

2005 Forecast: Stick Around, This Could Be Fun

Time to go out on a limb, put everything in the middle of the table, and make some prognostications about what the big stories will be in and around CRM in 2005. This is all based on the best available research with the confidence of knowing that no one will remember any of this by next December. Here goes:

A better market for venture capital and more emerging companies. At the recently completed Seventh Annual Venture Capital Conference held at MIT's Sloan Business School, in which I participated, the mood was cautiously optimistic for venture capital prospects in 2005. The VC community has been carefully placing money into emerging companies for the last two years and I expect this trend to continue. Regardless of your opinion of the result, with the US election securely in the rear view mirror the market has the certainty it lacked for much of 2004 and that certainty combined with numerous new ideas should equal a new crop of small companies.

Wireless technologies continue improving and take CRM off the desktop and to the customer. Although wireless technologies have made inroads into CRM for each of the last several years, I think 3G technology has now reached critical mass and I expect to see more applications that take advantage of the platform. Interestingly some people think 3G is overkill and that more can be done with earlier products. One tantalizing idea I have been hearing about for a couple of years will dramatically shrink form factor requirements. Imagine rather than looking at a screen that you look at a laser beam that puts an image directly on your retina. I don't know if that technology will appear in '05 but it's an interesting harbinger.

Continued growth and diversification in hosted CRM. It's pretty much universally referred to as "On Demand" ever since IBM and Siebel "legitimized" the space and I expect that to be an important impetus to others — both existing companies and startups. I have identified a new class of OnDemand applications which I refer to as Web Necessary for the way they tightly integrate the Internet into their value propositions. Marketing applications are especially prone to using the Internet as a weapon and many companies are getting important value from them. I expect Web based marketing applications should proliferate.

More established software vendors bite the bullet and begin to offer hosted solutions. I am surprised that more companies have not followed Siebel's lead into on demand computing, especially in the wake of Salesforce.com's RightNow's successful IPOs. The train is leaving the station in 2005 and vendors that are not on it will be... Well, let me just say I don't want to be them.

The voice of the customer gets louder. VOC is an important buzz word for 2005. After many years when marketing played third fiddle to sales and service applications, many companies are realizing the importance of maintaining contact with customers and actually listening to their needs. Our data shows that the marketing applications that are most coveted because they maintain a dialog with the customer.

Customer loyalty (aka retention) replaces customer satisfaction as the primary driver in vendors' mindsets. For all the talk about satisfaction we have missed the important reality that satisfied does not automatically translate into loyal-to-the-point-of-buying-more. Walker Information released an important quantitative market

study that shows the difference and what it means to revenues and margins. Smart companies will digest this report and act differently going forward.

ROI as an indicator of software implementation success will be de-emphasized as vendors focus on growth instead of cost avoidance. Face it no one

likes to do the hard work of calculating ROI. Our surveys show an even division between those companies that perform baseline studies and those that do not. Without a baseline you have no basis for comparison and little on which to base an ROI calculation. Most of those who perform

the baselines do not go on to measure ROI so I question how valuable a metric it is. Certainly it looks good in the sales process but once the sale is completed it seems to be forgotten. I project the market will be more interested in growth than cost avoidance next year a bad omen for ROI aficionados.

Government regulation of spyware and other dangerous software makes Internet more safe, secure, and convenient for users. Legislation passed in the last session of congress will be reintroduced but this time it will have more attention and support from the visionaries in Silicon Valley and elsewhere who know that security and authentication are the Internet's biggest challenges.

Speaking of government, one reason the feds will be interested in Internet security will be that they are moving ahead with implementations of systems that do many of the same things CRM does for the private sector. Look for initiatives like 311 phone service and other government oriented CRM to forge ahead as new growth areas. Late 2004 has seen a flurry of government activity and I expect that to continue.

Oracle will try to buy China. No, really. In an interview last summer Oracle president Charles E. Phillips Jr., said one of Oracle's main reasons for trying to buy PeopleSoft was to garner new customers. I sug-

gested at the time that innovation and entrepreneurship are also smart ways to get new customers but Oracle seems intent on buying instead of building. My logical conclusion is that Oracle will continue its acquisitive course and attempt to corral the largest block of potential new customers left on the planet. You saw it here first.

Thanks for reading this column in 2004. I am not filing a column next week but I look forward to seeing you in January. Happy holidays!



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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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.

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