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Making the Right CRM Investment

For Your Grantmaking Program

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Introduction

Finding the right Constituent Relationship Management (CRM) solution for grantmaking enables a non-profit to better understand and effectively communicate to their grantees, donors, members and volunteers. Implementing a new CRM solution however is an investment in both human resource allocation and financial resources. Grant makers by their nature want to minimize operational costs so they can allocate more funds to support their missions.

Consequently, seeing the word 'free' tied to CRM sends many grant makers down a path of unexpected costs and unacceptable solutions that were built for the needs of for-profit businesses, not grantmaking organizations.

This document will provide a framework for identifying the real costs associated with CRM software. It will discuss the decision criteria for both financial and non-financial costs and provide a set of questions to ask every vendor during the CRM vendor selection processes.

Defining CRM for Grant Makers

CRM is an acronym for a Customer Relationship Management system, or in the case of grant makers, it is often referred to as Constituent Relationship Management. By definition it encompasses all the software and processes that manage the interactions among an organization's constituents, including grantees, individual and corporate supporters, volunteers, alumni and members.

The value of investing resources into a well-defined CRM system is the ability to collect and organize the plethora of constituent data in a strategic way that optimizes interactions and enhances relationships.

CRM Functionality

When people think of CRM they often describe it as a contact management system, which is the digital version of the now obsolete Rolodex™ card file. However, CRM is much more than a 21st-century Rolodex system. If set-up strategically and administered thoughtfully it provides a holistic view of all supporters including their historical and anticipated activities, preferences and the associated role such as grantee, donor or volunteer.

CRM data can be used to provide meaningful communications to supporters based on their stated or predicted preferences.

There are many components to a robust CRM solution and this section will give an overview of capabilities that are essential for effective grantmaking.

Comprehensive Document Management

A balanced CRM system will include built-in functionality that creates and stores all letters, emails, phone calls, scanned documents and related correspondence within the solution. Historical information can quickly be accessed and analyzed. This data provides grantmakers the ability to understand their constituents better, personalize communications and provide accurate information to donors and grantees. If the CRM solution does not include these capabilities, make sure to know the costs of integrating with your Microsoft Office or other customer contact software.

Automatic Workflows

With constituent data consolidated and immediately available, grant makers can implement more effective marketing programs, fundraising campaigns and outreach. Comprehensive CRM solutions will include email capabilities and automatic workflows that provide timely communications based on constituent preferences and anticipated behaviors. If this functionality is not included, expect additional time resources for the manual management of constituent communications or further costs due to the integration into another application.

Relationship Management

Not only will a best-in-class CRM solution for grant makers maintain relationships between grantees and donors, it will also segment and connect relationships between individuals and organizations. This allows grantmakers to connect important constituent demographics: collaborative partners, fiscal agents, board members and committees to develop highly customized communication programs. Determine if the CRM solution can easily define and connect relationships essential to your grantmaking program.

Manage Grant and Scholarship Processes

It is imperative to select a CRM solution that allows grantmakers to manage and track grant and scholarship processes using built-in reports, payments, correspondence, and gift and fund management capabilities. For-profit business based CRM solutions typically do not have these built-in capabilities, and additional connections to your CRM solution will add to the implementation costs.

Metrics and Reporting

Analyzing the effectiveness of campaigns and communications is critical to any fundraising or outreach program. Look for a CRM solution that offers a full suite of non-profit standardized reports and the ability to customize reports based on the needs of your organization's unique requirements. Customized reporting can add significant costs with some CRM vendors.

The Real Cost of 'Free' CRM

Ask anyone to give you an example of receiving something from a business for absolutely free. Was it really free or were there strings attached like hidden costs or an investment of time? Here are some typical examples:

- ❖ Free shipping! – *With \$75 purchase.*
- ❖ Kids eat free! – *One kid's meal for every paid adult entrée.*
- ❖ Free lunch! – *In return for listening to an investment firm pitch.*
- ❖ Free car wash! – *After you have paid for five car washes.*
- ❖ Pizza and beer on me! – *Once you help your buddy move the sleeper sofa up two flights of stairs.*

It makes one wonder what is in our human nature that allows us to believe such an optimistic assumption that a company, in the business of making money, wants to give us something for free.

Let's take the example of the free CRM software subscription that Salesforce offers to non-profits. They provide their basic product with a limited number of licenses for free. They even have a simple non-profit package that you can incorporate at no cost. Sounds fantastic! What's the catch?

Salesforce is a complex CRM tool designed for businesses, not non-profits. Although they offer a simple non-profit package, it will not work as an off-the-shelf product for most grant makers. Organizations that conduct a systematic vendor evaluation typically find that the free subscription does not outweigh the additional costs spent on implementing and customizing the solution to work for their needs.

When the expenses are all added together, it can cost non-profits far more money to implement a free CRM solution than it would for them to purchase a solution designed by industry experts and built for grantmaking.

Some examples of extra costs grant makers may incur with Salesforce include:

- 💰 Consulting costs to identify and map the CRM solution to work with grant-making processes.
- 💰 Contractor costs to develop and implement needed customization.
- 💰 Professional services to connect CRM to fund accounting and other office solutions.
- 💰 Resources to understand, plan and hire industry experts for data migration.
- 💰 Hidden expenses such as extra data storage and ongoing support fees.

“Free” software will cost most non-profits at least \$5,000 and often well over \$20,000 to get the solution to work within their organizations’ parameters. And that doesn’t include the additional training and ongoing support fees.

As you can see, the cost of implementing and training on Salesforce can exceed what the nonprofit would spend on a product that is already designed and tailored for grant makers fundraising, even if the direct cost of implementation appears to be less, there are considerable indirect costs to consider as well.

Let’s take a closer look at the financial decisions that every grantmaker needs to evaluate before deciding what CRM solution is right for their organization.

Financial Decision Criteria for CRM

CRM is an excellent way to connect and communicate with constituents. However, there are many financial considerations each organization must explore before making a commitment to any new CRM solution. We have listed some of the most common costs associated with any CRM implementation project.

Installed Software vs. Subscription Pricing

Some vendors offer an on-premise installed software model that typically includes a one-time charge for the software and set number of licenses. Cloud-based (online) software, on the other hand, is usually a monthly or annual subscription based on the number of users. Cloud-based subscription pricing is becoming the norm among non-profits who do not want to manage and maintain CRM software on-site.

Typically subscription pricing is based on a per user, per month (PUPM) subscription. Depending on capabilities of the solution, features used by the grant makers, and the number of users, these subscriptions can vary anywhere from \$10 to \$100's of dollars PUPM.

Contract vs. No-Contract

CRM vendors may offer no-contract, month-to-month agreements, annual or multi-year contracts. No-contract plans provide an easy way to exit from a solution, however, often cost more than contracts when annualized. Make sure to do the math.

Configurable Costs vs. Customization Costs

Most CRM software designs are for one-to-many. This means they generalize the software to work with a variety of business needs such as customer acquisition, order entry and support. The challenge is how to make the solution work for the unique requirements of grantmaking. If the CRM solution is not designed specifically for grantmaking, expect to pay significant costs for customization to meet your needs.

Consulting Costs

It is important to have a CRM strategy that aligns with your grantmaking objectives. If the CRM solution is not designed for grant-making, then consider the costs of a consultant to help identify what your new solution will need and how the implementation will impact your organization's processes.

Implementation Costs

If the CRM solution is not designed for grantmaking, anticipate spending a minimum of \$5000 and often more than \$20,000 to align the CRM systems with your organizational needs.

For example Salesforce contractors typically charge \$140 - \$250 per hour. Expect projects to take a minimum of 35 contractor hours. Add another 100+ hours for customization to meet grantmaking needs. It is easy to see how quickly an implementation can surpass \$20,000 if the solution is not built for grantmaking.

Additional Application Integration Costs

If you are considering Salesforce or another business-based CRM solution, it is important to factor in the cost of integration into other systems such as fund accounting. These capabilities are not included in Salesforce and require integration with 3rd party vendors. This can impact the accuracy of data as it flows between systems and requires multiple vendor relationships to manage the various applications. Similar to implementation costs, professional service costs for integration can quickly add to the price of the CRM solution if it isn't part of a larger suite of grantmaking applications.

Product Update Costs

Typical subscription-based CRM solutions do not charge for ongoing product updates. However, if customization is needed to make the CRM solution work for grant-making, then every time there are product updates your organization may need to make changes to your configuration. These ongoing professional service fees can add up over time. Moreover, keep in mind that subscription-based product updates are made on the vendor's schedule, not your organization's timeline.

Migration Costs

For organizations moving from another system, it is important to factor in the expenses associated with migrating the data from one system to another.

A CRM vendor unfamiliar with grantmaking can end up costing far more in both time and money to migrate to a new solution.

Data Cleansing

Although not required, moving to a new CRM system is an excellent opportunity to clean up constituent's data, make sure contact data is correct, and the information is accurately segmented for today's needs. There are many data cleansing services available however it will also involve internal resources to clean up the database. Contracting with an industry expert who understands grantmaking data requirements can save time and money. Just make sure to factor this into your project costs.

Data Storage Costs

The cost of data storage may be motivation enough to cleanse your data. It is also an important question to ask CRM vendors. A common unexpected cost of CRM solutions like Salesforce is the charge for additional storage once you have reached the limits outlined in your agreement.

Onboarding and Training costs

Any new CRM solution will require onboarding and ongoing support. Understand what your CRM vendor includes in their pricing and what the additional costs are. For example Salesforce is designed to have a dedicated system administrator and the very basic getting started training class for non-profits is \$1700. Further training can easily exceed \$5000 for *each* course.

Ongoing Service and Support Costs

Once your organization is on-boarded, there will still be support questions. Before you decide on a CRM vendor, find out if there are costs associated with ongoing support. Some CRM vendors will provide free support while others, like Salesforce, will sell support packages that range from \$75-\$300 per month per user.

When you add up the cost of consultants, implementation, customization, application integration, training and ongoing support, that 'free' CRM software is not even close to a zero-dollar option.

Non-Financial Decision Criteria for CRM

Vendor selection requires a comparison of all of the costs, not just the monthly subscription costs. In addition to hard-dollar costs, there are also soft-dollar or non-financial factors to consider before selecting a CRM provider.

Designed for Grant Makers

There are a number of CRM solutions in the market today. However, there are only a select few whose platforms are designed specifically for grantmaking and include functionality for fundraising, advocacy and volunteer recruitment.

Using a CRM solution designed for business instead of grantmaking is kind of like a construction business using a mini-van for their company vehicle. A mini-van just isn't built for off-road work. Sure, with some effort it could be modified to customize a hitch and trailer. That would help with hauling materials, but it would always have issues going over rough terrain. Even though it cost less, the construction company will inevitably be unhappy with the decision they made.

Grant makers need to make sure the CRM solution they choose meets their needs, not the requirements of a for-profit business'. Choosing the 'mini-van' will always necessitate modifications to allow it to work for grantmaking.

Suite of Products/Single-Source Technology

Grant makers need to determine if they want a standalone CRM solution, or if it is important that it is part of a suite of solutions. A single-source CRM solution for grantmaking may include built-in fundraising capabilities, fund accounting and integration with Microsoft Office.

Selecting a product with a full suite of grant-making capabilities eliminates the need to create and maintain connectors and middleware to and from the CRM solution. It also means there is only one vendor relationship to manage.

Migration Path

Whether an organization is moving from a manual process or another software solution, it is important to map out the steps for migrating to the new system. Make sure the solution provider understands your grantmaking processes and can easily support your move.

Intuitive User Interface

It may seem obvious however many vendors do not show the actual product. They provide screen shots or in a live demo, manipulate the movements so the user interface appears seamless and easy to use. Make certain administrators understand and appreciate the interface before making a decision to buy.

Mobile Access

Grantmaking does not just take place in the office. There are donor meetings, fundraising events, grantee site visits and other activities where staff and volunteers need access to information at their fingertips. Make sure your CRM solution is optimized for mobile device use

Vendor Subject Matter Expertise

If the vendor is more focused on how to fit your requirements into their pre-packaged, non-profit solution or business process, then they are not likely to have expertise in grantmaking.

The vendor's experience and subject matter expertise in grantmaking can make or break a successful transformation to a new CRM solution.

A vendor who is an expert in CRM for grantmaking will significantly improve the implementation and ongoing management of a new solution.

Ask Before You Buy

There are many questions an organization needs to ask their potential CRM vendors before they make a decision. Here are the top questions every grantmaking organization should ask as they start their CRM solution search.

1. Is the CRM solution designed for grantmakers?
2. Do they have grantmaking subject matter experts?
3. Does it offer a single source for grantmaking solutions or just contact management?
4. Does it support integration with 3rd party applications?
5. How will your organization be supported throughout implementation, training and ongoing support?
6. What are the real costs of the solution from planning to implementation and ongoing service?

If the CRM vendor does not have the experience, capabilities or ability to help your organization with the implementation, make certain you understand and accept the additional costs. Alternatively, consider a CRM vendor that can directly provide the information and services that meet your grantmaking requirements.

Making the Right CRM Investment for Your Organization

Deciding on a new CRM solution requires much thought. It is essential to set the financial aspects aside and take the time to identify and outline the objectives the CRM solution will help meet. Once identified diligence is needed to understand all of the costs – both financial and non-financial.

Working with a vendor that is an expert in grantmaking technology and whose solution is intentionally designed for grantmakers will streamline the CRM transition and provide a far more effective solution.

The myth of ‘free’ CRM software can end up costing far more in the end when organizations add the additional expenses to customize the solution to work for their grantmaking requirements.

A CRM provider that only works with non-profits and designed a solution for grantmaking will understand and know how to consolidate all constituent activities into a single source solution. They will have subject matter experts who can assist and provide the foundation with the right solution that will ultimately improve engagement with their constituents.

About Henry A. Bromelkamp



Henry Bromelkamp, president of Bromelkamp Company LLC, is well-known among grantmaking foundations. He was a visionary when he created a software database to track grants for a non-profit organization. His Company has taken this vision forward to develop the most integrated and flexible grant management software solutions on the market today.

Henry continues to lead Bromelkamp Company growth with both installed and online software solutions. He shares his in-depth knowledge of foundation technology by consulting with clients, presenting webinars and training sessions, and speaking at conferences to help foundations effectively manage their grantmaking processes.

A strong believer in philanthropy, Henry travels annually to Africa as an Ambassador for Books for Africa, Africa Classroom Connection and Action for Children Zambia. He volunteers at St. Stephens Human Services, participates on three board of directors and is a Rotary member. He also established Bromelkamp Foundation to provide funding for grantmakers organizations that support literacy or address homelessness.

When Henry is not busy leading Bromelkamp Company LLC and supporting charitable causes, he can be found either renovating his historic stone and brick Victorian house or keeping active by, running, biking, drawing, singing and traveling. You can reach him at henry@bromelkamp.com.

About Bromelkamp Company LLC.

Bromelkamp Company LLC is a leading provider of integrated and online grant management software solutions. Its inspired design meets dynamic technology to provide installed and online software that effectively manages the entire grant management process for foundations.

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