

Key Findings

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Now Is the Silly Season

Every semi-organized human endeavor has one.

You could generally describe the silly season as that time when a large portion of the population takes leave of its senses and confuses day and night. In your world, maybe it's spring break or Mardi Gras or the NCAA basketball tournament. Generally there is news value in the silly season if there is a little controversy.

If the software industry needed a silly season I'd nominate the time of year fast approaching when the analyst firms publish their market share studies and the winner gets important bragging rights for the next year. If there wasn't any controversy we wouldn't call it a silly season but thankfully, the marketplace has supplied us with a beauty. As it turns out there are as many ways of counting market share in enterprise software as Starbucks has ways of combining steamed milk and espresso.

The silly season is a very serious business because it determines market leaders and laggards, their relative positions and to a degree what they can charge for their products and services. It can also drive share prices and with them, executive compensation which makes it very, *very* serious.

Counting Heads

Take the CRM market for example. During the early adopter phase most of the score keeping was done by tracking revenues generated from the sale of CRM. The company that generated the most revenues was deemed the market share leader. When the CRM suite came to encompass a half dozen functional areas like sales force automation and help desk, for good measure analysts also started counting actual seats deployed and the number of corporate customers. These last two innovations helped balance the picture in the event that a vendor's numbers were skewed by either a large concentration of seats in a single customer or the reverse – lots of small customers but with few seats each.

Market share is important because from it leaders can make a plausible case to the marketplace that their products are becoming industry standards and there is security for the customer in that knowledge. The phrase, "No one ever got fired for buying [*pick a market leading company*]" speaks volumes about the importance of market share.

Under most circumstances the numbers, however measured, speak for themselves but not last year and maybe not this year either. That's because there has been a change in the way

major analyst firms count a company's share of the market. Let me try to explain. For several years SAP has been bundling its CRM product with its ERP suite in MySAP. So SAP has been able to legitimately tell the analysts that it has a large number of systems "deployed" or in the hands of customers – but that's not the same as saying the systems are implemented and in use, which is really what market share ought to represent.

In fact, according to a study published last year by Gartner Group, only about 25% of SAP's CRM gets implemented in the first 12 months after a customer accepts the CD versus 90% deployment by the customers of other CRM vendors within 12 months.

Intent to Implement

You might think that's ok. After all, the number of deployed companies is just one measure of market share. There are still the issues of implemented seats and generated revenues, surely they must tell a less skewed story. Well, as they say on TV, not exactly.

Because SAP bundles its CRM with the rest of its MySAP suite, it needs a way to tease out the portion of revenue that is from CRM; for that, the company uses a survey. According to a Credit Suisse First Boston report from last year, in the survey SAP asks its customers about their intent to implement CRM from which it, "[D]educes the percentage of the MySAP Business Suite license sale attributable to CRM." For simplicity's sake I might have simply required registration of each seat as it is deployed – just like most of the software you buy for your PC – and correlated that with maintenance revenue, but that's just me. Other sources who were once SAP reps, tell me that the survey is a form that SAP reps fill out on behalf of the customer. Not exactly a stringent procedure.

There are other market share issues that need to be considered these days too, such as how to account for market share of hosted CRM vendors. Many have long term relationships with their customers but they also have relationships that go from month to month. Still it is somewhat easier to track than market share because the monthly revenue is a very good barometer of the number of users actually using the products.

What's a Buyer to Do?

Gartner Group and others do a good job of interviewing major vendors and their customers and using the reams of information they gather to make market prognostications. Using their extensive research last year when they reported 2002 market share for the top six vendors, they reported both gross share and share adjusted for the new "intent to implement" factor. According to Gartner, raw market share for Siebel was 24.9% vs. 15.9% for SAP – the top two CRM vendors. But when the intent to implement factors were applied (90% for Siebel vs. 25% for SAP) Siebel's share fell to 22.4% while SAP's dropped to just 4.0%. The adjusted Gartner data also shows PeopleSoft and Oracle just behind SAP at 3.9%.

So the silly season is upon us and we await the end of the number crunching that will tell us statistically which vendor moved more CRM product last year. But does it matter? Not any more, I'd say. In an early adopter market, annual market share is important because all products are more or less the same. But as markets grow, vendors differentiate and the buyers alter their questions from "What's your market share?" to "How many customers just like me do you have?" and "When can I talk to them?" At that point, all of the market share

in the world won't be a good substitute for a small handful already implemented customers who can say, "Been there, done that."
