users stated they paid (that is, \$2,379) to deploy and maintain the solution in year one. However, most users fail to include their internal staff in their cost estimates. If they subtract what Gartner added for internal staff, the TCO scenario matches quite closely what enterprises reported spending overall in year one.

For features, Microsoft lacks the campaign management features (that is, third-party add-ons products are available to fill the gaps for an additional cost) required in Gartner's scenario and, the connector to a legacy system is for Great Plains software only (see "Microsoft CRM: The Product," DPRO-112683, for a product profile including a list of features). The solution is also not as flexible as Gartner would like, as enterprises cannot add a table to the database, which limits customization.

In Gartner's TCO scenario, Microsoft quoted maintenance and support fees at 16 percent of list pricing, which is less than its competitors and commended by Gartner. In addition, Gartner planned for two major software system upgrades in years two and three, and budgeted for a part-time CRM administrator to maintain the system internally. However, this did not include a database or operating system administrator that enterprises may need to include in their own TCO model.

Overall, Microsoft CRM is light in features per the Gartner scenario requirements, thus enterprises might be more inclined to wait until the product further matures with version 3 in 2005, as enterprises can get more features for their money with another supplier at the present time. However, enterprises should take a look again in 2006 per Microsoft's expertise in developing easy-to-use software for a good price and its success with Microsoft CRM so far among small and midsize businesses.

3.3 Salesforce.com's Enterprise Edition

Salesforce.com's Professional Edition, which lists for \$65 per user per month, was offered to Gartner for the scenario at a 25 percent discount (that is, base volume and signing a three-year contract), along with its Offline Edition for free for mobile salespeople, but it did not meet Gartner's TCO model requirements as it lacks programmatic workflow (that is, it does contain some workflow, including lead and case routing, approval workflow, escalations and notifications). Thus, Gartner focused on the Enterprise Edition for the TCO model.

The Enterprise Edition (that is, the Spring '04 Release, launched April 12, 2004), meets most of Gartner's features requirements because improvements have been made in the new release in the areas of case and solution management and lead deduplication (that is, checking for duplicate records). However, it is costly throughout three years if enterprises have to pay list pricing (that is, \$125 per user per month). It is important to keep in mind that Salesforce.com is a "software as a service" provider, meaning enterprises do not buy the software. Instead, users pay a monthly fee to use the software hosted by Salesforce.com. The other options in Gartner's analysis are on-premise solutions, although most vendors offer hosted options. For a product profile of Salesforce.com, see "Salesforce.com S3 Hosted Solution," DPRO-109618. Because Gartner receives a significant number of inquiries on Salesforce.com pricing, more detail is provided on it than others.

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In Gartner's TCO model, Salesforce.com provided a 25 percent discount off list price based on the number of users and signing a three-year contract. Many Salesforce.com Enterprise Edition clients cited a range of prices, with some paying:

- As low as \$50 per user per month, including Gold support for 190 users
- \$65 per user per month (that is, 65 users)
- \$100 per user per month (that is, 175 users)
- \$105 per user per month (that is, 61 users)
- \$115 per user per month including Gold Support (that is, 350 users)
- Less than \$33 per user per month (that is, more than 1,000 users)

Thus, pricing varied widely depending on many factors such as:

- The skill of the negotiator at the time the application is purchased
- If an enterprise did an upgrade from Professional Edition
- The length of the contract signed
- The number of users
- If the enterprise agrees to serve as a reference
- What the enterprise might be willing to pay upfront

One client recently reported purchasing 125 users of the Enterprise version (which has a list price of \$1,500 a year per user), for a 25 percent discount for a two-year term of agreement. This enterprise felt it could have gotten a 30 percent to 33 percent discount for a three-year term. This appears to be the norm currently, which matches Gartner's model.

For services, most users reported buying very few professional services from Salesforce.com. Some reported spending approximately \$12,500 on Salesforce.com professional services, which is a quick start program it offers. However, most realized that to get a more useful system, they needed to invest quite a bit more internally on tasks such as defining processes, validating data and adding workflow capabilities, which Salesforce.com only recently added. One client with 350 users reported spending about \$125,000 on services, while another with 170 users reported spending approximately \$60,000 on internal resources to implement the solution. In Gartner's TCO scenario, Salesforce.com's response assumes no implementation fees from the vendor, but Gartner has added about \$52,000 in internal staff fees for implementation.

The model assumes that users will take advantage of the free training included in the base cost of the service for end-users, system administrators and (where applicable) for developers. In addition, Salesforce.com offers more than 17 classes in multiple tracks, all accessible via the "training" link inside the application.

Integration costs for a point-to-point solution (that is, any field to any field, and as many fields as a user wants, including custom fields), were quoted at \$1,000. Plus, Salesforce.com offers off-the-shelf connectors for less than \$500 to popular mid-market accounting and enterprise resource planning packages (such as Quickbooks, Best Software's MAS 500, Great Plains, Best Software's MAS 90/MAS

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200, ACCPAC International's Advantage, Microsoft Business Solutions' Small Business Manager, Microsoft Business Solutions' Navision and Platinum for Windows by Best).

Salesforce.com provides some simple tools for its customers to import their own data; and in Gartner's scenario, Salesforce.com offered to assist with data conversion for free. No maintenance and support fees exist beyond the monthly fee; however, Salesforce.com offers a more premium (for example, dedicated support specialist) support package called Gold Support for \$250 per user per year. Gartner has seen it offered for \$150 per user per year to a client that had more than 1,000 users. Some clients report the support that comes with the monthly service is good enough so far. For upgrades, Gartner budgeted no resources, as upgrades are done by Salesforce.com (that is, three to four times a year). Gartner did include a part time internal CRM administrator throughout the three years.

What the TCO model does not reflect well is the ease of support for Salesforce.com compared to competitive solutions reviewed here (such as fairly transparent upgrades three to four times a year and no need for a database and operating system administrator). The product scored the highest in user satisfaction in Gartner's MSB CRM user survey (see "SMBs Report High User Satisfaction With CRM Software," M-21-4290). The model also does not reflect well the fact that with a CRM service, there will be no tax benefit (such as write-offs for depreciation of software and hardware assets). Also not included are the telecommunication charges for the service, and Gartner did not add any internal ongoing developer fees, although Salesforce.com's sforce is available for free with Enterprise Edition for internal IT staff and developers to programmatically extend Salesforce.com.

Overall, Salesforce.com Enterprise is a good enough feature fit per Gartner's scenario requirements. The product is improving rapidly in features that users would need to be more effective with the solution over time. The price quoted throughout three years is attractive for MSB-size implementations, and enterprises like the low hassles of an application service provider model.

3.4 Siebel's Siebel Professional Edition

On 2 March 2004, Siebel announced it was repackaging, repricing and improving the usability of its midmarket offering to better meet the needs of MSBs. It has transformed Siebel Midmarket Edition (MME), priced at \$1,200 list into Siebel Professional Edition, priced at \$995 per user. Siebel is offering a fixed-price implementation, conducted in six weeks, of sales and service features for up to 200 users for \$54,000 (that is no training or integration and only minor customization included). Siebel Professional Edition includes:

- A good set of base CRM features and 35 new or enhanced modules
- Improvements in usability and system response time
- The ability to select which six to eight modules the enterprise would like to have in addition to the base product, and these are included in the \$995 user fee

Also included is the ability to license any additional Siebel modules for an additional cost. In the past, Siebel MME users were unable to license some Siebel modules like Siebel handhelds that were only available to Siebel Enterprise users. Although the fixed-price implementation Siebel is offering with Siebel Professional Edition does not meet Gartner's scenario needs, the product does and the software price is compelling. However, Siebel was unable to complete the TCO scenario for Siebel Professional Edition in time for Gartner's TCO analysis this round, as the product has just been launched, and Siebel's first customers are in the process of deploying it now.

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3.5 Siebel's Siebel OnDemand

Siebel offers Siebel OnDemand for approximately \$70 per user per month for those requiring an even less complex CRM solution to deploy and maintain (see "Siebel OnDemand Shows Opportunity, Not Strategy," E-21-2730). The product did not meet Gartner's scenario requirements, as a mobile sales product was just introduced in March 2004 and was not available when Gartner selected its shortlist. Siebel could not provide costs for its new Siebel OnDemand offering in time for Gartner's TCO analysis this round, as the product had just been launched in December 2003; and Siebel is just in the process of producing user references.

3.6 Siebel's Siebel MidMarket Edition (a discontinued product)

Because Siebel has re-examined Siebel MidMarket Edition (MME) and has been working with charter customers to more specifically address midmarket client requirements, Gartner provides data on pricing for MME so enterprises can compare it to Siebel's new Professional Edition to validate Siebel's claims. Siebel is also a vendor that Gartner receives many pricing inquiries about, so more detail is provided on Siebel than some of the other suppliers covered in Gartner analysis.

In Gartner's TCO model, Siebel states a list price of \$1,200 per user, with a 20 percent discount for \$960 per user. The solution includes some features beyond what Gartner's scenario called for (such as quotes and order entry, expense reports, defining up-sell and cross-sell campaigns for agents, enabling personalized e-mail and Web-based offers to prospects, and tracking Web responses and purchases to monitor campaign effectiveness). However, Siebel MME users that Gartner surveyed reported spending on average \$2,830 per user for Siebel software (that is, it ranged from \$2,000 to \$4,400 per user). Most likely, the reason for the higher reported costs is that Siebel typically sells a more complex solution than Gartner's scenario requires, which means that users bought add-on modules (for example, for customer access or partner access or vertical templates for industry customization). For a complete list of features and add-on options, see "Siebel MidMarket Edition (MME)," DPRO-119033. With the new Siebel Professional Edition, Siebel offers a good variety of features to select from, at a software price in line with competitors.

In terms of implementation fees, in the TCO model, Gartner budgeted approximately \$238,000 for implementation services based on a bid from Siebel and the internal deployment staff that was added (that is, three resources for 79 days), which is approximately \$2,200 per user for 171 users (that is, although services pricing is not sold per user, Gartner created averages for the purposes of comparison). However, the Siebel MME users Gartner surveyed reported spending \$55,000 to \$1.5 million on services to deploy Siebel (that is, either from Siebel services or Siebel partners) for 10 to 166 Siebel MME users, which is an average of \$5,600 in services per user licensed. Siebel stated that only about \$18,000 was needed for hardware to run the application, yet users reported — in some cases — spending more than \$100,000 on hardware. Overall, Gartner is concerned that services and hardware could cost more than what the TCO model shows based on user feedback.

Initial maintenance and support is 20 percent of list, with a 4 percent uplift year over year. In comparison, one vendor reported reducing maintenance fees as contracts are renewed to keep clients on support programs. In the TCO model, Siebel quoted list pricing for maintenance and support, although users report spending between 15 percent and 20 percent of the purchase price — not list price — of the software on annual maintenance and support. Siebel Professional Edition will have a similar maintenance fee schedule. Gartner budgeted for a minor upgrade in year two (that is, a staff of three for 30 days) and a major upgrade in year three (that is, a staff of three for 60 days). Gartner also included a part-time developer and part-time CRM system administrator throughout the three years.

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Siebel has reduced its software and services prices to be more in line with midmarket-focused competitors. Siebel started sharing the new pricing with Gartner when completing the TCO scenario and has recently launched Siebel Professional Edition in response. Prospective buyers should use the data to ensure they get a competitively priced solution if Siebel and its new Siebel Professional Edition is the product of choice.

Although it appears that Siebel is lowering the pricing of its software for MSBs with Siebel Professional Edition and putting together competitively priced service packages, only time will tell if implementation, hardware and other services costs will decrease as well. Enterprises should be concerned about moving forward with Siebel Professional Edition because of potential high costs, but the feature set is very appealing per Gartner's scenario requirements, which might compel enterprises to take the risk.

3.7 Onyx Enterprise CRM

Onyx's Employee Portal lists for \$2,000 to \$2,500 per seat, depending on user role. In Gartner's TCO model, Onyx offers a good discount off list price, which comes to less than \$1,300 per user for software, including the database software. Enterprises that Gartner surveyed reported paying approximately \$2,000 to \$2,400 per seat; however, due to the competitive landscape, Onyx is offering better discounts now.

Onyx assumes approximately \$50,000 for server hardware, which matches what Gartner heard from users. For services fees, users reported spending approximately \$100,000 to \$145,000 for 50 to 140 Onyx users, which is — again — close to what Onyx quoted for services for the Gartner scenario (that is, \$157,000 for 170 users). Plus, Gartner added internal staff for deployment (that is, three resources for 107 days) estimating total implementation costs of about \$275,000. Onyx also offers a solution called CRM Express that provides a pre-configured implementation and up to 50 licenses of full CRM functionality (that is, marketing, sales and service) for \$119,900. However, for an account the size and breadth described in the TCO scenario, Onyx would most likely propose a more traditional implementation, which is what the prices in this research reflects.

For features, the solution meets Gartner's requirements well; however, the mobile sales product is new and untested. For a product profile with a list of features, see "Onyx Enterprise CRM Service Solution," DPRO-98071, "Onyx Enterprise CRM Sales Solution," DPRO-94022, and "Onyx Enterprise CRM Marketing Solution," DPRO-102536. Onyx does not modularize its functionality to the extent that other vendors do. As a result, enterprises tend to get a more complete set of functionality for each respective area (that is, marketing, sales and service) without having to pay for additional modules. However, enterprises pay a slightly higher price for the software compared to alternatives if they do not need those additional features that are included in the Onyx price.

Maintenance and support is priced at 18 percent of list pricing in Gartner's TCO scenario. Onyx maintenance fees would remain constant in the scenario, as Onyx's policy does not call for maintenance increases over time. However, its maintenance fees are based on list price, so it is possible for maintenance fees to increase as list prices increase; but Onyx has not increased its list prices in the past several years.

For upgrades, the part-time internal CRM administrator and developer Gartner budgeted for throughout the three years will perform minor system upgrades in years one and two. For year three, Gartner budgeted for a major software upgrade by Onyx Professional services for \$20,000. The associated costs can range from a couple of thousand dollars to approximately \$20,000. Onyx recommends its clients do a thorough regression test prior to going live, so Gartner went with the higher estimate to be safe.

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Overall, Gartner is fairly confident in the cost estimates for Onyx throughout the three years and, therefore, consider Onyx to offer a good solution per the TCO scenario requirements. The Onyx solution is a good fit for customer service and support people. The product architecture is appealing, as are the partner and customer portals, which enterprises may want to add in the future. During reference checks, Onyx customers were quite satisfied. Onyx also offers a hosting option through IBM, Onyx OnDemand, for \$125 per user per month plus set-up costs for those that like the product but prefer a hosted solution.

3.8 Pivotal's Pivotal CRM v. 5

Pivotal's product lists for \$600 to \$1,200 per user, depending on user role. In Gartner's TCO scenario, Pivotal offers a 40 percent volume discount, which comes to \$936 per user. However, users that Gartner surveyed reported paying approximately \$1,360 per user for Pivotal software. Due to the competitive landscape, Pivotal is offering better discounts now; and Pivotal clients are using a variety of add-on modules that Pivotal offers for an added fee (for example, a sales configuration system or computer-telephony integration, which were not requirements in the TCO scenario). Gartner's scenario was fairly simple compared to what most Pivotal clients surveyed had implemented. For features, the base product meets Gartner's scenario well and allows developers to easily add on to the product. For a product profile with a list of features, see "Pivotal CRM v5.0," DPRO-118222.

Gartner's TCO scenario assumes Pivotal's FastPath implementation of its Pivotal Sales product in 30 days and its Pivotal Service product in 30 days. These are \$70,000 each, including training users. The Pivotal services fees come out to approximately \$160,000 or \$935 per user for Gartner's scenario (that is, although services pricing is not purchased per user, Gartner has created average for the purposes of the comparison). Surveyed clients with 75 to 260 Pivotal users reported spending \$40,000 to more than \$350,000 in services to deploy Pivotal, which is an average of \$1,336 in services per user licensed — not including internal staff. This is just slightly more than what Gartner's model showed, as Pivotal is now offering India labor rates. Gartner added internal staff (that is, three resources for 143 days) on the project for total implementation fees of approximately \$318,000 for the TCO scenario. The FastPath implementation has some limitations but meets the TCO scenario requirements. The price in Gartner's scenario does not include the MarketFirst product that Pivotal acquired for marketing campaign management. Instead, the scenario includes a less costly, simpler option for list and campaign tracking that is sold as part of the Pivotal sales product, which may meet the scenario requirements. The MarketFirst product would have brought the price up too much compared to competitive offerings. If enterprises wanted to add sophisticated marketing automation capabilities via Pivotal MarketFirst, Pivotal estimates the TCO would be an additional \$670 per user throughout three years.

For Gartner's scenario, Pivotal stated that server hardware would be \$6,633; but the users Gartner surveyed reported spending on average approximately \$64,000 for server hardware for Pivotal. The least expensive hardware investment reported by a client was \$19,000, and it had 75 users and one server. So, the Pivotal-supplied hardware cost estimate seems inadequate. Eleven clients that Gartner surveyed had two or more servers for their Pivotal installation. Some Pivotal users reported having five, six and seven servers. These clients had from 60 to 850 CRM users.

Only two Pivotal users that Gartner surveyed had just one server. See Table 4 for examples.

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Table 4. Estimated Hardware Costs Per Number of Servers and Pivotal Users

Number of users	Number of servers	Hardware cost
75 users	one server	\$19,000
75 users	one server	\$50,000
220 field sales users	two servers	\$25,000

Although \$25,000 is a more realistic estimate for hardware, Gartner kept the Pivotal bid in the TCO scenario so prospective clients could ask Pivotal to demonstrate how its solution can be deployed for such a small hardware investment with the desired or required performance.

The cost estimate for integration is derived from non-real-time integration to Great Plains, taking three weeks of Pivotal professional services at a 20 percent discount and using an India labor rate of \$50 per hour. This amounts to less than what other vendors (that is, except Salesforce.com) suggested the costs of integration would be for the TCO scenario. Pivotal's investment in India labor can benefit enterprises here: however, the \$50 rate is high compared to the rates of Indian services firms that charge \$30 to \$35 for implementing alternative CRM packages.

Pivotal's policy is to provide maintenance at list price. However, in Gartner's scenario, Pivotal offered maintenance at 18 percent of the discounted price of the software — not the list price.

For upgrades, the part-time internal CRM administrator and developer Gartner budgeted for throughout the three years will perform minor system upgrades in years one and three. For year two, Gartner budgeted for a major software upgrade to take 120 hours of work done by Pivotal's Professional services, split in the following way: 90 hours in its Offshore Solution Development Center at \$50 per hour, plus 30 hours for a system engineer at \$180 per hour for a total cost of \$9900. Again, Pivotal's investment in India labor can benefit enterprises in cost reduction for major upgrades.

Overall, the Pivotal supplied costs in Gartner's scenario suggest approximately \$3,466 per user to deploy Pivotal; and end users report spending approximately \$3,487 to deploy and support Pivotal in year one. Thus, Gartner's cost estimates for the TCO scenario are close. However, prospective users need to carefully evaluate their own internal IT infrastructure and their ability to support the Pivotal system without a large infrastructure investment that could cause costs to be higher than estimated.

Although the features per Gartner's scenario requirements compared favorably, Gartner is not confident in the three-year cost estimates because of concerns about hardware costs. Many enterprises would likely want some of the Pivotal software add-ons that are appealing (for example, the MarketFirst product, the sales configuration system, and the customer and partner portals). Thus, enterprises choosing Pivotal as a CRM supplier would have to further evaluate the add-on features it offers and their associated costs. This would likely require an adjustment to the budget for a larger investment in the technology and support of Pivotal throughout the three years than what was planned for in the TCO scenario.

4.0 Solutions Rated the Highest by Users in Price for the Value Received

When Gartner checked user references from June to October 2003, we asked users to rate their CRM solution on a scale of 1 to 10, with 10 being the best in price for the value received. Users rated Microsoft CRM the highest followed by Salesforce.com, then SalesLogix. Pivotal and Siebel scored below the survey average in price for the value received by their users (see Figure 7). However, it is important to point out that — for example — Microsoft CRM customer expectations are far lower than those for Siebel

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MME. Siebel users cited great expectations from Siebel per its high price and leadership in the CRM market, whereas Microsoft CRM users had lower expectations of Microsoft CRM per it being a Version 1 product. Thus most were pleasantly surprised at the value they received for the price paid.

Vendor	Price paid for value received:
Microsoft CRM	8.9
Salesforce.com	8.6
Onyx	8.4
SalesLogix	8.2
Survey average	8.1
Pivotal	7.5
Siebel MidMarket Edition	7.2

Source: Gartner Research

Figure 7. Users Rate CRM Solutions: Value for the Price Paid

Although the sample is small, based on inquiries to Gartner, the data in Figure 7 serves as a guideline of the trends in the overall user base.

5.0 Conclusion

CRM software has become incredibly affordable for MSBs and smaller firms, and overwhelming proof of the benefits of CRM initiatives exist among MSBs. Therefore, MSBs evaluating CRM software suites should use the cost data reported in this research as a negotiation vehicle for ensuring a competitive price when purchasing a CRM suite. For those MSBs that have yet to invest in CRM software, to remain competitive, plan to spend from \$3,900 to \$5,400 per user — at a minimum — on CRM software and services throughout the next three years, not including internal help desk, user laptops and desktops, and telecommunication charges. For 171 CRM users, from Gartner's shortlist, Microsoft with its Microsoft CRM and Best Software with its SalesLogix product offer the lowest cost solutions throughout three years. Salesforce.com offers much lower IT hassles and can cost less than SalesLogix or Microsoft CRM throughout three years for fewer users (such as 40 CRM users) and for those organizations that lack a good IT infrastructure in house to deploy and maintain the system. Onyx, Pivotal and Siebel offer broader and deeper functionality for MSBs but at higher price points. Enterprises should conduct their own cost/benefit analysis of this added functionality. Benefits might far outweigh the incremental costs, so decisions should not be made on cost alone.

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Appendix A: Acronym Key

CRM customer relationship management

MME MidMarket Edition (Siebel)

MSB midsize business

TCO total cost of ownership

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