

ENOUGH IS ENOUGH: WHEN TO ABANDON HOME-GROWN SOFTWARE

Why manufacturers & distributors are replacing legacy commerce solutions with SaaS.



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Introduction

Technology is transforming the world of B2B commerce. From mobile order writing applications for sales reps to B2B eCommerce portals, mobile commerce apps, and centralized order management systems, manufacturers and distributors today are leveraging technology to increase sales effectiveness on the front lines, give buyers greater autonomy over the ordering process, and streamline order processing.

Investing in enterprise software solutions, however, is becoming more complex. With today's rapid advancements in cloud computing, mobile technology, and user experience design, many businesses are now faced with the decision of whether to switch from a custom, on-premise sales and ordering solution to an off-the-shelf Software-as-a-Service (SaaS) solution.

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The fact is, SaaS providers have grown more sophisticated in their ability to accommodate the complexities of B2B transactions, and are increasingly becoming the route of choice for many manufacturers and distributors. Businesses working with custom-built sales and ordering software, legacy hardware, and other custom tools are walking away from these cumbersome systems and turning to off-the-shelf solutions that can be easily implemented and maintained over time with minimal up-front cost.

This white paper will examine the debate between custom and SaaS commerce solutions in the B2B space, including the pros and cons of each approach and key considerations when it comes to customization.

Whether you're thinking about switching from an existing in-house solution to an off-the-shelf solution, or you haven't yet invested in this kind of technology and are trying to decide between the two, this white paper will shed light on how you should be thinking about the decision-making process.

The Challenges of Custom-Built Software

At the outset, the custom-built route has its appeal--companies can design a system that works according to their workflows and business processes. It's important, however, to consider what customization really means. Solving a business problem through customization--often referred to as a "Frankenstein" approach--can lead to more problems down the line. For every inch gained in making a piece of software conform to your existing business practices, it can become harder and harder to maintain over the long-term.

Here are some of the main challenges presented by custom-built software:



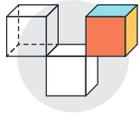
Long implementation period: A custom solution takes a long time to build, which can result in the costs of being late to market--in lost revenue, competitive position and customer satisfaction.



High total cost of ownership (TCO): While it may seem counterintuitive to think that software that you own and run on your servers could cost more than a SaaS solution that you pay a monthly or annual subscription for, custom-built software can come with many hidden or unanticipated costs, including maintenance and upgrade costs.



Upgrade/maintenance difficulties: Extensive customizations can make it nearly impossible to maintain your software, especially when it comes to upgrades, which can break your instance. You're also entirely dependent upon the developer(s) who built your customizations to maintain the solution down the line, exposing your company to a lot of risk. Future upgrades can become so resource-intensive that re-implementation may be required, or--more often than not--companies simply keep the same solution in place indefinitely.



Usability issues: Unless you have in-house or third party software developers who really understand how your business works and are great at user experience design, custom-built software can become very difficult to use. Some companies end up investing a lot of money in custom sales and ordering solutions, only to find that their sales reps and/or customers are not actually using it.

In addition, one of the biggest hidden costs of custom-built software is the stagnation it can cause over time. After making a large initial investment in software that is very difficult to update, companies are unable to improve existing workflows and increase efficiency as technology advances around them. This is one of the biggest arguments in favor of SaaS solutions, which are constantly improving and keeping pace with changes in the market.

The Opportunities of Off-the-Shelf B2B Commerce Solutions

Off-the-shelf SaaS solutions for sales and ordering are helping manufacturers and distributors streamline key business areas. Gartner defines SaaS as “software that is owned, delivered and managed remotely by one or more providers. The provider delivers software based on one set of common code and data definitions that is consumed in a one-to-many model by all contracted customers at any time on a pay-for-use basis or as a subscription based on use metrics.”¹

In effect, SaaS is a leased software maintained by its creator and not hosted on your premises. SaaS applications run in the cloud.

Some of the basic advantages of SaaS applications include:

- ✓ A **pay-as-you-go** model with low barrier to entry.
- ✓ **Reduced time-to-benefit** with a shorter implementation cycle.
- ✓ **More intuitive user experience** design and higher adoption rates.
- ✓ Ability to leave responsibility for **upgrades, uptime, and security** with the SaaS vendor.
- ✓ Regularly added **new features and functionality**.
- ✓ **Technical support** provided by vendor.

One of the biggest advantages of going with a SaaS solution is the fact that a good vendor will have the in-house technical expertise to constantly improve the product as the technology landscape shifts, while also having a strong understanding of how your business operates.

If that vendor has worked with manufacturers and distributors in a wide variety of industries and company sizes, they will be able to handle the complexities of your workflow and scale as your business grows, using customer feedback to improve the product and create new features. This is in contrast to a customized solution, which may have been built by someone relatively out of touch with your business or industry and includes band-aid customizations that can break come upgrade time.

THE BEST SAAS VENDORS HAVE IN-HOUSE TECHNICAL EXPERTISE TO CONSTANTLY IMPROVE THE PRODUCT AS THE TECHNOLOGY LANDSCAPE SHIFTS.

1 Gartner, "Software as a Service," <http://www.gartner.com/it-glossary/software-as-a-service-saas/>.

The Customization Question: Can SaaS Solutions Handle Your Complex Business Processes?

The main concern surrounding SaaS solutions is customization. If you're looking for a B2B eCommerce or mobile order writing solution for your customers and sales reps, will an off-the-shelf option be able to handle your complex pricing tiers, customer groups, custom business rules, and large catalog?

Ultimately, the customization question isn't a question of SaaS vs. custom-built. It's a general software design question. It is possible to achieve granular customizations with on-premise software, and there are indeed SaaS platforms that will not be able to accommodate those customizations.

However, a good SaaS provider designs their software to be flexible enough to adapt to the complexities of your B2B business, and you'll be getting a lot in exchange--support, a constant flow of new features, and the peace of mind that you will always have the most updated version of their software.

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Consider this. As outlined earlier in this paper, the biggest disadvantage of doing heavy customization to your on-premise software is that you end up creating a unique, "Frankensteined" deployment that no one outside of your company will understand.

If, for instance, you deploy your own customized B2B eCommerce platform, and a year later, you want to make an update to it, you'll have to call the developer or value-added reseller (VAR) who did the work. If the person who worked on your deployment is no longer there, it's going to cost a lot of money get someone else to figure out how the software works, let alone start making changes to it.

Or perhaps an update comes out for your software, but the update won't work with your existing customizations, and you have to spend tens of thousands of dollars to re-code those customizations. While these types of customizations may seem great when first deployed, they become more of a nightmare to maintain and manage over time as technology changes.

In the world of B2B commerce software, SaaS vendors today are building more flexible solutions that can carry out a wide variety of complex business rules, such as:

- ✓ **Catalog visibility controls** that control what products certain reps and/or customers are able to view.
- ✓ **Custom business rules** for B2B eCommerce transactions, to ensure that orders submitted by your customers online meet all requirements, including order minimums, ship date restrictions, etc.
- ✓ **Volume-based pricing and/or discounts**, as well as territory-specific or customer-specific pricing.
- ✓ **Integrations** with complex ERP and accounting systems.
- ✓ **Custom branding** options, including logos, banners, colors, etc.

As a result, these off-the-shelf options are becoming viable for even the largest enterprise-level companies.



Knowing When to Leave a Custom Solution

So how do you know when enough is enough? Deciding to abandon a custom solution is no easy decision to make. It involves identifying the total cost of your current solution both in terms of time and resources, while also considering the opportunity costs of an alternative. Let's take a look at some of the reasons why manufacturers and distributors decide to switch from custom to off-the-shelf.

Limited Functionality & Usability

One of the biggest sources of hidden costs in a custom solution is the inefficiency that results from poor design and limited functionality--a result of hiring third party developers who may not be as familiar with the way your industry works, or from having little in-house software design expertise.

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This can create costs associated with lack of adoption and time wasted on suboptimal workflows. One company, for instance, built a custom add-on for SAP that would allow their reps to manage and place orders. However, the solution was unable to duplicate past orders, making the reorder process incredibly tedious--with reps rebuilding orders hundreds of line items long from scratch. All too often, a custom solution that was intended to save a sales or customer service rep's time ends up becoming yet another headache.

Maintenance Difficulties

Software maintenance issues are a clear indicator that you're ready to leave a custom solution. When you're looking to upgrade or make any other changes, but your business is either a) finding it prohibitively expensive to do so or b) having difficulties working with internal or third-party developers, it may be time to make the switch.

In general, making the decision to abandon a solution you've made a significant investment in is never going to be an easy decision. Escalation of commitment--a phenomenon in which an individual or group tends to continue moving forward with a certain course of action because they've already "come this far" despite increasingly negative outcomes--is common when significant investments are made.

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The sunk cost that you invested in that custom solution can be a difficult pill to swallow, but the decision remains: Should you double down on outdated or inefficient processes and workflows? Or finally rip off the band-aid and move forward?

Lack of a Platform-Based Approach

Finally, it's important to consider your vision for the future of your business, as well as the the overall direction of B2B commerce technology. Manufacturers and distributors today are selling through more channels than ever before. In addition to the traditional field sales channel, they are also working to meet customer expectations for convenient online ordering experiences on both desktop and mobile.

Think about whether your current custom solution can accommodate all of these methods of ordering, and how that order data is managed. More sophisticated SaaS solutions offering complete ordering platforms that include mobile order writing, B2B eCommerce, and mobile commerce are making it much easier for manufacturers and distributors of any size to implement multiple ordering channels. **This not only gives customers more choice in how to place orders, it also:**

- ✓ Offers **full visibility** into all of your customer relationships.
- ✓ **Increases customer lifetime value**, as omnichannel customers tend to spend more than single-channel customers.
- ✓ Creates a **consistent brand experience** across all touch points
- ✓ **Streamlines order processing** with one integration point to your back office systems.

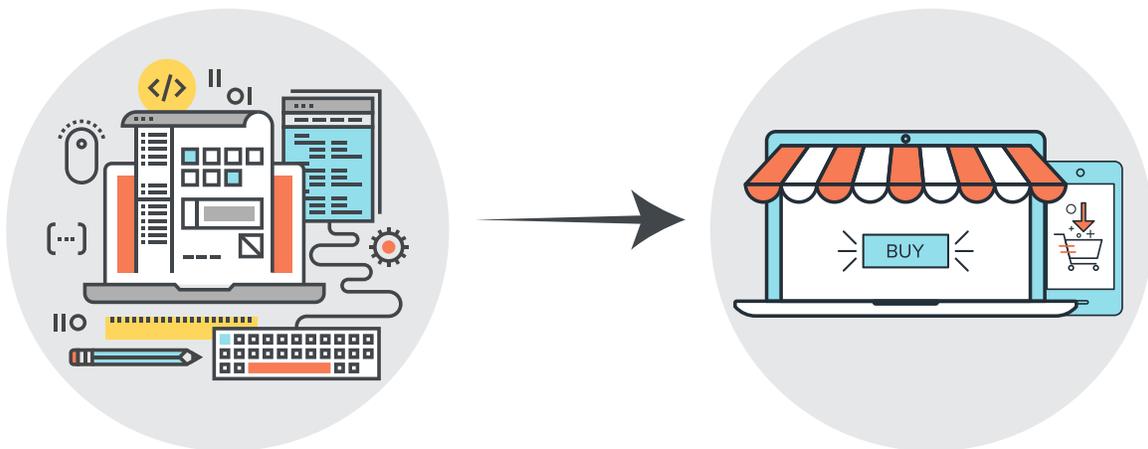
By contrast, trying to achieve this platform-based approach through custom development can be extremely costly and time-consuming, not to mention the fact that your business's core competency has little to do with software development.

Conclusion

Switching from a custom solution can be a challenge for many businesses, especially when a lot of time and money has already been invested. There comes a tipping point for every business, however, when it's important to evaluate what that custom solution is costing you, and whether a SaaS solution might be able to adapt to and/or improve your current workflow.

Manufacturers and distributors have come to realize that the original appeal of highly customized software has been dramatically overshadowed by the costs and effort required to maintain it.

When thinking about the future of B2B selling, manufacturers and distributors are now exploring solutions that are aligned with their long-term goals and able to scale with the growth of their businesses. Today's SaaS solution providers understand the changing nature of manufacturing and distribution sales and offer faster innovation by delivering regular feature updates based on their customers input. Manufacturers and distributors are finding that making the switch to SaaS provides immediate value now and strategically positions them for the future.



About Handshake

Handshake provides the B2B Commerce platform for manufacturers and distributors that powers standout ordering experiences both in-person and online. Companies using Handshake transform their sales effectiveness and drive operational efficiency, delighting customers and growing lasting relationships.

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