

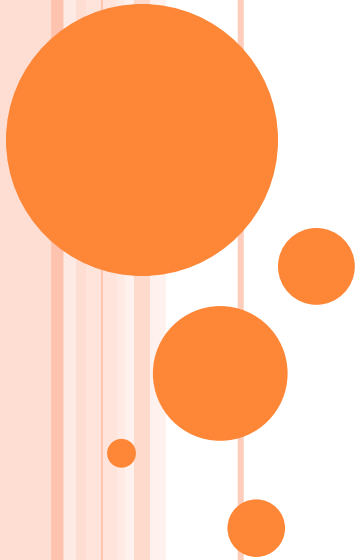
# HOW PURCHASE DECISION MAKERS ARRIVE AT A FAIR PRICE FOR SUBSCRIPTION-BASED CRM

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**Instructor of Marketing: Scott Rex**

**McNair Scholars Program 2013**

**Marquette University**



# BACKGROUND

- 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



# STARBUCKS COFFEE



Search All Contacts ▾

A-Z ▾ Advanced Search

☒ Display all contacts

START ▾

YourCo

Name Social Media Telephone Type ⚙

ABC S Edit Contact - Mick Green

close ✕

Overview Product Information Relationships Activity Timesheet Files

## ▼ Basic Info

Title: Mr ▾

First Name: Mick

Last Name: Green



Job Title:

Company: ▾

Contact Source: ▾

Access: Company ▾

Contact Type: ▾

## ▼ Social Media

Facebook: mick.green@20four7.com ▸

Twitter: mick.green@20four7.com ▸

Skype: Mickgreen ▸

YouTube: youtube.com/channelname ▸

Flickr: flickr.com/username ▸

## ▼ Contact Numbers

Home Phone: 01234 567890

Work Phone: 01234985673

Mobile Phone: 072796543587

+ Add Another

## ▼ Email Addresses

Primary Email: mick.green@20four7.com ▸

+ Add Another

## ▼ Websites

Enter a website address ▸

+ Add Another

## ▼ Groups

☐ Expert Witness☐ HR☐ JOHN☐ North-West☐ Retail Security

## ▼ Work Address ▾

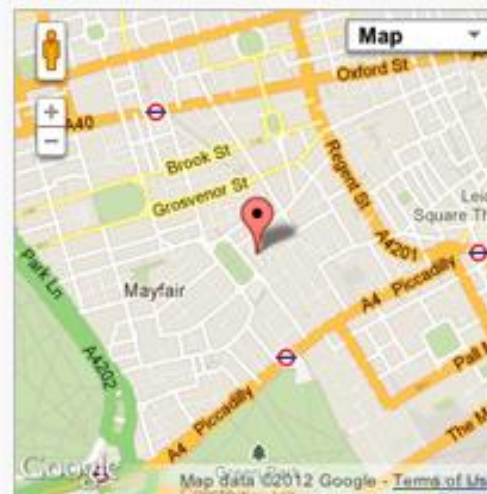
Street:

City/Town:

County/State:

Zip/Post Code: W1J 6BD

Country: United Kingdom ▾



Edit Photo

Close

Save &amp; Add New Contact

Save &amp; Close

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# CRM VENDORS



# APPROACHES TO CRM

- PREMISES-BASED
  - Company owns CRM



- SUBSCRIPTION-BASED
  - Vendors owns CRM



## LIT REVIEW – SUBSCRIPTION-BASED 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.

Cloud versus premises-based, financial parity								
Number of seats	150							
Cloud: charge/employee/month	\$42.00							
Premises: 1-time expense	\$261,250							
Discount rate for NPV analysis	10.0%							
	Year							
	0	1	2	3	4	5	6	7
Annual expenses, cloud CRM	\$75,600	\$75,600	\$75,600	\$75,600	\$75,600	\$75,600	\$75,600	\$75,600
Annual expenses, premises-based CRM	\$261,250	\$37,463	\$37,463	\$37,463	\$37,463	\$37,463	\$37,463	\$37,463
PVs, cloud	\$75,600	\$68,727	\$62,479	\$56,799	\$51,636	\$46,942	\$42,674	\$38,795
PVs, premises-based	\$261,250	\$34,057	\$30,961	\$28,146	\$25,587	\$23,261	\$21,147	\$19,224
NPV, cloud	\$443,652							
NPV, premises-based	\$443,633							
Cloud versus premises-based	\$20							

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%	

Server	\$4,999							
Per seat license	\$999							
External connector	\$4,999							
Software assurance	25.0%							



# METHODS

- 5 Business Executives with Marketing or IT Titles
- 10-20minutes
- 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

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- “We measured the recurring annual cost for Salesforce, against what Microsoft Dynamics was providing for us” – Business Application Manager



## WHAT ABOUT PRICE? CONT.

“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 is 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

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# QUESTIONS?

