

Key Findings

May 19, 2004

Foreign Investment

Several foreign CRM companies have recently initiated operations in the US which is a sure sign that CRM has reached another maturity milestone. When outsiders begin to penetrate the North American market it is an indication that the rest of the world “gets it” and has something to offer to the biggest software market on the planet. I say welcome and good luck and offer a few tips on taking your first corporate steps in this market.

True story

In my career as a software sales rep I worked at different times for two companies that wanted to enter the US market. One was successful, one not; the successful one got bought not long ago and both are now gone as free standing entities. Despite the different outcomes, there were numerous similarities between the two companies most significantly, neither had much of a plan beyond selling their great technologies.

Each company was fueled by adequate cash and a cock sure belief that they had built the Rolls Royce of their technology space, the last word in performance. One company in particular was so sure that they had a winner, the CEO, when I finally met her, told me I was lucky to be working there because the software sold itself. These people were true believers and they backed up their confidence by refusing to let us Americans see a price list or ever training us on the product. “Just sell” seemed to be the motto, to which we responded after a while of trying, “Sell what?”

Things went from worse to worst and after six months of futile flailing the CEO and owner immigrated to these shores and unceremoniously dumped the president. Lots of people and their families from the “home office” followed in their footsteps; presumably all of them had seen the sacred price list and other top secret documents such as manuals. Miraculously, we sold two systems but then everything went cold and people started quitting, Americans at least. The foreigners who might have been disgruntled found that they had one way tickets. Finally, a new crop of Americans was hired when the owner and CEO decided running a company in “the states” was too hard. To their credit the owners listened to the new guys and discarded their earlier practices and finally the effort began to turn around.

Crowded market

The point of this story is not to embarrass anyone or to say I told you so. But there are several lessons in this that anyone – foreign or domestic – should consider before entering the CRM market today.

First, the CRM market is crowded. Siebel has about 3500 customer sites world-wide and roughly 2.4 million seats deployed; other vendors that are still in the business have implemented fewer customers and deployed fewer seats. While there are still many companies that have not yet purchased CRM solutions, many of them are looking to see who the market leaders will be in the future in an effort to make a “safe” choice. Trying to break into that situation with a product that pretty much does what the locals do is a very tough act. You can win a few by competing on price but that’s a futile effort.

Performance is passé

Second, we are long past the phase when technology alone could sway decision makers. Early in the life cycle of any market, performance is paramount, but as soon as several vendors can demonstrate the same performance or similar functionality, the competition moves onto another subject. Unfortunately, one of the big mistakes late entrants make is focusing on performance, though it is very understandable.

Many times when a late entrant decides to build a competitive product the market leader can be legitimately seen as underperforming. At that stage of the market, the leader is often just a little better than the competition -- like the one eyed man in the land of the blind -- so the late entrant spends a couple years fixated on the goal of providing a better performing product. Never underestimate markets -- they don’t stand still and by the time the higher performing product reaches the market and these shores, domestic competition has ensured that a new and better performing generation of domestic products is on the market.

As the market has moved on, moreover, domestic vendors have improved the usability and reliability of their early products and the discussion has turned to creature comforts. For example, in today’s CRM market the discussion is about “customer-centricity” meaning ease of use, fast ROI and low TCO for the CRM buyer which enable excellent customer service for the customer’s customer. And performance? It’s a checkbox these days.

Burning cash

Third, and lastly, it costs a lot of money to enter an established market – just ask SAP. For all of that company’s prowess and success at ERP, supply chain, and other back office systems, their efforts in CRM have shown mixed results at best. Whatever market share they have -- and it is disputed – comes primarily from a combination of giving away CRM as part of a MySAP upgrade to an existing SAP R3 customer or making sweetheart deals that are of questionable profitability. As a result of those strategies, SAP isn’t even sure how many active CRM customers it has or how many seats are deployed. The company, and to a degree the analyst community, relies on a survey of “intent to deploy” those free upgrades to get a handle on the numbers and the analyst community discounts the number by 75% -- not exactly disciplined accounting by either party.

Where opportunity is today

Still there are plenty of opportunities for new entrants into the CRM market; you just need to know where to look. Generally, that means looking for new niches and business processes. For example, customer feedback applications are just beginning to make an impact and there are many ways to capture customer input that have not been explored yet. Furthermore, unlike CRM proper, customer feedback applications will generate niches for services providers who can work with these new technologies to provide data and information back to vendors.

And with the availability of more information about customer needs and the growing complexity of interacting with vendors and their CRM systems there is a dawning need for a class of specialists who can interact with the end customer and the vendor as a go between. Some thinkers have started calling this “deep support” and that sounds like a great and growing opportunity for someone with an empty garage. If I was bringing a technology company here, that’s where I’d be.