

Management Update: CRM Suites Magic Quadrant for North American Midsize Businesses
In the Gartner CRM Suites Magic Quadrant for North American Midsize Businesses, Onyx Software, Pivotal and SalesLogix are the midsize-business customer relationship management (CRM) market leaders. Vendors traditionally focused on large enterprises continue to challenge, as Microsoft enters the market.

Many executives are interested in insights on which vendors and products will be best-suited for midsize business IT requirements. In the Gartner CRM Suites Magic Quadrant for North American Midsize Businesses, Onyx Software, Pivotal and SalesLogix are the midsize-business customer relationship management (CRM) market leaders. Vendors traditionally focused on large enterprises continue to challenge, as Microsoft enters the market as a visionary.

CRM Application Traits for Midsize Businesses

This Magic Quadrant examines CRM application suites for North American midsize businesses (MSBs) with between 100 and 1,000 employees or annual revenue in the range of \$50 million to approximately \$500 million, or midsize divisions of large enterprises.

Most MSBs that are acquiring CRM applications in support of their CRM strategies are looking for pre-integrated suites of CRM applications. Nevertheless, about 50 percent of MSBs start by implementing one application, such as for sales or customer service, or to support a part of the organization. The other 50 percent pursue phased, but enterprisewide, CRM implementations.

Also reflecting MSB preferences, the majority of CRM application suites available and rated in Gartner's Magic Quadrant are in the form of packaged licensed software. Through 2006, purchased packaged software will remain the most popular approach for MSBs to acquire business applications (0.8 probability).

Because of a growing trend for MSBs to acquire CRM applications from hosted or online CRM service providers, such as Salesforce.com, NetLedger and interlinkONE, these vendors are included in this analysis as well. By year-end 2004, online CRM application service revenue will account for more than 25 percent of the MSB CRM application market (0.7 probability).

Magic Quadrant Criteria

The minimum criteria for inclusion in the Magic Quadrant are support for the three primary applications that make up a CRM suite:

Gartner

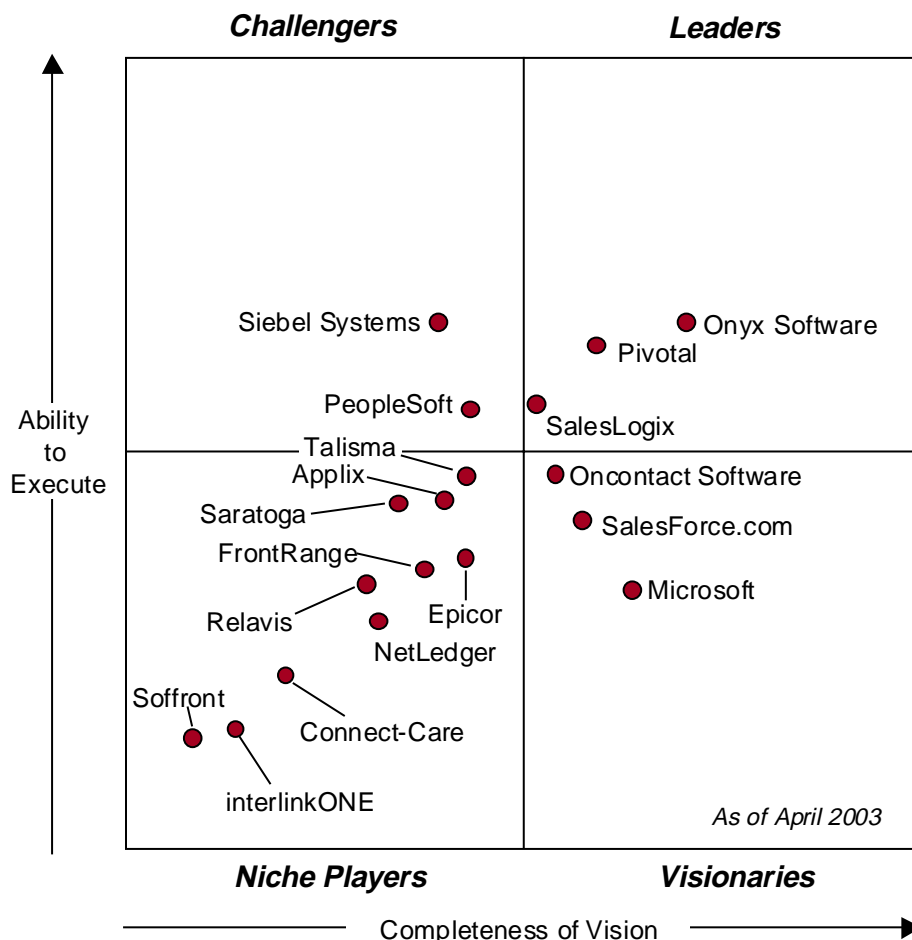
- Sales
- Customer service
- Marketing automation

Although these three functions are found in all of the rated suites, the balance of functionality varies significantly from suite to suite. Most offer stronger and deeper sales or customer service than marketing functionality. In some cases, the variations reflect the application development heritage of the vendors, but the emphasis on sales and customer service is also reflective of MSBs' emphasis and demand.

A growing trend for MSB CRM is the availability of pre-built industry- or subindustry-specific functionality. Many vendors rely on their professional services or those of their systems integration partners to provide industry-specific functionality by customizing their general-purpose CRM applications. Interviews with the vendors, inquiries from Gartner clients and customer reference checks form the basis for the Magic Quadrant analysis (see Figure 3).

Figure 3

1H03 Magic Quadrant: CRM Suites for North American Midsize Businesses



The Leaders

Onyx Software offers MSBs strong CRM functionality across the suite and has particular strengths in contact-center-based customer service and inside sales. Now in its fourth version of Web architecture, Onyx has one of the most advanced architectures in the market. Onyx has partnerships with service providers, such as Deloitte & Touche, Accenture, Unisys and IBM Business Consulting Services, and a strong technology partnership with Microsoft. Onyx's biggest challenges are to deliver consistent revenue growth and to regain profitability. Publicly held, www.onyx.com.

Pivotal, like Onyx, has been challenged to deliver consistent revenue during the past year. Pivotal has added to its functional strength in sales, particularly e-sales, with new releases focused on customer service and contact center support. The October 2002 acquisition of MarketFirst Software will bring Pivotal improved marketing automation functionality when the integration is complete. To reduce costs and increase its development capabilities, Pivotal is ramping up a development organization in India. Publicly held, www.pivotal.com.

SalesLogix, a unit of Best Software, has strengths in multichannel sales automation, operational application integration, and flexibility and customizability. SalesLogix's 500-partner sales and support channel offers tailored industry solutions based on SalesLogix for more than 10 industries. Publicly held, www.bestsoftware.com.

The Challengers

Siebel Systems offers two CRM suites for MSBs — Enterprise Release 7.5 with market-leading large enterprise-class functionality, which is both deep and highly scalable, and the MidMarket Edition 7.0, which includes a subset of Enterprise functionality. Both have strong and balanced functionality across the primary functions of sales, customer service and marketing. In addition, Siebel offers more than 20 industry-specific add-ons for Enterprise and four (retail banking, private and corporate banking, retail brokerage and institutional finance) for its MidMarket Edition. Siebel has switched from a combination of direct and indirect sales to a primarily direct-sales model for MSBs. Publicly held, www.siebel.com.

PeopleSoft offers Accelerated CRM, which targets MSBs with current or near-term requirements for large enterprise-class functionality, scalability and pre-integration with PeopleSoft's other applications, such as for human resources and finance. PeopleSoft also offers several industry-specific add-ons for MSBs, including: financial services, communications, insurance, government, high technology and energy. PeopleSoft sells primarily directly to MSBs. In December 2002, PeopleSoft released CRM v.8.8. Publicly held, www.peoplesoft.com.

The Visionaries

Oncontact Software is entirely focused on MSBs and demonstrates that focus with the level and balance of the functionality of its one-price suite. Support for multiple technologies, including Microsoft Outlook and Lotus Notes messaging and Microsoft SQL Server, Oracle, Sybase and IBM Informix databases, is also a strength of Oncontact. Privately held, www.oncontact.com.

SalesForce.com is a phenomenon in the CRM market. Beginning in early 2000, it has grown its customer base to more than 5,400 companies with a formula of ease of use, good-enough functionality and low prices. Sales automation is its strongest function, but improvements to all functions are being made rapidly. Although highly configurable, SalesForce.com is ultimately not customizable and therefore may not be appropriate for MSBs with industry-specific or unique requirements. Privately held, www.salesforce.com.

Microsoft Business Solutions announced the general availability of the much-anticipated Microsoft CRM in January 2003. Microsoft CRM's strengths are its .NET architecture, its tight Outlook integration and the strength of the Microsoft brand. Microsoft's biggest challenge is the steep learning curve its reseller channel will have to go through to effectively sell and support a set of business applications as complex as CRM. Publicly held, www.microsoft.com/businesssolutions/crm.

The Niche Players

Talisma has product strengths in its Web architecture and its support for multichannel contact-center-based customer service and support. Talisma's corporate strength is its India-based development teams, which have been able to build CRM products and related services quickly and cost-effectively. Privately held, www.talisma.com.

Applix has strengths in its Web architecture, its customer service functionality and its emerging CRM analytics capability. Platinum Equity's acquisition of the Applix CRM business in January 2003 is expected to result in a greater focus on industry-specific CRM solutions, including embedded CRM and other original-equipment-manufacturer arrangements. Privately held, www.peh.com.

Saratoga Systems offers its Avenue product, which is well-known for its strong data synchronization that supports mobile sales among its midsize-to-large-enterprise, mostly multinational client base. Only a small number of Saratoga's 750 customers have migrated to the new Web architecture iAvenue product, but about a third will do so in 2003. iAvenue provides a 32-bit Windows client for disconnected mobile users, a Web client for connected users, and Outlook and Notes clients. Privately held, www.saratogasystems.com.

Epicor Software has strengths in its suite integration, customer service and support functionality, and focus on MSBs. Epicor's customer service and support function made the transition to its new .NET architecture in late 2002. Sales and marketing functions will move from the current client/server architecture to .NET in 2003. Publicly held, www.epicor.com.

FrontRange Solutions offers CRM applications that are being ported to .NET architectures. GoldMine Sales and Marketing 2002 can be integrated with HEAT 7.0 to form the GoldMine FrontOffice CRM suite or can be acquired separately. FrontRange will be offering wealth management and discrete manufacturing industry-specific add-on solutions for GoldMine in 2003. Privately held, www.fronrange.com.

Relavis is somewhat unique as one of the few MSB-focused vendors whose CRM applications are not based on Microsoft architectures. Relavis' suite is built on a pure J2EE (Java 2 Platform, Enterprise Edition) architecture based on IBM WebSphere, DB2 and other collaborative IBM technologies, including WebSphere Business Components, Domino, Sametime and QuickPlace. The applications support tight integration with Lotus Domino Messaging and Calendaring, and support Microsoft Outlook integration through a Lotus connector. Privately held, www.relavis.com.

NetLedger offers a CRM suite for MSBs called NetCRM, and it is a new entrant to this market. NetCRM is a hosted service and competes on the basis of low cost, good-enough CRM functionality and ease of use. NetLedger competes on the basis of integrated business application functionality for MSBs with its NetSuite service, which includes integrated CRM and operational applications, including accounting and human resources. Privately held, www.netledger.com.

Connect-Care targets midsize business-to-business-focused hardware and software vendors with its CRM suite. Its client/server application is based on Sybase's PowerBuilder and its thin client is based on J2EE/JavaServer Pages technology. Connect-Care supports bidirectional integration with Outlook and Lotus Notes. Privately held, www.connect-care.com.

interlinkONE is a small company of about 30 employees that offers business relationship management and inventory/warehouse applications via the application service provider model and as licensed software. interlinkONE has focused on highly customized solutions for midsize-to-large high-technology manufacturing and financial services organizations. Privately held, www.interlinkone.com.

Soffront Software is a new entrant to this market, having developed a Web architecture CRM suite from its help desk and defect-tracking application heritage. Soffront's challenge will be to expand its customer base in sales force automation and marketing automation. Privately held, www.soffront.com.

Bottom Line

- With Microsoft and more traditionally large-enterprise-focused application vendors entering the market, the choices MSBs have are growing, but they will soon shrink because of consolidation.
- Vendor commitment to the market requirements and viability will become key decision criteria.
- MSBs should begin their search for CRM applications only after creating an enterprisewide CRM vision and strategy.

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For related Inside Gartner articles, see:

- "Management Update: Gartner's 2003 Customer Service and Support Suite Magic Quadrant," (IGG-03052003-03)
- "Management Alert: Microsoft Will Be a Strong Force in the CRM Market," (IGG-02052003-01)