



310 East 4500 South, Suite 450  
Salt Lake City, UT 84107  
(800) 634-5407  
[www.mshare.net](http://www.mshare.net)

# **Build vs. Buy**

## **Why Use a Hosted EFM Solution?**

(Version 2)

By Richard D. Hanks, President  
Mindshare Technologies

## Build vs. Buy

### Why Use a Hosted EFM (Enterprise Feedback Management) Solution?

We've all heard the old saying...

***“If you want something done right, do it yourself”***

Right? Well, not so fast! Do you make your own electricity? Water and sewer? Furniture? POS systems? Printer drivers?

**Of course not!**

Similarly, should you try to build your own EFM system (including customer and employee feedback, analysis, reporting, and distribution)?

**Of course not!** Why not?

**Because ... it's not what you do. It's not your core competency.**

But it **is our core competency** at Mindshare!

There is a sign outside the Crab Cooker Restaurant in Newport Beach that summarizes it best:

**“The main thing is to keep the main thing the main thing.”**

In other words, you work on what you do best, and let us serve you with what we do best!

### Why Outsource Enterprise Feedback Management? Here are the reasons:

- Domain Expertise:** It's all we do; it's our expertise, our passion.
- Lower Cost:** Fully-loaded cost, Total cost of ownership, update and maintenance costs.
- Better Product:** More functionality now, more innovation later.
- More Leverage:** Best-practice sharing. Performance. Scalability. Analysis. Benchmarking.
- Future Change:** Purpose-built and flexible. What you can afford to build is usually not what you need. Continuity of people, institutional knowledge, and upgrades.
- Speed & Versatility:** Mindshare's hosted solution is extremely flexible and easily implemented.
- Opportunity Cost:** Effort you spend here could be spent elsewhere.

Now let's address each of these advantages in more detail:

#### **Domain Expertise:**

- This is all we do all day, every day!
- Mindshare is the industry leader – we collect over 70,000 surveys a day, from hundreds of companies, across over 25 industries, over 100 countries, and 26 languages. The feedback is collected in real-time, analyzed and immediately reported as actionable information.

**Our expertise at Mindshare includes:**

- Implementation
- Survey design
- Reporting needs
- Organization requirements
- Training documentation
- Goal setting
- Tying customer/employee sat to financial results
- Best-practices across companies and industries
- Robust analytics (both system and people)
- Innovation and modifications
- Client and customer support
- Multi-language capability

**Lower Cost:** (What will it really cost you to build this yourself?)

**Before we review specific costs, here are some generalities to keep in mind:**

- (1) "Sunk Costs" are sunk. (What you've already spent in the past should not impact your decision.)
- (2) When comparing costs, use "fully-loaded costs" (including labor, rent, heat/light/power, phone, etc.), and "total cost of ownership" (including maintenance & upgrade costs, and inefficiencies).
- (3) Most software costs are incurred for ongoing maintenance and upgrades, not in creating.
- (4) All costs are variable in the long run. ("But we've already got this FTE on staff" – false premise)
- (5) Internal IT people almost always believe they can do something cheaper in-house. (They are not operators – they are engineers, and engineers like to build things.)

**Fully-Loaded Costs to Consider:**

- Salaries
- Phone costs
- Benefits
- Internet costs
- Heat, light, power, phone, copier, etc.
- Building space rental
- Server equipment
- 24/7 systems support
- Server time
- "Up-time" hidden cost

**Now, complete a worksheet (such as the one that follows) that estimates the TRUE COSTS to BUILD and MAINTAIN an in-house enterprise feedback management system:**

|  |                                     |
|--|-------------------------------------|
| <b><u>TOTAL COST OF OWNERSHIP: (example only – re-do, using your specific estimates)</u></b> |                                     |
| <b><u>People:</u></b>  |                                     |
| Database Administrator:  | \$130k loaded – say, ½ FTE = \$ 65k |
| Account Manager/Analyst:   | \$ 80k loaded – say, ¼ FTE = \$ 20k |
| Customer Service Representative:   | \$ 32k loaded – say, ¼ FTE = \$ 8k  |
| Sys. Admin/Monitoring:   | \$ 80k loaded – say, ¼ FTE = \$ 20k |
| Developer Time (maintenance, upgrades):  | \$100k loaded – say, ½ FTE = \$ 50k |
| <b>Annual People Cost</b>  | <b>\$163k</b>                       |
| <b><u>Fully-Loaded Costs (Insert your estimate):</u></b>                                     | <b>\$\$\$\$k</b>                    |
| <b><u>Maintenance and License Fees on Software (Insert your estimate):</u></b>               | <b>\$\$\$\$k</b>                    |
| <b><u>Hardware and Software Upgrades (Insert your estimate):</u></b>                         | <b>\$\$\$\$k</b>                    |
| <b>GRAND TOTAL COST OF OWNERSHIP</b>   | <b>\$ ZZZk</b>                      |

There is an old saying that sums up the whole discussion on the costs of outsourcing EFM...

**“You can pay (a little) now, or pay (much more) later.”**

**Better Product:**

Outside vendors have an immediate advantage due to: (1) Knowledge specialization, (2) Time to focus on one thing, and (3) Cross-industry knowledge sharing and feature innovation.

But, aren't we just talking about “surveys” here? **No!** Survey collection is the simplest part of what we do. (That would be like saying, “Aren't we just talking about toast in a restaurant, or lipstick in a retail store?”)

**Collecting** surveys is easy. (That's why Internet survey companies' prices are so cheap.)

It's what you **do** with the information that's difficult...

- Reporting
- Service-lapse recovery
- Analysis
- Alerts
- Information dissemination
- Voice of customer
- Holding people accountable
- Integrated reporting

**So, what are some specific examples of better functionality of an outsourced system?**

(E.g. Why should you outsource enterprise feedback management to Mindshare?)

▪ **Analysis**

**Reporting:** (Robust reporting methods)

Key drivers; link between customer, employee, and financial results; multiple scoring methods; multiple report formats; changes to surveys flow automatically into reports.

**Causality:** (Did something cause something else to happen?)

Ice cream example: Research shows positive correlation between ice cream consumption, boating accidents and drownings. Does ice cream “cause” boating accidents and drownings? No. The variables are only related through another variable, the weather. (As heat rises, so does eating ice cream, boating and swimming.)

**Low Scores vs. “Important” Low Scores:** (The low-scoring variables may not be the most important things to improve.)

Hospital food example: On surveys, hospital food always scores near the bottom. Given scarce resources, should hospitals focus attention on their food? No. Hospital food ranks low, but it has no correlation to a patient's “intent to recommend.” They don't like the food, but it doesn't keep them from referring the hospital to others.

**Deriving “Importance”:** How do I tell what's “important” – do I just ask customers? (No, importance usually needs to be derived, not asked.)

Airline example: When asked, customers always list “safety” as the most important variable used in choosing an airline. But, when correlated against behavior (what they buy), safety is never in the top ten. Why? Because safety is “assumed.” While safety is clearly the number one concern of customers, it does not generally drive their choice of airline.

- **Hierarchy**

Clear, targeted reports tailored and delivered to all layers of management, with role-defined security.

- **Information Dissemination**

Reports delivered by email to specific people on an immediate, daily, weekly, or monthly schedule.

Reports that are available online, in real-time, 24/7.

Reports that are flexible across time, geography, cross-tabbing, type, download method, etc.

- **Real-Time Alerts**

Actionable alerts, triggered by pre-set criteria, sent to local unit manager for follow up.

Alert triggers that are flexible by question, average scoring, overall scoring, etc.

- **Service-Lapse Recovery**

Incident Management system opens up an “incident” that needs to be resolved by local management.

Reporting that tracks actions taken and documents the follow-up and resolution.

Call back requests that are flagged for immediate attention.

Reporting that holds unit managers accountable to (1) “fix” the internal problem – be it person, process, or thing; and (2) “fix” the customer situation.

- **Voice of Customer**

Actual customer comments captured in text, or in highly-portable MP3s and integrated into quantitative reporting, or easily extracted for qualitative uses. Nothing is more powerful than the customer’s voice.

- **Integrated Reporting across all feedback from all customer touch points**

Information collected from all feedback sources (web & phone surveys, [www.com](#) feedback, 800#, new store openings, internal audits, mystery shops, employee satisfaction surveys, all enterprise touch-points, etc.) can be integrated into single reports, automatically delivered to the point of accountability.

- **Exceptional Service Recognition**

Identifies and solicits positive customer feedback for training, reward, and recognition purposes.

- ☑ **More Leverage:**

Everything we do at Mindshare can be spread across hundreds of customers. The leverage that we achieve means lower costs, better products, more reliability, and better sharing of ideas and innovation.

- **Broader feature set**
- **Performance and Reliability**
- **Scalability**
- **Support**
- **Security**
- **Best practices across industries & companies**
- **Benchmarking**

**Support:** Three-person dedicated account management team – always ready to assist you, constantly finding ways to drive your success. Multiple, cross-functional team members to back each other up.

**Security:** Application and hardware maintained at professional data-hosting facility. Multiple levels of redundancy to ensure up-time. Data encryption.

**Benchmarking:** Compare results across not only your own locations, but across others in your industry, and most importantly, companies in other industries.

### **Future Changes:**

Let's say you do go ahead and choose to build a customer feedback system yourself. Who will "own" it for the future? Who will be held responsible for its continued success? What about changes to software and hardware? What about internal staff changes, turnover, and re-training?

#### **A couple of questions to ask yourself:**

- Who in your company is thinking about the **future** in this area?
- What about **changes** that will need to be made?
- What would happen if **key** IT or analytical **personnel** were to **leave** your company?
- Is this really a **core competency** you want your company to have?
- How much more could you benefit from **best practices** of hundreds of industry leading-companies?

### **Speed and Versatility:**

Mindshare can have your customer feedback and your employee feedback surveys (with complete analysis and reporting), up-and-running in **less than a week**. How long will it really take your IT department to create even a very simple system, and get it running?

### **Opportunity Cost:**

All of the resources you spend doing this could be spent elsewhere improving your core competency.

## **CONCLUSION and SUMMARY**

**Question:** Why do companies like Hertz, Marriott, Arby's, Fuddrucker's, Papa Murphy's, Tony Roma's, Firestone and many more rely on Mindshare's hosted service?

**Answer: Results! Focus!** We allow you to focus on your business! **REMEMBER...**

**“The main thing is to keep the main thing the main thing.”**

We strongly suggest that you follow this important saying, and focus on what your company is in business to do – focus on your core competency, and let Mindshare serve you using one of the finest enterprise feedback management systems in the world.

This is how I see it.

### About Richard D. Hanks and Mindshare

**Richard D. Hanks** is the President of **Mindshare Technologies**, a leading provider of real-time, automated customer and employee feedback solutions. His experience spans multiple industries and disciplines, including many years as an adjunct professor at Cornell. He is an author and frequent teacher/speaker at trade, academic, and professional gatherings. Mindshare's business monitoring tools help companies improve operational excellence and minimize customer attrition through personal customer involvement. Mindshare's proprietary survey technology captures the voice of the customer in real-time and immediately transforms it into actionable intelligence through powerful enterprise reporting. As a hosted system, Mindshare is affordable and flexible, with surveys and reports tailored to fit a company's individual needs. For more information please visit: [www.mshare.net](http://www.mshare.net). To reach Rich directly, contact him at [rhanks@mshare.net](mailto:rhanks@mshare.net) or (801) 263-2333.

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### Thoughts on "Buy vs. Build"

From CRM Advocate Newsletter - Gary Lemke, Publisher

These are verbatim quotes from those that weighed-in on a "buy vs. build" debate in an online forum...

#### February 08 - Vendors Are Smarter

*"It almost never makes economic sense to build your own. The vendor spreads R&D costs over hundreds or even thousands of customers. The vendor has an entire staff to support you. If one person leaves, there are still others there to pass on the institutional knowledge. The vendor is smarter than you in designing the system. The vendor has feedback from hundreds of users over years or decades. As your needs increase (and they will) the off-the-shelf system probably already has features to support you. Your in-house system will not."*

It is hard to argue with those points. Taken at face value, why would you ever build?

#### February 08 - I Wish I Had Bought

Allow me to share one more real life story about the "build versus buy" question. This individual has been on both sides of the argument as both the owner of a software development company and as a company with in-house code. Here's the story:

*"Right now I am stuck with an in-house custom built contact database that has no means of support, no programmers available, and little opportunity to improve. For the dollars wasted on development on this product a few years ago, I could have purchased a COTS (Consumer Off the Shelf) CRM system, paid for the complete implementation, and had enough money left over for numerous 3rd-party add-ons needed for growth and change."*

When the decision was made to build in house, the expectation was something different. It was determined that there was more bang for the buck in coding than buying. The point is this - when making such a decision, it is important to make sure the expectations are set closer to worst case than best case.