

Important CRM Happenings in 2004 December 8, 2004

Year end is always good for top ten lists and forecasts of things to come. It's a way for analysts and pundits to show how smart we are and that we "knew it all along" — or at least to exhibit our 20/20 hind sight. Here are my observations of what was important to CRM in the year now ending.

1. Tom Siebel stepped aside as CEO of the company he built. At one point the company was the fastest growing software company in history, in its best year booking a cool \$2 billion in revenues. Recent years have shown a steady revenue decline as the software industry in general slumped in the hangover from the end of the millennium. But Siebel Systems remains a significant competitor and a very good innovator in the CRM space. As CEO Tom Siebel became lightning rod, a man everyone had an opinion about and frequently the opinion was not positive. He remains in an influential position as chairman of the board and out of the spotlight he continues influence the company's direction. We haven't heard the last from him.
2. Oracle did not buy Peoplesoft. Weren't we talking about this a year ago? No matter, try as it might, Oracle still has not closed the deal despite clearing court hurdles and Craig Conway's stepping aside as CEO of Peoplesoft. When Conway left it was expected that a deal would be forthcoming but to date there has only been haggling over price. Haggling is frequently the last phase in a sales process. Let's hope this gets off the front pages in the new year. Personally, I still think this is the wrong move for Oracle.
3. Salesforce.com had a successful IPO and so did RightNow. Nothing proves your legitimacy like publicly listing your company and Salesforce did it in style by choosing to list on the NYSE (more stringent requirements) rather than NASDAQ. Now CEO Marc Benioff has an even larger audience to proselytize about the benefits of not being a software company. As a reward for its efforts, Salesforce was promptly sued by shareholders unfamiliar with the very different business model of hosted applications... er... services. Meanwhile Bozeman, MT based RightNow has introduced sales oriented products even as Salesforce.com has brought to market a hosted call center service. No doubt we will see increasing competition in the OnDemand space in 2005. Regardless these IPO's were watershed events that confirmed the category and opened the way for new competition.
4. Speaking of OnDemand, additional entrants in hosted CRM market Siebel, Entellium, Aplicor and others showed the business model thrives — just two years after many analysts had given it up for bubble road kill. More importantly, though, each offers what is now pretty much universally referred to as "OnDemand" services, each has very different ideas and plans for targeting the market. Siebel offers a hybrid strategy to large companies, Entellium wants to be the low cost producer, and Aplicor offers powerful workflow to augment its suite.
5. Siebel decided the hosted market was so important that it had to purchase its way into it. Siebel paid north of \$50 million to buy Upshot, a pioneer in hosted SFA. The acquisition was made largely for the people and expertise that Upshot had

developed though some of the Upshot functionality found its way into the Siebel product as well. There was no net reduction in competitors as Siebel entered the market at the same time it took out Upshot. Siebel also bought Ineto, a company with hosted call and contact center technology to help round out its hosted CRM offering. Going forward look for a major battle to develop between Siebel, Salesforce.com, and RightNow for the hosted contact center.



6. Siebel's partnership with IBM on hosted CRM brought a new term into the CRM vocabulary — OnDemand. This could have roughly the same effect on CRM that the IBM PC had on an earlier market.

7. Our survey showed that marketing applications continue to demonstrate their importance especially in small and medium companies. These companies say that marketing applications have equal or greater importance to their efforts to capture the voice of the customer and improve customer retention than other CRM components such as sales and service applications.

8. We identified a new category of hosted application which we called "Web Necessary" because these applications incorporate the Internet in their value propositions to a much higher degree than earlier hosted apps. Web Necessary applications have three general characteristics:

- They involve the Internet as an active part of the value proposition

- They support innovative business processes that in most cases could not be easily supported any other way

- They are collaborative, bringing together people from disparate roles, geographies, and organizations to participate in these business processes

9. Salesforce.com upped the ante as it introduced new services. We've already mentioned its hosted call and contact center but it also took on Microsoft by introducing a re-

vamped its Sforce hosted development platform to include CustomForce.com to enable developers to build and maintain hosted applications that use the company's core functionality. Salesforce.com refers to this new model as "client-service" and we expect it to be an important part of shifting the paradigm for the enterprise software industry. CustomForce should go after the same market as desktop products and tools like Microsoft Access — small in-house developed applications. But down the road look for more direct competition between this hosted development facility and traditional tools and databases.

10. Salesnet, another pioneer in hosted CRM opened up its API and introduced an innovative reseller program. Early results were strong as several resellers customized the service for specific vertical markets. This approach offers an interesting and viable contrast to Salesforce's Sforce and CustomForce approaches. And unlike Salesforce.com's approach, Salesnet's has a more direct path to revenue for partners.

Granted, other things happened in CRM this year that could be called out. But from where I sit these seemed to be some of the more important issues we have faced in the CRM industry.

About the Author



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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.

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