

## Who's Number One? Who Cares

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I got an interesting email/press release the other day. The headline read: "SalesForce Loses CRM Lead" and the story was about a new hosted CRM company, FreeCRM.com and how they claim 13,500 customers to Salesforce.com's 12,500, hence the leadership change. As you might expect from the name, this company has amassed its considerable hosted CRM community by giving away its product. Where do I start with this?

### **As Austin Powers might say, "Oh, please!"**

I seem to remember the same scenario in the early days of PC software — companies would give away product hoping to make money on the upgrade. I also recall a similar approach in the bubble days. Watching companies dive into the market as low cost providers is an indication of how late in the trend we are. And even if it wasn't rather late to be jumping in, most customers want to know what you can do for them, not how great you are.

Nobody makes money by giving away product like this and if you don't make money you don't stick around. I think it's the third law of thermodynamics, right behind entropy or maybe it's just economic gravity. So far only Microsoft has managed this levitation act with operating system components like their browser and media player but even they remain tethered to earth by a string of law suits. Last month the EU told Microsoft to partially unbundle their operating system.

But more to the point I would like to be perhaps the first to point out that CRM market share doesn't amount to a proverbial hill of beans any more. It stopped mattering when SAP started counting shelfware as "market share" and it stopped counting when Salesforce.com started reporting its growth that way on a monthly basis. For a new-comer

to the CRM market to announce it has beaten Salesforce.com at its own game is like an upstart burger chain claiming it has served billions more burgers than McDonalds. You can have all the billions you want but the path to McDonalds is well worn by now and people are past caring.

### **A case in point**

About fifteen years ago, you might recall, there was a boomlet in craft brewed beer led by Samuel Adams. Overnight hundreds of craft brews materialized and all of them borrowed the same messaging from Sam Adams: two-row barley, gourmet hops, pure water and freshness. Today only a small handful of craft brewers is left and the majors have all co-opted the messaging; some focus on freshness others on pure water — and nobody cares. That's because as soon as two or several vendors have the same capability the capability becomes a commodity and the competition moves on to other issues.

So what do we make of CRM market share today? Based on my observations I would have to say that big market share no longer matters — it could matter again later but right now it's a non-issue. In the case of hosted CRM, the market is proven. Salesforce and RightNow each had successful IPOs last year and the market place accepts the utility model as a legitimate mode of delivery.

### **Next stop**

Where to next? Well, it probably won't be a price war. All of these solutions are already too cheap to begin with and before any customer starts calculating what they would save if they got two dollars per seat per month off their current bills they'll probably look for more or better functionality. At the moment that seems to be what many of the leaders in the space are working to deliver.

Salesforce.com is promoting new customization and development features, Salesnet is building a reseller channel and encouraging its partners to build custom versions of its product, and Siebel is offering pre-built vertical market solutions.

Many vendors are also extending their reach into other sectors within CRM. For example, RightNow is filling out its service and support suite with sales and marketing solutions, Siebel is offering an on demand call center and so is Salesforce.com.

So does it matter who has what market share? In the long run it might but the long run has a lot of challenges lurking and market

share is more a symptom than a cause. As long as we inhabit an expanding market there will always be more to sell and more customers. The market isn't limitless but it is big and at this point in hosted applications it is important to establish credibility, secure a niche and treat your customers well.

And market share? That is so last year.



## About the Author



### Denis Pombriant

Denis Pombriant is a well known thought leader in CRM and he is the founder and managing principal of the Beagle Research Group, a CRM market research firm and consultancy. In 2003, CRM Magazine named Pombriant one of the most influential executives in the CRM industry. Pombriant's latest white paper, "The New Garage" discusses the emerging new enterprise software industry business model.

E-mail: [denis.pombriant@beagleresearch.com](mailto:denis.pombriant@beagleresearch.com)

## About Beagle Research Group

Beagle Research Group is a consulting and market research organization focused on emerging companies and technologies that will have an important impact on the way business is conducted in the years ahead. Our work is based on professional standards of quantitative and qualitative research which informs all of our publications.

This document was researched and written by Beagle Research Group.

## Contact Us

**Beagle Research Group**  
264 Greenbrook Drive  
Stoughton, MA 02072  
781-297-0066  
[information@beagleresearch.com](mailto:information@beagleresearch.com)