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Key Finding

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CRM Vendors' Focus on the "Mid-Market"

Both Siebel Systems, Inc. and SAP, AG announced new solutions this week that will benefit the mid-market — that misunderstood grouping of mid-sized companies that nevertheless exhibit large appetites for technology. This Key Finding is about the announcement of new solutions by each company aimed at that market space, but first a digression into what constitutes the "mid-market" is in order.

The Mid-Market Misnomer

Conventional wisdom has it that the market life cycle follows a known path from early adopters who have most of the money, to late adopters who have little need, with a stop in the middle for mid-sized companies, where most of the demand is. But this view of the market is inconsistent and wrong. Our research shows that mid-sized companies — defined by revenues generally between $50 million and $500 million — are actually buying all the time. So called mid-market companies are well represented in the early and late adopter phases as well as the middle of the life cycle.

What many refer to as the mid-market is really the "mainstream", the large concentration of buyers that wait until a technology has proven its business worth before spending their smaller budgets. Geoffrey Moore explained all this in his landmark book, ***Crossing the Chasm***, and we've been getting it wrong ever since. The mainstream is made up of a heterogeneous mixture of companies that for various reasons do not jump at the first sign of new technology.

Those reasons generally have to do with availability of resources, the competitive landscape in their markets, and the presence or absence of an executive champion who is willing to take a calculated risk in order to possibly gain a breakthrough in company performance. This is not a black and white situation each of these parameters is a sliding scale. But suffice it to say that early adopters have high marks in all of these categories whereas mainstream adopters are more neutral.

Back to the Announcements

Siebel's approach was to introduce vertical market offerings for its hosted or OnDemand product line and SAP introduced vertical industry packages aimed at mid-market companies. Siebel's approach is to offer the solutions as hosted offerings that could support smaller companies as they are or integrate with conventional on premise Siebel systems in situations where a division of a larger corporation, for example, might want the ease and flexibility of a hosted solution with the added benefit of direct integration with the larger entity's system and data.

On the other hand, SAP's approach is strictly conventional and on premise and promises to lower costs and speed return on investment for mid-sized companies. SAP is offering more than CRM applications, moreover, and has included ERP in its offerings.

Each company touts years of experience in the markets it aims to serve and says that its domain expertise is baked into the product as best practices. So how is one to choose?

Differentiation

While SAP makes a good effort to package fixed price consulting services with its vertical market offerings the fact that services are needed might be a sign that this solution is not designed to snap into a mid-market company. The Siebel system on the other hand is meant to be deployed by the user and configured using point and click, and drag and drop user interface tools.

No software product is ever going to meet 100% of a customer's requirements out of the box so a bit of tuning is not necessarily a bad thing. But the need for outside services as opposed to configuring through user interface tools can be an important differentiator for a company — regardless of its size — that is on a budget and has a need to get going and be successful early.

There is also a qualitative difference in the way the two vendors at least describe their supported business processes. SAP aims at things like "marketing and campaign management, lead management and Internet sales to activity and opportunity management" which can generally be classified as traditional CRM processes focused at the modular level. When Siebel discusses business processes it speaks of quote to order or order to cash, which are integrated, system spanning processes with quantifiable results.

Conclusions

It remains to be seen how well either company can address the needs of the heterogeneous space called the mid-market. Any solution aimed at this space should be very flexible and elastic to meet the needs of this diverse grouping. SAP's approach overall appears to be one of a company trying to define best practices and while Siebel has done the same thing in the past, the company is today highlighting both its domain expertise and the flexibility of its configurable user interface. Siebel's approach at least implies that it does not always know best and leaves customers with more of the freedom to "have it their way" — an important consideration for companies trying to offer differentiated services that help them to stand out from the pack.

In fairness to both vendors comparing the two announcements is somewhat off the mark. SAP's mid-market vertical solutions are more fairly compared to Siebel's Professional Edition which offers mid-market CRM and fixed price consulting with guaranteed results. But Siebel introduced its Professional Edition months ago. If anything these announcements show how far behind SAP has been at addressing the mid-sized market for its products. In addition, it points out the hole that still exists in SAP's product line for a hosted solution.