



CRM Gets a Little More Social at Oracle OpenWorld

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There is an adage in the software industry that the big enterprise software vendors don't innovate. Instead, they let the startup vendors do the innovation, and then either copy their ideas or acquire the company, adding the technology to their stacks. However, at **Oracle's** 2008 OpenWorld user conference, the company made several announcements relative to its CRM and software-as-a-service (SaaS) strategies that suggest this giant is bucking the trend.

Since its inception, CRM as a software suite has faced ongoing challenges with user adoption and driving ROI. Most of the failures stem from a lack of buy-in for the sales force automation (SFA) modules. The simple reality is the value proposition for sales force automation is to improve sales visibility to the management and executive tiers. However, this does nothing but create an administrative burden on the quota-carrying sales reps charged with actually using the system.

As such, CRM and SFA have achieved reputations of providing no real value back to the employees using the software on a daily basis. While a host of smaller, innovative software vendors are building tools and CRM add-ons to help bridge the value gap, Oracle is going right after the user value proposition by rolling out new, loosely coupled SaaS tools to help put the automation back in SFA.

Hot off the presses: News from OpenWorld

Oracle announced several new enterprise 2.0 sales applications targeted at improving sales productivity. Composing what the company calls its Social CRM strategy, Oracle Sales Campaigns, Sales Library, and Mobile Sales Assistant were debuted. Campaigns and Library are built on the Oracle Social Applications Framework, which is a platform that allows collaboration within or across communities. The Social CRM applications allow sales users to collaboratively find, create, and compose campaign or presentation content using web 2.0 features, such as tagging, ratings, and comments.

These new tools apply the "power of community" notion to the sales user, which typically works in a more unstructured, collaborative environment, relative to back-office ERP users. Pricing was not announced, but it will likely follow the standard per-user, per-month pricing model of the previously announced Sales Prospector application. The products are designed to complement Oracle's Siebel CRM (on premises) and Oracle CRM On Demand, but the loosely coupled nature would theoretically allow them to augment any SFA or CRM system through basic web services integration.

Love shown for the iPhone

The new Mobile Sales Assistant was announced for the iPhone and will be available as a free download in November 2008. The tools, which will expose the CRM calendar, task list, and message center on the phone's familiar interface, will integrate to the mapping, phone, and e-mail services native to the device. This will allow the mobile sales user easier access to key CRM information.

Oracle also demonstrated a loyalty program running on the iPhone, where a customer can engage in social communities about products, get personalized product suggestions and offers, and even use the device in lieu of a traditional loyalty card.

What this news means for users

While **Siebel** arguably was partly responsible for the value gap outlined above, Oracle is taking advantage of new technology and delivering capabilities that help sales users do their jobs more effectively. Unlike transactional applications like order management or procurement, CRM users can always revert back to personal productivity tools and still do their jobs effectively. The idea behind social CRM applications is to entice users to adopt CRM by assisting them with the sales process, not by distracting them from it.

With the exception of the Mobile Sales Assistant, Oracle also intends to sell these products at an additional monthly fee as opposed to making them native to the existing CRM applications. One could argue the vendors owe it to customers to add productivity tools to augment the notorious lack of stickiness of existing CRM applications, but the open market will ultimately determine whether these tools warrant the incremental monthly fee or not. Given that Oracle's On Demand businesses generates much lower margins than traditional software, the company is likely looking for new ways to monetize this emerging part of the business. Still, the market may decide usability is a right, not an add-on product.

The bet Oracle made on the iPhone as a target for Mobile Sales Assistant further clarifies the device alliances in the CRM world. **SAP** recently announced a development partnership with **Research in Motion (RIM)** to embed

its own CRM information within the BlackBerry Personal Information Manager (PIM), and **Microsoft**, as one would expect, is relying on the Windows Mobile platform for its mobile CRM strategy. But while these approaches help optimize CRM for a particular mobile platform, they also limit user choice. In reality, the BlackBerry remains the dominant platform for mobile business today. Although the iPhone has been a huge consumer success, it has enjoyed less-dramatic adoption within business environments.

OpenWorld in a nutshell

Despite Oracle's relatively late bet on software as a service, it still leads chief competitors Microsoft and SAP on the SaaS front. Unlike rival **salesforce.com**, the company offers a single-tenant version of its CRM On Demand product to satisfy demand for individual instances. On Demand represents nearly \$200M in revenue for the company, and it will continue to invest heavily in this part of the business, despite its lower margins and lower growth rates compared to the rest of the industry.

Oracle recognizes the importance of software as a service to the CRM industry, and it clearly has the resources to get to the critical mass—the place where SaaS can really start to scale and pay dividends.

I look forward to your ideas and feedback—rbois@amrresearch.com.

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