

E/CTRM Software – To Build or Buy? That is the Question

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By Commodity Technology Advisory LLC

With around 90 or more software vendors offering a variety of commercially available solutions in the area of ETRM and CTRM software and a history of commercial solution development going back 20 or more years, the idea of building a custom solution might seem something of a throw back. However, the truth is that the commodity trading business and its requirements can change so quickly that for large or complex, cross-commodity businesses, internal development of a custom solution can hold some attraction. There simply isn't yet a commercial solution in the marketplace that can do everything for every commodity in every geographic location and do it well.

As a result of this, and having detected what seemed to be a bit of a trend back towards building custom solutions in the top tier of the market, Commodity Technology Advisory (ComTech) conducted a research effort to examine the drivers behind this trend. The full report of this research, sponsored by Brady PLC, can be downloaded from the CTRMCenter at E/CTRM Software – To Build or Buy? That is The Question.

The results of the research indicated that within our respondent group, some 38% said that they would consider building an E/CTRM solution as opposed to licensing an available solution from a vendor. A further 32% said that they while they would give custom development consideration, they felt they would likely still end up buying a commercial solution. In all, a total of 70% of the group did indicate at least a willingness to consider an internal/custom development effort; leaving the remaining 30% who said that they would not consider building internally. When viewed by markets, the data does indicate that the willingness to consider an internal/custom build is more common in the top tier than the middle or bottom tiers of our respondent companies. Though not a

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majority of our respondents, the large percentage of those willing to consider an internal/custom effort does represent data sizeable portion of the market.

When asked to rank various commonly cited reasons why a company would build internally, the respondents ranked “having total control over functionality” as the most important reason. Close behind in importance was their belief that they would know their own business and requirements best. Another strongly ranked reason to build internally was to avoid having to use generic capabilities that in the end, may only make implementation more complex. The least important factor was deemed to be that there might be a predisposition by their IT department to build its own software solution.

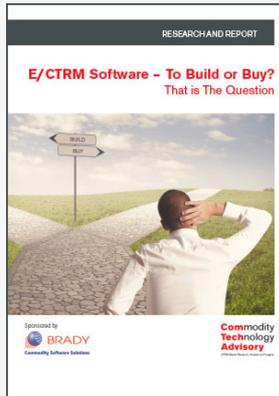
On the other side of the coin, the highest ranked reason to not build a solution internally was the belief that the company is not an IT shop and/or doesn’t desire the costs and complexities associated with a large IT department. That being said, the sheer cost of an internal build and the problems involved in keeping that custom software current with evolving business requirements were both ranked almost as high. In fact, by comparison to the reasons to build internally, all of the common arguments against building internally that we tested were ranked quite strongly, perhaps backing-up common anecdotal stories across the markets that the negatives against building internally outweighed the positives.

So are these opinions based on facts or experience on the part of the research respondents? In examining the experiences of our respondent group, it seems that experience of building internally is quite common among the respondents, with 81% indicating they had some experience in developing custom solutions. In terms of those experiences, the vast majority of the respondents felt that the internal build projects that they had been involved with had been largely successful in terms of meeting business, IT and management expectations; with many of those internally developed solutions still in use and providing business benefits. That being said, less than half of those respondents indicated that the project were completed on time and within budget, indicating that with these types of projects there is significant budget/execution risk.

The results of the survey do suggest that, despite many negative anecdotes and high profile past failures, there



remains some attraction/inclination to build E/CTRM software internally; and that this is strongest among top tier companies that invariably have a global, complex, multi-commodity business to manage. However, it may be important to note that many of the survey respondents were located in Europe, a market that would be considered more fractionated than North America, particularly so in the energy markets. This market fractionation may make it more difficult for these large scale companies to identify and procure a single commercially supported system that would meet all their needs.



For a comprehensive review of this research effort, including full demographic information and detailed data regarding respondents experiences with internally developed systems, please download the full report from the CTRMCenter at [E/CTRM Software – To Build or Buy? That is The](#)

[Question.](#)

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