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Build or Buy?

Application Domain/Technical Knowledge

Economics

Organizational Maturity

Time-to-Market Demands

Flexibility/Usability

Make the Right Decision for Your Next Customer Communications Solution

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Fully Assess the Pros and Cons

Make the Right Decision for Your Next Customer Communications Solution

Document communications certainly isn't a new topic to the world of insurance. But it is a topic where periodic re-examination is necessary, particularly against a backdrop where advances in technology in recent years are producing improved business results for some of your competitors.

The advances in how well this key process can be integrated into your business operations—and the gains that could mean for you—require taking stock of how you stack up in this area on a periodic basis.

But on what basis can you be sure you are making an informed decision?

Cincom Document Solutions has put together this guide that looks at factors in five decision areas that will help you determine your best course of action:

- Organizational Maturity
- Flexibility/Usability
- Time-to-Market Demands
- Application Domain/Technical Knowledge
- Economics

Too often, insurers take a short-term view and decide whether to build or buy applications based solely on initial implementation costs. There's more to the story than that. There are issues you should be thinking about when you are measuring whether action is necessary when it comes to your customer communications system.

There's more to a decision to "build vs buy" than initial implementation costs.

Organizational Maturity

Where your organization sits with respect to its level of readiness and experience in relation to people, processes, technologies and consistent measurement practices can play an important role in determining if you should build or buy your next customer communications application. As the saying goes, "technology applied to an efficient operation will magnify the efficiency, while technology applied to an inefficient operation will simply magnify the inefficiency."

Considerations:

- When it comes to customer communications, are your business processes and practices delivering the right outcomes reliably and sustainably?
- What is your organization's tolerance for new technologies, especially those that affect core processes?
- How would you describe your organization with respect to its willingness to take risks?

Readiness and experience play an important role.

Flexibility/Usability

When weighing the relative importance of flexibility for your next customer communications application, keep in mind the simple design principle that as the flexibility of a system increases, its usability decreases. The tradeoff exists because accommodating flexibility requires satisfying a larger set of requirements, which results in complexity and usability compromises. And, over their lifecycles, systems shift from supporting multiple uses inefficiently toward efficiently supporting a single use as users' needs become more defined and better understood, both by themselves and designers.

Considerations:

- How well are the needs/requirements of users understood? How often do these change significantly?
- How is application integration defined in your organization?
- How stable are your OS and platform decisions?

Balance the need for flexibility with usability.

Balance the need for speed with the imperative of quality.

Time-to-Market Demands

In today's competitive world, time-to-market goals are so important that organizations may default to buying a packaged solution or they will hire outsourcers, system integrators and contract developers to augment their internal staffs to shorten the development cycle of an in-house system. Despite this pressure, organizations must carefully balance the opposing forces of speed and quality when it comes to their customer communications applications. Time-to-market may be improved by hurrying the decision or skipping steps in the process, but generally at the expense of quality.

Considerations:

- Is time-to-market the overriding decision factor, or is it just one in the overall mix?

- Do you see customer communications—a key component in the customer experience—as a competitive differentiator?

- Is your organization embracing service-oriented development of applications?

Don't let a new solution dictate the expertise you need or drive new processes.

Application Domain/Technical Knowledge

Domain expertise—application or technical—is a key factor in any technology decision, not just a customer communications system. Analyzing requirements, explaining options and identifying a solution built precisely for needs today along with the flexibility and scalability to grow tomorrow is the essence of any technology initiative. Regardless of whether you are buying or engineering a new customer communications system, it needs to fit with your existing business processes versus having them adapt to it.

Considerations:

- How accessible are your application and technical domain experts and users? Can they devote the time required for this project?

- While you have business-application/process-domain expertise, do you have the right level of customer communications solution expertise on staff?

- Do you have the technical knowledge of the languages, tools and environment required?

Economics

Total cost of ownership (TCO) is a financial estimate that's intended to help determine the direct and indirect costs of a system. TCO tries to quantify the financial impact of deploying a solution over its entire lifecycle. The decision to build or buy your new customer communications solution needs to include all of the economics—operating costs like training, maintenance and security as well as initial purchase price or development outlays.

Considerations:

- Have you considered all of the operating and maintenance costs beyond the initial purchase price or development costs?

- What are the costs to modify a packaged solution? What are the costs to maintain those modifications as new versions are released?

- Does the new solution (bought or built) require you to train existing resources or acquire new ones?

A combination of these factors versus one, single factor will help determine the proper course of action for building or buying your next customer communications solution.

Although many organizations will want to default to building the application at first because they feel their needs are unique, the real application "opportunity" might suggest a better alternative. For example, where there is a shortage of either technical or application domain knowledge within the organization, it would be better to buy the application from a knowledgeable vendor. However, if flexibility is the overriding factor, the enterprise's needs might be best met by building the solution in-house or through a "hybrid build/buy" approach whereby a system with next-generation, service-oriented architecture (SOA) technologies is bought and then customized by in-house or outsourced resources.

Quantify the financial impact of deploying a new solution over its entire life cycle, not just at the time of purchase.

Fully assess the pros and cons or risk making a decision that fails to meet your needs today and beyond.

Make the Right Decision

Your unique situation and business applications will dictate which decision factors you consider and, ultimately, the right course of action for your organization. Businesses that do not fully understand the pros and cons of build vs buy run the risk of making a decision that fails to meet their business needs today and in the future. Our experience in replacing numerous in-house-developed systems reveals that only in a minority of cases is building a customer communications application more productive than buying it. Case studies show that buying customer communications applications from an established, knowledgeable vendor substantially increases productivity and lowers costs:

- Productivity of bought applications tends to exceed those built by more than 3:1.

- Bought applications cost 40 percent less than built applications.

The next generation of SOA technologies is addressing the main build vs buy dilemma—"off-the-shelf" packages are too inflexible and don't provide competitive differentiation, but custom-built solutions are too slow and costly.

Progressive vendors are now offering a more-customizable approach through SOA models that provide development tools using architectural and design patterns and the ability to build and assemble components and services. Many of the latest rapid application development frameworks targeting J2EE and .NET improve productivity by 40 percent to 80 percent compared with traditional application development tools. These can be used as starting points for more-strategic implementations that differentiate an organization without the full brunt of in-house development costs associated with "from scratch" solutions. Improvements of this magnitude could lower the cost and time-to-market involved in building applications while capitalizing on domain knowledge and improving flexibility, making buying the best option for your customer communications solution.

About Cincom Document Solutions

Cincom delivers the most intuitive, customer communications solutions in the industry. By streamlining the design, deployment, delivery and management of high-volume, highly personalized communications, Cincom has helped insurers around the world acquire, strengthen and expand customer relationships, minimize compliance risks, reduce operating costs and accelerate time-to-market for all of their customer communications. Cincom leads the industry in providing customer communications solutions that are easy to integrate, easy to use and deliver a rapid and continuous return on investment.

About Cincom

Cincom delivers and supports innovative software and services that simplify complex business processes. Cincom specializes in the areas of business where simplification brings the greatest value for companies that want to grow revenue, control cost, minimize risk and achieve rapid ROI better than their competitors. For over 50 years, Cincom has helped thousands of clients worldwide simplify the management of complex business processes.

Cincom serves clients around the world, including Barclay's Bank, Prudential Life Insurance, Montana State Fund, MTL Insurance, Molina Healthcare, Wisconsin Physicians Service Insurance and Church Mutual Insurance. For more information about Cincom's products and services, contact Cincom at 1-800-2CINCOM (USA only), send an e-mail to info@cincom.com or visit the company's website at www.cincom.com.