

Magic Quadrant for CRM Customer Service Contact Centers

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This Magic Quadrant looks at contact center desktop software for customer service and support that is best-suited for different economic situations. Leading vendors are showing how their solutions can lower costs while driving customer loyalty.

WHAT YOU NEED TO KNOW

As a result of the economic slowdown, business leaders are focusing on the central role of customer service to simultaneously lower costs and build customer loyalty. Because the contact center is a key touchpoint for customers at the same time that it includes the Web site, some rethinking and re-engineering are required. The combination of three factors — business slowdown, the need to include Web site interactions and the need to lower customer service costs — is shaping business leaders' decisions. It also is changing the Magic Quadrant evaluation criteria. Budget realities will have an impact on the ambitious goal of creating an integrated customer experience across channels. Corporations, governments, universities and not-for-profit agencies have made promises to their constituents (customers, citizens, students and donors/supporters, respectively); but in the midst of IT budget contractions, a tightly built case will need to be made that these enterprises will lower expenses when introducing any initiatives. Revenue generation is the better goal, yet many CIOs who have spoken with us during the past three months are doubtful that pushing revenue generation through a customer service initiative will be an easy process.

Gartner CIO surveys list cost-cutting, customer experience and customer service as the business factors that will drive decision making during the next 24 months. "Attracting and retaining new customers" dropped from second to fourth place in one year, while "cutting costs" jumped from fifth to second on the priority list.

The negative shift in the economic picture has elevated this focus because customer retention requires greater scrutiny. The loss of a profitable customer, or a potentially profitable customer, is expensive and preventable. The contact center, which integrates and synchronizes postsales customer interactions, is the most-critical flashpoint for the customer relationship. A contact center integrates Internet interactions and call center interactions with the goal of providing a consistent customer experience. Each industry, business and organization has unique customer service processes and service channels, making it unlikely that the solutions from a single software vendor will dominate more than one or two industries. The 2009 Magic Quadrant for CRM customer service contact centers reflects this reality.

The contact center is evolving to embrace the customer, regardless of the channel the individual uses: the Web site, a kiosk, a mobile device, home or a telephone (see "The Future of the Contact Center: Service Is Key to Customer Strategy").

The current generation of CRM application providers in the customer service contact center space continues to lag behind users' needs. The major enterprise application providers excel at commodity tasks, such as product selection, order management, payment, account setup and basic support. However, the most-pressing need for new capabilities revolves around:

- Multichannel capabilities (e-mail, chat, telephone, Short Message Service) delivered as a standard feature, rather than complex customization
- Native business process management (BPM) for the customer service function
- Support of online communities of users: blog creation and management, bookmarking, collaboration tools, community forums, discussion boards, Really Simple Syndication feeds, recommendation engines, social networking (tagging, content creation, rating, ranking) and wikis
- Extension of agent presence to online communities (see "The Business Impact of Social Computing on CRM Processes")

- Customer data integration
- Integration of knowledge solutions onto the agent desktop
- Real-time decision support to understand customer intentions, and customize services and interactions accordingly
- Integration with mobile devices

Like all Gartner Magic Quadrants, the 2009 Magic Quadrant for CRM customer service contact centers is not intended to be the sole tool for creating a vendor shortlist. Use it as part of your due diligence and in conjunction with discussions with Gartner analysts.

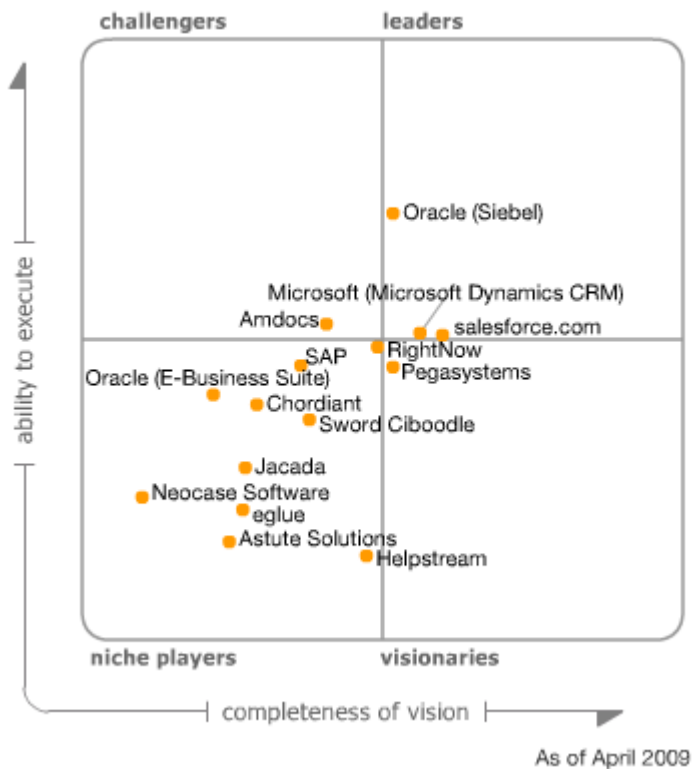
STRATEGIC PLANNING ASSUMPTION(S)

By 2013, at least 75% of customer service centers will use some software-as-a-service (SaaS) application as a part of the contact center solution.

Through 2011, fewer than 10% of organizations will select SaaS for complex business process support.

MAGIC QUADRANT

Figure 1. Magic Quadrant for CRM Customer Service Contact Centers



Source: Gartner (April 2009)

Market Overview

The market for customer service and support (CSS) applications for the contact center is split into four major areas (see "Toolkit Decision Framework: Four Styles of Architecture for CRM in the Contact Center"). Selection of an application as part of a shortlist must take into consideration how the application addresses the requirements of the service center. In increasing order of complexity, the requirements may include one of the four major areas:

- **Information access:** These contact centers focus on low-interaction complexity and low-process complexity. They can support order placement, complaint management, password assistance or consumer information, service activation, balance look-up, timetables or ticket purchasing. Basic CRM capabilities are needed for account information, order information and contract details, but there is less emphasis on real-time analytics or offer management. The process supported may not be particularly complex; however, the information must be reliable, readily available and delivered in an easy-to-use graphical user interface (GUI).
- **Service process optimization:** This is a customer service center or advisory center (for example, investing and insurance) with low-interaction complexity, but high-process complexity. It focuses on the efficiency and repeatability of the process. There may be little value in complex analytics or offer management. The goal of the customer experience is focused on process efficiency rather than on profitability.
- **End-to-end industry process experts:** The contact centers in this context are complex and industry-specific, and often demand that the customer service representative not be forced into following a specific process for some parts of the interaction, but is forced to follow compliance in others. This is where high-interaction complexity meets a range of process complexity. For example, the steps in a loan process must be followed consistently, but the offer/rate/conditions might vary based on the customer type/profitability/potential. While looking for process consistency, there is a range of process control that must be matched by a high level of analytics and data access.
- **Intelligent dialogue/real-time decisioning:** The conversations in this contact center require access to richer information about the customer, product or service, as well as sales and marketing goals. They also become more process-intensive and can be driven by BPM software — guided by workflow, analytics and predictive features that can be customized based on personalization rules. Companies such as Chordiant, Sword Ciboodle, Pegasystems and eglue have pushed into the area of intelligent dialogue, delivering systems that adapt to customers' individual needs.

The Role of SaaS and Cloud Computing

RightNow, salesforce.com, Oracle and Microsoft continue to evolve their SaaS products. Parature (www.parature.com/), although not on the Magic Quadrant, is growing and is seen as a useful alternative in the customer service contact center market, largely for small and midsize businesses. The SaaS model is the only option for salesforce.com and was recently launched for Microsoft Dynamics CRM, but has yet to demonstrate viability for large, complex contact centers. Through 2010, customer service capabilities delivered in the SaaS model will be the most-prominent in the B2B, low-volume call/contact center. For more-complex environments, SaaS is not yet an accepted standard, nor will it be during the next two years. In our evaluations, we point out when we foresee a potential challenge for a product based on this qualification.

As more applications are built in a cloud-based model by 2011, SaaS will evolve from an interesting alternative delivery model into a critical selection factor at all levels of the customer

service contact center. By 2013, at least 75% of customer service centers will use some form of SaaS application as a part of the contact center solution. This could be for knowledge management, desktop CRM functionality, feedback management or chat. Through 2011, fewer than 10% of organizations will select SaaS for complex business process support.

Market Definition/Description

The customer service contact center is built in five distinct layers:

1. CRM business applications for customer interaction (customer service, knowledge base solutions, advanced desktop search, real-time analytics/decision support, CRM databases for account/contact/offer information, desktop integration, online community management and surveys)
2. Contact infrastructure, such as telepresence, interactive voice response, computer-telephony integration (CTI), automatic call distribution, chat, e-mail response, instant messaging and alerts
3. Workforce optimization tools (call recording and quality management solutions, workforce management, e-learning and performance management solutions)
4. Enterprise feedback management
5. Offline and real-time analytical tools

This Magic Quadrant looks primarily at the first layer: CRM business applications for customer service interactions. At their most basic level, these applications handle a wide range of tasks, such as order management, case management, advisory services, problem diagnostics and resolution, account management and returns management. Applications may also be included for government, nonprofit agencies and higher education. They may include knowledge-enabled service resolution (such as advanced search tools), community management, offer management and service analytics dashboards. They are designed to enable employees or agents of a company to support clients directly, usually within a call or contact center, whether the product is a consumer good, a durable good or a business service, such as financial services, customer services (for example, retail banking, wealth management or insurance), hospitality, telecommunications, government, utilities or travel. Contact center technical-support software is built to enable employees or agents of a company to support the clients directly, usually within a call or contact center, typically focused on clients' product use, implementation and problem resolution. Some of the capabilities are:

- The agent needs to be able to support the customer, regardless of whether the customer is on a Web site, at a kiosk or in a vehicle. This means that the agent sees what the customer sees, and has the tools to solve the customer's problem or address his or her issue from a remote location.
- The customer service contact center needs to send out proactive, automated alerts. For example, when the status in a back-end system changes to one of which the customer needs to be aware (such as a bank balance, credit card fraud, flight delays, available upgrades, price range reached, a special offer on cars and insurance policy exceptions), an alert is sent to one or several devices until the customer responds that he or she received the notification.
- The application contains business rules for complex entities, such as contact, enterprise, subsidiary, partner, and the workflow processes to route a case, opportunity or order based on the rule set for the specific relationship.

- A case may be routed from one department to another, depending on type.
- An application supports multiple languages simultaneously.
- Multiple back-end systems synchronize using their own rules; examples are credit card fraud, telecommunication-specific functions (such as telecommunication billing, service and resource management, product life cycle management, digital content and advertising bundling) and integrated order management.
- Situations exist for which real-time decision support is important.

Inclusion and Exclusion Criteria

Market traction and momentum:

- Has 15 customer references for CSS functionality in the contact center.
- Has at least five new customers for CSS in the past four quarters in at least two geographic regions (for example, Asia/Pacific, Latin America, South America, North America and Europe).
- Generated at least \$7 million in software revenue for core CSS from new clients during the past four quarters.
- Will equal or exceed the previous four quarters of business results in the upcoming four quarters.
- Appears regularly on client shortlists.
- Has built a practice with sufficient third-party consulting and integration firms to grow at a double-digit pace for five years.

Short-term viability:

- Has sufficient professional services to fulfill current and future customer demands during the next six months, and at least enough cash to fund a year of operations at the current burn rate.
- Has technology to support an extension to cross-channel customer service without the need to code in a new development environment.

Trendsetter or market mover:

- Is moving markets based on its software and strategy.

Added

eglue Business Technologies (eglue), Helpstream and Neocase Software were added as vendors.

Dropped

Infor, Oracle (PeopleSoft) and Portrait Software were dropped because we had insufficient data on which to base our analysis. We continue to track each of these offerings.

Evaluation Criteria

Ability to Execute

Product/Service: Advances in software architectures — particularly advances in Web-orientation — and Web 2.0 requirements will further complicate the user's choice. The vendor needs to have a scalable SaaS (or on-demand) delivery model for some part of its platform as an option to be a leader.

We continue to see a great need for advanced decision support and complex knowledge-solution capabilities, business rule engines, customer feedback management, interest in creating composite applications through in-house development, and application extension to the Internet/Web site.

The CSS application should have out-of-the-box functionality, which means a strong set of industry and process-specific business logic and data. Through process design or functionality breadth, the system must support end-to-end customer service processes for the chosen market. Published application programming interfaces are critical to connect (or expose) an application's customer service functionality with another system or process. Vendors will be measured on the capabilities of their product releases to support customer service, and the technical support of their multichannel and cross-channel environments. The functionality portion of the vendor rating is developed by weighting:

- Case management/problem/service resolution: 15%
- Decision support: 10%
- Offer management/sales capability: 5%
- Adaptive business rule engine: 10%
- Knowledge solution: 15%
- Support of collaborative online communities: 10%
- Integrated e-mail/chat and collaboration tools: 10%
- Enterprise feedback management: 5%
- Multisource search and authoring: 10%
- Predictive customer analytics: 10%

The vendor must have a stable product development team for each product module that it sells, or a demonstrated successful partnership.

Overall Viability: We evaluate the vendor's capability to ensure the continued vitality of a product, including a strong product development team to support current and future releases, as well as a clear road map regarding the direction that the product will take until 2010. The vendor must have the cash on hand and consistent revenue growth during four quarters to fund current and future employee burn rates, and to generate profits. The vendor is also measured on its capability to generate business results in the CSS market.

Sales Execution: This is about the vendor's capability to provide global sales and distribution coverage that aligns with marketing messages. The vendor must also have specific experience with selling its CSS to the appropriate buying center. The strength of the management team is key as well.

Market Responsiveness: We consider the vendor's capability to perceive evolving customer requirements, and articulate that insight back to the market, as well as create the products for readiness as demand comes online.

Marketing Execution: This refers to the vendor's capability to consistently generate market demand and awareness of its CSS solution through marketing programs and media visibility. In an ideal world, marketing execution should be less critical than some other factors; however, the business reality is that marketing success can fuel growth and improvements.

Customer Experience: The vendor must produce a sufficient number of quality clients and references with varying levels of sophistication to prove the viability of its product in the marketplace. References are used as part of the evaluation criteria for the ability to execute and create a vision for how organizations can improve customer service. Included in this are implementation and support. The vendor must be able to provide internal professional-service resources or partner with system integrators with vertical-industry expertise, CSS domain knowledge, global and localized country coverage, and a broad skill set (such as project management or system configuration) to support a complete project life cycle. The critical point on customer experience is to ascertain the degree of change management that accompanied the implementation. Often, the end user experiences discomfort from the change processes that were introduced with the new system, not from the new software. The vendor's customer support organization must also be able to provide satisfactory, prompt service to its customers in all regions of the world.

Operations: The vendor needs to offer consistent and comprehensible pricing models and structures, including contingencies such as failure to perform as contracted, or mergers and acquisitions. The vendor is measured on its flexibility to support multiple pricing scenarios, such as on-premises licensing, as well as application on-demand offerings, such as hosted and multitenant. The vendor must have sufficient professional services — in-house or through third-party business consultants and system integrators — to meet evolving customer requirements (see Table 1).

Table 1. Ability to Execute Evaluation Criteria

Evaluation Criteria	Weighting
Product/Service	standard
Overall Viability (Business Unit, Financial, Strategy, Organization)	high
Sales Execution/Pricing	standard
Market Responsiveness and Track Record	standard
Marketing Execution	high
Customer Experience	standard
Operations	low

Source: Gartner (April 2009)

Completeness of Vision

Market Understanding: The market for customer service is highly diverse because of the multichannel nature of customer interactions and the wide range of processes that need to be supported. To succeed, a vendor must demonstrate a strategic understanding of CSS opportunities that are unique to its target market. This may be new application functionality, evolving service models or in-line analytical capabilities for unique customer segments.

Market Strategy: The vendor can describe its go-to-market strategy as something other than "growing until it is acquired by a larger company." Even with this as the endgame, it must be clear how prospects will be protected or benefit from such a strategy. We look for a well-articulated strategy for revenue growth and sustained profitability. Key elements of the strategy include a sales and distribution plan, internal investment priority and timing, and partner alliances.

Sales Strategy: The strength of the sales force, especially in a challenging economic period, means the difference between floundering and steady/rapid growth. We are looking for highly trained sales leaders who are able to quickly differentiate the value proposition of products and services compared with the competition.

Offering (Product) Strategy: Specific vision criteria include BPM (supporting a threaded service task across functional areas, regardless of the channel) and providing for the creation of content about the most likely customer intentions and how to address them, based on continuously variable business scenarios. Continuously variable means that, depending on the business context of the interaction, the steps and decisions in a service procedure may vary. The vendor openly communicates to its customers and to Gartner a statement of direction for the next two product releases that keeps pace with or surpasses Gartner's vision and our clients' expectations of the CSS market. The vendor has a sufficiently broad set of products to ensure the success of the product. Without an advanced SaaS product plan (realizable as a scalable model by 2009), a vendor cannot be considered visionary.

Business Model: To be a leader through the first half of 2010, an on-premises application provider needs to have a SaaS option that is appropriate to its customer base. Application modules are tightly integrated and have business process modeling capabilities and advanced workflow. The company has a strategy to appeal to its key vertical industries — that is, it integrates with systems unique to an industry, delivers packaged functionality and workflows for an industry (such as those for the telecommunications, automotive and consumer goods industries), and delivers B2B, as well as business-to-consumer (B2C), interactions.

Vertical/Industry Strategy: Unless a product is deployed as a strong add-on to an existing technology stack, a deep understanding of one or more vertical industries will be crucial to offer differentiation.

Innovation: Innovative vendors incorporate concepts that extend to consumer technologies, service avatars and customer service functions embedded in virtual communities (for example, Facebook, FixYa, Get Satisfaction and SupportSpace). The vendor understands major technology/architecture shifts in the market and communicates a plan to use them, including potential migration issues for customers on current releases. The architecture is built to operate in a SaaS delivery model as well as on-premises. We examine how well the vendor articulates its vision to support service-oriented business applications.

The system should provide a catalog of Web services that can enable interoperability with disparate business applications, without requiring extensive point-to-point custom integration. It should have a smart client, and be decomposable as widgets or as part of a larger mashup. Applications must help optimize a predictive customer analytics system — directly or through tightly integrated partners. These predictive analytics alert management, agents or customers when service patterns are detected that might signal the need to adjust a business strategy or direction, or indicate that the likelihood of a particular business scenario has changed (for example, customers responding to a notice on defective parts, an accident or financial news). The vendor will be measured on the capability of its architecture to support global rollouts and localized international installations. The vendor must have the tools for IT and business users to extend and administer the CSS application. The customer is the final arbiter of whether a company is visionary.

Geographic Strategy: The vendor understands the needs of the three largest markets — the European Union (EU), North America and the Asia/Pacific region — and knows how to build a strategy to focus on aspects of the overall market (see Table 2).

Table 2. Completeness of Vision Evaluation Criteria

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

Source: Gartner (April 2009)

Leaders

Leaders demonstrate market-defining vision and the ability to execute against that vision through products, services, demonstrable sales figures, and solid new references for multiple geographies and vertical industries. Clients report that the vendors deliver a high level of value and return on their commitment. The development team has a clear vision of the implications of business rules, and the impact of social networking on customer service requirements. A characteristic of a leader is that it does not necessarily drive a customer toward vendor lock-in, but rather provides openness to an ecosystem. When asked, their clients reply that this product has affected the organization's competitive position in their markets and helped lower costs. Leaders can demonstrate \$50 million in sales to new customers during the past year.

Challengers

The vendors in the Challengers quadrant demonstrate a high volume of sales in their chosen markets. They understand their clients' evolving needs, yet may not lead customers into new functional areas with their strong vision and technology leadership. They often have a strong market presence in other application areas, but they have not demonstrated a clear understanding of the CSS market direction or are not well-positioned to capitalize on emerging trends. They may not have strong worldwide presence or deployment partners. Vendors in the Challengers quadrant can demonstrate \$50 million in sales to customers during the past year.

Visionaries

Visionaries are ahead of potential competitors in delivering innovative products and delivery models. They anticipate emerging/changing customer service needs and move into the new market space. They have a strong potential to influence the direction of the CSS market, but they are limited in execution or demonstrated track record. Typically, their products and market presence are not yet complete or established enough to challenge the leading vendors.

Niche Players

Niche players offer important products that are unique CSS functionality components or offerings for vertical segments. They may offer complete portfolios but demonstrate weaknesses in one or more important areas. They could also be regional experts with little ability to extend globally. They usually are focused on support of the large enterprise, rather than small and midsize businesses.

Vendor Strengths and Cautions

Amdocs

Strengths

- Amdocs created a set of services to help clients migrate from their earlier clients to a new service-oriented architecture (SOA)-compliant application and client interface, Smart Client. This is helpful for the new release of Customer Experience System (CES) CRM 7.5 in 2008.
- Amdocs consulting has very strong experience in project management, best practices and key performance indicator mapping.
- The vendor has a focused commitment to its products, targeted at (but not exclusive to) the installed Amdocs customer base in telecommunication services, and offers good products for billing, fulfillment/order management and activation, product catalog and customer interaction.
- The vendor should weather the financial challenges damaging some of its clients, because it has strong financials and deep deployments. It has been consistent in acquiring complementary vendors or attracting software partners, as necessary.

Cautions

- Even within its primary customer base in the telecommunications vertical industry, Amdocs has not greatly expanded its presence on the customer service agent desktop in recent years. Partnerships, and the recent acquisition of Changing Worlds (guided selling/cross-selling) could improve its customer service capabilities.
- Amdocs has limited traction in growing third-party external service providers for consulting and implementation services.
- Although Amdocs is considered a thought leader in the telecommunications sector, it is not known for this across other industries.

Astute Solutions

Strengths

- Astute Solutions' ePowerCenter product has been successfully deployed across the U.S. and the U.K., and extended to more than 25 countries, primarily, but not exclusively, in small and midsize customer service centers (15 to 100 agents).
- The vendor has strong knowledge of customer service processes in vertical industries, such as restaurants, hospitality, consumer goods and retail (nonbanking or other financial services).

- Its RealDialog Agent Assist product for knowledge management is easy to use and manage. It has easy-to-modify basic screen features, and the GUI is flexible and easy to navigate.
- Astute Solutions pays good attention to client needs from functionality and technical support perspectives.

Cautions

- This small company (fewer than 100 employees; and Gartner estimates that year-end 2009 revenue will be less than \$15 million) has not added significant new clients during the past four quarters, indicating the impact of competition with better-financed and better-positioned rivals, such as Microsoft Dynamics CRM, RightNow and salesforce.com. In a growth economy, Astute Solutions may have not made the minimal revenue target for the Magic Quadrant. However, an exception was made due to the niche that it fills in the consumer market.
- Lack of a software partner ecosystem or functional breadth will make it difficult to scale the company.
- Astute Solutions has a limited presence outside the U.S. and the U.K.
- It is rarely seen as a multichannel solution for large, distributed international service environments.

Chordiant

Strengths

- Chordiant has a tight focus on supporting consistent multichannel customer service interactions for large enterprise customers, with good recent success experiences with European telecommunications providers. Chordiant is one of only a few CRM software providers that supports a wide range of channels, such as customer portal, contact center and branch office.
- The Decision Management platform is the best on the market for large organizations. It contains a proven and effective contact center agent tool to advise and prompt the agent with the recommended next action to take with the customer.
- Adaptive applications learn as they go, evolving the quality of customer service. Its scalable product has embedded business process modeling and predictive analytics, and can radically improve upsell/cross-sell success rates.
- Consulting resources from third-party professional service partner IBM has been very strong, and the product supports the IBM infrastructure (WebSphere and DB2), as well as Oracle WebLogic (BEA).

Cautions

- The core desktop application for customer service is not on par with the decisioning product, and Chordiant is unlikely to experience a competitive advantage with the core desktop that it has with decisioning.
- Many of Chordiant's traditional large customer service desktop deployments were in large financial services organizations, primarily in Europe. Regardless of geography, this industry will likely remain distressed during the next 18 months, making the close of

significant new business dependent on the sales organization's ability to reach both new and old markets.

- Chordiant has not deployed a multitenant SaaS-based version of its desktop product.
- Its core desktop application requires a strong financial and resource commitment from prospective buyers that is in line with the complexity of the business change management that customers require.

eglue

eglue is a new entrant to our Magic Quadrant in 2009. Its InterAct Suite of products is an important addition to the market, where the customer service center wants to augment its capabilities without a complete overhaul, or complex customizations of the CRM applications. eglue adds intelligence to customer service desktop interactions on top of a homegrown system or where a packaged application is in place.

Strengths

- The eglue InterAct Suite allows an organization to deliver the information that is most relevant to the service agent without any deep integration requirements. It can take any information delivered to the agent screen or from databases, or accessible via Web services, analyze it, and deliver it onto the screen.
- The customization/development tool, InterAction Designer is intuitive and can be used by internal IT or business resources with minimal training.
- The product enables contact centers that have an investment in a CRM system to move forward with revenue-generating (or agent efficiency) activity without adding expensive BPM or other analytical tools.

Cautions

- Despite recent partnerships with professional service companies such as Accenture, Amdocs, IBM and Tata, there is still much work to be done to gain inroads into a wider set of business opportunities.
- Because eglue is not the CRM system or the customer system of record, it can be viewed as a tactical solution rather than a long-term strategic choice.
- The company is beginning to scale, with revenue of approximately \$10 million. Viability issues, as well as the chance of being acquired, mean that prospects should seek strong contractual language to protect them in the case of either eventuality.

Helpstream

Helpstream is a newcomer in the customer service market, and has an unusual offering that at first glance is outside the traditional scope of the Magic Quadrant. We include Helpstream because it represents a disrupter of which our clients should be aware. It is a privately held company that supplements what a contact center and Web self-service approach do for customer service: It helps facilitate communities of customers that work to solve cases that cannot be solved easily by self-service. These solutions can then be available to customers and the business.

Strengths

- The company taps into the growing momentum of community-created Web content.
- Helpstream has built a unified customer support system that brings together systems that, today, are separate applications: search, knowledge management, content creation, social profiling, forums and case management.
- The SaaS-based offering has 150 customers and more than 250,000 users (as of 1Q09).
- Its approach to case solutions could potentially lower support costs at least 20% through call deflection, and also lower staffing in knowledge management.

Cautions

- As a startup company with fewer than 40 employees during a recessionary period, Helpstream will face the challenge of fighting for scarcer customer budgets.
- During an economic down cycle, the company will need to convince new prospects that this is more than a "nice to have" product versus a core capability.
- There is little collateral in the market to convince prospects that the community-based model is easy to manage, more effective, and less-expensive to deploy and manage.
- Helpstream will need strong partnerships with providers of CSS software to gain broad market acceptance.

Jacada

Strengths

- Especially in a down economy, Jacada WorkSpace is an alternative to packaged customer service applications for organizations with B2C contact centers focused on developing a standardized customer-service desktop, while not replacing back-end and front-end systems.
- Jacada expanded its platform capabilities to include IBM WebSphere, as well as its Oracle (BEA) WebLogic platform, broadening its reach in the market.
- Management guided the company to significant growth in 2008 (\$23 million revenue, of which \$7.65 million was software).
- Jacada offers proven solutions for customer service in the telecommunications and insurance industries, and for outsourced call centers in the U.S. and the EU, where there is a heavy reliance on legacy data.
- It offers scalability with careful optimization into the 1,000 or more seat range.

Cautions

- Competitors such as Microsoft Customer Care Framework (CCF), Corizon, OpenSpan and others are improving capabilities at the time of an economic downturn. This could lead to prolonged decision cycles and price pressure unless Jacada delivers new capabilities that top the competitive offerings.

- Lacking control of the database, and not serving as the account/contact record or the process design platform, IT organizations can view Jacada as a tactical contact center deployment.
- Overall, Jacada lacks CRM functionality beyond basic customer service functionality.
- The company is weak in knowledge management and Web self-service.

Microsoft (Microsoft Dynamics CRM)

Microsoft has made great strides in gaining market penetration across many industries and geographies. We estimate that more than 850,000 CRM licenses have been sold as of beginning of 2Q09, although customer service contact centers are not yet a specialty. The addition of the Microsoft CCF is a boost to Microsoft Dynamics CRM's capabilities. If the integration partners adopt the solution, then we could see higher demand in the contact center space.

Strengths

- Microsoft has grown its Microsoft Dynamics CRM product sales at least 50% during the past 12 months, and the product team is showing greater cohesion with other Microsoft assets.
- It has a worldwide installed base, as well as value-added resellers, integrators and partners.
- Customers can choose from a strong set of Microsoft products with which to integrate — such as Microsoft CCF, BizTalk, Office Communication Server and Microsoft Office SharePoint — to foster tight integration and internal collaboration around the customer, and later to support customer communities.
- The user interface is intuitive and appeals to broad audiences familiar with the look-and-feel of Microsoft's applications.
- Microsoft is investing in knowledge solutions, Web self-service, business process capabilities and industry versions, adding to its basic customer service functionality. The concept of xRM, where the customer is given the tools to create its own brand of CRM solution, is useful to reach a broad audience.

Cautions

- Risk of market (and partner) confusion persists, with simultaneous offerings for CRM on-premises, hosted and Microsoft Dynamics CRM Online versions.
- The product is not best in class in support of online Web communities or for mobile service.
- Few industry-specific capabilities are available directly from Microsoft. Partners are assisting with offerings in areas such as healthcare, banking and other service industries.
- Independent software vendors that are writing applications specifically for Microsoft Dynamics CRM need to be better promoted and referenced.
- From a functionality perspective, references continue to find improvement needed in areas such as case management, knowledge base solution authoring and management, role-based skills routing, business rule creation, and multichannel capabilities for Web

integration and extension of customer service to mobile devices. Microsoft provides little evidence of predictive analytics, real-time offers or integrated marketing.

- An early look at Microsoft Dynamics CRM Online suggests that it will not be a realistic option for the customer service contact center until the first half of 2010, as telephony infrastructure partners are lined up.

Neocase Software

Neocase Software is added to the Magic Quadrant in 2009 due to its expansion in the U.S. market, both as a stand-alone product and occasional add-on product to the Microsoft Dynamics CRM customer service offering. It has good offerings in collaborative case management that are unique, as are its capabilities for service-level agreement management. Executive leadership is based primarily in Europe, with headquarters in France.

Strengths

- On a cost-to-benefit basis, references gave Neocase the highest overall level of positive feedback.
- Positioned to assist Microsoft-centric service centers for case management in high tech and manufacturing, but appropriate for some service industries as well.
- It has a range of business automation tools — customer service in the contact center, Web self-service, human capital management and finance.
- It has a good management team focused on market positioning. It has sufficient funding for 2009 to seek new business in North America and Western Europe.

Cautions

- Whereas it has benefited from gaps in the Microsoft Dynamics CRM product line, Neocase will need to shift its focus and demonstrate more references as Microsoft (and competitors) fill those gaps.
- Maintaining best-of-breed capabilities across human capital management, finance, contact center service, IT helpdesk and Web self-service is a challenge for any company.
- Moving from a good presence in France to a strong installed base in the U.S. will require careful planning.

Oracle (E-Business Suite)

Strengths

- It continues to develop the Oracle E-Business Suite (EBS) Service Suite, with smaller, more frequent releases and strong integration and workflow capabilities.
- Oracle has stronger software partnerships to complement the offering (for example, in remote device monitoring, vehicle tracking and parts catalog).
- Oracle has a broad offering for established Oracle EBS customers (for example, extensions are available for enterprise search, e-mail, scripting, iSupport and contracts).
- Oracle has a firm understanding of business processes in B2B capital/high-tech equipment vertical industries.

Cautions

- EBS has limited capabilities in predictive real-time offer management, business process modeling and in-line marketing.
- Oracle does not have a strong focus on B2C environments (such as telecommunications, insurance and banking) or other high-volume retail contact centers where CTI options are necessary. Prospects are often confused as to which products are in the EBS offering.
- Users report that the application has high uptime and stability, but required a highly trained and knowledgeable team to deploy in a reasonable time frame. Oracle technical support has been seen as in need of improvement in responsiveness.
- EBS has limited support from large integrators or business consultancies, and few strategic partnerships with third-party software providers in the CRM space. Oracle professional services are competent, but adherence to project timelines must be monitored.
- No references were available to demonstrate a multitenant SaaS.

Oracle (Siebel)

For many procurement officers, Siebel CRM for customer service in the contact center is the standard for large-scale call/contact centers looking for scalability, access to a global pool of third-party professional services, and an inclination for the Oracle product line.

Strengths

- Siebel CRM continues to evolve, and Oracle continues to expand the functionality and improve the technology underpinnings of the product and product line. It is augmented by complementary offerings such as master data management, loyalty and order management. There have been strong improvements (some via partnerships) to the customer self-service capabilities, as well as to the multichannel abilities for chat and knowledge management.
- The Siebel line continues to have a road map of releases; in 1Q09, we have seen Siebel CRM 8.1, E-Billing 6.0, the new E-Billing On Demand and Siebel CRM On Demand, all in general release.
- Clients are beginning to grasp the benefit of a dual offering: on-premises and SaaS. The Siebel role-based, on-premises platform is best in industries where fulfillment requirements are high (and introducing change is difficult, and custom workflows are expensive), whereas simpler needs can be addressed by the on-demand product (with more-limited functionality capabilities).
- The product line has global software support and distribution, and global presence of professional services for multiple industries.

Cautions

- Clients are looking to Oracle for a new generation of user interface that is more intuitive and easier to navigate, with more built-in intelligence (such as simple decision support and process automation) and community features. Some references find the product less-agile and easy to modify than they would like.

- The slow pace of global adoption by reference customers and integration partners of the SaaS version of the customer service offering for complex contact centers points to apparent, continued weak customer demand for the current offering.
- References aren't widely available for Siebel 8.0 as the core desktop in complex call center environments, such as healthcare, core banking (credit, mortgage) or as an upgrade in Tier 1 telecommunications service and technical support centers.
- Limited impact is evident in helping clients adopt Oracle Siebel product innovations (new software versions and new product adoption).
- When customization is required, the IT organization and the business must make a strong commitment to training dedicated resources.

Pegasystems

Although Pegasystems continues to be focused on specific areas of the market (service industries requiring highly efficient and consistent process flows), the value of business rules and BPM is increasingly appreciated in the customer service function. For more on BPM, a core offering from Pegasystems, see "Magic Quadrant for Business Process Management Suites."

Strengths

- We have seen dramatic growth (50% to 75%) in client inquiry during the past six months for the Pegasystems' Customer Process Manager product for customer service organizations. References cite the agility and flexibility of the tools, allowing non-IT professionals to change processes quickly. The company delivers industry-specific best practices and advice, accelerating adoption.
- Pegasystems has introduced an innovative "platform as a service." It is an Internet-based development area where teams or partners can collaborate on building solutions and designing best practices
- Pegasystems has good tools to design and automate business processes that incorporate decision logic and information from back-end systems, such as ERP, financials and credit, and link them to customer service processes.
- It offers a highly scalable solution (1,000 or more concurrent users in an integrated environment with 99.95% uptime) and provides good support. Specialties are healthcare, insurance and financial services industries. New functionality is more broadly applicable to other industries requiring business process optimization.

Cautions

- Its system is optimized for complex interactions that include legacy information. When in the contact center, it is sometimes used to support an existing desktop as a component of a composite application or mashups, rather than the desktop. It may be less appropriate for sites such as large communications service provider customer service where billing, mediation or provisioning are the primary requirements.
- The vendor has limited cross-industry experience outside of North America and the U.K., where country-specific and industry-specific EU operations and EU-specific business rules are most important.
- We do not see sufficient emphasis on mobile device support or online Web communities, both of which are playing a greater role in brand position.

- It has limited but improving (that is, more strategic) support from large system integrators, such as Accenture, Capgemini and IBM, but must expand geographically to support global customers.
- Pegasystems demonstrates little relevance to B2B service processes in industries focused on capital equipment.

RightNow

Strengths

- RightNow is one of the only vendors in the customer service space to excel at Web customer self-service, while at the same time offering a well-integrated contact center customer service product.
- It is best suited for consumer-oriented, customer-service contact centers, except where the need is for a combination of many agents, very high transaction volume and complex legacy integration (for example, fraud, banking systems and reservation systems). It has the advantage of a primary data center in the EU.
- RightNow has strong industry representation in high tech, government agencies, retailers, education, travel, consumer electronics, and branches of telecommunications.
- In 2008, RightNow revenue just passed \$140 million, and had more than 700 employees worldwide, making it one of the largest independent CRM software providers worldwide.

Cautions

- RightNow has limited third-party professional service resources for organizations that require significant business change management as part of an engagement.
- The company needs to better market and demonstrate its capabilities to provide the software solutions for social networking that would integrate customer communities on the Web into the service process.
- Competition from rapidly rising newcomers in the contact center space will put pressure on growth in the contact center customer service area.

salesforce.com

With its acquisition of InStranet and the expansion of its development, sales, and marketing focus on customer service, salesforce.com has improved its capabilities markedly, a momentum we expect to continue through year-end 2009.

Strengths

- salesforce.com has expanded its development and acquisition focus to capture more-complex B2B CSS centers beyond the installed base, in a market that increasingly embraces SaaS.
- It has an excellent GUI, simple design tools, intuitive navigation and a good understanding of the importance of Web communities.
- It has strong investments in an expanded management structure for greater geographic reach.

- salesforce.com has firmer commitments from regional professional service partners and divisions of global integration companies.
- Its SaaS delivery model lowers initial costs and accelerates time to deployment.

Cautions

- salesforce.com has neither an on-premises software model or an EU-based data and disaster recovery center. This could potentially complicate decisions for some EU prospects concerned with the risk of outages and nonconformance to internal security requirements in industries such as banking, healthcare and government.
- The vendor is largely unproven in large, complex, retail, B2C contact centers — that is, large-scale, high-volume call centers where processes must be continually synchronized and monitored, such as retail banking, loan origination, insurance policy administration, bill processing and fraud management (see "SaaS CRM Reduces Costs and Use of Consultants").
- Without owning the customer master, product master, pricing, inventory or other key asset information, it is questionable what the long-term disposition of salesforce.com's product will be for customer service.
- With a SaaS-only delivery option, support for more-complex customer service processes is limited, as is support for large European contact centers (see "SaaS and Cloud Computing Continue to Raise Challenges for CRM Processes").

SAP

Strengths

- SAP CRM 2007 is a significant improvement as an intuitive and easy-to-navigate system with broad functionality for B2B customer service processes of its SAP Business Suite installed base in product-centric industries, and it is improving its understanding in utilities.
- The SAP CRM Interaction Center product is a good complement to the customer service offering, as it reduces the number of vendors required to build an end-to-end contact center solution.
- SAP supports end-to-end processes, such as bill of materials, parts master, account and service ticket.
- It has a sufficient number of support personnel for its key customers.

Cautions

- When a customer requires significant configuration for deployment, the ratio of SAP professional services investment compared with software licenses is high.
- There is limited traction with non-SAP customers.
- SAP CRM 2007 is still not best of breed for decision support, knowledge management, enterprise feedback management and collaboration tools.
- SAP has had limited adoption in high call volume, large, B2C contact center environments, where voice over IP and CTI may be required.

- Its SaaS delivery model is gaining limited traction and must be closely monitored according to the customer's use case.
- It has limited support from the major external service providers in the customer service contact center area (for example, Accenture, Capgemini and IBM Global Services).

Sword Ciboodle

Sword Group purchased Graham Technology at the end of 1Q08. The typical path after such an acquisition is for the acquired company and product to undergo a period of reorganization and a loss of market traction. This has not happened with Graham. The product for the contact center, Ciboodle, is continuing to enjoy development, and continues to make the shortlist in its target area. The name Graham Technology is no longer associated with the Sword Ciboodle product (see <http://www.sword-ciboodle.com/en-us/home.html>).

Strengths

- Sword Group's CRM product, Sword Ciboodle, has an intuitive, multichannel user interface for customer service in areas such as finance/insurance, retail and telecommunications.
- The vendor has a responsive professional service team with a solid understanding of business processes, and has expanded into the U.S. to support growth in that geography.
- The underlying platform, Ciboodle Process Platform, has a growing set of customer service functionality.
- The Sword Ciboodle product is a good tool that companies can use to design, orchestrate and execute their customer service processes on top of established back-end systems, making it attractive to business process outsourcers with call/contact center practices.
- Sword Group extends customer service into broader processes, such as billing, debt collection, upselling, lead generation and support of marketing campaigns.

Cautions

- Sword Ciboodle has limited third-party consultancy support, system integrator resources and application partners.
- Its solution may be too complex for smaller organizations with standard service processes (that is, outside of banking, telecommunications and utilities), or where there are no trained local Sword Ciboodle professional services resources.
- The product line has few complementary CRM application partnerships to round out product offerings.

RECOMMENDED READING

"Magic Quadrants and MarketScopes: How Gartner Evaluates Vendors Within a Market"

Vendors Added or Dropped

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

Evaluation Criteria Definitions

Ability to Execute

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

Overall Viability (Business Unit, Financial, Strategy, Organization): Viability includes an assessment of the overall organization's financial health, the financial and practical success of the business unit, and the likelihood of the individual business unit to continue investing in the product, to continue offering the product and to advance the state of the art within the organization's portfolio of products.

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

Market Responsiveness and Track 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 in order 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, 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, etc.

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

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 Web site, advertising, customer programs and positioning statements.

Sales Strategy: The strategy for selling product 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 set 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 verticals.

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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