

To Build or Buy CRM?

A white paper about building or buying a CRM solution

by Rich Hall
Vice President of Sales and Marketing, Touchtone Corporation

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Should you build or buy the CRM solution for your organization? Following is some food for thought. Your goal should be to make the right choice between implementing a packaged solution and using internal or external IT resources to build one.

While totally custom CRM software is not dead, a decision to build your own CRM can be a dangerous one. The key to getting the right solution for your organization must hinge on the ability to customize a solution to meet your needs. According to an August 2002 Forrester Research brief, internal CRM systems still account for a substantial number of installations. The success of these projects depends largely on how close the coordination is between an organization's IT and business objectives. The stronger the tie, the more likely internal developers will be tapped.

"From all the surveys we've done, certainly the in-house CRM deployments have led by a wide margin over any other vendor in terms of what people are really using," says AMR Research senior analyst Kevin Scott. As solutions from dedicated CRM vendors evolve, however, in Scott's opinion the "build" decision is relevant for a shrinking number of organizations. Why, is this the case? Because so many packaged CRM solutions have fixed fields that don't allow companies to have the specific information they need to improve their processes. If customization requires a programmer and 16 weeks for a few changes, CRM users will say "forget it!" Wintouch eCRM from Touchtone Corporation is one of the few solutions that allows the user to change the look and feel of CRM screens, to meet a user's requirements. Other CRM vendors typically say you must hire their expensive programmers to make custom changes, that are then "locked-in" until you hire them back again.

The ground-up, "build-it" approach definitely has its challenges. For example, the risk is entirely internal. "You have no protections if the code doesn't work, and I would say most companies don't tend to use lessons learned from past projects to steer their own internal customer in the right direction," says Beth Eisenfeld, a senior analyst with research firm Gartner Inc.

In a tight market, internalizing development can seem like an attractive way to use existing resources. But some experts warn that custom development is often more expensive in the long run. In particular, planners usually fail to factor in: support, maintenance, and upgrades as true costs of the system--a system that IT will have to continue to staff. "From my past experience with other companies, where we built our own applications, you pay for it and keep paying time and time again," says Debra Morton, director of business systems for enterprise storage vendor McData of Broomfield, CO.

Some aspects of customer interaction have a relatively common, predictable workflow. This is where packaged software has almost total dominance. "The call center is an area where normally there's a finite set of activities that occur, and you can pretty much configure off-the-shelf solutions [to fit,]" says a managing director of a CRM consultancy group.



Internal developers have a harder time denying spurious feature requests, which results in an unwieldy application that is expensive to manage and maintain, according to Sheryl Kingstone, a program manager with research firm Yankee Group. "You're better off shutting off some functionality [in a packaged application] and following a workflow than to try to make it fit everything under the sun."

Exactly What You Want

The time and effort involved in replicating the available features of a major CRM system would be staggering. While developing your own CRM package sounds like a good idea, there is good reason that it has taken the CRM companies years to perfect many features and functionality. Companies need features and data that they view as critical to their own organization and few software packages offer the ability to have what they want, and to change it themselves over time. Most software vendors force the customer to use their software the way it comes. Customization of these standard packages is expensive, proprietary, and it affects the upgrade path and maintenance issues. This is one reason that Wintouch eCRM is gaining in popularity among OS/400 users. It is easy to customize to meet your individual needs, and the main source code stays in tact, enabling easy upgrades and long-term flexibility as the organization changes and grows.

Are Brands Best?

For companies that don't have specific requirements, packaged software provides an immediate breadth of functionality that would be difficult to cost-effectively capture with internal development. And the increasing availability of preconfigured vertical versions of industry-leading CRM suites is another compelling reason to consider implementing a packaged solution. Although you may want to consider easily customized CRM applications, because vertical solutions are often premium-priced and do not necessarily represent premium benefits. One large membership organization acquired the easily customized Wintouch eCRM software for the iSeries. The organization paid about half of what other CRM solutions were charging and they will actually get more functionality from Wintouch.

However, some industries are still better served than others, says Brian Crockett, an associate partner at Accenture. "In the hospitality business, some of the leading software providers are just beginning to develop [vertical applications]," he says, noting that the challenges posed by reservation engines and on-site property management programs are not the same as, for instance, a relatively standardized CRM-ERP integration.

There is also the argument that in many cases packaged software ends up being significantly faster to implement and deploy than a custom solution. One consultant, who oversees custom development and packaged CRM customization and integration projects, estimates that a software build cycle typically extends the term of the project between 30 and 50 percent. Much of this timeframe is dependent on how sharp the implementers are and how quickly the customer can decide on what they want the system to do.

That time can get expensive, of course. But one bank's IT manager feels that the company's own development team benefited from working closely with the outside developers on a ground-up project. "They don't get the opportunity to get involved with new technologies if we just buy things and install," she says.

When to Customize

With a CRM project of any appreciable scope, a company must configure or customize a packaged solution to best fit its needs. For some organizations it can be easier to work within the bounds of a shipped product configuration if the business implications of that software are worked into the company's processes before the new CRM software goes live.

Even with a multiyear project plan, Community First Bankshares of Fargo, ND, did not want to build a CRM platform from scratch or go with a product that would have to be massively retooled to fit its needs. So the bank's internal IT staff is doing what some might consider



working backwards. The IT staff is building an integration platform, including performing database merges, before implementing a new CRM system.

If component-based development such as J2EE and .Net catches on in a substantial way, those technologies may make a good marriage of both the build and the buy worlds, with greater speed and lower cost than either offers today, experts say. CRM specialists could create highly flexible modules for sales, service, logistics, and back-office interface, while internal or commissioned experts integrate and shuffle the pieces in a manner that best suits the company structure. Touchtone Corporation's Wintouch eCRM solution combines the best of a preservation of existing AS/400 hardware and software, with the latest in GUI, Java, browser-based access to account and back end data and systems. If you haven't seen their software, you really owe it to yourself to look at it.

In the meantime, companies should carefully consider whether their IT resources are best spent reinventing a wheel that the CRM vendors in their tier have already built. "It really gets down to opportunity cost," Kingstone says. "Is that the best use of that person's time, creating something that's already been built, versus taking that and deploying it in a more effective manner that will automatically in the future be able to be maintained by someone else?" Think about it!