



WHITEPAPER

Getting Your Head In The Cloud

| MAXIMIZER CRM



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 **MAXIMIZER CRM**

Getting Your Head In The Cloud

Businesses today hold more data than ever before. As a result, one of the biggest decisions any company – small or large – has to face is where to be store their data.

Introduction

Broadly speaking, businesses have two options: they can either hold their data on-premise, using their own existing in-house IT infrastructure – including web-server, firewalls and in-house IT resource – or they can deploy a cloud-based solution, whereby they entrust their data to an external provider that will host the information for them, making it accessible via the internet. In making this choice, companies also need to determine whether they want to buy the applications needed to utilize this data and manage them on-site, or whether they would prefer to subscribe to Software as a Service (SaaS) via the cloud. The latter option is a relatively new development, but one that has not taken long to catch on, particularly amongst businesses handling customer data.

Global research indicates that many such firms are taking advantage of the opportunities presented by cloud-based solutions. A recent study into corporate cloud computing trends by American research firm, ChangeWave, shows that adoption of cloud based solutions is on the rise amongst businesses of all sizes, with 40% of respondents now using public cloud computing services and almost a third (32%) making use of private cloud computing. And this trend looks set to continue, with 34% of companies that plan to move to the cloud in the first half of 2013 expecting to increase their spending on SaaS.

Of all cloud based services, Customer Relationship Management (CRM) is the most in demand amongst small to medium businesses. A global Gartner study in July 2012 estimated that 35% of all CRM applications are accessed as SaaS, a figure expected to grow to over 50% by 2020. It is also predicted that SaaS-based CRM sales will reach \$6.3billion in 2015¹, and a prominent US survey revealed that CRM has the highest penetration of any cloud

KEY FINDINGS

- **UK SMEs have concerns over the reliability, speed and security provided by cloud-based CRM, they are attracted by the low cost flexibility and scalability**
- **Unreliability of cloud-based CRM is the strongest source of anxiety for UK SMEs, with 71% expressing particular concern**
- **Over half of UK SMEs (52%) are worried that cloud-based CRM will provide a slower service than an on-premise solution, while just under half (48%) are anxious that the security of their data may be at risk**
- **The greatest appeal of cloud solutions lies in the cost - effectiveness**
- **Plus, the ability to scale up or down on a cost per license basis, cited by 46% as highly appealing, followed by the potential to upgrade the software at low costs.**

¹ Forbes, Gartner Hype Cycle for CRM Sales, 2012: Sales Turns to the Cloud for Quick Relief, 27 Jul 2012

application, at up to 55%, outstripping other functions including business analytics and sales automation². This is corroborated by research from global consultancy firm McKinsey in 2011, which found that CRM is the most popular application worldwide for Chief Information Officers (CIOs) expecting to move to the cloud in the next few years³.

There are a number of factors to take into consideration and a number of concerns to be overcome before a business can make the final decision to plump for either an on-premise or a cloud-based CRM solution. However, storing data and tapping into software via the cloud has emerged as a legitimate option for businesses, and one which facilitates a flexibility that on-premise solutions cannot. This is particularly relevant for SMEs, whose growth is much more fluid and less predictable than that of large multi-national corporations. Deploying a subscription-based service is therefore an attractive option, since it enables businesses with limited resources to avoid the high initial costs associated with oneoff hardware purchases, and affords them the flexibility both to upscale – adding new users – and upgrade – adding new functions – as and when required.

This is not to say that cloud-based solutions may not prove to be the best option for larger businesses; there are, in fact, many instances of cloud based CRM proving successful for multi-national corporations. Nevertheless, cloud based solutions present unique opportunities for SMEs, enabling them to enhance their IT capabilities in a way that is not possible with on-premise alternatives, as McKinsey's report noted in 2011. It points out that cloud computing provides SMEs with access to reliable and scalable infrastructure resources which they would otherwise need expert IT support to maintain, and sophisticated



functionalities such as mobility which require ongoing financial investment⁴. And this appeal has translated into growth: according to the report, the public cloud portion of the worldwide market is expected to grow from \$9 billion in 2010 to between \$40 billion and \$50 billion in 2015, most of which will be fuelled by SME adoption⁵.

In order to find out the perceived benefits driving this growth and also the concerns so far preventing more extensive SME adoption of cloud based CRM, Maximizer surveyed 532 UK businesses with between 11 and 249 employees. The research was part of a wider survey of 2,025 organizations in key European markets and South Africa aimed at gaining insight into what SMEs really think of cloud based solutions.

² TechWeekEurope, Dell Survey Shows Cloud Business Application Adoption Rising Among SMBs, 8 Mar 2012

³ McKinsey, Winning in the SMB cloud: charting a path to success, July 2011

⁴ McKinsey, Winning in the SMB cloud: charting a path to success, July 2011

⁵ McKinsey, Winning in the SMB cloud: charting a path to success, July 2011

The Research

These are testing times for SMEs, whose resources are under more pressure than ever before amidst continuing economic uncertainty. However, the unpredictable conditions also represent a unique source of opportunity for SMEs, and those most able and willing to adapt will be best placed to take advantage. For businesses of all sizes, moving parts of their IT infrastructure – their CRM system, in particular – to the cloud is becoming an increasingly attractive option in the quest for flexibility.

Nevertheless, the UK SMEs surveyed are not without their reservations when it comes to the prospect of a cloud-based solution. Chief among these is a concern over the unreliability of the service – 71% of UK SMEs are worried that hosting their CRM system on another server will make it susceptible to service outages or interruptions, which would prove costly and damaging.

A majority of UK SMEs – 52% – also fear that the speed of their CRM system will suffer with a cloud based solution and that client service from the provider might turn out to be poor. This is a worrying prospect, given the crucial role that having the most up-to-date customer information to hand plays in engendering customer loyalty and providing an optimum client service.

Related to these concerns is the danger of relying too much on a third party provider from which it might be difficult to switch should the relationship not work out, and a significant proportion of UK SMEs – 39% – cite this as a major concern.

Data security is increasingly becoming an issue of paramount importance for modern business,

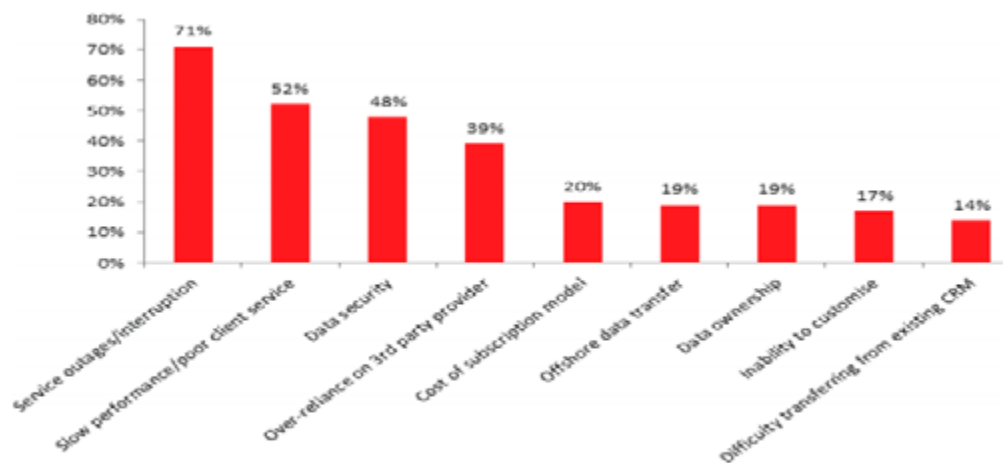


in particular for companies handling sensitive customer information. The risk that a cloud-based CRM solution might make this data more vulnerable to unauthorized access and theft figures highly on SMEs' list of concerns – in the context of proposed changes to EU legislation which include slapping more stringent penalties on companies found to be in breach of their regulations – with 48% identifying it as a key source of anxiety.

Of all the countries surveyed in this study, the UK expressed the highest level of concern that the subscription model used to pay for a cloud-based CRM solution might actually work out to be more expensive in the long run than investing in the on-premise infrastructure, with 20% citing the issue as a concern. On the other hand, according to the same survey for most UK SMEs, it is the cost-effectiveness of a subscription-based service that is its chief attraction.

The findings show that 58% of UK SMEs view the ability to pay a subscription fee for their CRM system to be hosted externally as one of the main advantages of a cloud-based service. Not only does it enable SMEs to avoid the upfront capital expenditure needed to purchase expensive hardware and software required for an on-premise solution, it also

Key concerns over cloud based CRM



UK SMEs

sidesteps other high implementation costs, including the additional staff and consultants often required for this stage. The fact that shifting functions to the cloud reduces the need for technical personnel is demonstrated by the results of a recent survey of companies in the US already using SaaS carried out by ChangeWave, which found that more than a fifth had seen a reduction in their total number of IT staff as a result of this move.

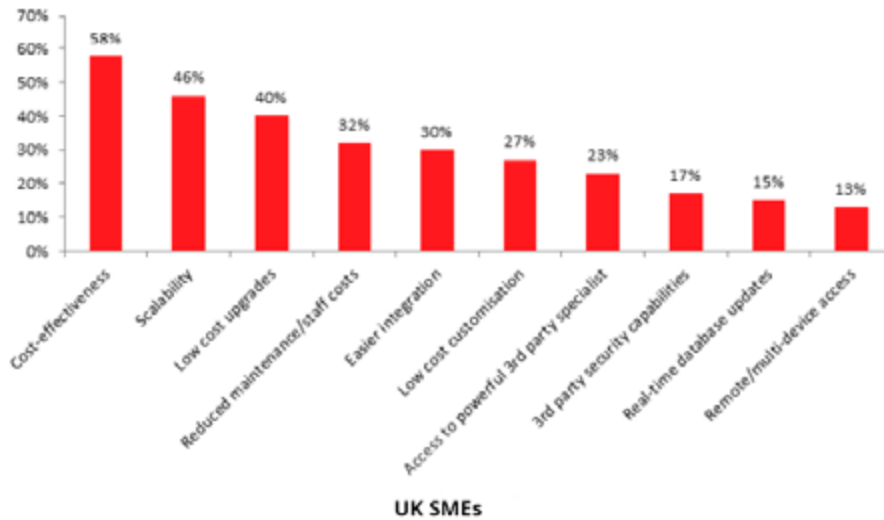
Indeed, a high proportion of UK SMEs see lower staff and maintenance costs as a key advantage of a cloud-based CRM solution, with 32% citing the fact that they do not need to hire additional IT people or worry about servicing the system as a key benefit of a SaaS platform. Plus, 27% believe a cloud-based solution would give them a greater ability to customize their CRM system at a low cost.

While reducing overhead costs may be the most obvious benefit at the top of most SME checklists when they are considering cloud CRM solutions, the ability to adapt to easily changing conditions in their own businesses – still within a reasonable budget – is also a leading incentive.

Nearly half of UK SMEs see the ability to easily scale the number of users who can access the CRM system up or down at a relatively low cost as a key advantage of the subscription model. In a large multinational corporation with thousands of employees, this issue does not tend to arise, since there is unlikely to be any appreciable change to the number of users in proportion to the organisation. SMEs, on the other hand, may undergo periods of sudden and significant growth for their size – expanding from a four person outfit to a 20-strong business, for example. With cloud-based CRM, the company can simply increase the number of licences it holds in order to enable more people to use the system without worrying about the knock-on infrastructure or maintenance effects. Equally, if it becomes necessary to scale down the number of users, the subscription model gives businesses the flexibility to reduce the number of licences. UK SMEs recognize the opportunity this presents, with 46% citing such scalability as a key benefit of a cloud-based CRM solution.

Close behind scalability is the potential for upgrading the CRM platform at little or no cost, which 40% of UK SMEs identify as a major benefit of SaaS-based CRM. Rather than having

Key benefits of cloud based CRM



to purchase new upgrades and often pay for installation and integration as they become available, with a cloud-based solution the software is upgraded automatically on the host server. Being able to keep up technologically and add the latest new features without having to worry about significant reinvestment can be an essential factor in deciding to choose a cloud solution for many SMEs trying to stay ahead of the competition in the current tough market conditions.

It might seem surprising that such a low proportion of SMEs – just 13% – appear to be excited by the potential for remote and multi-device access offered by SaaS-based CRM, but this may be because it is not exclusive to systems hosted in the cloud; businesses nowadays can log in to just about any system – whether on their own server or elsewhere – from any location and using their preferred device. Similarly, real-time database updates may well be available through on-premise systems and, as such, this is not viewed as a key differentiator.

The aspects of cloud-based CRM that do inspire the enthusiasm of SMEs are its low up-front investment, immediate Return on Investment (ROI), flexibility and scalability. Having a CRM solution that enables a business to respond to changing economic conditions – and to keep up-to-date with the latest and most sophisticated software – without breaking the bank is the biggest argument in favour of the cloud.

Conclusion

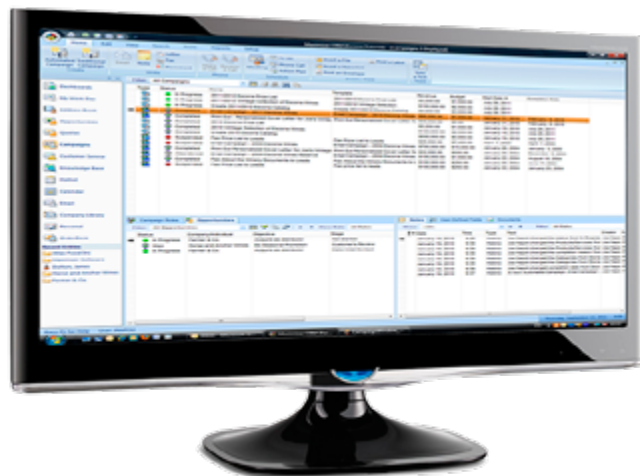
The research reveals legitimate concerns regarding cloud-based CRM amongst UK SMEs. Doubts are expressed by companies over the levels of performance that will be attained with a CRM platform hosted by a third party provider, which they think may lead to a slower and less reliable service than with an on-premise solution. SMEs also expressed concern that they may not be putting their data in the safest hands, and that storing their CRM system in the cloud may jeopardize its security.

However, the SMEs surveyed also recognize the potential benefits a cloud-based solution could confer on their business. The financial advantages of the subscription model clearly strike a chord with SMEs eager to streamline their overheads. With a cloud-based solution, they can avoid incurring hefty up-front costs by purchasing hardware and software that may soon need to be upgraded anyway – instead paying a small monthly fee for the most up-to-date system.

McKinsey's 2011 report on SMEs and the cloud stated that SMEs could make savings of well over 20% by moving their infrastructure to the cloud⁶, and respondents to this survey highlight the variety of ways in which value can be returned. Cloud-based CRM is particularly suited to SMEs that do not have a separate IT department, since there is no need to

administrate or maintain the system internally. As McKinsey's study pointed out, few small businesses have the expertise – or the resources – to perform ongoing management of the infrastructure needed to run a sophisticated CRM solution. With a cloud based system, they don't have to.

Above all, the scalability possible with a cloud based solution presents a unique opportunity for SMEs, enabling them to respond to the growth – or retrenchment – of their business without needing to make momentous financial decisions. SME reservations about the risks are understandable, but a solution that uses secure, regional data centres, is specifically designed for web access, and delivers regular product updates – including security enhancements – will be able to overcome their concerns by ensuring a safe, speedy and reliable service.



⁶ McKinsey, Winning in the SMB cloud: charting a path to success, July 2011

About Maximizer

Maximizer CRM is fueling the growth of businesses around the world.

Our CRM solutions come fully loaded with the core Sales, Marketing and Service functionality companies need to optimize sales productivity, accelerate marketing and improve customer service. With flexible on-premise, our cloud and your cloud deployment options, tailored-to-fit flexibility, state-of-the art security infrastructure, industry-specific editions and anywhere/anytime mobile access, Maximizer is the affordable CRM solution of choice.

From offices in North America, Europe, Middle East, Africa and AsiaPac, and a worldwide network of certified business partners, Maximizer has shipped over one million licenses to more than 120,000 customers worldwide.



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