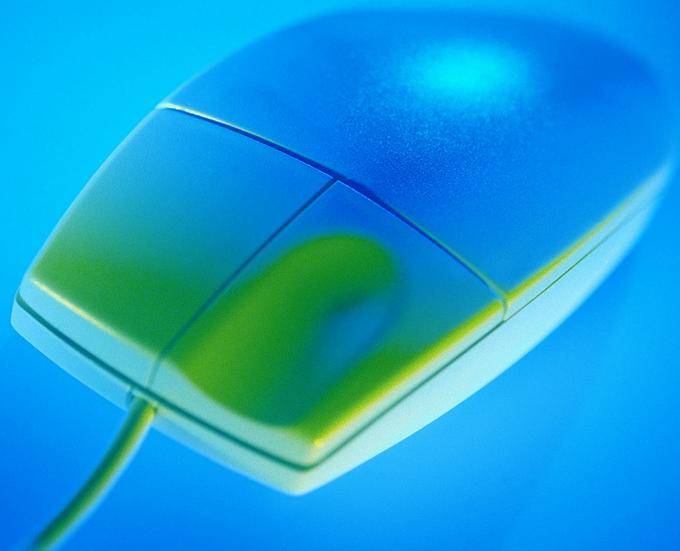


The Impact of the New CRM Systems for Fundraising Database Solutions



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1. Introduction: Where we are now

For the last few years I have written about the “new” generic CRM systems (e.g. Microsoft CRM, Salesforce etc) and their potential as a fundraising database for charities. Now, for the first time, I feel these systems have far more potential to challenge the dedicated (“traditional”) fundraising packages in the domain of fundraising and membership.

Which for charities means new and very exciting possibilities, and at the very least, a chance to compare such options so that you can determine which is best for you.

I thought it would therefore be a useful time to review the impact which these systems are having on the fundraising software market in a bit more depth. So I have compiled this eBook from previous posts on my blog (<http://blog.itforcharities.co.uk>) to cover the following:

1. An overview on where we are now with such systems;
2. What are the potential benefits of the systems;
3. A guide to the different ways in which you can implement the systems;
4. How do costs and implementation timescales compare with dedicated fundraising databases?
5. What you should specifically consider if you are considering buying such a system.

Just for clarification: by “new (generic) CRM systems”, I am referring to the likes of Salesforce, Microsoft CRM, SugarCRM etc; although of course, some of these are not so “new” now (e.g. Salesforce was launched back in 2000). And for comparison, when I refer to “dedicated (traditional) fundraising packages”, I am referring to companies such as Blackbaud, ThankQ, IRIS, ASI Europe, Redbourn and many more of course. (See my website for a comprehensive list: <http://www.itforcharities.co.uk/fundrais.htm>). Although interestingly, some of the “traditional” fundraising package suppliers have already released web-based and more CRM-oriented solutions. So as much as I am making distinctions in this book, there will always be a cross-over between the two areas.

A brief history of how we got here...

When Salesforce, Microsoft CRM Dynamics, SugarCRM et al were first launched they were primarily aimed at sales and general customer relationship management. But very quickly, charities and other industries realised that they could apply the system structures to their own needs, and many NFPs started to use the systems for non-fundraising applications. However, fundraising has its own, more in-depth and specific requirements and I have written previously how I felt the dedicated fundraising packages still had the edge over the generic CRM systems.

But over the last few years, several factors have combined which mean fundraising is a more viable application for these CRM systems: this includes fundamental technology improvements such as faster, more reliable, more available broadband, and an understanding amongst charities that security and data issues on the internet are now a basic concept and perfectly acceptable to all; through to significant improvements in the web-based technology/platforms on which the systems are based and, therefore, enhanced functionality within the systems themselves; which has partly lead to and culminated in business developments such as a number of

third-party suppliers taking the vanilla versions of such systems and creating “templates” which have some built-in functionality for fundraising and membership.

All of which adds up to the situation where I think these generic CRM system are for the first time now able to start to challenge the dedicated fundraising packages.

Of course, there are still issues with the generic CRM systems (as there are with the fundraising packages!) but the potential and flexibility which they offer, and the technological platform on which they sit (i.e. the cloud) is now starting to be matched with the fundraising functionality required by charities.

Which means that when I now run procurement projects, I can sometimes recommend that charities should compare all these systems; i.e. the dedicated fundraising package and the new, generic CRM systems.

It is an exciting time for not-for-profit organisations with database technology needs!

CRM/Fundraising Database Suppliers

If you want to find out a list of potential suppliers for the systems discussed in this book, and others, then visit my website: www.itforcharities.co.uk/crm.htm and www.itforcharities.co.uk/fundrais.htm.

2. What are the potential benefits of the generic CRM systems?

I have listed below my thoughts on the pros and cons of these systems. But a few words first: please do bear in mind that all the points are my personal thoughts and beliefs and based on my experience. I am sure that many people could argue for or against all the points I list below! But I have tried to be as fair and independent as I can possibly be.

Potential Benefits

- **Flexibility:** With generic CRM systems, you can get a solution where the heart of it has fundamental contact management and associated functions such as querying, reporting etc, and which is thus upgraded with new versions over the years, but which also offers you the ability to add bespoke or customised areas for your charity-oriented requirements.
- Some such systems now have “templated” charity options. Because the heart of the contact/customer relationship management is already in these systems (and much is standard regardless of industry sector), some commercial companies have taken these ‘vanilla’ CRM systems and added charity functions such as Gift Aid, membership, income batching etc. They can thus concentrate on adding value and specifics and can in theory build new applications far quicker. So you get a head start on your specific needs.
- **Third-party app market.** On top of the templates, there are thousands of third-party applications and programs which you can buy which add an incredible breadth of functionality.
- **A different sort of future-proofing:** You have the flexibility of using different support companies. Most such CRM systems are sold through re-sellers, so that even if you purchase and start with one such company, if you fall out with them or they go bust, there should be many others which can still support you. Quite a benefit. Additionally, most such systems will have a far wider customer base than any charity supplier. The more popular CRM systems have (high) tens of thousands of organisations using their systems (not all not-for-profit, of course). Even the largest charity suppliers will not beat such numbers. In theory, therefore, you will have a better chance of longevity, support, a robust system etc. It also means a wider user community who can help you, who may develop specific requirements, arrange user group meetings etc.
- They are often good for organisation-wide databases. If you have requirements which stretch past ‘just fundraising’ or ‘just volunteers’ etc, and/or your requirements in those areas are not overly-sophisticated, then these CRM systems can be very appropriate as they will offer good, general functionality and you may not have to customise the database too much.
- **The potential of The Cloud.** Salesforce is only available in the cloud, and MS CRM is now available as an on-premise or cloud-based solution with the same functionality, so you have all the potential of the benefits you can get from using the cloud. I have written before about such benefits and also what I think you need to consider the issues might be, so read my *Should I Use The Cloud for my Charity's CRM* blog for more thoughts on this:
<http://blog.itforcharities.co.uk/2011/01/cloud-crm-charity-in-2011.html>.

What are the issues you might need to consider?

- Non-fundraising functionality. The vanilla versions of all these systems will not have specific fundraising-oriented functionality, especially on the income side; e.g. Gift Aid, direct debit processing, payroll giving. This can be extremely time-consuming and costly, depending on the needs, and/or not at all easy. However, some of the “templated” versions of these systems are now introducing such functions and/or there are third-party apps which you might be able to use. But...
- Even templated versions are just a starting point. You may still need to develop them further for your needs, which will cost and take time, and they may cost more in the first place to pay for the specific supplier’s initial outlay in developing such functionality.
- Suppliers (re-sellers) may not have such good charity/fundraising knowledge as fundraising package suppliers. This can be key to a good development of these generic CRM systems. If the supplier doesn’t know your market so well, then even if they perform a good “requirements analysis” phase with you, they may still miss issues or good options because they haven’t got the previous experience, and if your users don’t ask for such specifics, then you may not get such a streamlined solution as you could get from package suppliers.
- In-house Fundraising and Technology knowledge. Do you have someone who knows fundraising and technology at your charity? If not, then you will be fully reliant on the supplier or developer of your CRM system. For any significant implementations of generic CRM systems, I would recommend having someone in your team who has such skills and knowledge. (I will expand on this point in a later chapter).
- Are you re-inventing the wheel? Why do it if your requirements are specific to your sector or very simple? (Of course, there are good reasons to still consider CRM systems but do ask the question).
- Fewer fundraising users. Although there is no doubt that some of these systems really are growing in charity usage, the larger and more popular charity-specific packages will currently still have more nonprofit organisations using their databases. This means that for these generic CRM systems, you won’t necessarily have the benefit from either the other charities or the suppliers’ previous experience and requests for functionality and benefits.
- Risk. It can be a higher risk strategy to attempt to implement such systems for fundraising than dedicated packages. Perhaps not so much for smaller organisations or those with simpler requirements, but to replicate fundraising/membership functionality from packages will be a longer, riskier project. Again, the templated versions may offer some mitigation against this but they are still maturing.

What about cost and implementation timescales?

I have deliberately left out from the above list two of the most key questions: how long will it take to implement the systems? And how does cost compare?

As I wrote above, I will address these points in a later part of this book. And the reason I have left out these factors is because they can be the most variable and there is no one answer – in fact, “it will depend” will be the most common answer. And it will depend on everything from functionality required to the size of your organisation.

3. Different ways you can implement generic CRM systems for fundraising

The new generic CRM systems are introducing new ways of implementing fundraising databases for the charity and not-for-profit sector.

With 'dedicated fundraising databases' you pretty much have a standard approach to implementation: because they are proprietary systems, you will almost always use the software supplier who designed and wrote the database to help you implement the database. You may do this to different degrees, depending on requirements, complexity of the project, the supplier's approach, your experience and so on, but you would still do it with them.

But with the generic CRM systems, there are three broad ways in which you could approach an implementation. This is because the system itself is written by one company (i.e. Salesforce, Microsoft etc) and although you can buy them directly from these companies, they are also sold and implemented by third-party resellers. Which gives us the following options:

Buy vanilla and do all the work in-house

i.e. go online, pay for a hosted solution of the 'out of the box' - vanilla - system with x licenses and do all your development yourselves.

Benefits

- You are not reliant on a supplier.
- It is a flexible approach: you can do it as you want to, do the changes as you go along; good for Agile development?
- You might have a dedicated developer for your needs
- The cost could be good...
- You can integrate any third party app you want
- You will have no issues of Intellectual Property (IP) in terms of development or with future changes (i.e. compared to the IP points detailed below)

Downsides

- You may be re-inventing the wheel
- No input from suppliers or, through their experience of developing other systems, other charities/NFPs; and maybe less experience of using Salesforce/MS CRM etc itself? And not just in the initial implementation, but on-going over the subsequent months/years too.
- You need a dedicated developer(s) with these skills
- What happens if your developer leaves half way through the development?
- How will you be supported after you go-live? How will you maintain the system if/when the developer leaves?
- Cost could be high compared to buying a template or even getting a supplier to help?
- It may well take longer to implement
- You need to know of or find out about appropriate third party apps

Buy vanilla and get a company to configure/bespoke for you

This has probably been the most common approach over the last few years for UK charities with significant-sized projects – to use a third-party company to do the development for you.

Benefits

- Such companies can be flexible: they can get the system to (hopefully) do what you want
- All their experience (a) of developing fundraising systems on this platform, and (b) of the platform itself and appropriate third party apps
- Not reliant on an in-house individual and any vagaries of such employment
- Cost might be better than doing it in-house? Will depend on scope.
- On-going support
- Should/could be quicker than in-house development?

Downsides

- Still potentially re-inventing the wheel to a degree
- Any Intellectual Property (IP) issues?
- Reliant on the supplier's interpretation of your needs, their proficiency, business analysis skills – you will need to manage these risks
- Reliant on the supplier's knowledge of fundraising
- They may have preferences for third party apps which aren't best for you?
- Unless you have a supplier who you keep as a support company, you will need to keep on top of future developments and enhancements on the system.

Buy a templated version

There are now 'templated' versions of systems such as Salesforce and MS CRM which have been designed by third party resellers. These companies have taken the original CRM system and created a charity/fundraising version which you can buy on top of the CRM system itself.

Benefits

- Should be far less need to re-invent the wheel
- Their experience of fundraising requirements, the platform and input from other charities who have already implemented it
- With other charities also using it, you should get more proactive changes in months/years to come (i.e. a la dedicated Fundraising packages)
- Could well be cheaper for basic requirements (but see below too)
- Should be lower risk because you are seeing more of what you are getting up-front
- The approach should prove to you whether the company are (or are not) so fundraising-savvy

Downsides

- You will be more tied to their version than if you developed the system from scratch - but that is of course what you are buying! (It would obviously be useful to compare different templated versions if you can, if you have time/resources and if that is appropriate for you).

- You will probably still need bespoke work on top of the template, so is there a point when it becomes not worth buying the template?
- You need to consider Intellectual Property issues far more carefully. i.e. if you are buying a company's template, then can you make your own bespoke changes to that? (Unlikely). And if in later years you decide not to use their services, can you still continue to use their template?
- On-going costs can add-up if you have to pay annual costs for the template version plus any third-party apps you use.
- Still reliant on the supplier's interpretation of your needs, their skills, business analysis skills – although hopefully less so than building from vanilla. And you can see what they have done so far so you will get a good feel as to whether you think they are good enough or appropriate for your requirements.
- They may have preferences for third party apps which aren't best for you? And if these are more tightly built into their version, then it may (?) be harder to get others?

"Hybrid options"

There may also be ways you can combine some of the above. e.g. It would be quite viable to get a supplier to help develop the system for you in the first place but then employ an in-house developer for subsequent support and enhancements. But be aware of any IP/support issues for something like this.

The Need for Business Knowledge - i.e. Fundraising and Technology

One specific thing which I think is necessary when implementing generic CRM systems for fundraising and membership is the (preferably) in-house knowledge of the business - i.e. fundraising - and how it fits with technology. Whereas with a dedicated fundraising database, you have the functionality and some of the approach defined for you by the package and supplier, by definition of using a generic system, you will need to have far more input into the requirements and development of the solution.

And this means having someone with experience of doing that before so that they know what can be done and what you can benefit from. It is like Donald Rumsfeld's famous quote about the known knowns and known unknowns etc. i.e. If you don't know what you can do, then how can you be sure you aren't missing out on some benefits? A dedicated fundraising database gives you some reassurance over this, but a generic CRM system may not.

My advice: have an in-house person, or bring in an in-house contractor, to be involved with and help manage any significant generic CRM implementation.

4. CRM systems vs Fundraising databases: How do costs compare?

At the start of this book, I discussed the potential benefits and issues of these systems. But I deliberately left out two of the most key questions: how long will it take to implement the systems? And how does cost compare to dedicated fundraising databases?

The reason I decided to address these points in this separate chapter is partly because they require more dedicated consideration but also because they are, understandably, two of the more contentious factors for suppliers from both sides of this fence. Suppliers of dedicated (“traditional”) fundraising databases will of course say one thing and the new generic CRM suppliers will say something else.

So this is my attempt at a fair appraisal of the two approaches. I have no doubt that people will want to agree or disagree – that’s fine, please do so constructively in the Comments below! – and I have no doubt that there will be genuine reasons as to why some of my arguments may be quite rightly challenged in some instances, but hopefully they will give charities and NFPs a better understanding of the sorts of things they need to consider.

And the bottom line, as with any database for any industry, is that there are so many variables in any CRM implementation that there is no one answer – in fact, if you were to ask me point blank, how much will it cost, then “it will depend” will be my most common answer. And it will depend - on everything from functionality required and breadth of data you want to store, to the size of your organisation and your in-house skills.

Bear in mind also that most my points below are mostly true for the “mid-size” NFP, which many charities will indeed fall into. For large charities, the implementation costs and time are going to be high regardless of whatever sort of solution you go for, and for small NFPs, there are amazingly low-cost fundraising packages or you may be able to implement a new CRM system quickly with very low implementation costs.

However, here goes nothing for giving you my views...

Cost

The reason it can be difficult to compare the cost of dedicated fundraising packages and the new CRM systems is because we have to remember the Total Cost of Ownership (TCO) for any procurement – i.e. it is not just the initial cost of the software which you must pay, but everything else: implementation, configuration, consultancy, training, data migration, third-party software, hardware/hosting, database/web integration, on-going support, even internal support needs. And much, much more. (I have published a document on Slideshare which looks at How to consider all costs in CRM procurement: <http://www.slideshare.net/itforcharities/how-to-consider-all-costs-in-crm-database-procurement>.)

But the main difference in cost structures between the two types of system is that the dedicated fundraising package will (generally) have higher software license costs (i.e. cost per user) but because the fundraising functionality is already built-in, many implementations will not require much additional development or implementation work.

Whereas, with the new CRM systems, the basic software licenses of the CRM software itself can be extremely cheap (even free for open source systems such as SugarCRM or for 10 licenses from the Salesforce Foundation), although you also need to be aware of the on-going annual costs of not just the CRM system itself (i.e. Salesforce, MS CRM etc) but also of any third-party apps or 'templates' you use. Such costs can start to add up. However, the good thing about those is that you (usually) only need to buy a license for each app for just the number of user(s) who will be using them.

For example: Even if you have, say, 10 users overall on the database, if you have an email marketing app and only 2 people need to use it, then you may well only need to pay for a 2 user license for that app. (It's interesting to compare such annual costs with the annual support/maintenance costs of the 'dedicated' fundraising databases - depending on your requirements, they might not always be so wildly different...)

However, the main cost for these generic CRM systems will come in the implementation: and all the discovery work, spec documents, configuration/development and associated costs with all that. Even for the "templated" versions, they will either have a cost for the template and/or will still require additional work on top of them.

Unfortunately, it may be especially hard during a procurement to know the implementation costs of the generic CRM systems, because, whereas with dedicated fundraising packages, almost all suppliers will be able to give the "average size" charity a fixed cost or pretty-near estimate at an early(ish) stage, because CRM system by their definition will need more configuration, it may be more difficult for suppliers to give such accurate (or even ball-park) figures. They are more likely to need to do more work with your charity before they can provide such costs, and sometimes that discovery or feasibility work will be chargeable.

And for these reasons too, the 'explicit' cost of implementing a CRM system in particular, could be far lower if you don't use a third-party supplier – all you have to do is buy the licenses and off you go. Of course, it isn't quite as simple as that – there will be all sorts of other 'implicit' costs and different risks doing it in-house and someone in your organisation will still have to implement the system: design it, configure it, support it and so on. And there will of course therefore be an implicit cost in doing that.

Speed of Implementation

In theory, a fundraising package with all its pre-defined fundraising functionality, could be implemented quite quickly for the "average charity". Of course, you will still need to consider business processes, have consultancy, do data migration, be trained and so on. But if you don't need much changing from the standard system, then the time constraints can more often be your own internal resources as much as the supplier's.

For generic CRM systems, it is extremely likely that you will need some configuration and bespoke work done on them, and as I've said already, even if you start with a templated version. And if you start with the vanilla version, then you will definitely need such time. Of course, again, some of this will be the same as per fundraising packages: the need for consultancy, reviewing business processes and so on. But the difference is likely to be that, after any initial consultancy on your requirements, even if you need standard fundraising functionality such as Gift Aid, then on a vanilla

CRM system this will need to be configured or programmed by your supplier.

And thus we can see immediately that this will of course impact on costs...

All that said, for generic CRM systems, for simple fundraising requirements, where a supplier can provide a templated solution or integrate with appropriate third-party apps for that CRM system, it may well be that implementation timescales can be brought down. (In the same way that dedicated fundraising packages will have such functionality built-in...!)

Sitting on the Fence

I know that, to a degree, I am sitting on the fence in terms of giving you an answer to such a critical question. But as I said above, this is because there is no simple answer! And every procurement and implementation will be anything from slightly - to very - different. The point is, if you are going to buy a new system, then you need to understand and consider the different approaches and why it isn't as simple as any supplier telling you that they can do it best because dot dot dot.

Do remember Total Cost of Ownership and do remember to compare like-with-like as much as you possibly can.

5. Specific Things to consider when procuring a generic CRM System

There are of course many things to consider when purchasing any type of database, whether it is a dedicated fundraising package or one of the generic CRM systems. The list below provides points which are specifically relevant to the generic CRM systems. (That said, some of these points could certainly apply to any database but they are accentuated because of the type of solution which the generic CRM systems provide).

- Cloud Technology: Because it is quite likely that you will be hosting a generic CRM system in the cloud, there are various pros and cons associated with that. Read a post on my blog about the points you need to consider: <http://blog.itforcharities.co.uk/2011/01/cloud-crm-charity-in-2011.html>
- Functionality: by definition, because it is a more generic system (not fundraising-specific), you won't necessarily have all the functionality you need/want and might/would expect from a dedicated fundraising package. Of course, because you would be buying into a platform and the potential scope, you therefore need to see past the vanilla version of the system. It is not WYSIWYG! I have detailed the pros and cons of some of this already but the two most important points are:
 - There will be some specific functionality which you will need to consider and which the vanilla versions won't have. This is probably, mostly going to be income related, especially Gift Aid and Direct Debit processing and possibly other income issues such as Payroll Giving. But you might also want to consider the record structure for organisations and how that can or cannot be applied to corporate/trust fundraising. Membership might also be an issue? And maybe assure yourself that they can support you with all your Direct Marketing and segmentation needs if that is a significant aspect of your fundraising.
 - Don't go for style over substance!
- Demos: Following on from the above, you therefore need to manage the software suppliers' presentations in a slightly different way to those from dedicated fundraising package suppliers. With generic CRM systems, it is as much about seeing how the company and software works, as it is seeing exactly what it will do, because it is quite viable that some functionality you require won't be in the version you see at the demo. (Of course, with any system you need to always consider the supplier, but it is likely there will be more of a reliance with these CRM systems). Therefore, challenge the suppliers, make sure they do understand your needs, ask them what they have done before which is the same/similar, how they would approach your specific requirements.
 - If you are making a large investment, you may even want to ask the suppliers to prototype one or two aspects of the system. This will be possibly be more difficult if you are comparing a fundraising package with a CRM system, so you need to consider that and make sure you are being fair to everyone.
- Evaluating The Suppliers' Fundraising Knowledge: As I've already said, it is even more important to be working with a company who understands fundraising, and who you are comfortable with and you can work with, as they may well have more need to be bespokeing and configuring etc, whereas at least with a fundraising package you can see what you will/won't get.

- Intellectual Property: if you are buying a company's template, or even if you are buying the vanilla version and getting a reseller to configure/bespoke it for you, then can you make your own bespoke changes to that? And if in later years you decide not to use their services, can you still continue to use their work/template?
- On-going changes: For suppliers selling templated versions, how will any bespoke changes they make now fit in with future changes to their template version?
- Development: what happens if you make changes to anything internally? How does that impact IP/support etc?
- Cost: The project may well involve more Discovery/Feasibility Costs; remember, the heart of the Total Cost of Ownership won't be in the software licenses but will be in the implementation.
- Risk Management: because of all the points I have detailed throughout this book, you will need a different sort of risk management to a dedicated fundraising package.

One thing which will be interesting to see is how some of this will change over the forthcoming years as the systems, and templated versions in particular, mature over the years to come.

Of course, do not forget all the standard things you should do throughout any database procurement, from reviewing processes, gathering requirements and doing data audits through to proper cost comparisons, taking references and so on. (For lots more information on this, I have written a separate eBook available on my website entitled "101 Tips on How to Buy Fundraising Software and Charity CRM Systems".

Appendix A: About the Author

I have been working in information technology (IT) for over 20 years in consultancy, project management, customer support, training and sales. I have been working with the not-for-profit sector since 1994 (initially for a database supplier of fundraising software) and I set-up my consultancy business in 1998. I now offer database/IT advice and consultancy solely to charities, the not-for-profit sector and membership organisations/professional bodies.

The majority of my work revolves around database and CRM consultancy and project management. In particular: database procurement, database integration projects and project management on database implementations and other ICT projects.

My time originally spent working for a software supplier, and then the time since where I now work with charities, has meant I am fortunate to have gained a perspective on charity databases, working from both sides of the fence (and in some ways almost as a 'poacher turned gamekeeper'). It has certainly helped my clients and me when working closely with database suppliers as I am able to understand both organisations' wishes and positions.

Prior to working with the not-for-profit sector, I worked in several software houses and network suppliers with various applications over a range of industry sectors.

I also manage "*The IT Resource Guide for UK Charities and Non-Profit Organisations*": a free internet service for charities, listing IT products & services especially applicable to UK non-profit organisations. This can be found at www.itforcharities.co.uk.

I blog about databases for charities at <http://blog.itforcharities.co.uk>.

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