

CRM's Dirty Little Secret: How to Avoid CRM Sticker Shock

An Analysis of Fees, Subscriptions and Hidden Costs



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Executive Overview

The way companies use and pay for customer relationship management (CRM) software has changed significantly over the past decade. Moving from a predominantly perpetual license-based system, where companies paid a large up-front sum and then smaller annual maintenance fees, CRM software providers are now moving towards monthly or annual subscription fees to access CRM software on the Internet.

The various pricing schemes can create confusion among buyers as they try to assess the total cost-of-ownership (TCO) of different CRM services priced under various schemes. For example, there are still several companies offering license-based pricing models. Also, some companies offer a subscription option in addition to a perpetual license option.

The following analysis provides a comparative price analysis of three CRM solutions for midmarket organizations. Forrester Research defines midmarket organizations as any organization, or department with revenues of less than \$1 billion and/or fewer than 2,000 employees. The CRM solutions included in this TCO analysis are:

- Microsoft Dynamics CRM
- Salesforce.com
- SugarCRM

For this analysis we looked at the following costs and requirements: for premise-based solutions we included the server and end-user (named user) licenses and annual support and maintenance fees. For on-demand solutions we looked at the annual end-user (named user) subscription fees. Each solution had to provide mobile access, integration with Microsoft Outlook, a customizable reporting engine and configuration and customization capabilities either as an included feature or available additional add-on purchase. We consider these capabilities “table stakes,” in that every successful modern CRM deployment will require these capabilities in order for the most basic usage and ROI goals to be met.

In addition, we looked at some significant potential hidden fees customers may encounter when using Salesforce.com. These fees can come as a result of arbitrary limitations placed on the edition purchased; or, fees can accrue as part of everyday usage of the system. While there is no absolute in terms of how these hidden fees will affect every deployment, it is important to be aware that some vendors often charge them, and to plan accordingly.

We looked at three year TCO (total cost of ownership) for 100 users across all products and editions mentioned in this report. We also compared three year TCO for 100 users across the most comparable editions offered by the vendors. For each solution, we assumed storage requirements of 15GB per account. We used standard list pricing as available in November 2013. Term, volume and other discounts (such as discounts available under the Microsoft Enterprise Agreement) have not been considered.

Hardware costs for on-premise deployments, such as servers, security firewalls, and other associated costs such as human capital, which are needed to maintain these systems, have not been included in this cost analysis.

All price information is sourced from reputable web sites and referenced throughout the analysis.

Vendor Pricing Analysis

Microsoft Dynamics CRM 2013

Microsoft Dynamics CRM is a full suite of CRM solutions focusing on sales, marketing and customer support. Microsoft Dynamics CRM can be purchased as a premise-based server software solution or as a SaaS deployment with monthly subscription fees.

Microsoft Dynamics CRM

The premise-based Microsoft Dynamics CRM 2013 requires a Server License for each hardware server running the software. Two premise-based Server Editions are available for Microsoft Dynamics CRM 2013:

- Microsoft Dynamics CRM 2013 Workgroup Server 2013 (a maximum of five named User Licenses)
- Microsoft Dynamics CRM Server 2013 (unlimited User Licenses)

Since this study looks at deployments of more than five users, we're only going to review pricing of the Microsoft Dynamics CRM Server 2013.

Microsoft Dynamics CRM 2013 servers are licensed under the Microsoft Server/Client Access License (CAL) licensing model, meaning that they require a separate server license for each server on which the software is installed, plus a User Client Access License for every internal user who accesses CRM. There are several Client Access Licenses available. The most common CAL is the "full" User CAL. A "full" User CAL is a licensed user who has full read and write access to all the Microsoft Dynamics CRM functionality from any device.

In addition, Microsoft also has pricing for External Connectors. The Microsoft Dynamics CRM 2013 External Connectors enable companies to extend Microsoft Dynamics CRM to external users such as customers, partners and suppliers.

Pricing and licensing of Microsoft Dynamics is complex and can vary based on the existing Enterprise Agreement (EA) a company may have in place with Microsoft. For companies who do not have an EA in place, Microsoft offers a Business Ready Licensing plan.

For comparison purposes, we are using Business Ready Licensing pricing with the "full" User CAL pricing in this study.

Microsoft Dynamics CRM 2013 Business Ready Licensing	Microsoft Dynamics CRM Server 2013	
Server CAL (per instance)	\$4,922	Perpetual License Fee
User CAL (Full)	\$983	Perpetual License Fee
External Connector (per server instance)	\$4,999	Perpetual License Fee
Software Assurance (support and maintenance)	25%	Annual Fee

Microsoft Dynamics CRM Online

Microsoft Dynamics CRM Online is a Software-as-a-Service per-user subscription-based model available in 40 countries. Microsoft Dynamics CRM online is sold on an annual commitment basis. The two subscription types are:

- Microsoft Dynamics CRM Online User Subscription License (USL). This includes 5GB of storage per organization
- Microsoft Dynamics CRM Online Storage Add-on

Microsoft Dynamics CRM Online	Monthly subscription per user	Annual subscription per user
CRM Online USL	\$65	\$780
Microsoft Dynamics CRM Online Storage Add-on	\$9.99 per GB per organization	\$119.88 per GB per organization

Salesforce.com

Salesforce.com is delivered solely as a SaaS offering, which means customers do not pay server fees or annual maintenance charges. The subscription fee is inclusive of maintenance, and some (but not all) of the editions include full mobile access, a Microsoft Outlook Plugin, reporting as well as customization and integration capabilities.

The breakdown of subscription list prices for the various Salesforce.com editions is as follows:

Edition	Monthly per-user costs	Annual costs per-user
Contact Manager (no more than 5 users)	\$5	\$60
Salesforce Group (no more than 5 users)	\$25	\$300
Salesforce Professional	\$65	\$780
Salesforce Enterprise	\$125	\$1500
Salesforce Performance	\$300	\$3600

Since this TCO study looks at deployments of more than five users, we are only going to review pricing for Salesforce Professional, Enterprise and Performance editions. In addition, when seeking “full service” CRM covering core sales, marketing and support needs – only Salesforce.com’s Enterprise and Performance editions offer this functionality. Users of all other editions must pay between \$65-\$135 per user, per month to add Service Cloud customer support features; and users of other editions seeking core and advanced marketing capabilities pay additional monthly fees, which can amount to thousands of dollars in additional monthly or annual costs.

Based on the facts above, in our “comparable editions” three-year TCO analysis, we will use Salesforce.com’s Enterprise edition, as it most cost-effectively meets the core requirements of including full service CRM and mobile capabilities.

Hidden Costs

While many CRM systems are sold via a subscription model, customers of Salesforce.com often pay significantly more than the quoted monthly subscription fee due to hidden fees and other limitations that can increase the total cost of ownership.

Salesforce pricing includes upcharges for system usage, which are often very hard to calculate and budget. Just as companies start to gain the most business benefit of CRM, the costs start to grow exponentially. Upcharges include API calls, which equate to connections to other data sources. Storage fees based which can balloon when storing large files such such as PDFs or presentation slide decks in the system. In addition, complete mobile access for some versions, can cost as much as \$50 additional per user, per month. Also, building custom mobile applications on Salesforce’s platform can cost an additional \$300 per application per month. Base subscription fees also do not include access and consumption fees for Salesforce’s Data.com offering.

These upcharges can more than double total system costs. Let’s look more closely at the upcharge for API calls. When connecting to external data sources, such as accounting or social media streams, Salesforce sets a limit on the number of times users can send and receive information between systems. Each time a user checks the accounting records of a customer, or augments the prospect information with Dun & Bradsteet data, for example, the system underneath executes an application programming interface (API) call. If Salesforce.com users go over the maximum allowed number of calls, they are forced to either add more user licenses, or upgrade ALL users to its most expensive Performance edition.

The chart below illustrates how hitting API limits may sharply increase total cost of ownership for 100 users of Salesforce.com Enterprise edition. (Note: full access to Salesforce.com’s API is only available to Enterprise users.)

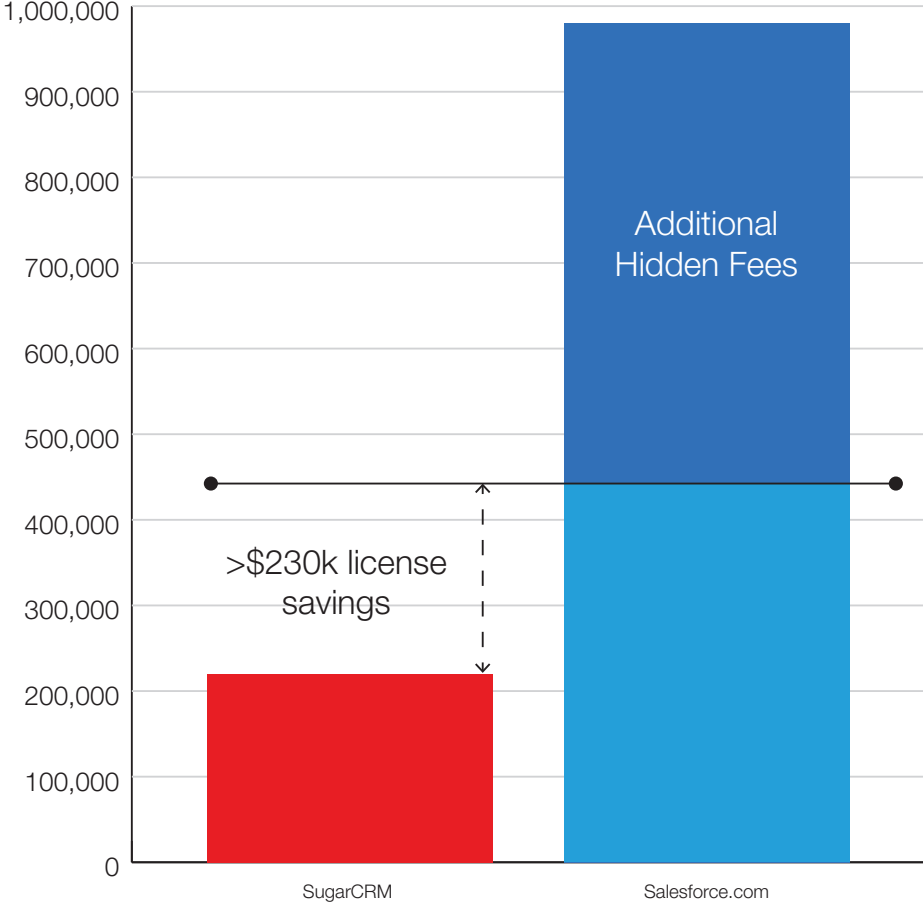
Salesforce.com User Licenses	Total API Calls Allowed	Annual License Costs
100 Enterprise	100,000	\$150,000
110 Enterprise	110,000	\$165,000
150 Enterprise	150,000	\$225,000
Performance Edition Upgrade (100 users)	Unlimited*	\$360,000

*Note: While Performance edition claims API and other customizations are “unlimited,” company guidelines reveal there are limits to all user activities in the system. A Salesforce.com representative can outline these limitations in more detail.

As the chart shows, adding user licenses only slightly increases the amount of API calls, thus making a Performance edition upgrade seem the best path to adding API access rights. Therefore, for implementations with integrations to additional data sources, Performance Edition is the most cost-effective solution with unlimited API calls. This upgrade will increase an organization's total annual subscription costs by 140 percent.

Remember, when being forced to upgrade to a more advanced edition, these additional prices are not one-time server fees—they are annual fees that must be paid each year in order to access company data and CRM system in the manner you see fit. It is important to look at these fees, expanded and long term use cases and data access and storage needs in order to make an informed decision when comparing the true costs of ownership.

3 Year TCO Including Hidden fees: Sugar vs. Salesforce*



* Based on Sugar Enterprise Edition compared to Salesforce Enterprise Edition for 100 users.

It is important to factor in the hidden fees that may accrue when using a product like Salesforce.com. This chart compares the three-year TCO of SugarCRM and Salesforce.com, with the hidden fees included. In addition to a significant subscription difference, the cost gap widens even more broadly when hidden fees are factored into the TCO.

SugarCRM

SugarCRM is offered under a subscription model, similar to Salesforce.com, but with some important differences. SugarCRM's PurePrice™ pricing model means the subscription fee is inclusive of maintenance, and includes mobile access, a Microsoft Outlook Plug-in, reporting as well as customization and integration capabilities. SugarCRM aims to limit the “hidden fees” that some CRM providers do not include in their base license costs.

In addition, Sugar can be deployed either as an on-demand or SaaS deployment, or on the user's own servers. In addition, Sugar can also be deployed on a number of public clouds, including Amazon EC2, Windows Azure, Rackspace and IBM GTS cloud. Sugar partners also deploy customer instances in their private clouds. In contrast with other CRM vendors who offer a choice in deployment, Sugar is priced the same, regardless of deployment option.

Sugar comes in three subscriptions: Professional, Enterprise and Ultimate. Pricing for Sugar editions is the same regardless of deployment model. You can consult <http://www.sugarcrm.com/pricing> for more information around the differences in these versions. Pricing is as follows:

Edition	Monthly User Fee	Annual Cost Per User
Sugar Professional	\$35	\$420
Sugar Enterprise	\$60	\$720
Sugar Ultimate	\$150	\$1800

Three-Year TCO Analysis

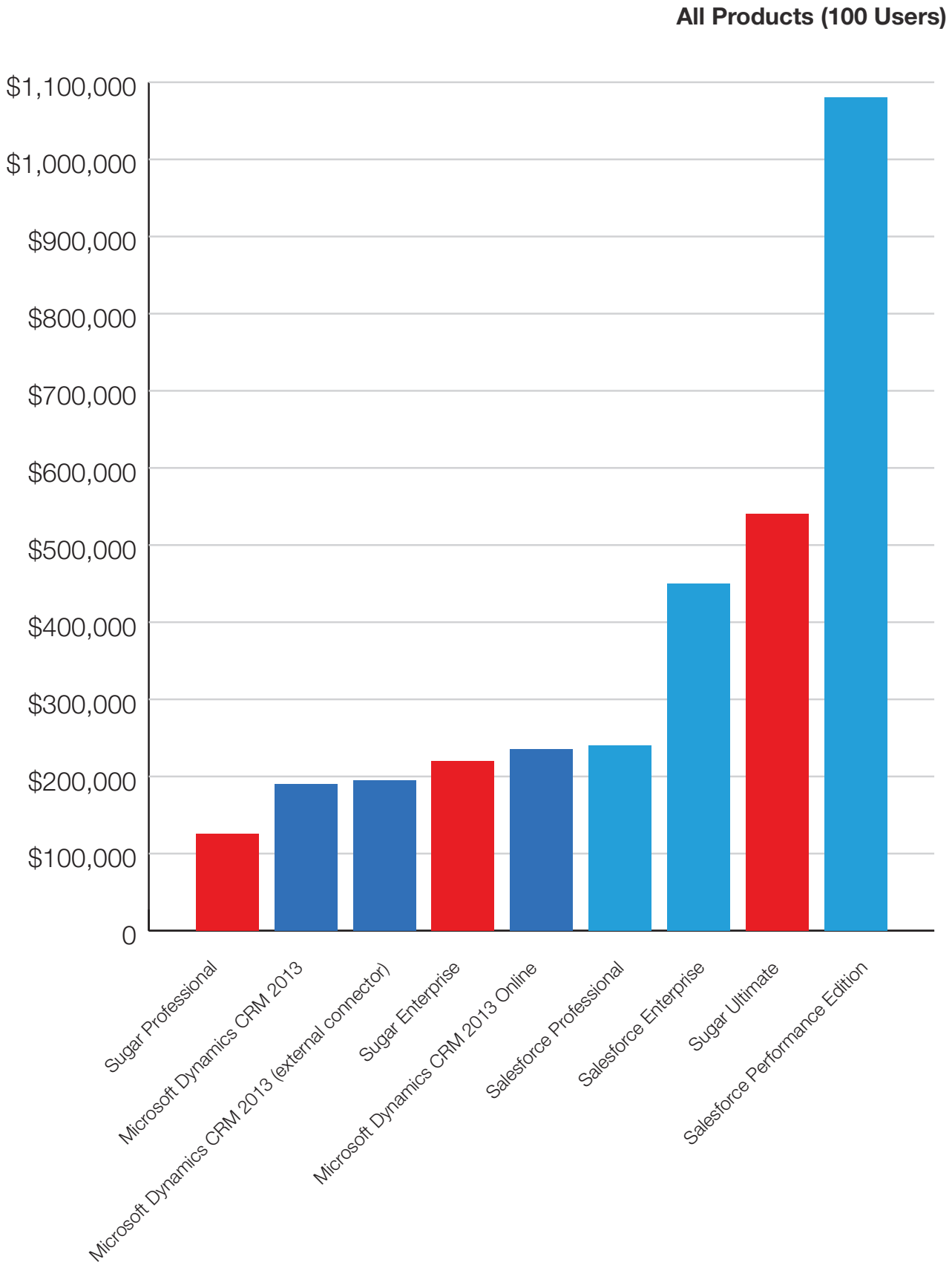
No two CRM solutions are the same, and of course pricing varies as well. Because of the wide difference between the up-front and continuing costs across product offerings, a single-user or single-year cost analysis is incomplete. Instead, it becomes necessary to compare the total costs of the various CRM offerings and delivery models over time.

For this analysis we looked at the following costs and requirements: for premise-based solutions we included the server and end-user (named user) licenses and annual support and maintenance fees. For on-demand solutions we looked at the annual end-user (named user) subscription fees. Each solution had to include mobile access, integration with Microsoft Outlook, a customizable reporting engine and configuration and customization capabilities.

We looked at the three-year TCO (total cost of ownership) for a 100-user deployment across all products researched in this report. We then selected the most cost-effective solution for each vendor for the functionality specified. We are assuming the following storage requirements: 5GB for the 10-user; 10GB for the 25-user; 15GB for the 100-user and 25GB for the 500-user deployments. For this analysis, we used standard list pricing as available in November 2013. Term, volume and other discounts (such as discounts available under the Microsoft Enterprise Agreement) have not been considered. Pricing is in US dollars.

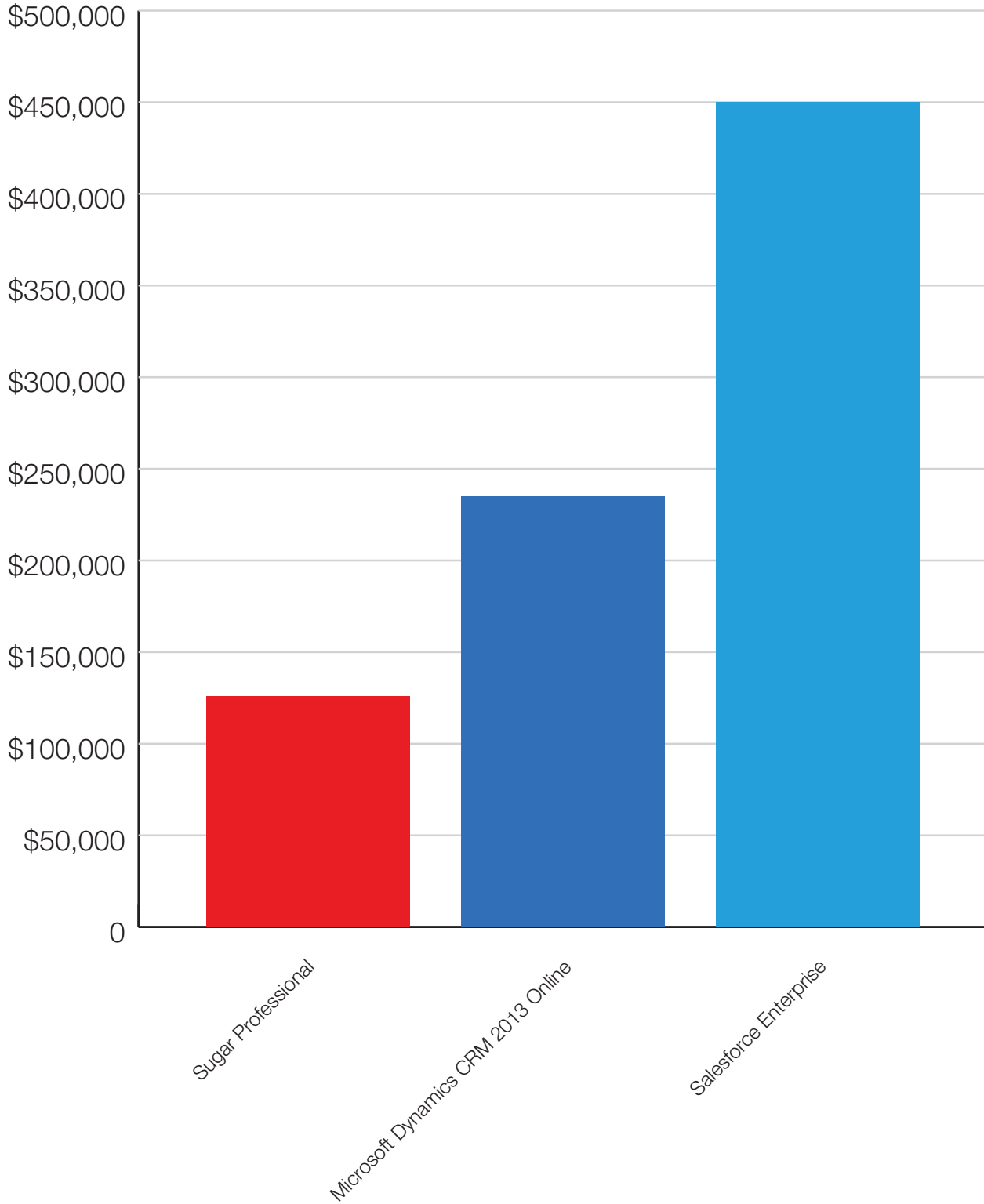
Hardware costs for on-premise deployments, such as servers, security firewalls, and other associated costs such as human capital, which are needed to maintain these systems, have not been included in this cost analysis.

3 Year TCO



3 Year TCO

Comparable Products (100 Users)



Conclusion

Choosing the right CRM for your business includes many factors. Total cost of ownership is but one of these factors. However, the importance of low TCO increases when considering the lifecycle of the CRM deployment. Choosing an inexpensive, the CRM may seem a smart choice now. But if that system cannot scale as your business grows, the deployment can prove more costly in the long run. Also, while some products seem to be licensed at a certain price, be sure to ask questions regarding additional fees to integrate that CRM tool with other systems, or for mobile access.

This short analysis provides some basic insight into the costs of buying and maintaining a CRM system. Several pricing and deployment models exist—and it is important to understand which model best addresses the pressing business issues. Before making any decision, be sure to plot out the value to be generated from the deployment, including, but not limited to, the hard dollar costs.

Appendix/References

List Pricing for Microsoft Dynamics CRM: <https://mspartner.microsoft.com/en/us/Pages/Licensing/microsoft-dynamics-crm-pricing-and-licensing.aspx>

List Pricing for Salesforce.com: <http://www.salesforce.com/crm/editions-pricing.jsp>

List Pricing for SugarCRM: <http://www.sugarcrm.com/pricing>

SugarCRM

SugarCRM's market-leading Customer Relationship Management (CRM) platform delivers an indispensable tool for every individual who engages with customers. SugarCRM provides enhanced intelligence around every user, helping employees make better decisions and create extraordinary customer relationships.

sugarcrm.com

10050 North Wolfe Road | SW2-130
Cupertino, CA 95014
T: 408.454.6900 | F: 408.873.2872

www.sugarcrm.com

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04-14-01-LR-3versions

