

MARKET DEVELOPMENTS

In order to understand the CRM market the following vendors have been profiled

- Chordiant;
- Consona (formerly Onyx and Knova);
- Infor;
- Microsoft;
- NetSuite;
- Oracle:
 - Oracle E-Business Suite CRM;
 - Oracle PeopleSoft CRM,
 - Oracle Siebel CRM;
- RightNow Technologies;
- Salesforce.com;
- SAP.

In addition to its native CRM solution, in recent years Oracle has acquired two major CRM vendors: PeopleSoft and Siebel. Datamonitor will treat Oracle as a single entity in its market impact assessment but conduct separate user sentiment surveys and technology assessments of Oracle's three CRM solutions. The Datamonitor's Decision Matrix will present a single assessment of Oracle's competitive position, but subsequent analyses will treat Oracle's CRM solutions separately.

The CRM application market is maturing

Datamonitor's Technology Trends survey from H1 2007 indicates that, among enterprise applications in general, only financial applications are deployed more frequently than CRM solutions. The survey also demonstrates that despite their high penetration, the rate of investment in CRM is not abating. Much to the contrary, the proportion of enterprises planning to invest in CRM is set to increase within the next two years. These, along with many other indicators lead Datamonitor to forecast that the CRM application market will expand by a compound annual growth rate (CAGR) of over 10% through to year end 2012. Certain segments of the market, such as the enterprises with fewer than 100 employees and those with 100 to 1,000 employees, are set to grow even faster, reaching a CAGR of 14% to 16 %.

Uptake among SMEs is growing and CRM is converging with adjacent technologies

The reasons for the continuous expansion of the CRM application market are legion, but the principal trends include:

- **Growing demand among SMEs** – most of the market indicators point to the accelerated adoption of CRM applications among organizations with fewer than 1,000 employees. The penetration of CRM applications is proportional to enterprise size, which would vindicate vendors' strategy of turning towards the SME segment of the market. Commoditization of generic CRM functionality, improved integration with office productivity suites and innovative modes of deployment have all rendered CRM more attractive prospect in the under-exploited segment of the market.
- **On-demand CRM** – Innovative licensing and deployment models are often credited with increasing CRM uptake among SMEs. While it is clear that subscription-based licensing and hosted multi-tenant models remove many barriers to CRM adoption, including the high initial cost of ownership, the impact of the on-demand models is much broader.

CRM on-demand also addresses issues higher up the market through tactical ad-hoc installations or as specific solutions to particular deployment problems. This has prompted vendors to offer a portfolio of options ranging from traditional on-site deployments, to hosted solutions and single- or multi-tenant subscription-based models and the increasingly seamless migration paths between those models.

- **Analytical approach to CRM** – Datamonitor identifies the trend toward embedding analytical insight directly into transactional applications, including CRM, as an important one. The demand for consistent delivery of analytics is driven by a changing approach to CRM operations and the realization that business intelligence can be effective only if it is embedded directly into transactional applications.

Sales force automation users understand the benefit of transparent performance tracking through sales dashboards and balanced scorecards. Marketing and customer service managers are even more acutely aware of the importance of analytics in driving operational efficiencies through optimization of marketing campaigns or customer interaction scenario optimization and decision support.

- **Convergence** – CRM tasks are an integral part of business processes, not discrete activities. CRM is usually integrated with the rest of the enterprise application stack, particularly the ERP modules. In addition to the ongoing integration with enterprise applications, CRM has been converging with other technologies.

A good example is the embedding of CRM functionality into office productivity suites in order to boost grassroots user adoption, reduce user interface complexity and render CRM tools more pervasive. Another vector of convergence drives towards tighter integration with the communication tools. Services modules are the most obvious beneficiaries of integration with IP-based communications and CTI technologies. The benefits of convergent communication are not limited to these technologies and are beginning to appear in other aspects of CRM.

CRM Decision Matrix

In the Decision Matrix, Datamonitor provides a summary of CRM vendors' capabilities based on a quantitative assessment of their market impact and end-user sentiment, as well as the technology features that they offer. The detailed scores underpinning the Decision Matrix could be found on individual vendor radars and in the Table 2 in the Appendix. Datamonitor also provides guidance for enterprises looking to deploy CRM solutions and whether they should immediately shortlist, consider or explore solutions from these vendors.

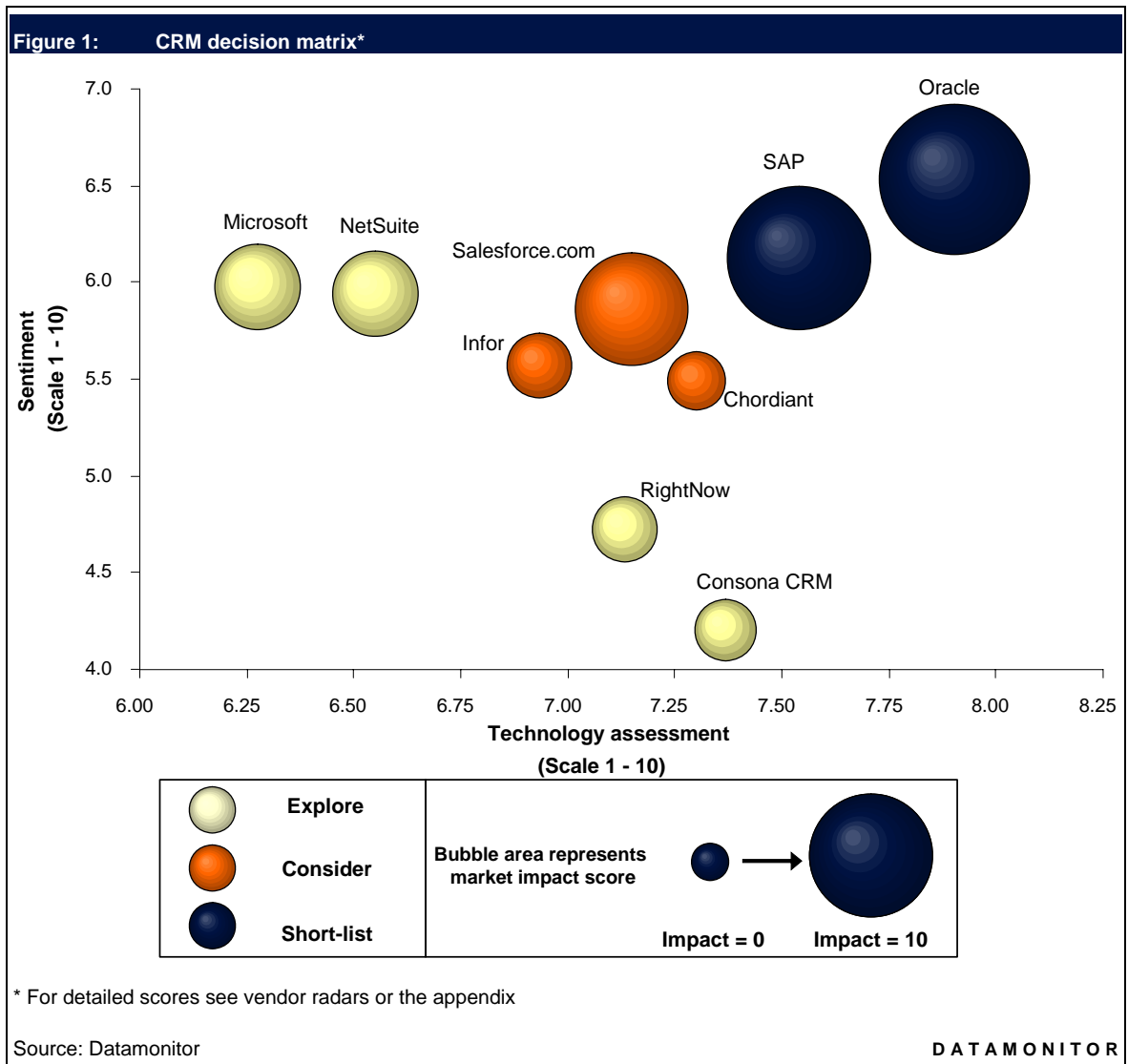


Table 1: CRM Decision Matrix*		
Shortlist	Consider	Explore
Oracle SAP	Chordiant Infor Salesforce.com	Consona Microsoft NetSuite RightNow Technologies
Source: Datamonitor (* - vendors listed in alphabetical order)		DATAMONITOR

Market leaders: Oracle and SAP

Oracle holds a decisive lead in the CRM market. The breadth and depth of CRM solutions under the Oracle brand is staggering, users are very positive regarding the vendor and its standing in the market is matched only by SAP. Oracle's CRM product lines, particularly Oracle Siebel CRM, are among the leading solutions in almost every aspect of CRM technology, comprehensively outpacing all other competitors. The versatility of its portfolio enables Oracle to put forward a strong proposition in a variety of deployment scenarios. Although the integration of the three well-established product lines is challenging, the sheer volume of up-sell, cross-sell and greenfield prospects will ensure a robust future performance in the medium-term. Oracle's program of synchronously maintaining, evolving and merging the product lines is ambitious. Yet, should it be a success, its future position among the market leaders in the CRM market would not come into question.

Although tracking its rival, SAP is in a very strong position in the CRM market. SAP's CRM strategy is closely linked to the success of its enterprise applications portfolio, but its CRM product is extremely competitive in its own right. SAP's CRM solution is very scalable, flexible and replete with features. SAP's CRM offering also benefits from an enormous depth of industry expertise accumulated within the SAP group. Its strategic approach to acquisitions will ensure that the product will continue to evolve through a combination of internal development and strategic acquisitions, such as the purchase of Wicom, an IP communications vendor. With the potential impact of the forthcoming SAP A1S enterprise application suite aimed at SMEs, SAP stands to continue as one of market leaders and a provider of premium CRM solution.

The challengers: Chordiant, Infor, Salesforce.com

Datamonitor predicts that while those vendors rated *Considered* will not be able to disrupt the market leader duopoly within the next two years, they will continue to offer very good solutions. In certain circumstances *Consider* vendors offer more suitable alternatives to the leading solutions. For example, Chordiant's analytical approach to marketing and customer services is particularly apposite for certain vertical solutions, Salesforce.com excels in flexibility and sales force automation and Infor's CRM offering benefits from the strength and market position of the Infor group.

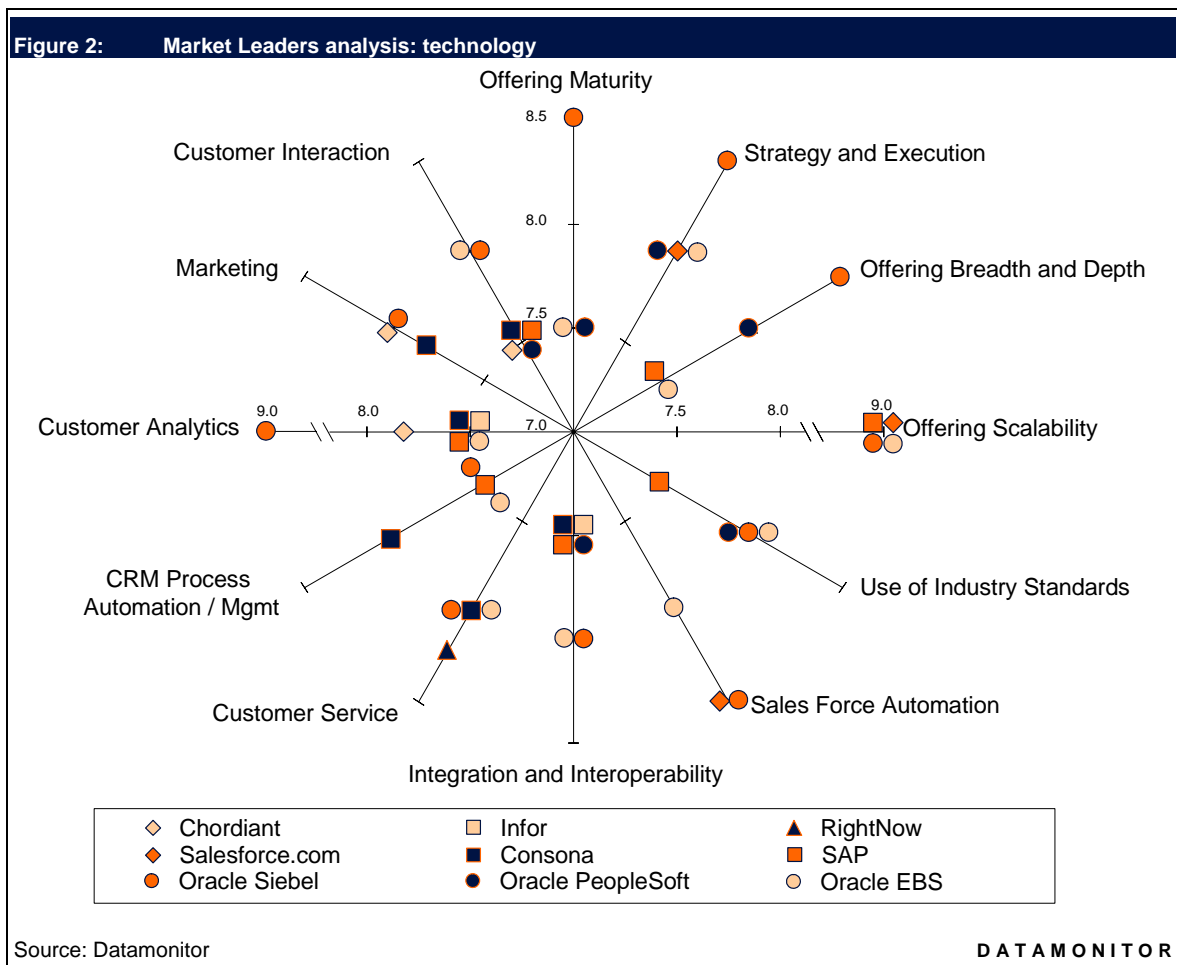
At the moment, Salesforce.com is the closest challenger to the leading duo. Nevertheless, Salesforce.com's standing, just like that of the other vendors in the *Consider* group, may change in the medium term, or even short term. The challenges will not come from the leading vendors, but from those vendors currently placed in the *Explore* category. The most notable threat could come from the next generation of Microsoft Dynamics CRM solutions that promise more flexible, and cheaper, on-demand CRM functionality. Improved performance by Consona CRM and RightNow Technologies may also threaten the market standing of vendors currently in the *Consider* category, although Infor and Chordiant stand to lose more from the rise of these two vendors.

MARKET LEADERS

Market Leaders: Technology

The market leaders diagram shows the leading vendors in each of the technology assessment categories. The usual practice is to present three leading vendors for each category, but if multiple vendors are receiving the same mark, all vendors sharing the same score are displayed.

The technology market leaders graph is indicative of the state of the CRM market. All but two vendors are present on the graph, indicating that CRM technology is relatively mature and different solutions are functionally equivalent. Specialist vendors can and do excel in their respective niche areas, but as an exception not a rule.



Out of the eleven solutions profiled, Oracle Siebel CRM emerges as the de-facto standard. Oracle Siebel CRM is a constant presence on the Market Leaders graph, and it is not the market leader or co-leader in only 2 out of 12 categories.

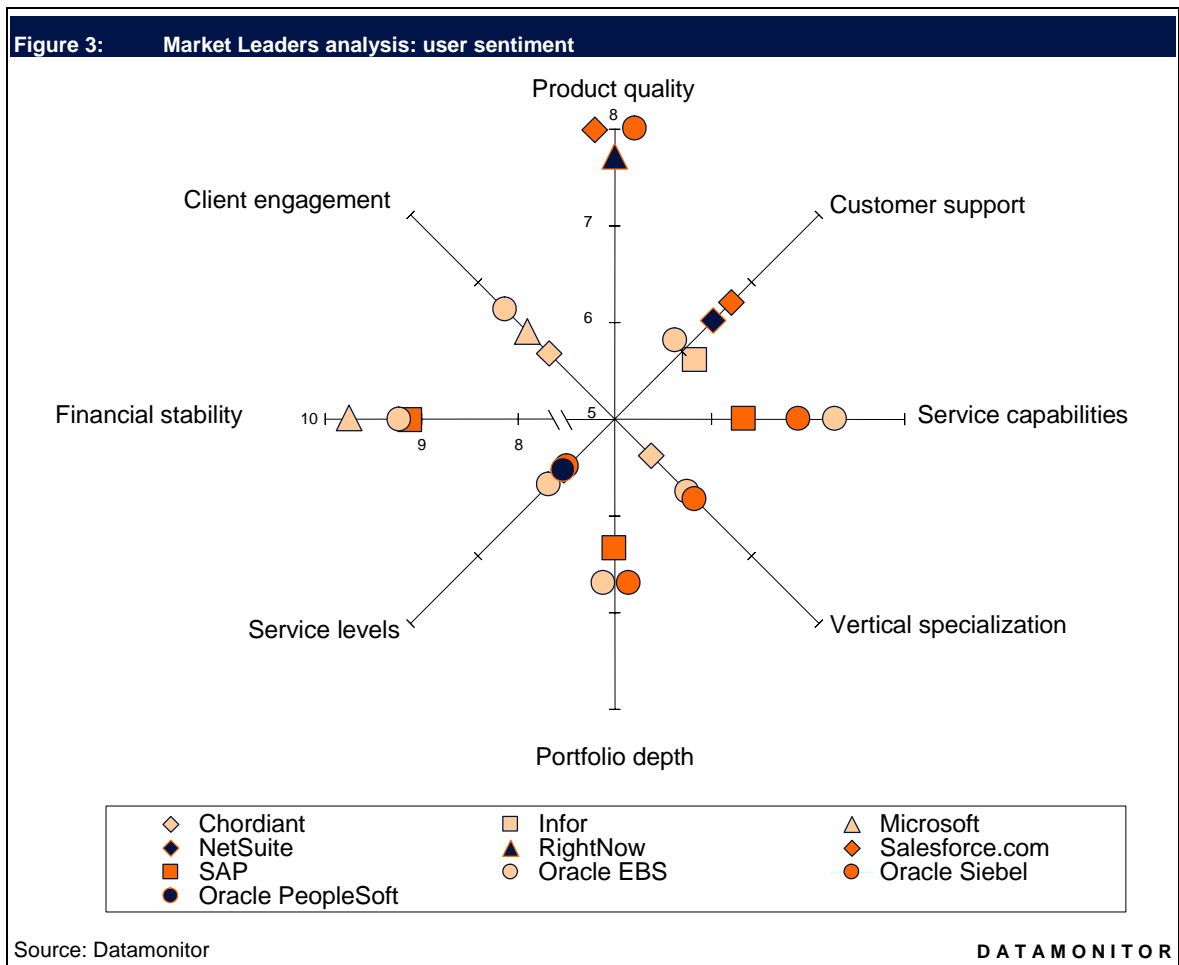
Oracle Siebel CRM proves capable of building up a significant lead over its rivals, most notably in analytics and solution maturity.

Consona CRM performs very well, with a market leader position in the CRM process automation category and a very credible showing in marketing, customer service and three other categories. Although less frequently in the position of outright leader, SAP performs admirably. SAP CRM appears among the leaders in more than half of categories, scoring well in the remaining ones. Yet, with the exception of offering scalability, in which SAP shares the market lead with three other vendors, SAP does not lead any of the technology assessment categories.

Salesforce.com, Chordiant and RightNow achieve less consistent scores, but they do manage to excel in specific areas. RightNow appears as a sole market leader in the customer service category and Chordiant shares the lead in marketing and ranks second in customer analytics. Salesforce.com's on-demand specialization translates into good performance in sales force automation and scalability categories and the vendor shares second place for strategy and execution.

Market Leaders: User Sentiment

The market leaders in user sentiment demonstrate two interesting patterns that indicate important market trends: the popularity of the software-as-a-service (SaaS) model and the continuous dominance of large conglomerate vendors specializing in enterprise application suites.



Intriguingly, customer support criteria and, to an extent, product quality assessment are dominated by on-demand CRM vendors. Despite the inherent service-level challenges posed by the multi-tenant model, the market leaders in the customer support category are Salesforce.com and NetSuite, followed by Oracle EBS CRM. The highest product quality score is shared by Salesforce.com and Oracle Siebel CRM, followed narrowly by RightNow Technologies.

These scores indicate the shift in customer expectations and the fact that those users that have converted to on-demand solutions are very positive regarding the service that they are receiving. Whether or not this is a result of on-demand CRM vendors reaching out to the constituency previously ignored by the mainstream, that also has lower service expectations, is a moot point. The enthusiasm of on-demand solution users should be taken as confirmation that the model is making a lasting impact on the CRM market.

The vendors specializing in on-premise deployments still perform admirably in the user sentiment survey, particularly in categories that require mature solutions and a long-term approach to market. It should not come as a surprise that Oracle CRM solutions, SAP, Chordiant and Microsoft lead the user sentiment scoring in categories such as portfolio depth, vertical specialization, service levels and capabilities or client engagement.

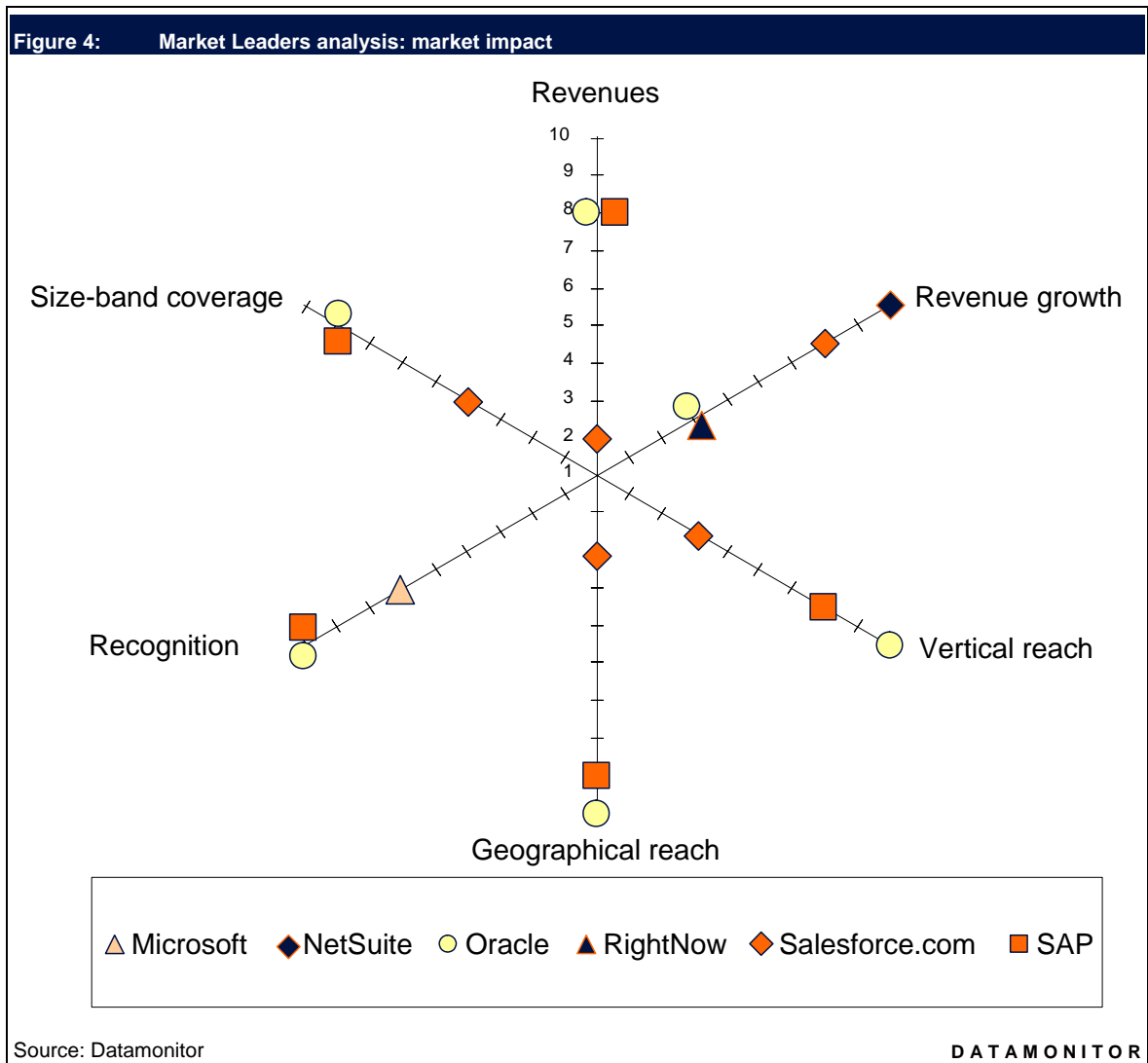
Market Leaders: Impact

Market impact is closely related to the revenue vendors are able to extract from the market. In this respect, the market is comprehensively dominated by the two behemoth conglomerate enterprise application vendors: Oracle and SAP. Although the revenues declared to be derived from CRM are comparable between the two, Oracle has a more balanced geographic and vertical coverage and a higher revenue growth rate. Consequently, Oracle eclipses SAP in the overall market impact score.

Salesforce.com follows the leading duo. Salesforce.com's phenomenal growth has now translated into a consistent ability to exert itself on the market in absolute terms as well. The only category in which Salesforce.com has been forced to cede second place is vendor recognition. In this category Microsoft Dynamics CRM manages to capitalize on the extreme strength of the Microsoft brand as well as the increasing reputation of its Dynamics portfolio.

As a leading on-demand CRM specialist, Salesforce.com is one of the market leaders in the revenue growth category. On-demand vendors are expanding rapidly both because they are less mature and as because their business model is based on rapid mass adoption.

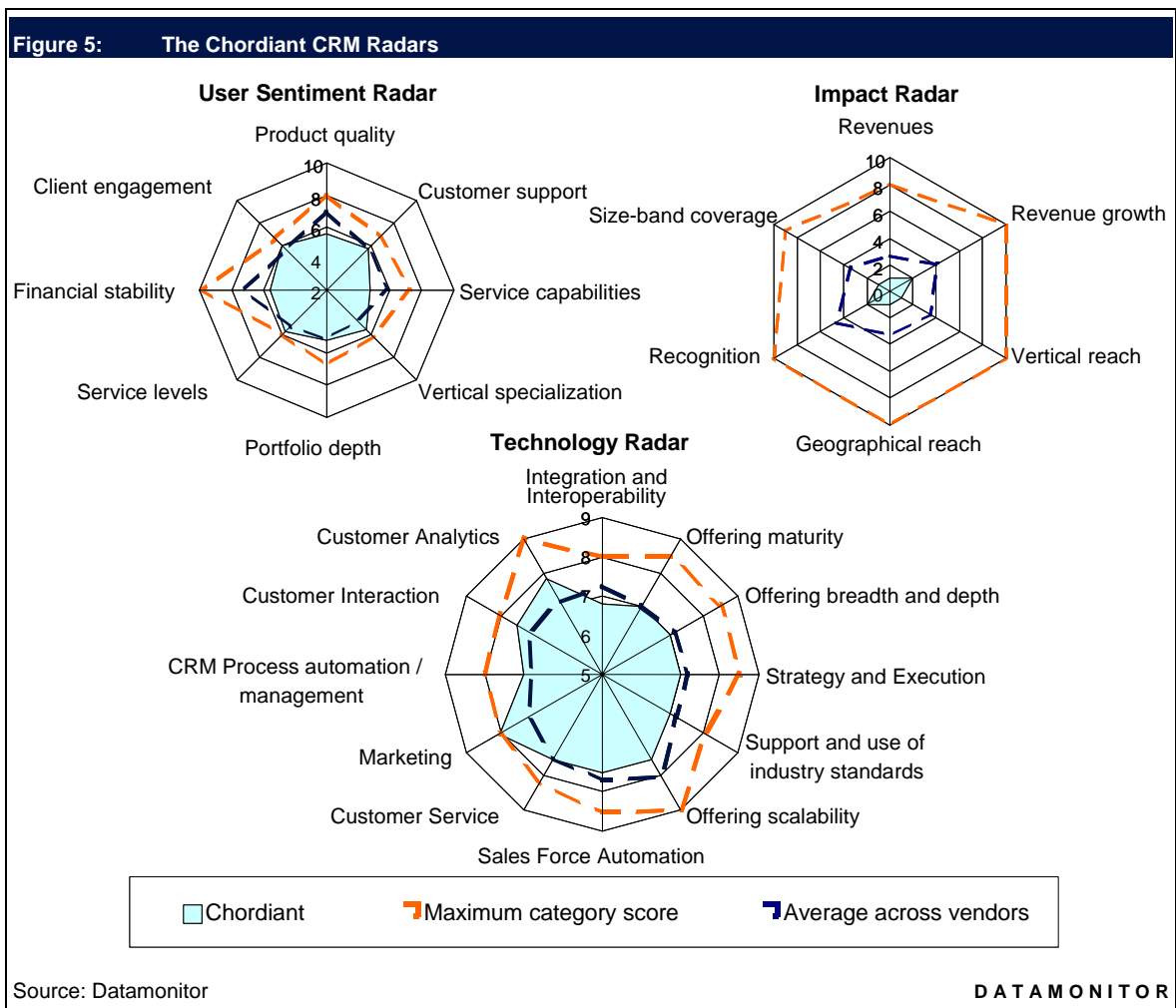
RightNow Technologies is in an interesting position regarding revenue growth. Although the vendor is growing by an impressive rate, RightNow's rate of expansion is inferior to the rate of its on-demand peers. RightNow is offering a more robust set of functionality with its target audience higher up the enterprise size pyramid, which implies longer sale cycles and a slower rate of adoption. The example shows that the on-demand CRM market is stratifying and that on-demand vendors are developing distinct business models.



VENDOR ANALYSIS

Chordiant: CRM Radars

Chordiant’s Customer Experience Solutions product is notable primarily for its analytical power and marketing features. In both of the categories Chordiant is equal or second to Oracle’s Siebel CRM. In addition to these areas of specialization, Chordiant offers a mature set of CRM functionality in most of the additional functional areas.



Chordiant’s user base is positive regarding the vendor’s client engagement policy and impressed with Chordiant’s vertical focus, built around expertise in financial services and telecommunications. Its somewhat lower scores in the service capabilities category erode Chordiant’s overall end-user sentiment score and impact its the end-user product quality assessment.

Recommendation: Consider

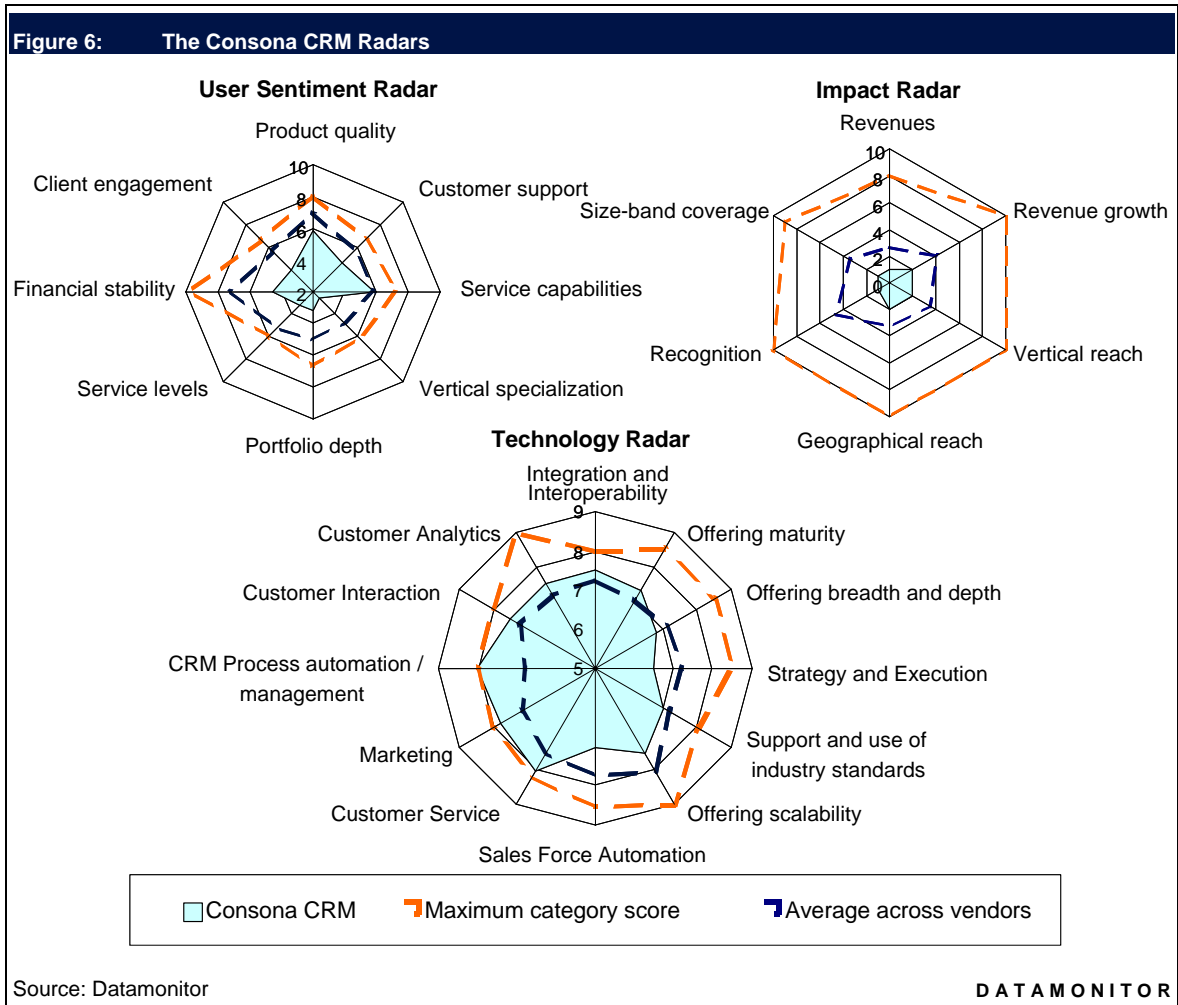
Chordiant's Customer Experience Solutions is a CRM suite suitable for managing large volumes of business-to-clients transactions through multiple customer contact channels, particularly those transactions that require decision-making support and consistent delivery of customer analytics. Chordiant also impresses with its emphasis on the conceptual approach to CRM. Chordiant understands strategic issues surrounding CRM and can support clients in implementing an appropriate long-term customer experience strategy.

The primary target for improvement of Chordiant's CRM offering should be expansion beyond its core-target industries into other verticals that could benefit from a consistent analytical approach to customer services such as retail, public sector or travel, transportation and logistics. The end-user sentiment survey points to service capabilities as a clear target for improvement.

In the increasingly competitive CRM market it is not realistic to expect that Chordiant will overtake the market leaders, at least not in the medium term. Nevertheless, Datamonitor believes Chordiant will continue to provide compelling solutions, particularly for marketing and analytical service applications.

Consona: CRM Radars

After a turbulent period, which included an unsuccessful acquisition bid by CDC, Onyx was acquired by M2M, a private holding company. M2M subsequently acquired Knova as well, changed the name to Consona and consolidated its CRM product lines under the Consona CRM brand. In addition to its core products, Onyx Adaptive 6.0 and Knova 7.11, Consona CRM also includes solutions sourced through partnership with Million Handshakes, a marketing automation vendor.



The collective Consona CRM offering has the third highest aggregate technology assessment score. Consona CRM is the market leader in the CRM automation category, due to Consona’s process-led approach to CRM formulated through the concept of total customer management (TCM). Consona CRM also runs a close second in the marketing category and appears among the market leaders in several other categories. The remaining technology assessment scores are consistent, if not spectacular. Consona’s core functionality of marketing and customer service support stands up to

comparison with most other leading CRM solutions, although the sales force automation features are clearly not Consona's primary strength.

The turmoil of the transition period has dented Consona's user sentiment scores, resulting in a poor showing in all the categories surveyed. While it may be fair to suppose that re-branding could have confused some users, the negative sentiment should be seen as a result of legacy problems, including, by the vendor's own admission, focusing too much on short-term goals.

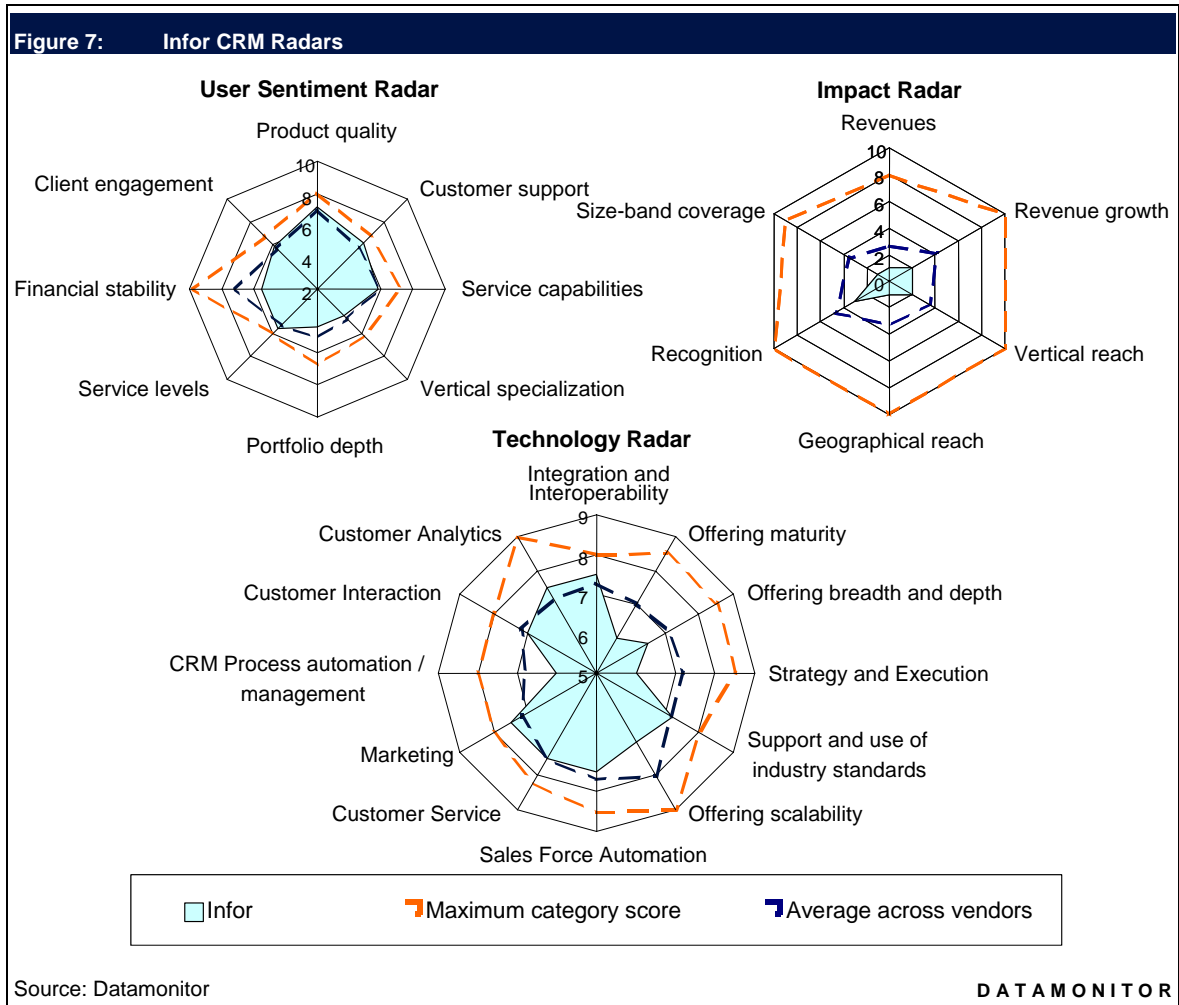
Recommendation: Explore

Despite great technology assessment scores, Consona's standing is compromised by its poor end-user sentiment rating. Consequently, Datamonitor classifies Consona CRM in the *Explore* category. The change in ownership has steadied the ship, and the private company status may be suitable for Consona's long-term, non-transactional vision for CRM. Consona CRM understands the importance of nurturing links with clients over the long term, rendering them an ideal strategic partner with customers that identify building of strong relationships with a customer as a vital differentiator.

Improved end-user perception, particularly regarding client engagement and service capabilities, would place Consona CRM instantly in the *Consider* category. Improvements to Consona's CRM sales force functionality and an on-demand offering (currently Consona offers hosted deployment, but not multi-tenant SaaS option) would put the vendor in a strong position as a provider of an excellent alternative to the leading CRM application vendors.

Infor: CRM Radars

Through acquisitions and organic growth, Infor has emerged as the 10th largest software company in the world. Currently Infor’s portfolio contains several CRM products and modules, but the Epiphany CRM suite is Infor’s flagship CRM solution. Infor has a structured, albeit complex, go-to-market approach. Infor currently addresses all segments of the CRM market, although not exclusively with the Epiphany product line.



Infor Epiphany CRM is reputed for its strength in customer service support and outbound marketing capability. Infor Epiphany CRM also features as one of the market leaders in analytics and interoperability and integration categories, the latter due to its solid SOA architecture and data integration capabilities.

Those customers that have engaged with Infor Epiphany CRM are satisfied with its product quality, user support and client engagement. Judging by the financial stability category score, the market does not appreciate the scale and strength of the Infor group. This is certainly reflective of Infor's ownership status and its undervalued market mindshare.

Recommendation: Consider

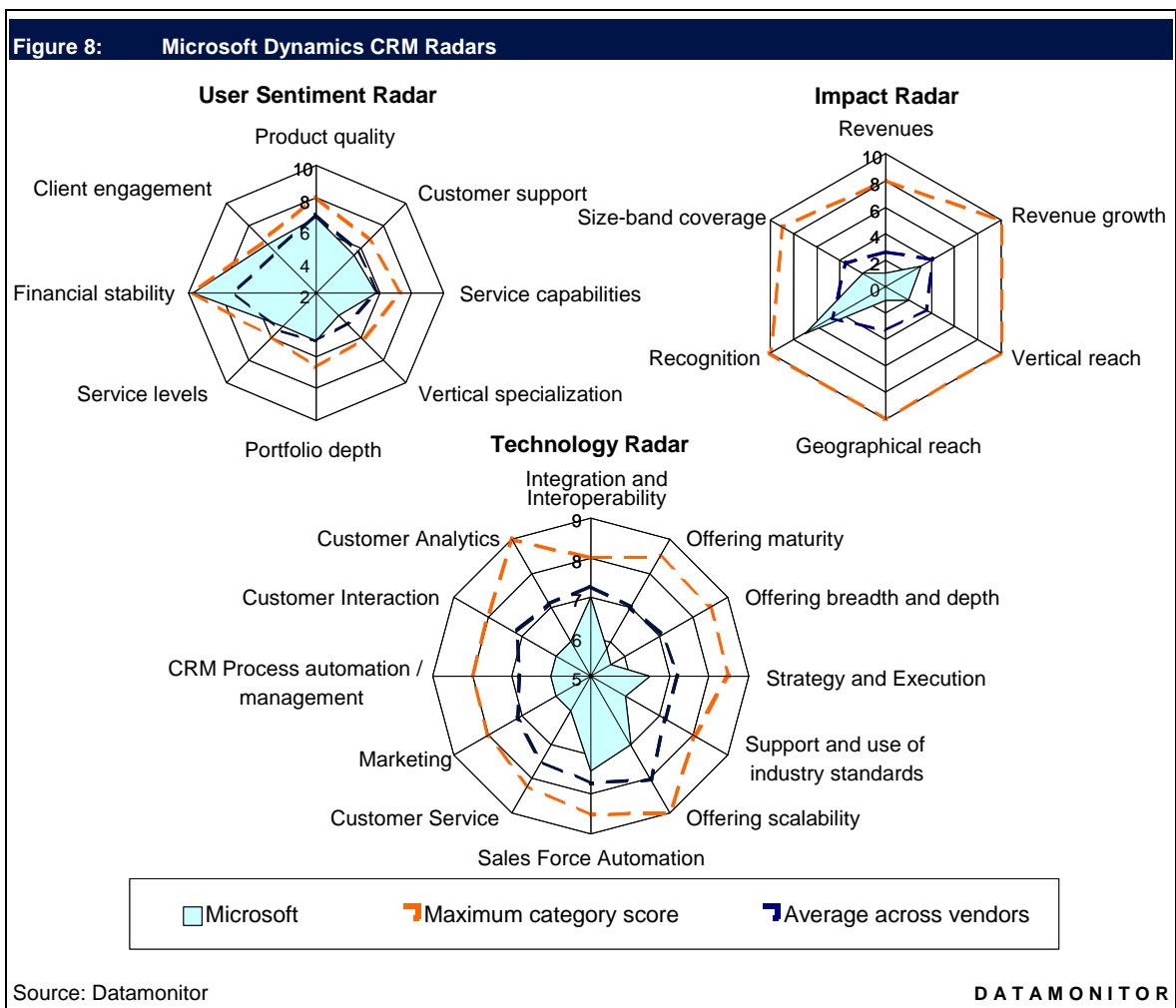
Infor Epiphany CRM is particularly fitting for a customer with a dispersed source of data and those requiring an analytic approach, especially to the marketing modules. Although manufacturing industry remains to be Infor Epiphany CRM's largest individual sector, the solution is appropriate for, and deployed heavily in, all traditional foci of CRM spending.

Cross-sell opportunities within the existing Infor customer-base provide a good platform for further growth. Several high-profile deals in the emerging markets have already put Infor Epiphany CRM in a good position in the new regions. Despite a solid offering and good growth opportunities Infor will probably not pose a serious threat to the current market leaders. Nevertheless, Datamonitor believes that, in the medium-term, Infor Epiphany CRM will provide a highly credible alternative to any other CRM solution currently in the market.

Microsoft: CRM Radars

For the purpose of this report Datamonitor has profiled Microsoft Dynamics CRM 3.0, released in December 2005. This release is to be superseded shortly by a significant upgrade: Microsoft Dynamics CRM 4.0. The much anticipated release is scheduled to start shipping in the third or fourth quarter of 2007, although some versions may not be ready until 2008.

Apart from a predictable lead in the financial stability category of the end-user sentiment assessment, Microsoft Dynamics CRM 3.0 is also among the market leaders in user engagement, indicating a very positive perception of the product. However, the technical assessment offers a different perspective. Microsoft Dynamics CRM 3.0 garnered the lowest aggregate technology assessment score, although Microsoft Dynamics CRM 4.0 could well receive better marks.



The principal issue with the current version of Microsoft Dynamics CRM is the lack of overall solution maturity and the relatively weak coverage of the marketing and customer interaction functions. By contrast, the sales force automation module and integration and interoperability scores are considerably stronger.

Despite a mediocre performance in its technology assessment, Microsoft Dynamics CRM 3.0 is certainly gaining traction in the market. Microsoft's recent financial results testify to the success of the Dynamics group and identify its CRM solution as one of the drivers behind the trend. Microsoft Dynamics CRM 3.0 installed base grew rapidly in all segments of the market, and is considered to be one of the more successful elements of the Microsoft Dynamics portfolio.

This positive trend could gather pace significantly with the new release. Functionally, Microsoft Dynamics CRM will continue to improve in terms of ease of use through optimized user interfaces and process mapping and visualization tools. Integration with Microsoft Office, through embedding CRM functionality and the proliferation of Office Business Applications, will continue to be an important differentiation point. The most significant improvement will be in terms of deployment versatility. Microsoft Dynamics CRM 4.0 will deliver the same code-base and functionality in on-premise, hosted, or on-demand mode, thus providing unprecedented flexibility in deployment and easier migration between modes of deployment.

Recommendation: Explore

The principal problem with Microsoft Dynamic CRM 3.0 is that the product is still maturing. Its strengths lie in the successful co-optation of Microsoft's approach to consumer software in the enterprise applications market. The elements of such an approach include a horizontal strategy delegating industry solution development to a well-developed network of VARs and ISVs, reliance on a global network of distributors and the integration of office productivity suites and enterprise application processes.

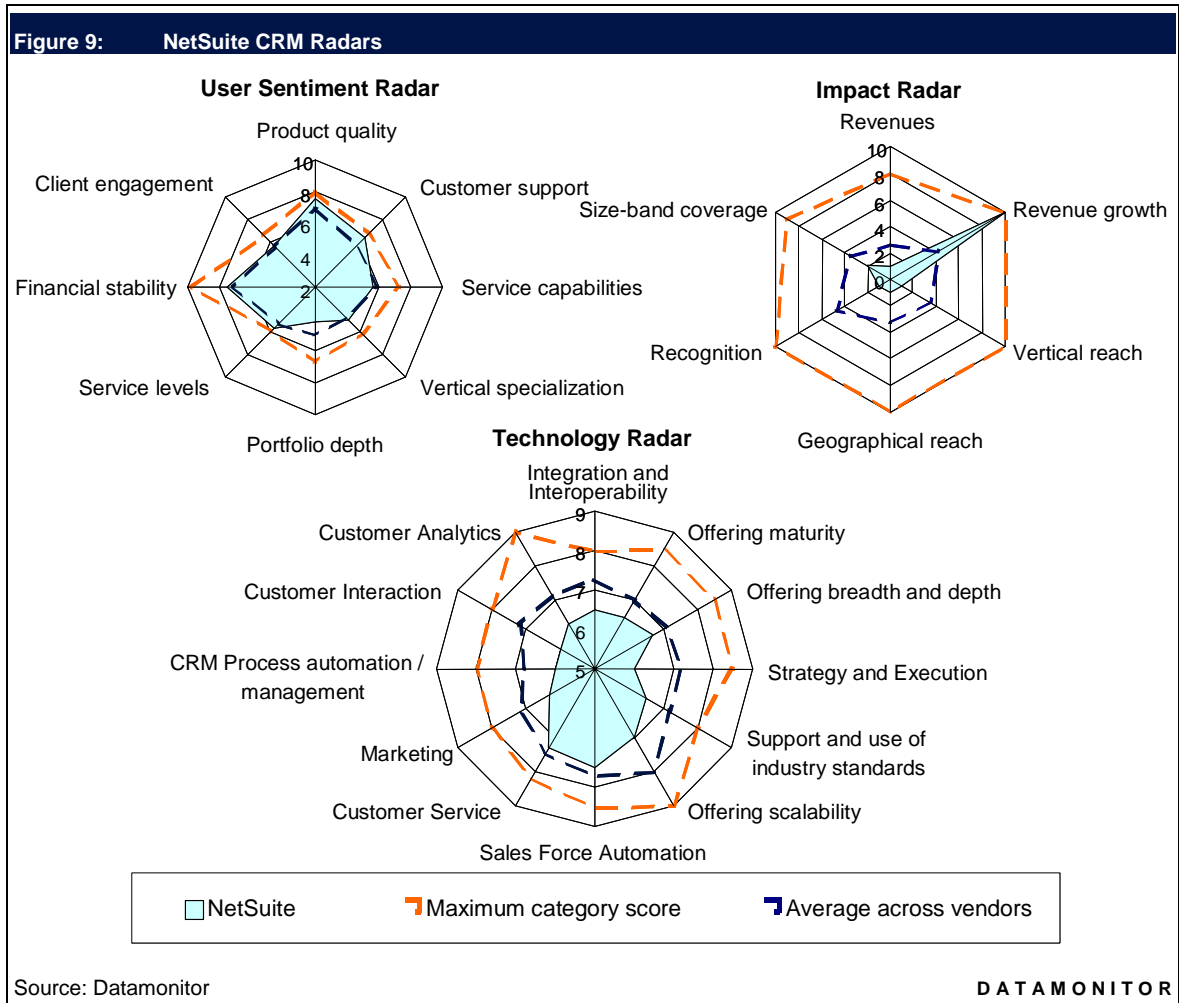
Regardless of how successful the approach may be in the short term, some of these strategies will perform better among SMEs and some could even be considered as liabilities in the enterprise market segments. For instance, industry expertise becomes more important in protracted enterprise sales cycles and Microsoft Office integration may not be a decisive factor with larger organizations that can afford more intensive user training or that can rely on competitors' productivity suite integration modules.

If it is to improve on version 3.0, subsequent Microsoft Dynamic CRM releases need to present a more polished and comprehensive portfolio of features, gain deeper in-house industry expertise and hope that the rest of the Microsoft Dynamics enterprise application portfolio will also scale up in order to open more cross-sell opportunities.

Microsoft could be poised for a qualitative improvement of its standing in the CRM market. Microsoft has a very good vision for its forthcoming releases built around flexible deployment and pervasive use throughout the enterprise through integration with Microsoft Office. Microsoft has dedicated a significant amount of resources to its Dynamics division. Consequently, it is reasonable to expect that the Microsoft Dynamics CRM offering will cease to be a basic enterprise-level CRM application suitable for existing Microsoft customers, for those organizations that have strong relationships with Microsoft partners or for those where user adoption is crucial. In the future, Microsoft CRM could be an important factor in all segments of the CRM market, encroaching on both on-demand and on-premise specialists' market shares.

NetSuite: CRM Radars

NetSuite is a provider of a comprehensive enterprise application suite delivered exclusively through a software-as-a-service model. Although not as large as other on-demand CRM vendors, the scope of NetSuite’s offering is much broader. Back-office systems may have been harder to deploy in the multi-tenant architecture, but the benefit from the CRM point of view is the ability to deliver CRM both as a standalone feature or integrated with ERP.



NetSuite CRM’s second principal point of differentiation is its competitive pricing, considering the comprehensive functionality set offered, including sales force automation, customer services, integrated dashboard, forecasting and sales force compensation tools. Therefore, it should not be taken as a surprise that NetSuite CRM emerged as one of the market leaders in the end-user sentiment survey, scoring particularly well in the customer support category.

NetSuite's positive end-user assessment did not translate into technology assessment scores. Considering NetSuite's focus, Netsuite CRM is a very reasonable offering, even though it lags behind the market leaders. The vendor is experiencing good revenue growth and its strategy that includes developing NetSuite application platform SuiteFlex, partnerships with specialist VARs, localization of its core offering and targeting key verticals, including service companies, wholesale distributors or light manufacturing, is essentially sound.

Recommendation: Explore

NetSuite CRM is particularly attractive for SMEs seeking to consolidate front- and back-office processes on a single on-demand platform. More importantly, NetSuite offers a very favorable price-to-functionality ratio. A positive end-user assessment is further testament to the success of NetSuite strategy, both within the CRM market in particular and the enterprise applications market in general.

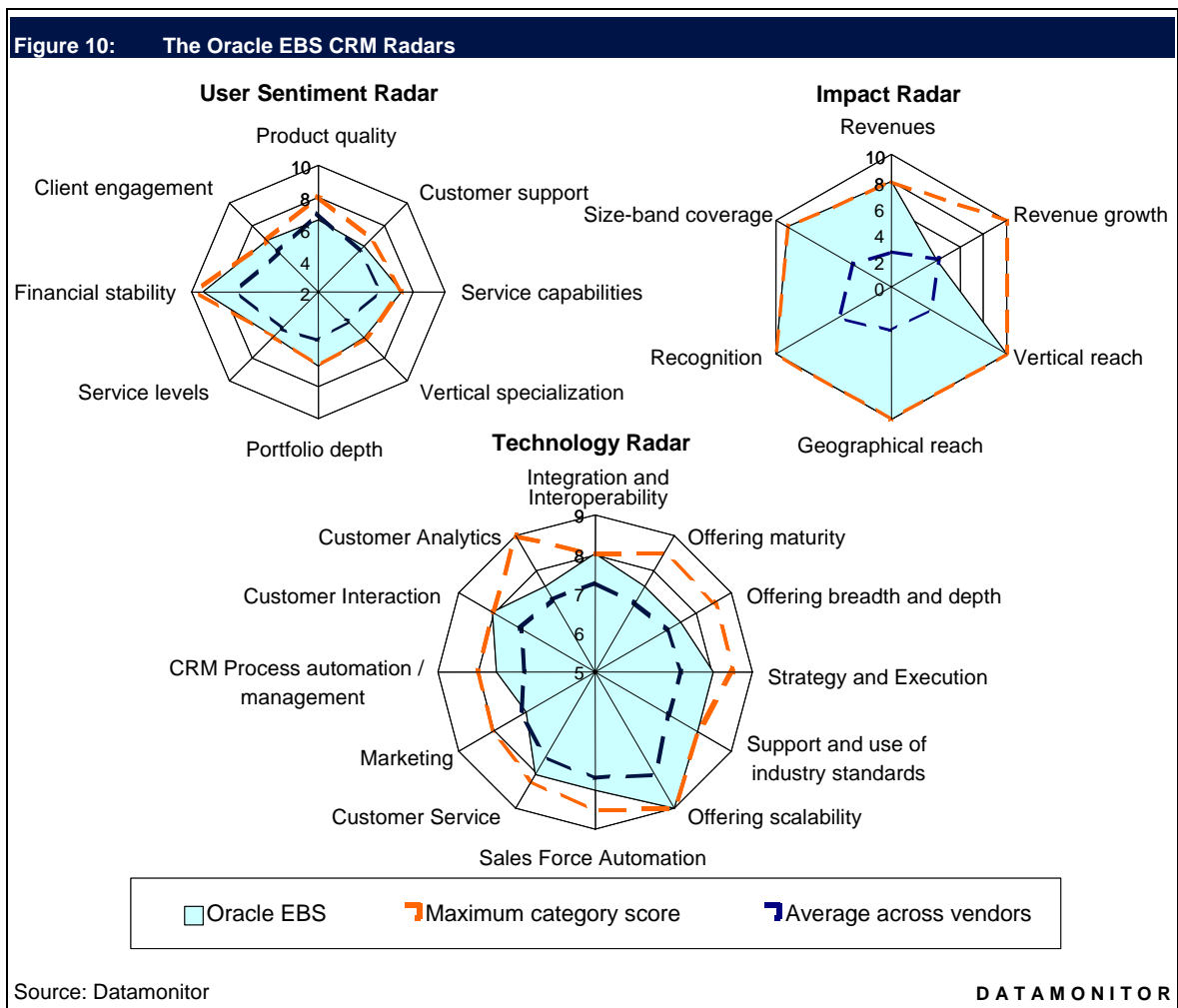
Given that CRM is not the exclusive focus of NetSuite's offering, it remains to be seen how much development resources it will continue to allocate to this segment of its enterprise application suite. Current success should engender fresh opportunities, both among new customers and in cross-selling and up-selling to existing NetSuite users. Nevertheless, NetSuite could be under pressure if either SAP's forthcoming on-demand business suite, Microsoft Dynamic CRM or perhaps the entire Microsoft Dynamics portfolio delivered on-demand, are deemed to be a success.

Oracle CRM Radars

Oracle is the market leader in the CRM application market. Oracle shares the lead in terms of market impact with SAP, the strength and breadth of Oracle’s CRM portfolio is impressive and end-user sentiment is very positive. In the following section, Datamonitor profiles Oracle’s principal CRM solutions in order to provide better understanding of their respective strengths and weaknesses.

Oracle E-Business Suite (EBS): CRM Radars

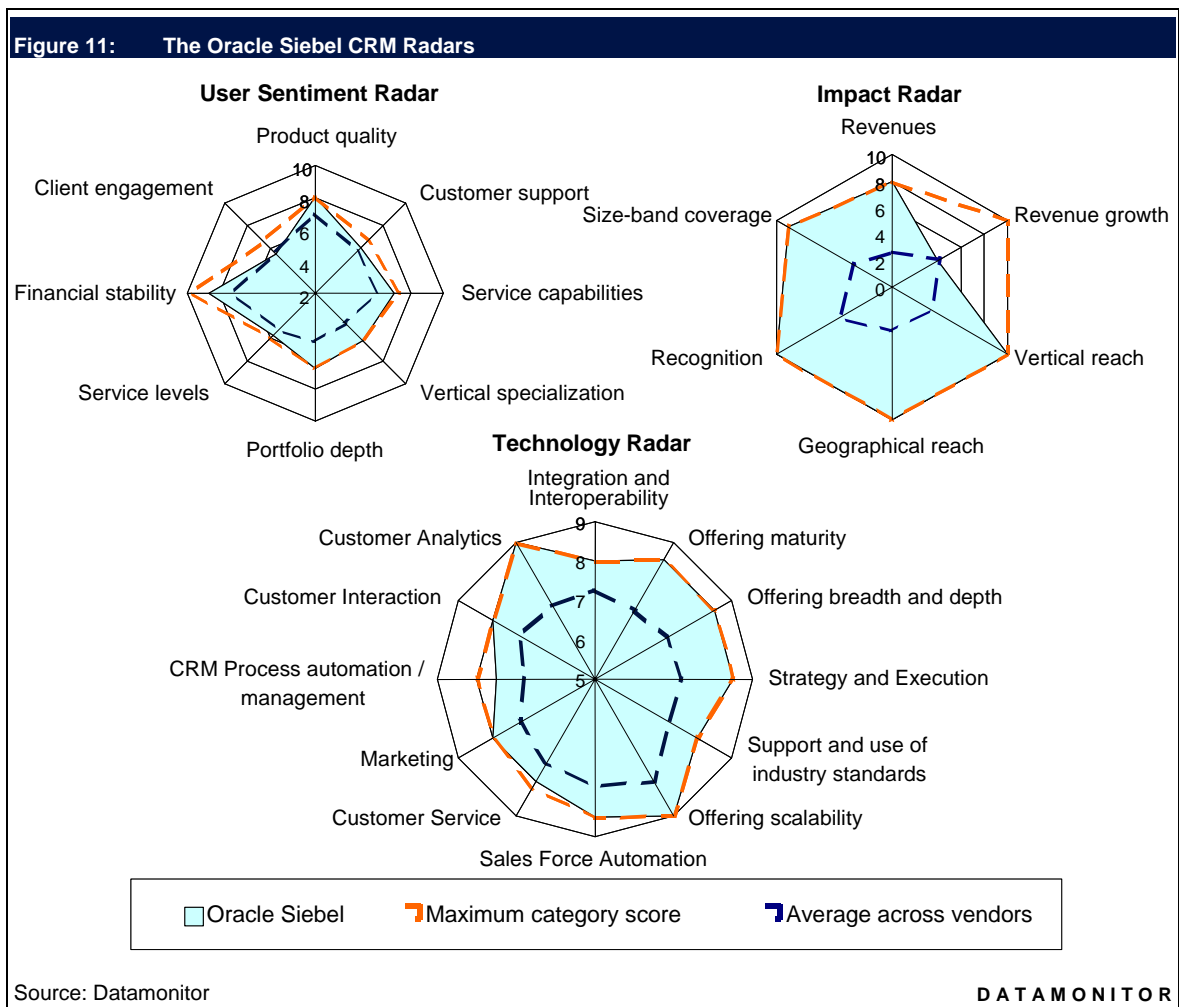
Oracle E-Business Suite is an integrated enterprise application suite, but its CRM module is a very strong product in its own right. Judging from the fact that Oracle EBS CRM is among the end-user sentiment market leaders in 7 out of 8 categories, customers are very positive about the solution, particularly its service-related capabilities and vertical specialization.



Oracle EBS CRM excels in the customer interaction, scalability and integration categories of the technical assessment. The product is particularly suitable for field-oriented customer services due to excellent field services and depot repair features and seamless integration with the rest of the Oracle EBS enterprise application suite. Therefore, Oracle positions EBS CRM as the leading solution for the scenarios that deem ERP integration as more important than marketing support or analytics. The most significant drawback of Oracle EBS CRM concerns deployment. Although the suite is modular and the CRM segment can be deployed on its own, it requires a complete Oracle infrastructure stack to run on.

Oracle Siebel CRM: CRM Radars

At the time of Oracle's acquisition, in September 2005, Siebel was arguably the market leader in CRM. Eventually, Siebel CRM emerged as the mainstay of Oracle's CRM strategy. The end-user sentiment regarding Oracle Siebel CRM service capabilities is second to that of the Oracle EBS CRM. Nevertheless, Oracle Siebel CRM performs better in other respects, leading the product quality and portfolio depth categories. Most importantly, Oracle Siebel's CRM product line is setting the standard in almost every category of Datamonitor's technology assessment survey.



Oracle Siebel CRM's lead is particularly commanding in analytics, strategy and execution, maturity and the breadth and depth categories. This product is also the joint market leader in sales force automation and marketing, and certainly the strongest solution in this area among Oracle's CRM solution portfolio. Oracle Siebel CRM's ability to use its superior analytical capability to improve operational features throughout the portfolio is particularly impressive. For example, superior analytics enable closed loop analysis delivering marketing management metrics that can rapidly optimize marketing strategy.

Superior feature range and product quality means that Oracle considers Oracle Siebel CRM as its flagship solution particularly suitable for deployment in key industries such as financial services or telecommunications. It is also a mainstay of Oracle's on-demand CRM strategy and a cornerstone of Oracle's call-center solutions.

In addition to on-premise solution, Oracle Siebel CRM also offers on-demand product. The breath and depth of Oracle's Siebel CRM On Demand is expanding. Currently, the coverage ranges from standard marketing and salesforce automation modules to call center on demand. Pre-built integration with Oracle's on-premise CRM and ERP applications and several deployment options bring increased flexibility in integration and deployment.

Oracle Siebel's call-center functionality is enhanced further by CTI integration and virtual call centre functionality enabled through Oracle's Telephony@Work technology. Both on-demand offering and CTI support are important elements of Oracle's CRM strategy allowing it to offer a broad choice of deployment methods and infrastructure technologies.

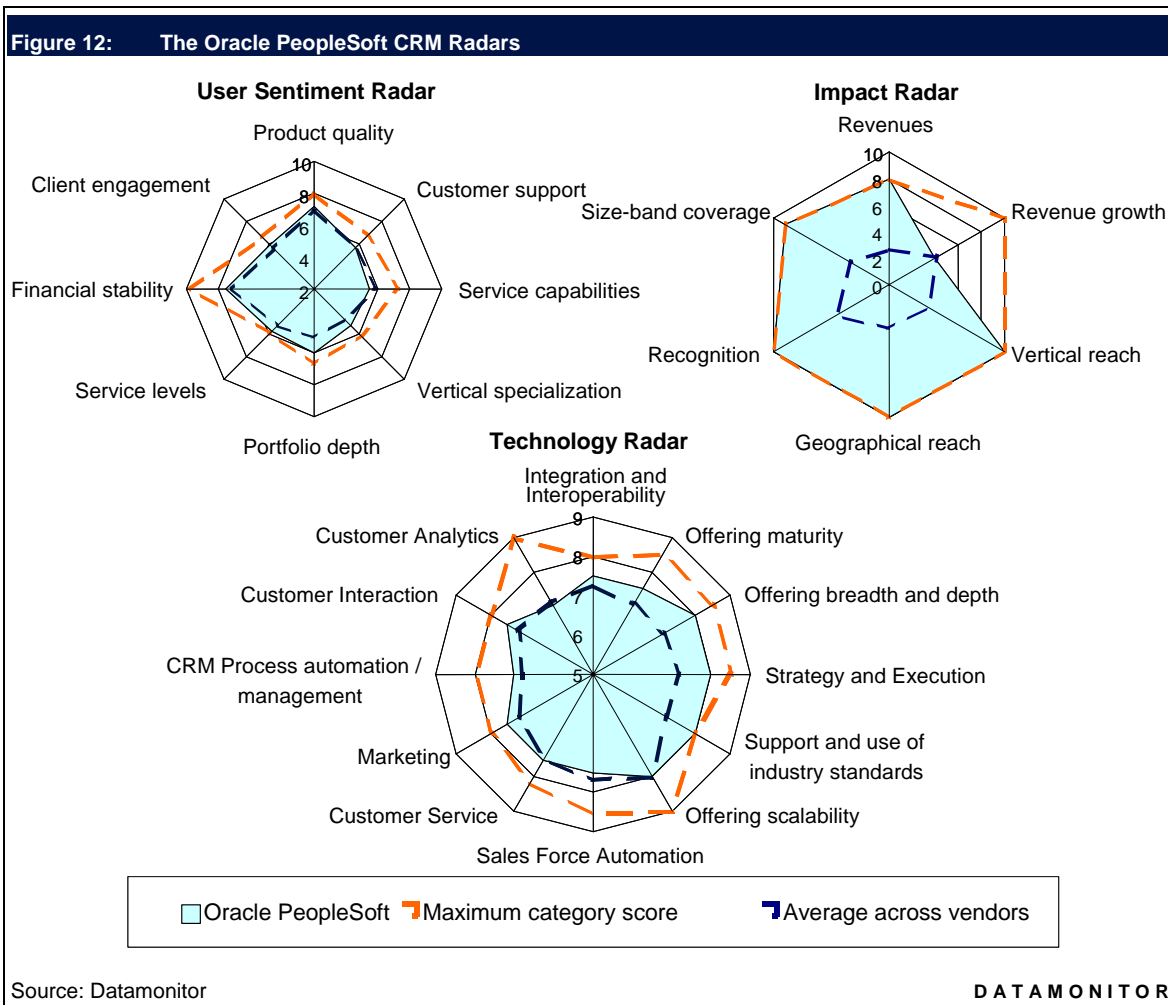
Oracle PeopleSoft Enterprise: CRM Radars

Oracle PeopleSoft Enterprise CRM is a somewhat less prominent element of Oracle's CRM portfolio. Yet the product stands up to scrutiny on its own very well. Oracle PeopleSoft Enterprise CRM appears six times among the market leaders in technical assessment and its individual aggregate technology assessment score would still qualify it as a market leader.

Since PeopleSoft was a part of Oracle for a year more than Siebel, PeopleSoft Enterprise CRM has benefited from the integration of best-of-breed features from Oracle's portfolio such as the integration of BPEL in workflow or improved reporting based on Oracle XML Publisher.

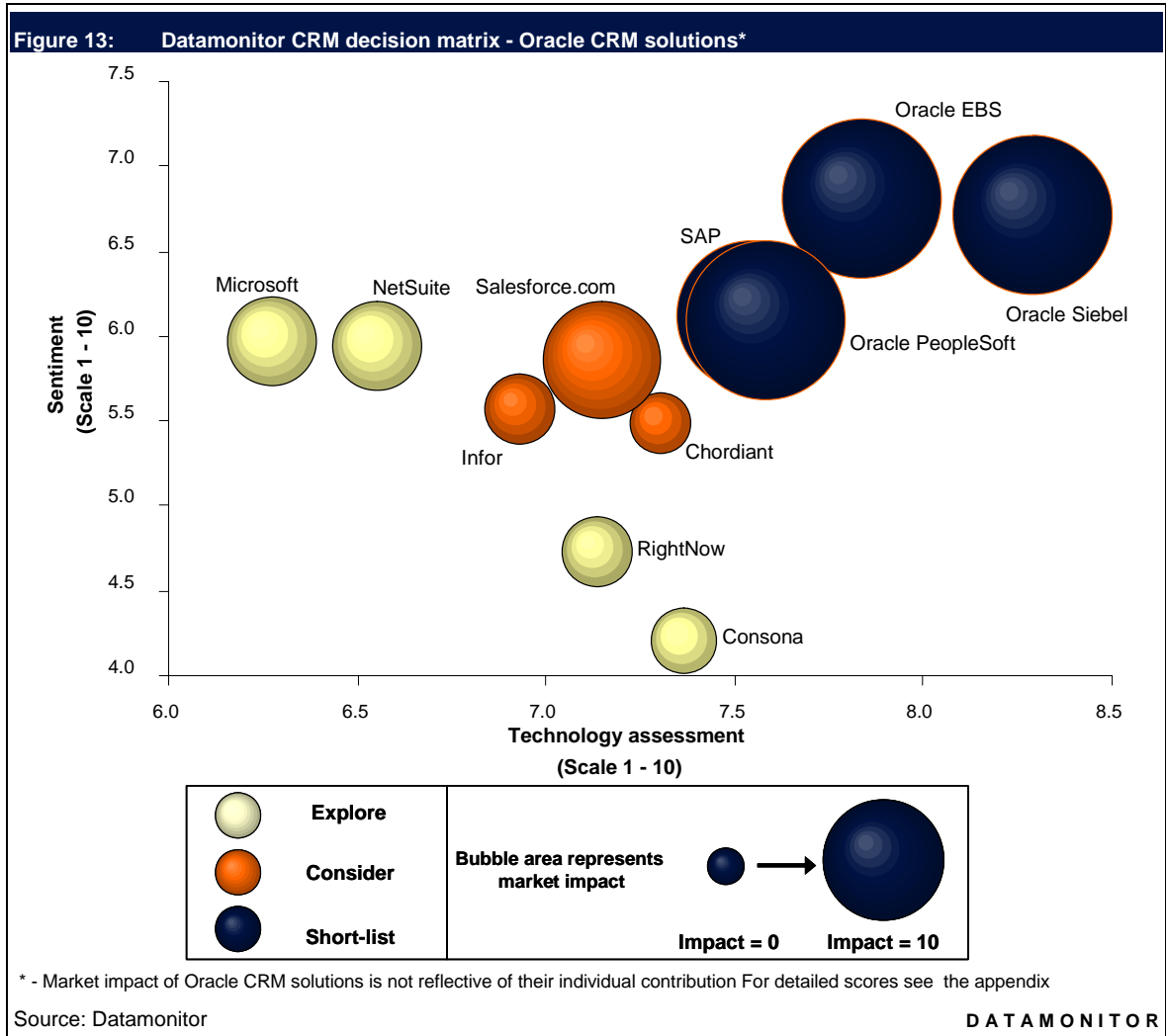
In terms of go-to-market strategy, Oracle PeopleSoft Enterprise CRM has a very well defined constituency. The solution can address the existing PeopleSoft suite user base. In addition, PeopleSoft's background in human capital management renders Oracle PeopleSoft Enterprise CRM particularly suitable for HR and IT help-desk applications. Finally, the product has good industry specialization in sectors including higher education, public services, or even telecommunications and financial services. For some of these industries Oracle PeopleSoft Enterprise CRM offers a series of pre-packaged processes.

Overall, Oracle Siebel CRM may offer slightly more robust service functionality, but Oracle PeopleSoft Enterprise CRM can be an extremely competitive alternative. In fact, Oracle PeopleSoft Enterprise CRM probably performs better than Oracle Siebel CRM in certain processes, such as forecasting, that PeopleSoft Enterprise suite performs very well.



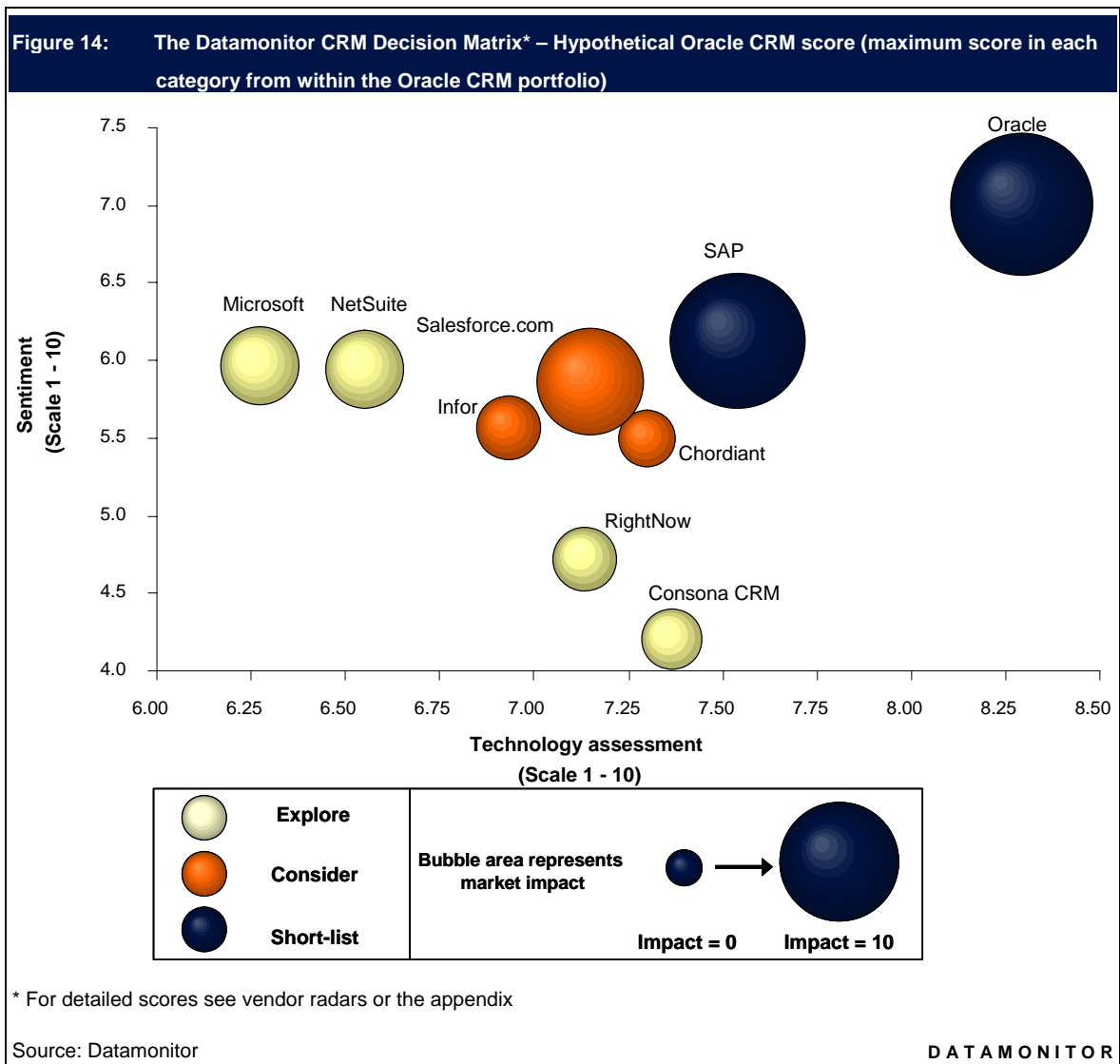
Recommendation: Shortlist

Oracle boasts an incredibly strong portfolio of CRM products. In fact, Datamonitor's study reveals that each one of the three Oracle's primary CRM solutions would be classified ahead of its competitors.



Oracle's portfolio is not impressive just because of the diversity of its offering, but because Oracle plans to integrate its CRM product lines through Applications Unlimited, Application Integration Architecture and Fusion strategies. The first evidence that the strategy is bearing fruit are the plans to deploy an XML-based reporting module, elements of Oracle Siebel Analytics, BPEL support or best UI design practices across the portfolio of CRM solutions. The ongoing convergence through internal best-of-breed cross-fertilization also means that by the time Oracle Fusion CRM is released, Oracle's CRM product lines will have converged already. Apart from the obvious product improvement benefits, the evolutive convergence of Oracle CRM solutions may also make a migration path to Oracle Fusion CRM easier, at least for the enterprises that have decided to follow this strategy.

The convergence strategy has already emerged in Oracle's approach to CRM market. End-user sentiment points out some of the potential benefits of a unified approach. Whereas Oracle EBS CRM received excellent marks for service capabilities, Oracle Siebel CRM dominates the product quality-related categories. Should Oracle manage to combine Oracle EBS' approach to client engagement and customer service with the positive perception of Oracle Siebel CRM product quality, the cumulative effect would be considerable. For the sake of illustration, if best-of-breed user sentiment and technology assessment scores from within Oracle's CRM portfolio are taken, Oracle's position in the CRM Decision Matrix improves considerably.



Regardless of how promising Oracle's integration strategy may be, the challenges of continuous support, improvement and innovation abound, so the proof of the success will be in the future releases. In the meantime, Oracle will have to adopt a

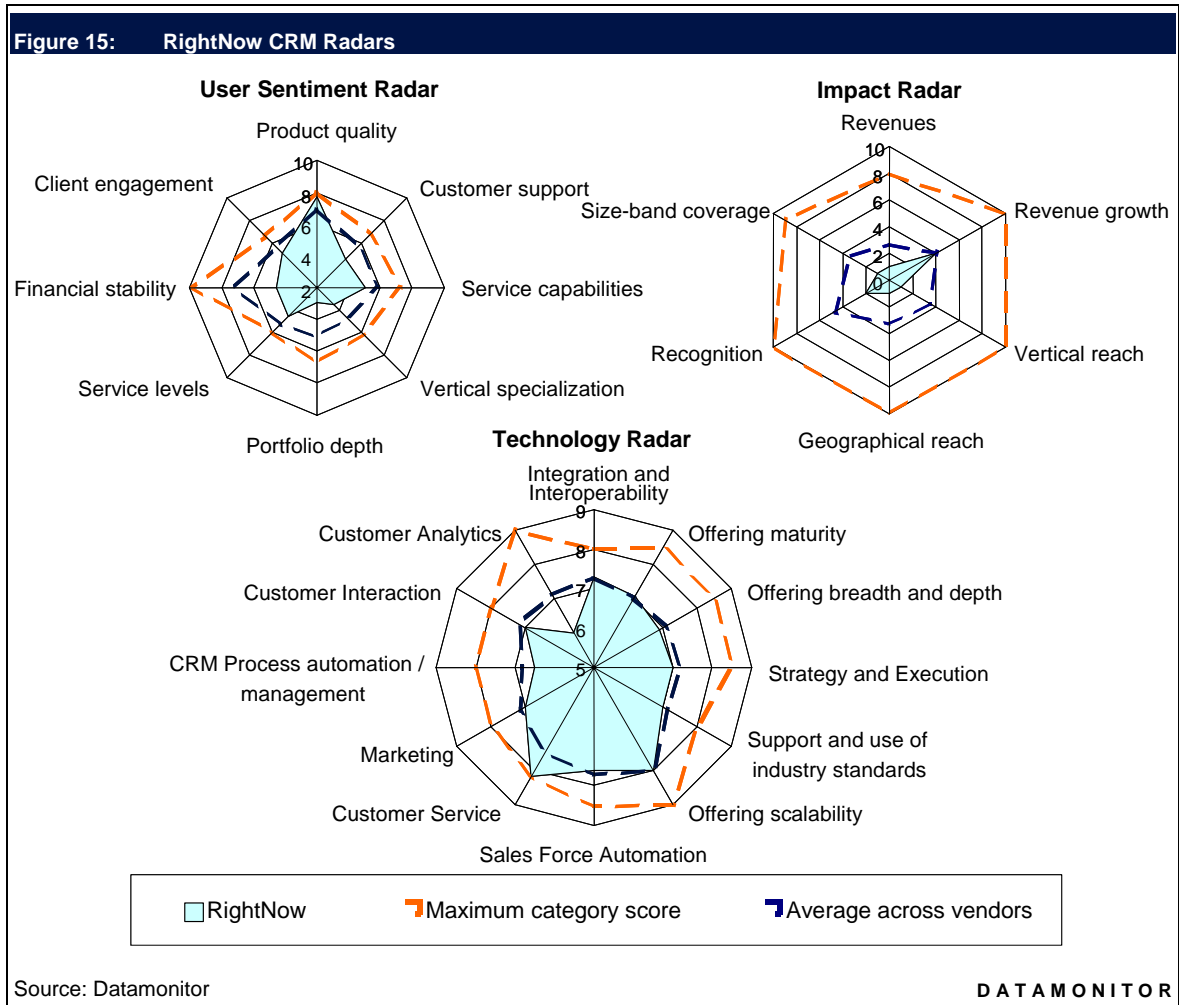
complex but complicated approach to market as well as orchestrate connections between its enterprise application stack, including industry-specific applications.

For the sheer breath of Oracle's CRM and enterprise application offering, the vendor should automatically find its place on any procurement shortlist. Although Oracle's CRM offerings are converging in terms of functionality offered, certain functional expertise remains, and the choice could be made on the basis of the functional specification or deployment / maintenance preferences.

Datamonitor believes that Oracle CRM will certainly remain among the market leaders, in the medium term at least. Yet, the challenges remain great, whether in terms of providing ongoing support or integrating of the three principal CRM product lines. Therefore, it is imperative for Oracle to remain focused on the execution of the Applications Unlimited and Fusion strategies. Should these be successful, the prize can be enormous, but potential pitfalls are just as considerable.

RightNow Technologies: CRM Radars

RightNow Technologies' distinct approach to CRM can be identified through its market impact profile. Unlike the other on-demand CRM vendors that rely on mass adoption of customers, primarily in the mid-market, RightNow has aimed its on-demand offering higher up the market. Instead of relying on sheer numbers of users, RightNow is focusing on larger average-size deals and is therefore growing by a slower rate.



RightNow offers a very good product. Both its end-user sentiment score in the product quality category and its overall score in the technology assessment demonstrate this. Datamonitor believes RightNow is the market leader in customer services delivery, as it manages to provide superior customer services functionality across the multiple customer contact channels and due to its superior FAQ automation feature. RightNow does not feature among the market leaders in any other category, but consistent scores across the technology assessment indicate the quality of RightNow's offering.

Recommendation: Explore

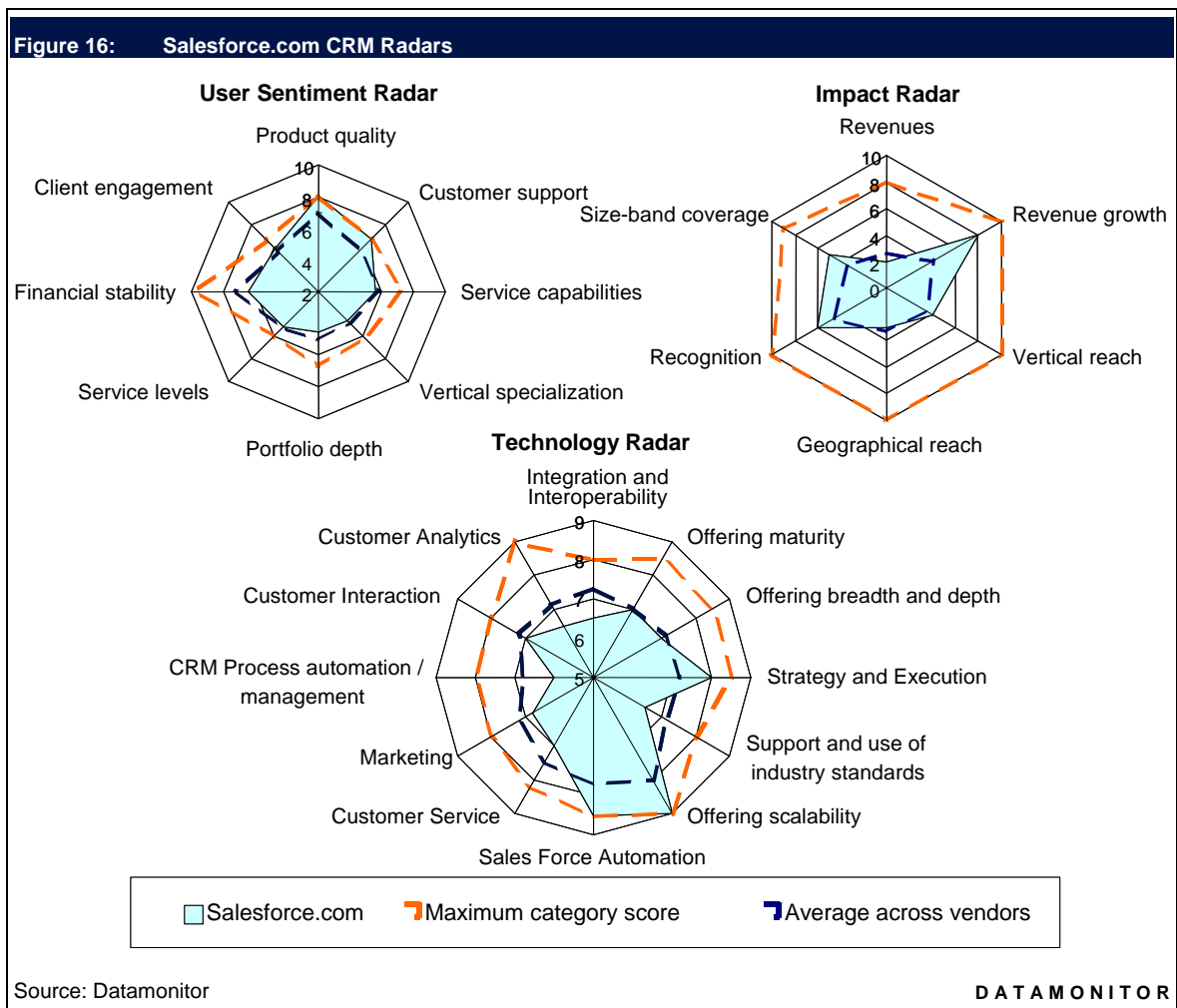
The problem with RightNow Technologies CRM concerns end-user perception. Datamonitor believes that RightNow's portfolio depth and vertical strategy are essentially sound. RightNow made a right choice regarding the prioritization of vertical sectors and has a very good reputation for industry-specific solutions. For example, RightNow's Higher Education solution was deemed to be the market leader in the recent Datamonitor's "Decision Matrix: CRM in Higher Education" report. Yet, in both of these categories, as well as in terms of customer support, RightNow has received a very low end-user sentiment score.

While the current version, RightNow 8, excels in customer services features, RightNow's marketing and sales force automation modules are deemed as adequate. The latter may be improved significantly in the next release, scheduled for the second half of 2007, that promises to integrate sales force automation features gained through its Salesnet acquisition in 2006. This still leaves process automation and customer analytics that could remain RightNow's weaker points even compared to other on-demand vendors.

RightNow needs to work hard on improving its perception among end users. If successful, the vendor would improve its standing in the CRM market. Future growth could be threatened by the increased competition in the on-demand CRM market. However, its current excellence in the on-demand customer service applications segment of the market should see RightNow improve, or at least retain, its position in the market.

Salesforce.com: CRM Radars

Salesforce.com, the most prominent provider of on-demand CRM, is the only vendor challenging the two market leaders in terms of market impact. Salesforce.com is not just recording impressive rates of revenue growth, but it has grown considerably in absolute terms. The fact that Salesforce.com is joint-top vendor in terms of user assessment of product quality and customer support, illustrates the point that the switch to an on-demand model has been received very well by customers.



In terms of features, Salesforce.com is joint market leader in sales force automation, it offers a flexible solution that scales very well, and boasts an exemplary execution of the strategy it has chosen to pursue. The company is clearly preparing for the future maturing of the on-demand CRM market through improvements to its marketing and service modules, through supporting its development platform AppExchange, through further streamlining of user interfaces and acquiring expertise and functionality from adjacent markets such as ECM. Salesforce.com's technology is essentially sound but support form standards, interoperability and CRM process automation should be its primary areas of improvement.

Recommendation: Consider

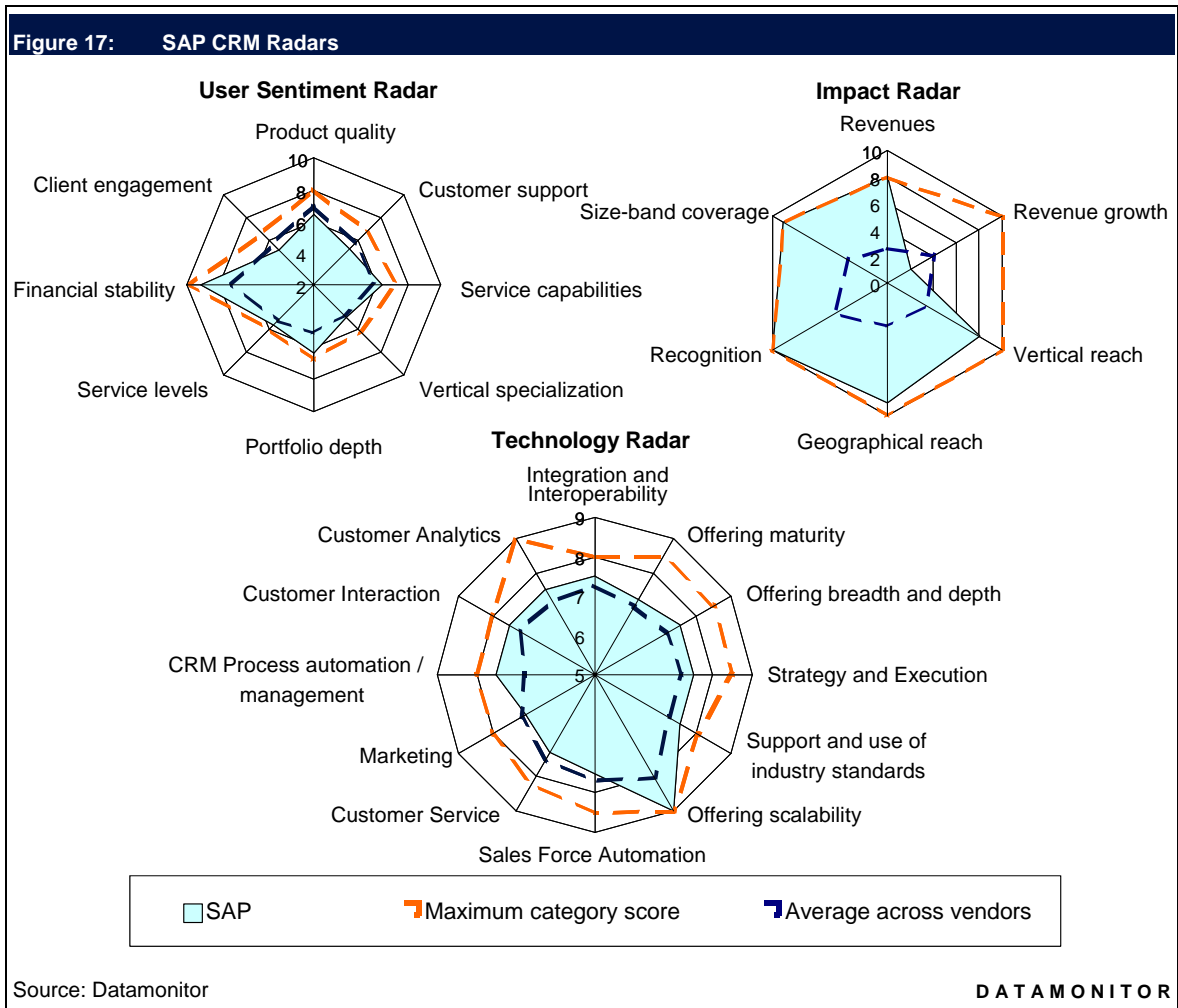
Salesforce.com rapidly emerged as the leading challenger to the market leaders. Salesforce.com could be considered as Datamonitor's recommended solution for sales force automation, should the customer be in the position to exploit the benefits of the on-demand paradigm. Although Salesforce.com does not have a comprehensive vertical strategy outside a few key sectors, future solutions for specific niche verticals may emerge from the AppExchange platform.

Like many other on-demand application vendors, Salesforce.com successfully blurs the boundaries between enterprise and consumer software, introducing elements as diverse as collaborative approach, ergonomic user interfaces or a reliance on explosive customer growth. This also means that the subscriber number growth remains of paramount importance to the vendor. In this respect, the success of the AppExchange platform will play an increasingly important role in Salesforce.com's strategy. The platform is an already important source of revenue and sales opportunities, but as Salesforce.com's model begins to mature, the AppExchange platform needs to prove as a long-term success.

It is clear that Salesforce.com will continue to grow, but its expansion opportunities could become increasingly circumscribed by the maturing adoption cycle, the rise of cheaper generic sales force on-demand applications, aggressive pricing announced for the Microsoft Dynamics CRM 4.0 release or by other vendors offering more flexible deployment opportunities. Because of these challenges, and the fact that the market leaders have build a comprehensive lead, Datamonitor believes Salesforce.com will continue to joust for the position of the primary challenger to the market leaders, rather than challenge for leadership status.

SAP: CRM Radars

Enterprise applications giant SAP commands an impressive impact on the CRM market. Its CRM offering is usually deployed as a part of its successful enterprise application suite, but individual CRM installations are also routine.



SAP's current flagship CRM product, mySAP CRM 2006, performs equally well in the technical assessment, appearing among the market leaders in 7 out of 12 categories. Although marketing and sales force functionality could be improved, the product is well rounded, mature, and its CRM strategy is executed very well.

Though SAP's products are sometimes reputed for complexity, ease of use should not be an issue, particularly due to the success of Duet, the Microsoft Office integration module. SAP is also making interesting moves in the sphere of the convergent communications. In May 2007 SAP acquired Wicom, an IP-telephony software provider, boosting its communication and service capability and integrating VoIP technologies directly in its CRM stack.

Recommendation: Shortlist

Datamonitor considers SAP as one of the CRM market leaders, and recommends that SAP CRM should be placed on the solution selection shortlists. SAP CRM is an obvious choice of CRM solution for those running SAP already, or for certain key sectors in which SAP has unrivalled industry presence and expertise. The potential for integration with SAP's back-office functionality can also be compelling, particularly for service support requirements that need to control services closely, including monitoring labor and spare parts allocation. SAP CRM offers a scalable solution and has on-demand, hosted and on-premise products.

As the acquisition of Wicom demonstrates, SAP CRM offering will continue to mature and develop. In this respect, the integration with next generation of communication tools will be particularly interesting. Although the success of SAP's forthcoming A1S, an on-demand enterprise suite aimed at the SME market, cannot be taken for granted, the move may prove decisive in further strengthening SAP's footprint on the enterprise application market, including CRM solutions. Should SAP rise to the challenge of moving into an entirely new business model, the vendor may reap considerable benefits from the hitherto underexploited market segment as well as threaten other vendors offering on-demand CRM.

Deployment flexibility will be increasingly important factor in CRM market success

The dominance of well-rounded CRM suites and the increasing feature equivalence between the premier CRM solutions indicates that the CRM market is well established and maturing. Despite this, the market is still relatively open. The robust performance of several CRM on-demand vendors shows that barrier to market entry and the adoption of new software paradigms are not entirely insurmountable. The rise of on-demand vendors also underlines the trend towards competitive differentiation not on basic functionality execution, but on the deployment and integration models or on the convergence with analytics and communication.

Since the competitive landscape in CRM will continue to develop in this direction, Oracle's position may become even more impressive. As compelling as Oracle CRM functionality is, the real strength behind its portfolio is the ability to put forward the most appropriate solution depending on the level of functionality, deployment environment, enterprise applications environment or industry-specific process expertise required. Although SAP derives much of its strength from enterprise application platform integration, it is still distinguished by a variety of deployment options backed up by considerable vertical expertise.

Perhaps the best example of the importance of deployment flexibility will be the next release of Microsoft Dynamics CRM. The forthcoming Microsoft Dynamics CRM 4.0 promises to offer a scalable solution that can seamlessly switch modes of deployment. Combined with an aggressive pricing policy, the new release could prove very competitive and serve as a potential threat to the vendors that are limited to providing only on-demand solutions.

Datamonitor believes that the competitive dynamics will favor the current market leaders. Primary challengers may be under even greater pressure to maintain their market position, particularly if Microsoft Dynamics CRM 4.0 delivers on its promise or if the vendors such as RightNow and Consona recover some ground in the market. Nevertheless, both market leaders have several challenges in front of them and they should not remain complacent.

APPENDIX

Summary scores

Table 2: CRM Decision Matrix – vendor scores summary			
Vendor	Technology assessment	User sentiment	Market Impact
Chordiant	7.3	5.5	1.3
Consona	7.4	4.2	1.5
Infor	6.9	5.6	1.7
Microsoft	6.3	6.0	2.7
NetSuite	6.6	5.9	2.7
Oracle (averaged)	7.9	6.5	8.5
Oracle EBS	7.8	6.8	--
Oracle Siebel	8.3	6.7	--
Oracle PeopleSoft Enterprise	7.6	6.1	--
RightNow Technologies	7.1	4.7	1.7
Salesforce.com	7.2	5.9	4.7
SAP	7.5	6.1	7.7
Average	7.3	5.8	4.5
Minimum	6.3	4.2	1.3
Maximum	8.3	6.8	8.5

Source: Datamonitor DATAMONITOR

Datamonitor Ratings

- Shortlist** – This category represents the leading solutions that we believe are worthy of a place on most technology selection shortlists. The vendor has established a commanding market position with a product that is widely accepted as best-of-breed.
- Consider** – The vendors in this category have a good market positioning and are selling and marketing the product well. The products offer competitive functionality and good price/performance, and should be considered as part of the technology selection.
- Explore** – Solutions in this category have less broad applicability, and may have limitations in terms of the product’s functionality, or the vendor’s execution capability. However, they will still be suitable to meet specific requirements, and may be worth exploring as part of the technology selection.

Definitions

Computer Telephony Integration (CTI) - systems that enable a computer to act as a call center, accepting incoming calls and routing them to the appropriate device or person. The definition of CTI has expanded to include the integration of all customer contact channels (voice, email, web, fax, etc.) with computer systems.

Hosted applications - a software application delivery model where a software vendor develops an application and hosts and operates (either independently or through a third-party) the application for use by its customers over the Internet. Customers own the software by paying regular license and maintenance fees.

Office Business Applications (OBA) – Microsoft-backed term for an emerging class of application that leverage the power of the Office Business Platform, that is, the clients, servers, services, and tools that comprise the Microsoft Office system to solve business problems. OBAs help simplify the interaction with enterprise application processes by deploying them within the informal processes that information workers actually follow.

On-demand applications - a software application delivery model where a software vendor develops a web-native software application and hosts and operates (either independently or through a third-party) the application for use by its customers over the Internet. Customers pay not for owning the software itself but for using it.

Service-oriented architecture (SOA) – This term describes an architectural concept for enterprise IT that uses loosely coupled services to support the requirements of business processes and users. Resources on a network in an SOA environment are made available as independent services that can be accessed without knowledge of their underlying platform implementation.

Software as a service (SaaS) – Software as a service is a model of software licensing and delivery where the vendor provides access to applications, as well as the associated support and maintenance, on demand, over the Internet.

Extended Methodology

Datamonitor assesses CRM vendors based on three core criteria, each of which consists of between 8 and 12 specific criteria.

Technology

Butler Group analysts assign vendors scores out of 10 based on 12 groupings of technical criteria. The first six of these are generic, while the second six are specific to the market being assessed. The 12 areas used for the CRM market are:

- **Interoperability and integration** - The ease and extent with which a technology offering can exist, interface, combine, and work with the products, services, and solutions from other vendors.
- **Support and use of industry standards** - The extent to which a vendor's offering utilizes generally accepted protocols, methods, data structures, business principles, and programmatic interfaces.
- **Offering maturity** - The extent to which an offering has developed in comparison to similar offerings on the market. CRM vendors generally offer a range of discrete products. It is also important to consider the maturity of the whole as well as the parts.

- **Offering breadth and depth** - The extent to which an offering meets business requirements across a range of industry sectors and market verticals.
- **Offering scalability** - The ability of an offering to meet the demands of the business. Scalability can have many dimensions: transaction rates, computational throughput, concurrent user load, process sophistication, etc.
- **Strategy and execution** – In this category the many aspects of a vendor's CRM strategy are assessed, as well as their ability to execute against it. Vendor capability features, including financial stability; training options, support policies and maintenance options, as well as deployment services and implementation partners are all taken into account.
- **Sales force automation** – A keystone of CRM, covering sales management as well as support for sales people through the sales process from lead to sale, including management information.
- **Customer services** – The second main strand of CRM, ensuring that customers can be supported by internal staff, partners, and via self-service channels, focusing especially on delivery of targeted knowledge about all aspects of the customer and the service they seek.
- **Marketing** – The third main aspect of CRM covers both the management and operation of marketing campaigns, the definition of target audiences, and overall management of marketing resources.
- **CRM process automation / management** – Covers the ability to define, automate, and then manage a range of business processes that relate to how the organization wants to manage its customers.
- **Customer interaction** – The ability to support customer interactions by a range of methods, such as in person, via email, telephone, and so on, with emphasis on ensuring that information is provided once and then shared regardless of the interaction channel.
- **Customer analytics** – The ability to deliver analytical and statistical information to the point at which it can best be used to support customer strategies, including segmentation capability.

User Sentiment

As part of each technical assessment, Datamonitor has surveyed over 285 users of CRM technology across North America and Western Europe. These end-users are asked to rate the technology vendors that they work with, and Datamonitor provides an average rating in each of the following categories:

- **Product quality** – the enterprise's perception of the quality of the vendor's products.
- **Customer support** – the quality of the vendor's business/technical support offerings.
- **Service capabilities** – the quality of a vendor's particular services offerings (consulting, integration, maintenance, management)
- **Vertical specialization** – the extent to which the vendor offers industry-specific solutions and expertise.

- **Portfolio depth** – the enterprise's perception of the depth of the vendor's product portfolio.
- **Service levels** – the quality of a vendor's service level agreements (SLAs) and its ability to meet them.
- **Financial stability** – how financially stable the enterprise believes the vendor is.
- **Client engagement** – the effectiveness of the vendor's sales-force and the enterprise's perception of its channel to market.

Market Impact

Datamonitor analysts use data collected through primary and secondary research to determine a vendor's global market impact. Market impact is measured across six categories, each of which has a maximum score of 10:

- **Revenues** – Each vendor's global CRM revenues are calculated as a percentage of the market leader. This percentage is then multiplied by a market maturity value and rounded up to the nearest integer. The market maturity value is determined in inverse proportion to the rate of global market growth.
- **Revenue growth** – Each vendor's revenue growth rate over the last 12 months is calculated as a percentage of the fastest growing company in the market. The percentage is then multiplied by 10 and rounded up to the nearest integer.
- **Vertical reach** – Datamonitor determines each vendor's revenue in 11 vertical markets (Energy and Utilities; Financial Services; Healthcare; Life Sciences; Manufacturing; Media and Entertainment; Professional Services; Public Sector; Retail, Wholesale and Distribution; Telecommunications; Travel, Transportation, Logistics and Hospitality). These revenues are calculated as a percentage of the market leader in each vertical market, multiplied by 10 and then rounded to the nearest integer. The vendor's overall vertical reach score is the average of these 11 values.
- **Geographical reach** – Datamonitor determines each vendor's revenue in three regions: The Americas; Europe, Middle East and Africa (EMEA); and Asia Pacific (APAC). These revenues are calculated as a percentage of the market leader in each region, multiplied by 10 and then rounded to the nearest integer. The vendor's overall geographical reach score is the average of these three values.
- **Recognition** – As part of the survey of over 280 end-users, respondents are asked to select CRM vendors they are aware of. The percentage of the vendor recognition is then divided by the highest percentage of the vendor recognition, multiplied by 10 and rounded up to the nearest integer.
- **Size-band coverage** – Datamonitor determines each vendor's revenue in three company size bands: large enterprises (over 5,000 employees), medium-sized enterprises (1,000 – 4,999 employees) and small enterprises (fewer than 1,000 employees). These revenues are calculated as a percentage of the market leader in each region, multiplied by 10 and then rounded up to the nearest integer. The vendor's overall company size band score is the average of these three values.

Methodology

Financial Analysis	An analysis of vendors' financial performance.
Customer Survey	A survey of around 280 IT managers and CIOs.
Technology Analysis	Butler Group analysts' assessment of vendors' technology.

Further reading

- Economic Outlook: Customer Relationship Management (Market Focus) – BFTC1686, June 2007
- Decision Matrix: Selecting a CRM Vendor in the Higher Education Market (Competitor Focus) – DMTC2109, June 2007
- Understanding enterprises' technology priorities H1 2007 (Customer Focus) – BFTC1647, June 2007
- Customer Relationship Management: global market forecast model (Interactive Model) – IMTC0133, May 2007
- Understanding End-user Adoption of Enterprise Applications (Customer Focus) – BFTC1538, January 2007

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Datamonitor consulting

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