HOW PURCHASE DECISION MAKERS ARRIVE AT A FAIR PRICE FOR SUBSCRIPTION-BASED CRM

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What is CRM?
- Customer Relationship Management

a model for managing a company’s interactions with current and future customers. It involves using technology to organize, automate, and synchronize sales, marketing, customer service, and technical support
CRM VENDORS

Microsoft Dynamics CRM

SUGARCRM

salesforce

ORACLE

CRM ON DEMAND
APPROACHES TO CRM

- PREMISES-BASED
  - Company owns CRM

- SUBSCRIPTION-BASED
  - Vendors owns CRM
According to new research from AMI-Partners (SMB 2012). In its latest “US SMB Cloud Services Study,”

- AMI determined that the subscription-based CRM market – already representing 570,000 U.S. SMB firms – is set to undergo double-digit year-over-year growth in the next five years (SMB 2012). Spending on subscription-based CRM will outpace premises-based CRM by nearly four to one, the firm predicts (SMB 2012).

- According to CIO Insight, CRM ranked first on the list of the top types of applications being sought in a subscription-based model today (SMB 2012).
SUBSCRIPTION-BASED CRM

- This research is an analysis of how purchase decision makers evaluate the price of subscription, cloud-based CRM solutions.
- To assist subscription, cloud-based CRM vendors with insight on how to better price their products.
HYPOTHESIS

- Purchase decision makers are identifying a price point across some horizon at which they will be indifferent financially to the buy-versus-rent decision.
METHODS

- 5 Business Executives with Marketing or IT Titles
- 10-20 minutes
- 3 questions
- Not Statistical in Nature
- Role of Price
DISCUSSION

- Data Sensitivity
- Availability of Internal IT Resources
- Customizability
- Configurability
WHAT ABOUT PRICE?

- 2/5 actively engaging in price analysis
  - “We did a six year total cost of ownership analysis.” – Director of Business Systems
  - “We measured the recurring annual cost for Salesforce, against what Microsoft Dynamics was providing for us” – Business Application Manager
“Price was a factor, but the cost of us losing client data, far outweighed any differential in price on an annual basis.” – Director of Client Management
CONCLUSION

- Based upon the people that we interviewed, it appears that people are not using a price parity approach to come up with a price that would make them indifferent financially to purchasing a premises-based solution.
  - Price in not the only thing that business purchase decision makers are equating.
  - There are other things that are of value to both subscription-based, and premises based buyers.
  - There are other advantages to subscription-based solutions that allows cloud vendors to be able to charge more.
  - There are advantages to premises-based solutions that allows for a price ceiling to be put in place to restrict cloud vendors from charging more.
REFERENCES


QUESTIONS?