

# Magic Quadrant for the CRM Customer Engagement Center

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Customers are demanding consistency of treatment when self-service escalates to assisted service. In turn, application leaders will demand that vendors provide channel synchronization, better use of AI, team collaboration, contextual knowledge and event-centric treatment.

## Strategic Planning Assumptions

By 2022, 70% of customer interactions will involve an emerging technology such as machine learning applications, chatbots or mobile messaging, up from 15% in 2018.

By 2022, 20% of all customer service interactions will be completely handled by AI, an increase of 400% from 2018.

Though the proportion of phone-based communication will drop to just over 10% of overall customer service interactions by 2022, a human agent will still be involved in more than 40% of all interactions.

By 2020, 40% of bot/virtual assistant applications launched in 2018 will have been abandoned.

## Market Definition/Description

This Magic Quadrant examines the global market for customer service and support applications that enable customer service and support agents to engage customers through their preferred communication channel. It covers a wide range of customer service applications for organizations with customer engagement centers (CECs), ranging from very small (fewer than 20 agents) through average size (50 agents) to very large, distributed centers (over 10,000 agents).

This is one of the fastest-growing application software markets. Demand for this type of application remains strong and is attractive to new vendors. There are hundreds of application vendors, but we analyze only the top 13 here.

At the heart of a CEC is the need for a CRM application with the customer record (typically including account, contact information, purchase history, service history, open marketing offers). Its core system function is case management, which can sometimes be referred to as incident

management, trouble ticketing or problem resolution. It requires a strong ability to create, split, federate, join, assign and escalate cases, often in a collaborative environment.

The functionalities evaluated in this Magic Quadrant include those for:

- Knowledge-enabled service resolution
- Mobile messaging
- Social media/community management
- Interaction assistance tools
- Service analytics dashboards

The best applications have tools for both agents and customers. To be included here, the vendors have to have a clear point of view on how to escalate customer support from digital self-service to human agents and back again, while retaining the context of the interaction for reporting and future customer engagements.

Between 2018 and 2022, we expect workforce engagement management to be an integrated feature of the Magic Quadrant. In a world of artificial intelligence (AI) and robotic process automation (RPA), the need for human insight will require a more careful review of the tools provided to agents to work independently and with autonomy, while having the insight needed to support customers.

Missing from this Magic Quadrant are many software companies that we are watching closely but that do not yet meet all the minimum criteria. Gartner sees the emergence of a new area of customer care that might be referred to as "digital customer service." In this area is a set of vendors that focus on digital engagement through chat, chatbots, messaging, and outbound alert (or push notifications) and social media engagement (example vendors include Agent IQ, Conversocial, Helpshift, Lithium, LivePerson, Relay, Sparkcentral and Quiq). While they do not have a full CEC capability, with only limited case management, they do manage the customer dialogue and communication for an increasingly large percentage of customer interaction types. Future research will explore this rapidly evolving market space.

To be included in this research, the CEC applications used by customer service agents must have been designed to operate seamlessly on a common platform, through common development and integration tools, open APIs and a common graphical user interface. This year, the applications also needed to comply with a set of technical and design considerations. We placed emphasis on:

- Scalable cloud-based systems
- Native mobile support of vendors' customer service and support business applications
- Real-time and predictive analytics/contextual insights
- Multimodal capabilities, such as AI in a conversational voice interface, and chat and text messaging within mobile self-service
- Support for both self-service and assisted service across device types, including messaging

- Context mining of voice and text
- Social media engagement, and in particular emerging channels such as Facebook, WhatsApp and others
- Connection to the Internet of Things (IoT) to allow sensor data to launch a service response
- Agent guidance and nurturing
- Automation of engagement using AI-like bots and virtual agents
- Digital workflow/business process management support
- Use of knowledge management consistently (bot, chat, messaging, phone)
- Policy on customer privacy and GDPR

The software functionality weightings for this Magic Quadrant reflect the most common requirements expressed by Gartner clients, and our view of how requirements are evolving. In rank order for 2018, they are as follows:

- Case management/problem/service resolution (a core CRM system, and controls the customer master data); an evolving requirement is team collaboration capabilities
- A knowledge-based solution with multisource search optimization
- Real-time guidance/decision support
- Email, chat, collaboration, co-browsing and workflow with virtual assistant tools
- Mobile support (chat, messaging, video presence and knowledge management/content)
- Predictive customer analytics (e.g., sentiment, emotion, intent)
- Adaptive business rule engine
- Social media engagement management
- Support for collaborative online communities
- Support for video libraries and video
- Enterprise feedback management
- A virtual customer assistant (VCA)
- IoT connections

Factors affecting our evaluations included the extent of a vendor's presence in the market and the observed momentum of its growth. A vendor with stagnant sales, an ineffectual marketing organization, or a vision that does not keep pace with emerging customer needs should concern prospective buyers, and consequently is rated lower in this Magic Quadrant.

# Magic Quadrant

Figure 1. Magic Quadrant for the CRM Customer Engagement Center



Source: Gartner (May 2018)

## Vendor Strengths and Cautions

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### bpm'online

Bpm'online is a privately held company, and as such financial details are limited. Though most customers choose the cloud version of its .NET-architected application, bpm'online service, it is also available on-premises.

We estimate that 65% of bpm'online's customers are in Europe, with 15% in the U.S. and the remainder across the rest of the world. Customer service and support implementations average 65 users. An advantage of the product is the availability of both marketing and sales functionality, in addition to customer service. For customer service and support solutions, bpm'online's name is recognized primarily in Europe and the U.S. and, to a lesser extent, Australia, though it is mentioned by Gartner clients less than 5% of the time. Its core strengths are an attractive and intuitive user interface, business process modeling capabilities, and its relatively attractive price in comparison with the cost of large-enterprise CRM systems.

### Strengths

- Surveyed reference customers scored bpm'online highly for delivering out-of-the-box customer service processes, and for its straightforward case routing and management capabilities.
- Bpm'online's product is easy to configure and modify, with training. Its scalability and security stand out, and it received the highest reference customer scores of all vendors evaluated for ease of use.
- Bpm'online's product supports both on-premises and cloud-based configurations, so provides greater deployment flexibility.
- Bpm'online scored the highest in the reference customer survey results for cost to value. Though not necessarily the least-expensive option, customers perceive its rich functionality and ease of use to be worth the associated outlay.

### Cautions

- Gartner has not spoken with bpm'online reference customers in complex customer service environments (specifically, retail banking, health insurance, telecommunications), or in large U.S. customer support environments.
- Though bpm'online has many smaller professional service partners globally, customers may have limited choice in professional services for consulting and integration for large-scale and complex projects.
- Bpm'online's mobile application is a separate software development from the agent application.
- Surveyed reference customers indicated that they experienced challenges with bpm'online in data migration and in real-time integration to complex environments at scale.

## CRMNEXT

CRMNEXT's CEC functionality has strong emphasis on a blend of sales force automation and customer service. It is strong in the financial advisor area — particularly in retail banking and insurance — from where it derives 80% of its revenue.

Based in India and with new offices in the U.S., CRMNEXT is a division of Acidaes Solutions. Most of its presence is in Asia/Pacific and parts of the Middle East. It has focus and strength in supporting very large customers, with its average customer support organization having over 10,000 users. CRMNEXT has direct sales channels in the U.S., India, Southeast Asia and the Middle East, but relies on partners outside those regions. In the U.S. and Europe the product is shortlisted less than those of any of its peers are for customer engagement centers/customer service agent desktops.

### Strengths

- CRMNEXT has good presence in India, Hong Kong and Singapore, and has access to parts of the Middle East and Africa. New operations in the U.S. are extending its reach.
- CRMNEXT's system is very flexible and has built-in analytics and workflow capabilities. It received high reference customer scores for cost to value, or ROI, in comparison to those of its competitors. It supports SaaS and on-premises deployments, with both versions priced in the lower range for CEC solutions.
- CRMNEXT's professional services team has good understanding of product and business processes, specifically in the financial services sector. Recent partnerships with global professional service firms open up the possibility of greater appeal to a wider range of prospects.
- CRMNEXT has created an application framework that enables organizations to design their own business flows. The involvement of its customers in design considerations and code-free modeling shows promise.
- CRMNEXT's ability to scale is a key strength — its largest customer has over 300,000 daily users.

### Cautions

- CRMNEXT's reach is very limited beyond India, some other parts of Asia and the Gulf Cooperation Council states. There is little third-party knowledge to offer its customers an alternative to its own resources for consulting services.
- CRMNEXT's limited number of independent software vendor (ISV) partners is an issue for clients needing to fill functionality gaps in its product.
- CRMNEXT must boost its number of technical resources in the U.S. and Europe to attract new customers in these geographies.

- Although CRMNEXT's product has no inherent limitations for customer service in multiple industries, prospects in industries other than financial services should carefully evaluate its fit to their specific use cases.
- Reference customers consider that the social media engagement and mobile messaging components of CRMNEXT's product need improvement.

## eGain

eGain offers a suite of customer engagement solutions, with a particular focus on digital self-service. The company is benefiting from having transitioned clients from on-premises to cloud, as well as building a new SaaS business model. There has been good market momentum with the shift to the SaaS model. The company offers certified integrations with leading contact center infrastructure and CRM providers.

eGain offers chat and co-browse for real-time collaboration and messaging support, a virtual customer assistant, notifications and other digital engagements, AI, and knowledge management capabilities. Its customer base is a mix of midsize and enterprise companies. Most of its presence is in the U.S. and Europe.

## Strengths

- eGain has a strong offering in support of knowledge management, which is complemented by virtual assistant and AI reasoning capabilities.
- eGain's "try and buy" technology consumption model has a conversion-to-sales rate of more than 70%. Customers can try the product for a few weeks in a production cloud pilot, with no charge or obligation to buy.
- eGain is successful at bringing attention to leading-edge technology concepts for customer service, and showcasing client success.
- Reference customers reported the responsive and expertise of the eGain project team to be a core strength of the company.

## Cautions

- Rather than as a replacement for a customer service system with case management, eGain's solution is generally used as either a layer of applications that helps customers navigate between channels, or a complement to an existing CRM system. The 2017 all-in-one desktop version is not yet impacting this trend.
- Reference customers shared that they experienced difficulties with the setup of eGain's software, including with complexity and migration changes. eGain is addressing this issue with its customer success program.

- Prospects should evaluate the richness of individual applications, as many have not been ranked by reference customers as best of breed. This may be because those customers are not on the latest software, however.
- Many of the newest product capabilities are not yet referenceable by new customers who have deployed in the SaaS model.
- Reference customers rated the eGain real-time and predictive analytics functions as limited. Prospects should look for references for the newest version to judge improvements.

## Freshworks

The core of the Freshworks market is in the U.S., U.K. and Western Europe. As part of its expansion, Freshdesk renamed itself as Freshworks in June 2017. Gartner estimates revenue of the privately held company to be over \$75 million, with revenue from the Freshdesk product growing 60% during 2018.

Next to serving small businesses, Freshworks has a fair customer base of midsize organizations that make departmental use of Freshdesk. The average CEC deployment is fewer than 10 agents, though it has larger customers. The company continues to make acquisitions to complete its cloud-based solution, adding a chatbot, chat facility and data integration during 2017.

## Strengths

- Freshworks has a presence and data centers on several continents, and its customer service product is deployed in over 100 countries. Its support organization has good references from small and midsize customers.
- Freshdesk is very good at the basics of case management, including simple routing and escalation. Its system is intuitive and user-friendly, with an appealing user interface, well-suited to smaller organizations with basic support needs.
- Freshdesk Marketplace holds over 150 apps to support the core product, and opens up an ecosystem for developers, customers and partners.
- Freshworks has seven main product lines, including tools for marketing, sales, customer support and human capital management.
- The low cost of the Freshworks software relative to similar functionality from peers is a market advantage.

## Cautions

- Despite the richness of Freshdesk, Freshworks reference customers gave its CEC functions a score well below the average for vendors in this Magic Quadrant.
- Freshworks Freshdesk was seen by reference customers as weak in support for web communities, social media management, mobile chat, mobile messaging and chatbots. Check with Freshworks, as Gartner has seen significant functionality updates.

- Although it has shown improvements in sales, sales capabilities, marketing and brand awareness, Freshworks needs further improvements in sales capabilities and marketing strategy to attract midsize and/or enterprise recognition. It must improve professional services to serve the needs of larger enterprise customers.
- Gartner has not seen clients selecting Freshdesk for support organizations if they have complex business process needs — specifically, a high volume of interactions and five or more integration points, with live data from legacy systems.

## Microsoft

From an organizational perspective, Microsoft is having a transitional year with changes of management. Although not disclosed in numbers, the whole Dynamics 365 suite showed a 67% growth rate. We evaluated Dynamics 365 for Customer Service (v.8.2), released in 2017.

The on-premises product continues to account for the majority of the references for larger and more complex customer service requirements, though the trend is toward online deployment. New business is directed to the online model, which the 2018 customer references were mostly delivered through.

We note that with the 2018 release (now GA), Dynamics 365 complies with the EU's General Data Protection Regulation (GDPR).

## Strengths

- Reference customers reported that Microsoft offers an intuitive user interface and straightforward customization tools, which lead to fast setup of standard customer service environments.
- Microsoft Dynamics 365 is a modular set of products that extend beyond customer service and share a common data service. Organizations can add Dynamics 365 capabilities such as Power BI, PowerApps (for citizen developers to build custom apps), sales, procurement and field service.
- Microsoft is one of the world's most financially stable and profitable software companies. Its product integrates with software lines that have over 1 billion users. Reference customers reported good integration with Microsoft products and other standard tools.
- Microsoft continues to offer both on-premises and online versions with the same or similar functionalities on the same code base. It supports a wide range of local languages. It is one of few options available to organizations that are unable or unready to use the cloud.
- Through the Unified Service Desk, organizations can better integrate and automate across Microsoft Dynamics 365, legacy and third-party data applications.

## Cautions

- Due to repackaging the product with more out-of-the-box functionality, Microsoft has significantly increased the cost of using Dynamics 365 for Customer Service. Low total cost of ownership is no longer such a strong motivator for customers using only this module.
- Although Microsoft claims to be increasing its management breadth as well as presales and direct sales personnel, it needs to do more to solve shortages in these areas. Shortages lead to suboptimal penetration of messaging and product demonstrations, especially for complex cloud environments.
- Gartner's client inquiry base indicates an elevated level of challenge migrating from acquired services, such as Parature, to the Dynamics 365 platform. (Note: Microsoft recognizes this challenge. It provides a migration toolkit to customers and partners, and additional support through the Microsoft FastTrack team.)
- Reference customers once again reported Microsoft's poor track record for attracting and educating ISV partners. Clients want both business process and technology experts to improve their business acumen and plug functionality gaps. Clients have expressed frustration with external professional services partners' level of knowledge of Microsoft's latest product versions, and understanding of how a modern, best-in-class customer service center should be designed and built for their industry clients.

## Oracle

Oracle is one of the top-three vendors mentioned by clients looking for a customer service and support solution. The company had good customer wins in 2017 with new logos in various industries, particularly in retail, online services and other B2C-centric industries. Oracle is dedicated to building out the platform with rich functionality, such as video chat integration, IoT-enabled services and the use of automated conversational agents.

## Strengths

- Oracle Service Cloud has very good complementary applications, such as for field service, web and mobile self-service, analytics, co-browsing, policy automation, chat, and email.
- With its Service Cloud Knowledge Foundation and Knowledge Advanced solutions, Oracle offers one of the most scalable and functional knowledge solutions among service suite vendors.
- Oracle Service Cloud is the focus of a strong company effort to create a more unified set of products, workflows and business use cases across the wider Oracle Customer Experience Cloud Suite application portfolio.
- Delivered as a subscription service using a cloud model and running on Oracle's own IaaS, Oracle Service Cloud is straightforward to set up and configure. It does not require deep involvement from IT staff.

- Oracle has a useful but often overlooked function in its portfolio called Oracle Policy Automation (OPA), which streamlines policies or processes in organizations. As complexity in organizations grows, this functionality becomes useful for handling complex document-based policies across channels and processes.

### Cautions

- Reference customers noted a range of operational challenges with Oracle Service Cloud. They identified problems around the pricing model as well as with the lack of professional services and support.
- One of Oracle's main CEC product features, Case Management, including service request and activity management, scored below the average for similar functions from other participating vendors.
- Gartner sees a growing but still limited number of ISVs creating CRM software specifically for the Oracle Service Cloud product line, or building on the Oracle application development stack.
- Compared to other customer service and support software vendors, Oracle's business application sales organization is often not as well-prepared in describing the business scenarios or the production references that prospects would like to see in order to make decisions.
- When trying to migrate off Oracle Siebel to Oracle Service Cloud, clients have reported insufficient clarity in how to do so.

### Pegasystems

Pegasystems is a profitable company dedicated to customer engagement and business process optimization. With over 4,200 employees worldwide, it is among the top-three thought leaders in the CRM industry. In 2017 Gartner estimates that Pegasystems derived half of its \$840 million in revenue from CRM-related software. We focused on the CEC product Pega Customer Service.

Its products are shortlisted primarily in environments where there are frequent changes to highly complex customer service processes. Its recurring cloud revenue grew more than 50% in 2017. SaaS revenue represents 12% of total Pegasystems revenue, although at 25% continued as the vendor's fastest-growing revenue type in 2017.

### Strengths

- Pega Customer Service received the highest reference customer rating for BPM, workflow, customer usability, adoption and management of complex cases of any comparable CEC product in this Magic Quadrant.
- The Pegasystems Pega platform can scale up to cater for extremely large deployments (5,000 or more users) in key industries such as banking, health insurance and high-tech manufacturing. It includes components for marketing, real-time decision support, B2B sales automation and field service.

- Pegasystems supports many business models and delivery models, from business process outsourcing to the cloud, mobile, web and on-premises. It has the best ability to build, maintain and change complex cases of any CRM vendor. This means that the system can ingest targeted, contextual information — whether content, data or rules — depending on the need.
- Pegasystems delivers industry-specific best practices for the insurance, healthcare and financial services sectors, as well as prebuilt templates that accelerate adoption and lead to high reference customer scores on usability. It has also moved into customer service for the telecommunications field.

### Cautions

- Pegasystems reference customers point to unpredictable project timelines, spotty competence in technical support, limited choice of third-party software partners, and lower cost-to-value satisfaction than in past years.
- Pegasystems reference customers gave the product suite poor ratings for its support for web communities and web-based customer service.
- Pegasystems is mostly shortlisted for environments with frequent changes to complex processes, so may not be suited to prospects with simple CEC processes and low-level/frequency process changes.
- The learning curve for achieving competence in configuring and customizing Pegasystems' offering is longer than it is for simpler packages. Although the resource pool has increased, some clients still report issues finding trained and talented third-party resources for building, extending and integrating the system. Some say that it requires a commitment from IT staff to learn and maintain new system skills.

### Salesforce

Salesforce Service Cloud customers point to the overall corporate strategic message and vision around business transformation as the primary reason for selecting the product. Over 65% of all CEC prospects shortlist Salesforce as first or second choice. The next-closest competitor is shortlisted by 35% of prospects.

Gartner estimates that Service Cloud revenue grew 28% in 2017, making Salesforce the leading CEC vendor measured by sales volume. The vendor expects to exceed \$3 billion in 2018, which we estimate is five times the revenue of its closest rival. New investments in advanced workflow and process orchestration, as well as in integration technologies such as the recent MuleSoft acquisition and strategic partners such as Vlocity, will gain it entry to more-complex support environments.

### Strengths

- Salesforce customers — particularly large enterprises — see the vendor as not just a CRM software provider, but a strategic advisor on how to innovate and grow their business overall.

- The availability of complementary software from Salesforce (such as Community and Commerce), combined with several hundred complementary software providers and well over 5,000 applications in Salesforce AppExchange, is a catalyst for attracting customers.
- For B2B customer service operations — especially those with an established Salesforce presence in the sales department — Service Cloud is a routinely shortlisted product in the U.S., Western Europe, Japan, Australia and New Zealand. New partnerships are bringing Salesforce into the public sector as well as the communications and media, and insurance sectors.
- Key new customers — both B2B and B2C — have shown enough faith in the CEC product to invest more than \$10 million per year in Salesforce, while retiring ageing homegrown and/or rivals' systems. They consider the Salesforce application platform to be a strategic asset.
- Programs such as Ignite and Trailhead lower the barrier to entry and help Salesforce differentiate the Service Cloud product beyond features/functions.

### Cautions

- Reference customers reflect that, although Service Cloud handles business process steps for actions contained within Salesforce, it is not strong on BPM, where significant parts of the process are outside Salesforce.
- Integration of multiple Salesforce modules into Service Cloud, as well as of legacy data, requires careful and manual steps.
- For certain industries it can be very time-consuming and expensive to arrive at industry-specific versions of Service Cloud. Salesforce still offers only limited ability to build and support a global-class B2C CEC product. For large-scale, high-volume and complex CECs where processes must be continually synchronized and monitored (e.g., retail banking, loan origination), we recommend checking references for implementations of similar size and complexity. Some of this is beginning to be solved by partners, though references are primarily in the U.S., U.K. and Western Europe.
- There are many forward-looking features for which Salesforce has either little referenceability at scale or low reference customer scores. These include mobile chat, virtual customer assistants, mobile messaging, call scripting and email response management.
- Reference customers expressed concern about high prices and vendor lock-in after integrating multiple Salesforce components or adding third-party components for industry-specific implementation, IVR and telephony infrastructure. Their scores were below average for cost-to-value of the software, despite the overall value proposition scores for Salesforce as a company remaining high.

### SAP

SAP's product for customer service and support is SAP Hybris Service Cloud. The product line can be delivered with APIs and connectors to key SAP products — ERP, other CRM components, Business One or Jam. It supports multiple delivery models, such as hybrid on-premises and cloud,

public cloud (SaaS or PaaS), and private cloud. Functionality in digital engagement, such as mobile chat, video and customer self-service, was generally rated below average by reference customers.

### Strengths

- Top SAP executives have publicly committed to making the CRM product line world-class, and expressed an expanded vision of what is meant by "customer engagement."
- From an organization perspective, SAP has increased its number of resources across all functions, including R&D, sales, marketing, service and delivery. SAP Hybris is sufficiently well-resourced to compete with the market leaders as a global organization.
- SAP has a broad set of features for customer service: a customer portal, social media engagement functions, integration with Facebook and other social media, SAP Business Warehouse analytics, field service features, and customer self-service features.
- Though it has not been evidenced by reference customers, SAP continues to bolster AI and machine learning capabilities. SAP shows vision here in embracing AI-driven customer engagement, with virtual customer assistants for customers as well as augmenting functionality with AI and digital assistants to support employees.
- SAP Cloud Applications Studio allows for the creation of complex business processes to deliver new functionality, new business objects or entirely new application components.

### Cautions

- Reference customers rated the SAP Hybris Service Cloud functionality lower than the average of the Leaders on this Magic Quadrant.
- Application availability from SAP is the lowest of any major CRM vendor.
- Gartner has still not seen SAP Hybris Service Cloud used as a large-scale (at least 500 users), stable and complex deployment — that is, one with a high volume of interactions and five or more integration points, with live data from legacy systems.
- SAP reference customers showed that the cost of the professional services, as a percentage of total product deployment cost, is one of the highest relative to those of peer implementations.

### ServiceNow

U.S.-based ServiceNow is a rapidly growing provider of cloud/SaaS business applications. Its 2017 revenue was nearly \$2 billion and it has 6,200 employees focused on workflow improvements and agility for IT, HR and — since mid-2016 — customer service.

### Strengths

- ServiceNow's sales organization has been driving company revenue growth of over 35% per year, expanding ServiceNow from a \$100 million business to a nearly \$2 billion business in less than six years. It has customers around the globe.

- ServiceNow's workflow and business rule automation, user interface and out-of-the-box functionality for technical support are highly scored by reference customers, and shorten the time to implementation. It has strong technical support case and incident management. It allows easy configuration and modification.
- As the product is built on the same code base as ServiceNow's hpaPaaS platform and service management core solutions, it has very few bugs. Customers already using other ServiceNow products should investigate its customer service product.
- Field Service Management is emerging as a strong complementary offering to the core ServiceNow CEC customer service and technical support products.

### Cautions

- Confusion over multiproduct pricing bundles appears to reflect the rapid growth of ServiceNow's customer base, and the need for faster training of its sales team.
- Consider other suppliers first if you are looking for customer-centric process support (focused on customer nature/lifetime value, upselling, cross-selling and real-time offers). If you are in industries for which references are still emerging (e.g., insurance, hospitality, consumer goods manufacturing, retail), ask for and engage with references.
- Gartner has no references from consumer retail customer services such as retail banking, telecommunications, hospitality and health insurance. We will continue to monitor progress here.

### SugarCRM

U.S.-based SugarCRM is a privately held company with revenue of under \$100 million in 2017 (Gartner estimate), of which 10% may be attributable to the CEC sector. Most SugarCRM deployments in the CEC sector are for midsize support organizations that are existing SugarCRM clients in the U.S. For this Magic Quadrant, we examined Sugar Enterprise v.7.6 to 7.9.

### Strengths

- SugarCRM's CEC core technology is solid and scalable. The product is available globally both on-premises and in the cloud, which is a big advantage for companies worried about latency. The vendor continues to release frequent enhancements.
- It is relatively straightforward to take over system maintenance, configuration and customization after implementation. SugarCRM has good workflow, navigation and routing capabilities.
- Small and midsize support organizations already using or planning to deploy sales automation, especially in B2B settings, should consider shortlisting SugarCRM's product.
- The reference customer rating for SugarCRM's overall value proposition was among the top two of any software vendor in this Magic Quadrant, while the cost of its software is below the average for the top-five CEC solution providers.

## Cautions

- Reference customers scored SugarCRM's product below the average in this Magic Quadrant for mobile message support, mobile chat, CTI and call scripting.
- SugarCRM has weaknesses with local implementation partners outside the U.S. Reference customers mentioned inadequate project management skills, multi-industry process knowledge, and communication during design and implementation phases, as well as challenges during upgrades.
- Sugar Enterprise is infrequently mentioned by Gartner clients as a stand-alone choice for customer support, with interest limited to the U.S. and Western Europe.

## Verint Systems

2017 was a year of rebuilding for Verint Systems that resulted in strong financial results, with revenue growth of 7% and solid wins in this competitive marketplace. Verint is being evaluated for its Engagement Management product, built on the foundation of the KANA customer service software solutions that Verint acquired in 2014.

Verint as a whole reported over \$1 billion in revenue in 2017, and has strong viability. Most of its CRM revenue is from its workforce engagement management product. CEC represents only a portion of its revenue, although Verint is showing improvement in this regard. The company recently added good AI capabilities to the platform through its acquisition of Next IT.

## Strengths

- Verint Engagement Management is highly appreciated by customers for its Knowledge Management functions.
- Customer self-service is a strong part of Verint Engagement Management. With Next IT, Verint has boosted its vision of being a leader in intelligent customer self-service.
- Reference customers indicated that Verint is dedicated to the delivery of the solutions, having a strong professional services organization.
- Verint is a profitable company with a substantial installed base. It has a good development organization relative to many competitors, providing the base for potential future product and service enhancements.

## Cautions

- Verint Engagement Management has limited visibility in the market, yet has begun to reappear in some Gartner client shortlists.
- Reference customers gave Verint lower-than-average ratings for its use of complementary software partners and implementation partners, relative to the whole Magic Quadrant group.

- Most large customer deployments in 2017 continued to be on-premises deployments. Uptake for Verint's cloud offerings overall is now at 20%.
- Globally there are limited integration consulting resources that are knowledgeable about the complete Verint product suite. This is the case with both Verint professional services and with integration partners.

## Zendesk

Zendesk is a very dynamic vendor, with a revenue "run rate" for 2018 of \$550 million. The vendor currently has 2,000 employees across North America, Europe, Asia and Australia, among other locations. Its customer service product is offered on a cloud-based SaaS subscription model, and appeals primarily to entities with midsize support organizations. Though Gartner estimates that the average number of support center agents for Zendesk is five, there are instances of deployments in excess of 500 agents. Zendesk has one of the fastest-growing customer bases of any vendor in this market.

### Strengths

- Zendesk customers feel that the company has a strong vision of the direction in which consumers are going in terms of customer engagement, and that it is on track to deliver the right tools for this.
- Zendesk was recognized by reference customers as one of the top-ranked CEC suppliers in this Magic Quadrant for overall value proposition, ease of setup, usability, API integration and rapid adoption.
- Zendesk has a good vision of supporting a consistent customer experience across all engagement channels.
- Zendesk had high reference customer scores for its use of software partners, the responsiveness of its technical support team, its adherence to timelines, and the competence of its professional services organization
- SaaS architecture enables Zendesk's product to be deployed in most of the world's key markets.

### Cautions

- Although Zendesk is present in many different industries (including software, IT services, retail, media and publishing, transportation, gaming, and mobile apps), it does not deliver industry-specific versions of its product. For example, Zendesk's product is relatively untested as an agent customer service desktop for core industry processes in complex scenarios (e.g., retail banking, telecommunications/cable/wireless account and ordering, or healthcare claims support).

- Zendesk's product received low scores from reference customers for social media engagement, content management, advanced (multisource) knowledge management and complex email workflow management.
- Configuring complex processes or complex user roles with Zendesk's product is difficult. It is also hard to create complex support teams (the routing and escalation rules pose a challenge) and to support multiple organizations within a single instance. We have yet to see a Zendesk reference for a global, "follow the sun" implementation.
- Zendesk focuses on simpler deployment environments, leaving the task of more-complex integrations to partners. Gartner has detected no significant trend for major system integrators or CRM consultancies to build Zendesk practices.

## Vendors Added and Dropped

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We review and adjust our inclusion criteria for Magic Quadrants as markets change. As a result of these adjustments, the mix of vendors in any Magic Quadrant may change over time. A vendor's appearance in a Magic Quadrant one year and not the next does not necessarily indicate that we have changed our opinion of that vendor. It may be a reflection of a change in the market and, therefore, changed evaluation criteria, or of a change of focus by that vendor.

### Added

*Verint Systems*

### Dropped

*Lithium* — Gartner sees Lithium as a company with a strong vision focused on what might be referred to as digital customer service. While it does not have a full CEC capability, with only limited case management, it does manage the customer dialogue and communication, as well as provide social media management and community management. We continue to evaluate and follow this company as it develops in this emerging market.

*mplsystems* — This was recently acquired by IFS. It will be on an interesting journey to build out its portfolio within the large software vendor, and strengthen its customer engagement capabilities. IFS will also open a new landscape of opportunities within the existing IFS customer base.

*Eptica* — After a year of transition, Eptica seems to be focused more on digital customer service than true case management within the CEC. It will likely play an active role in this emerging segment with its AI-driven solutions.

## Inclusion and Exclusion Criteria

Inclusion criteria were used to determine which vendors appeared in this Magic Quadrant. Gartner's inclusion criteria specified that vendors must:

- Have a minimum of 15 customers using the latest version of the software for customer service and support functionality in a CEC, including examples of social media integration.
- Have secured at least five new customers for customer service and support between February 2017 and February 2018 in at least two regions — for example, Asia/Pacific, Latin America, South America, North America or Europe.
- Be able to demonstrate at least \$7 million in software revenue from core customer service and support in the contact center/CEC sector — that is, as the desktop of record — from new clients between February 2017 and February 2018.
- Demonstrate that they will equal or exceed the previous four quarters' business results in the period 2Q17 through 2Q18.
- Appear regularly on client shortlists.
- Have a practice with sufficient third-party consulting and integration firms to grow at a double-digit pace for five years.
- Have sufficient professional services to fulfill current customer demands and those arising between 2Q17 and 2Q18; have at least enough cash to fund a year of operations at the current "burn rate."
- Have the technology to support an extension to cross-channel customer service, including AI, mobile and social media, with a strong development environment and integration framework.
- Be trendsetters or "market movers," based on their software and strategies.

## Evaluation Criteria

### Ability to Execute

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Table 1 shows the criteria we used to evaluate vendors' Ability to Execute. For more details, see the Evaluation Criteria Definitions section.

Table 1. Ability to Execute Evaluation Criteria

Evaluation Criteria	Weighting
Product or Service	High
Overall Viability	Medium
Sales Execution/Pricing	High
Market Responsiveness/Record	High
Marketing Execution	High
Customer Experience	Medium
Operations	Medium

Source: Gartner (May 2018)

## Completeness of Vision

Table 2 shows the criteria we used to evaluate vendors' Completeness of Vision. For more details, see the Evaluation Criteria Definitions section.

Table 2. Completeness of Vision Evaluation Criteria

Evaluation Criteria	Weighting
Market Understanding	Medium
Marketing Strategy	High
Sales Strategy	High
Offering (Product) Strategy	High
Business Model	Medium
Vertical/Industry Strategy	Medium
Innovation	Medium
Geographic Strategy	Medium

Source: Gartner (May 2018)

## Quadrant Descriptions

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### Leaders

Leaders demonstrate market-defining Completeness of Vision and the Ability to Execute that manifest through products, services, sales figures, and solid new references for multiple geographies and industries. Clients report that these vendors deliver high levels of value and return on their investment. These vendors' development teams have a clear vision for the emerging area of customer engagement, the growing influence of AI and the "mobile-first" future. They engineer flexible products that have easily changeable business rules. They factor in the impact on customer service requirements of advanced analytics, social media engagement and the IoT (including wearable devices).

A characteristic of a Leader is that clients look to it for clues about how to innovate in customer service, in areas such as real-time analysis for and about customers, sensors embedded in other equipment, mobile support, and extension to social communities. A Leader does not necessarily drive a customer toward vendor lock-in, but rather provides openness to an ecosystem. Clients indicate that Leaders' products have improved their organization's competitive position and helped to lower costs.

The Leaders in this Magic Quadrant each demonstrated \$50 million in sales to new customers during 2017.

### Challengers

Challengers demonstrate a high volume of sales in their chosen markets — that is, more than 30% of their new business comes from more than one industry, and more than 50% comes from sales to the broader installed base. Challengers understand their clients' evolving needs, but might not lead them into new functional areas with strong vision and technology leadership. In this respect, prospects follow the Visionaries.

Challengers often have a strong presence in other application areas, but they have not demonstrated a clear understanding of how to win new business in the CRM CEC market outside their installed base. They may, therefore, not be well-positioned to capitalize on emerging trends. Without a SaaS-architected cloud model, for example, a vendor cannot be a Leader (however well it performs in terms of other criteria), but can be a Challenger. Challengers frequently lack a strong worldwide presence and deployment partners. Often, their product development resources are split across multiple offerings.

The Challengers in this Magic Quadrant each demonstrated \$50 million in sales to new customers during 2017.

### Visionaries

Visionaries are ahead of many competitors in delivering innovative products and delivery models. They anticipate emerging and changing needs for customer service, and move into the new sectors

associated with them. They have strong potential to influence the direction of the CRM CEC market, but they are limited in terms of execution or track record. Typically, their products and market presence are not yet complete or established enough to challenge the Leaders.

### Niche Players

Niche Players have important products with unique CRM CEC functions, or offerings for particular industries or geographic areas. They may offer complete portfolios but exhibit weaknesses in one or more important areas — they could, for example, be regional experts with limited ability to meet global needs. They may focus on supporting a small number of large enterprises or a large number of small and midsize businesses.

The Niche Players in this Magic Quadrant each demonstrated at least \$7 million in new software license sales to new customers across two continents, in two or more industries and business models in 2017.

### Context

Customer support is both a department goal and an enterprise goal and strategic initiative:

- **Department goal** — Provide the appropriate communication channels for consistent and satisfactory management of customer issues.
- **Enterprise goal and strategic initiative** — The promise to the customer that they will be treated with respect and consistency during all types of engagement and across all device types, and have their problems or issues addressed.

To support customers, some interactions will remain human-assisted, although far more will be automated. Some will require customer self-service through search tools or social media channels. There has been an explosion in interest in social media tools, chatbots, virtual customer assistants and messaging platforms such as Line, WeChat, WhatsApp and Facebook Messenger. Apple may soon add to the mix. The established business applications for the CEC function are largely obsolete because of the lack of intuitive user experiences they offer across devices and channels. Their support for mobile customers, or customers wanting assistance via social media, consistent with self-service, is often mediocre. The emerging trend of placing the applications into the hand of the consumer/customer to drive the engagement is a challenge to all CEC vendors.

Many CEC vendors have simplistic and restricted case management and trouble ticketing offerings, with inflexible configuration rules and procedures that govern the input, retrieval and flow of data and information. Many are not true cloud-architected products, and even those that are often lack global data centers in which to store sensitive customer information. This is especially disconcerting for businesses with multiple support organization structures. Most CEC vendors support collaborative interactions poorly.

Despite the high value of their systems, CEC vendors have failed to incorporate new ideas and developments — real-time analytics, machine intelligence, social experience design concepts — into customer interaction applications for customer service. Without collaboration capabilities baked

into the software or data analytics that enable visualization of customers and their needs, interaction between employees and with customers is limited. Best practices are therefore hard to capture.

The major vendors developing customer management software now see the economic value of rearchitecting their software for social experiences. Oracle is a leading example. Aware of the innovations brought on by communication software and social software, Oracle has integrated its products. Several other vendors are doing likewise. They understand that the social revolution in software will adversely affect sales of their core systems during the next five years. Through acquisition and integration, Microsoft, Oracle, Salesforce and SAP are making good progress, whereas many other vendors in this Magic Quadrant are lagging behind in terms of innovation.

Organizations are rarely able to migrate from an old CRM CEC system to a new one if they have complex back-end processes. However, we have spoken to over 1,000 companies that have demonstrated that it is possible to take an augmentative approach, by which mobile analytics and social tools for collaboration and sharing are integrated into a CEC environment. Workflows and rules are written, often in the CRM system, and passed to the social engagement stage for more-complex deployments as experience is gathered. This is why Gartner is promoting the concept of the CRM CEC as a seamlessly integrated solution that embraces social media engagement.

As CEC suites with fuller analytics capabilities and as better mobile-centric designs reach the market, the business case for migrating to these new suites will be easier to demonstrate. Industry- and geography-specific considerations will cause businesses to accelerate investments in innovation in social-centric interfaces. Although the U.S. and Asia still lead Europe and other regions in their use of mobile messaging, virtual assistants and social media for business processes, they do not lead in their use of mobile channels. In this regard, the mining, chemical, industrial machinery, and oil and gas industries are under no great pressure to progress. However, the high-tech, media and entertainment, retail and consumer goods, government, education, banking, and telecom sectors do feel pressure to advance in 2018.

## Market Overview

Prospective buyers regularly come up against two issues that reflect the complexity of this market.

The first is the complexity of the information required to support customers, and of the business rules and processes that frame the steps within each interaction. It may help prospective buyers to know the following:

- *For simpler customer service process models:* The vendors that dominate Gartner's conversations with clients are as follows: Microsoft, Oracle, Salesforce, SugarCRM and Zendesk. However, we also regularly recommend that clients consider Astute Solutions, Freshworks, Wilke Global and Zoho.
- *For more-complex business rules and processes:* We tend to discuss CRMNEXT, Pegasystems and SAP, but we also discuss Oracle.

- *For more-specialist functions for consolidated agent desktops, mobile, social customer engagement and self-service:* We often recommend the following vendors for use by customer service agents: Coheris, Conversocial, Dimelo, eGain, Helpshift, Sparkcentral and SpiceCSM.

*Note: Above company lists presented in alphabetical order.*

The second issue concerns the availability and applicability of cloud-based solutions. As a delivery model for CRM CECs, SaaS is being accepted and is preferred by many organizations. However, in many parts of the world as well as in some industries and environments, cloud-based customer service business applications are not yet preferred due to issues of data residency and latency. These areas include:

- Locations where there are concerns about data privacy, latency and application availability. Notable examples are Central and Eastern Europe, many parts of Asia (including India and China) and South America.
- National/federal governments and healthcare organizations subject to strict regulations.
- Complex environments with high call volumes, high transaction volumes and real-time integration with legacy systems, which can slow performance.

In our evaluations, we indicate when we see a potential challenge for a product in view of these factors.

## Gartner Recommended Reading

*Some documents may not be available as part of your current Gartner subscription.*

"How Markets and Vendors Are Evaluated in Gartner Magic Quadrants"

"How to Move From B2C to C2B Experiences Using New Digital Technologies"

"AI Will Enable Omnichannel to Evolve Into a Postchannel Customer Experience"

"Predicts 2018: CRM Customer Service and Customer Engagement"

### Evidence

We conducted over 150 online surveys and 50 telephone interviews with vendors' reference customers, as well as over 1,000 inquiry calls with Gartner clients wanting to evaluate products. We also interviewed vendors, attended their product demonstrations, and interviewed business consultancies and system integrators.

## Evaluation Criteria Definitions

### Ability to Execute

**Product/Service:** Core goods and services offered by the vendor for the defined market. This includes current product/service capabilities, quality, feature sets, skills and so on, whether offered natively or through OEM agreements/partnerships as defined in the market definition and detailed in the subcriteria.

**Overall Viability:** Viability includes an assessment of the overall organization's financial health, the financial and practical success of the business unit, and the likelihood that the individual business unit will continue investing in the product, will continue offering the product and will advance the state of the art within the organization's portfolio of products.

**Sales Execution/Pricing:** The vendor's capabilities in all presales activities and the structure that supports them. This includes deal management, pricing and negotiation, presales support, and the overall effectiveness of the sales channel.

**Market Responsiveness/Record:** Ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, customer needs evolve and market dynamics change. This criterion also considers the vendor's history of responsiveness.

**Marketing Execution:** The clarity, quality, creativity and efficacy of programs designed to deliver the organization's message to influence the market, promote the brand and business, increase awareness of the products, and establish a positive identification with the product/brand and organization in the minds of buyers. This "mind share" can be driven by a combination of publicity, promotional initiatives, thought leadership, word of mouth and sales activities.

**Customer Experience:** Relationships, products and services/programs that enable clients to be successful with the products evaluated. Specifically, this includes the ways customers receive technical support or account support. This can also include ancillary tools, customer support programs (and the quality thereof), availability of user groups, service-level agreements and so on.

**Operations:** The ability of the organization to meet its goals and commitments. Factors include the quality of the organizational structure, including skills, experiences, programs, systems and other vehicles that enable the organization to operate effectively and efficiently on an ongoing basis.

### Completeness of Vision

**Market Understanding:** Ability of the vendor to understand buyers' wants and needs and to translate those into products and services. Vendors that show the highest

degree of vision listen to and understand buyers' wants and needs, and can shape or enhance those with their added vision.

**Marketing Strategy:** A clear, differentiated set of messages consistently communicated throughout the organization and externalized through the website, advertising, customer programs and positioning statements.

**Sales Strategy:** The strategy for selling products that uses the appropriate network of direct and indirect sales, marketing, service, and communication affiliates that extend the scope and depth of market reach, skills, expertise, technologies, services and the customer base.

**Offering (Product) Strategy:** The vendor's approach to product development and delivery that emphasizes differentiation, functionality, methodology and feature sets as they map to current and future requirements.

**Business Model:** The soundness and logic of the vendor's underlying business proposition.

**Vertical/Industry Strategy:** The vendor's strategy to direct resources, skills and offerings to meet the specific needs of individual market segments, including vertical markets.

**Innovation:** Direct, related, complementary and synergistic layouts of resources, expertise or capital for investment, consolidation, defensive or pre-emptive purposes.

**Geographic Strategy:** The vendor's strategy to direct resources, skills and offerings to meet the specific needs of geographies outside the "home" or native geography, either directly or through partners, channels and subsidiaries as appropriate for that geography and market.

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