

EXHIBIT B

COMPETITIVE ANALYSIS

Worldwide CRM Applications 2004 Vendor Shares: Let the Games Begin

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IDC OPINION

The 2004 market for customer relationship management (CRM) applications regained the solid ground for which it had been searching. 2003 brought the first glimmer of hope in a stabilization of the market at a near 0% growth rate versus the previous years of decline. With the resurgence of purchasing among user organizations, a new more informed buying population has made itself known. Today's CRM implementations are more targeted, more directed, and more considered. With a positive 2004 growth rate of 8.0%, all participants in the CRM economy are looking at a market that presents fresh opportunity. The backlog of CRM-related initiatives will drive interest in this market. However, during the downturn, priorities and methodologies for solving this problem have also evolved. Going forward, the following will be key market dynamics:

- On-demand products have generated significant revenue in the market. These products will become a greater entrenched factor in the market as organizations adopt both premise and hosted solutions in concert. All vendors will require a solution to meet this interest, at least to satisfy the sales cycle.
- CRM implementations are becoming of two types — an implementation focused solely on the CRM function and/or a CRM as part of a business process flow, such as "order to cash." Suppliers will increasingly need to present their solutions in relation to this second category.
- Functionality saturation within CRM applications is quickly occurring except in the area of analytics. Analytic capabilities provide the means to leverage the data that has been systematically collected and maintained to provide meaningful and intelligent customer interactions. Suppliers without core analytics will be at a disadvantage.

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NORTHERN DISTRICT OF CALIFORNIA
Case #: 07-cv-01658-PJH
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By: [Signature]
Nichole Heurman, Deputy Clerk

IN THIS STUDY

This IDC study examines the customer relationship management (CRM) applications market for the 2002–2004 period. Worldwide market size is provided for 2004 with accompanying trends. Vendor competitive analysis, with revenue and market shares of the leading vendors, is provided for 2004. This study also provides profiles of leading vendors and identifies the characteristics that vendors will need to be successful in the future.

The vendor shares and competitive analysis contained herein update those found in *Worldwide CRM Applications 2004–2008 Forecast Update and 2003 Vendor Shares: July 2004* (IDC #31524, July 2004).

Methodology

See the Learn More section for a description of the data collection and analysis methodology employed in this study.

In addition, please note the following:

- The information contained in this study was derived from the IDC Software Market Forecaster database as of May 26, 2005.
- All numbers in this document may not be exact due to rounding.
- For more information on IDC's software definitions and methodology, see *IDC's Software Taxonomy, 2005* (IDC #32884, February 2005).

CRM Applications Market Definition

CRM enterprise applications automate the customer-facing business processes within an organization, irrespective of industry specificity (i.e., sales, marketing, customer support, and contact center). Collectively, these applications serve to manage the entire life cycle of a customer — including the conversion of a prospect to a customer — and help an organization build and maintain successful relationships.

Within the analytic applications market, CRM-specific analytic applications have evolved. These analytic applications are included in the respective segments within the CRM market as appropriate. Historically, many such applications were marketing oriented, and the majority of the analytic applications fell within the marketing automation segment. However, as the technology has evolved, more applications are appearing for sales automation and customer service functions and are included in those categories. IDC includes four secondary markets in its definition of CRM: marketing automation applications, sales automation applications, customer service applications, and contact center applications.

Marketing Automation Applications

Marketing automation application software automates a wide range of individual and collaborative activities associated with the various dimensions of the marketing process. These dimensions include the following: ad management/placement, lead qualification/distribution, brand management, list management, campaign execution, marketing resource management, campaign planning and management, media and analyst relations, collateral management/distribution, personalization, database marketing, primary research, direct marketing, reactivation, electronic catalog, upsell and cross-sell programs, event/trade show management, Web activity analysis, focus groups/media testing, Web advertising, and fulfillment status linkage.

Sales Automation Applications

Sales automation applications include both sales management applications and sales force automation applications. Functionality includes lead tracking, account/contact management, list management, mobile sales, opportunity management, telemarketing and telesales scripting, team selling, territory management, sales history, contact management, sales configuration tools, partner relationship management (PRM), and various sales analysis and planning tools.

Customer Service Applications

Customer service applications provide customer/client (e.g., patient and student) information management (CIM). Each application is designed to enhance the management of relationships with existing customers. Customer service software is used to support customers who are external to an organization.

Defining characteristics of the customer service category include problem tracking, customer history, and incoming contact management. Functionality includes case assignment and management, self-service, Web chat, live collaboration, conferencing, cobrowsing, automated assistants, email response management, and field service.

Contact Center Applications

Contact center applications automate functions relating to the operations of the CRM installation. These applications, although enabling in function, do not tend to have an agent-facing interface but are used by contact center management. Products included in this category include ACD, predictive dialing, telephony integration, and universal queuing.

SITUATION OVERVIEW

The CRM Applications Market in 2004

At last, the CRM applications market experienced the positive growth year for which market watchers have hoped. Although the 2003 market was slightly negative (-1.2%), it was optimistically viewed as the beginning of the long-awaited recovery. However, 2004 delivered the goods at a total market growth of 8.0% with total

revenue of \$8.8 billion. Unlike 2003, all the segments in 2004 achieved positive growth rates in the higher single digits in contrast to 2003 when half of the segments were positive and half fell in the negative zone. Table 1 presents worldwide CRM applications revenue by segment for 2002–2004.

TABLE 1

Worldwide CRM Applications Revenue by Segment, 2002–2004 (\$M)

	2002	2003	2004	2002–2003 Growth (%)	2003–2004 Growth (%)
Marketing automation	1,483	1,515	1,645	2.1	8.6
Sales automation	2,623	2,577	2,753	-1.8	6.8
Customer service	2,788	2,671	2,869	-4.2	7.4
Contact center	1,402	1,435	1,587	2.4	10.6
Total	8,297	8,199	8,854	-1.2	8.0

Source: IDC, June 2005

Performance of Leading Vendors in 2004

The leader board experienced a shift in 2004 with the final consolidation of Oracle and PeopleSoft in the last moments of 2004. Although the organizations did operate independently for the bulk of the year, IDC's methodology calls for a pro forma handling of the revenue, resulting in a single number for Oracle and PeopleSoft for 2004, 2003, and 2002. Table 2 displays 2002–2004 worldwide revenue for CRM applications software vendors.

The top of the CRM leaders chart is engaged in real competition. Siebel, Oracle, and SAP, all traditional transactional CRM suppliers, dominate the top 3 positions. Siebel remains the market leader with nearly \$1.0 billion in revenue in 2004, capturing 10.7% market share. However, the newly combined Oracle/PeopleSoft entity moved ahead of SAP with a barely perceptible 0.1 percentage point to capture the second place position. Oracle finished with a revenue market share of 6.8%, while SAP held third with 6.7%. On a revenue basis, Siebel still enjoys a comfortable distance from its next two competitors with a \$349 million advantage over Oracle and a \$358 million advantage over SAP.

The next cluster of suppliers, ranked fourth through eighth in the market, are clustered between the approximate \$350 million and \$250 million revenue band, all earning between 4% and approximately 3% of the overall market per company. This close grouping is a mixed set of both contact center–enabling suppliers and transactional vendors. Avaya, Aspect, and Genesys (placed fourth, fifth, and seventh,

respectively) are market leaders in the contact center market and finished the year within the top 10 for the broader CRM applications arena. Sprinkled among them are Amdocs (in sixth) and Reynolds & Reynolds (in eighth), both transactional vendors with more vertical-oriented installed bases.

Salesforce.com and SAS Institute are tied for the ninth-place position, each with market shares of 1.7%. Concerto Software, with acquisitions in 2004, finished the year with a total revenue of \$136 million for a 1.5% market share.

Looking at the market from a growth perspective, there are a couple vendors that bear calling out based on their organic growth. Salesforce.com and RightNow Technologies, both premier SaaS vendors, achieved stellar growth rates. Salesforce.com, in ninth place, achieved an 83.8% growth rate with revenue of \$151 million. RightNow Technologies grew 70% with revenue of \$50 million in 2004. These dramatic gains within a market segment that has struggled for growth are testimony to the on-demand message that is resonating with customers. Siebel too, with its on-demand solution, is gaining a foothold in this market. (See IDC's forthcoming study, *Worldwide On-Demand CRM Applications 2005–2009 Forecast and 2004 Vendor Shares*.)

TABLE 2

Worldwide CRM Applications Revenue by Vendor, 2002–2004 (\$M)

	2002	2003	2004	2004 Share (%)	2003–2004 Growth (%)
Siebel Systems	1,209.9	895.8	950.2	10.7	6.1
Oracle Corp.	603.3	565.3	600.6	6.8	6.3
SAP AG	433.7	495.3	591.7	6.7	19.5
Avaya Inc.	294.6	327.9	358.7	4.1	9.4
Aspect Communications	288.5	287.8	285.0	3.2	-1.0
Amdocs	225.1	244.9	255.1	2.9	4.2
Genesys Telecommunications Laboratories	227.0	217.0	252.0	2.8	16.1
Reynolds & Reynolds	222.0	240.9	250.0	2.8	3.8
Salesforce.com	45.6	81.9	150.5	1.7	83.8
SAS Institute	94.6	117.3	149.1	1.7	27.1
Concerto Software	103.2	102.1	136.1	1.5	33.2
Microsoft Corp.	55.1	103.3	108.1	1.2	4.6

TABLE 2**Worldwide CRM Applications Revenue by Vendor, 2002-2004 (\$M)**

	2002	2003	2004	2004 Share (%)	2003-2004 Growth (%)
Witness Systems	30.0	42.0	97.6	1.1	132.4
SAGE Group PLC	72.5	84.7	95.5	1.1	12.8
Fair Isaac Corp.	60.9	66.4	87.2	1.0	31.3
FrontRange Solutions	72.1	72.9	69.2	0.8	-5.0
Art Technology Group	86.4	69.3	66.2	0.7	-4.4
S1	62.7	48.2	50.5	0.6	4.7
RightNow Technologies	20.8	29.3	49.8	0.6	70.0
Fujitsu Limited	14.5	15.1	49.3	0.6	225.9
Epiphany	53.8	70.5	48.9	0.6	-30.6
Chordiant Software	45.0	32.5	48.2	0.5	48.3
Dendrite Intl.	35.9	36.5	45.4	0.5	24.4
DoubleClick	36.5	41.9	43.6	0.5	4.0
NCR Teradata	41.1	38.5	43.0	0.5	11.6
Saratoga Systems	40.0	40.7	42.3	0.5	3.9
Onyx Software	41.4	39.8	40.6	0.5	2.0
Cincom Systems	24.7	25.0	38.7	0.4	54.9
BMC Software	—	35.3	38.5	0.4	9.1
NetIQ	42.6	43.0	37.5	0.4	-12.8
CDC Corp.	54.2	35.7	37.4	0.4	4.8
Broadvision	47.8	40.4	35.2	0.4	-12.8
SPSS	36.5	33.0	33.6	0.4	1.9
Motive Communications	25.2	24.0	32.4	0.4	35.1
BCE Emergis	30.0	30.2	31.7	0.4	4.8
Digital Impact	31.0	32.0	31.0	0.4	-3.1
Digital River	15.0	20.0	30.0	0.3	50.0

TABLE 2**Worldwide CRM Applications Revenue by Vendor, 2002–2004 (\$M)**

	2002	2003	2004	2004 Share (%)	2003–2004 Growth (%)
Kana	70.0	47.0	29.0	0.3	-38.3
Dun & Bradstreet (D&B Sales & Marketing Solutions)	24.5	25.1	26.2	0.3	4.2
SPL WorldGroup	34.0	15.0	25.3	0.3	68.7
SuperOffice ASA	16.2	21.0	25.2	0.3	19.8
Experian	15.4	13.0	25.0	0.3	92.3
Trilogy Software	80.0	50.0	25.0	0.3	-50.0
Harland	22.4	22.9	23.9	0.3	4.6
Fidelity National	11.1	11.3	23.5	0.3	108.2
Aprimo Corp.	10.8	13.6	22.6	0.3	66.2
PROS Revenue Management	13.6	18.0	22.5	0.3	25.0
WebSideStory	15.0	15.7	22.4	0.3	42.9
Group 1 Software	29.6	20.0	21.7	0.2	8.7
NEC Corp.	20.1	20.4	21.6	0.2	5.8
Omniture	10.9	14.9	20.8	0.2	40.0
Unica Corp.	12.0	17.6	20.3	0.2	15.8
Lightbridge Inc.	19.0	19.3	20.3	0.2	5.1
Business Objects	22.8	28.2	20.1	0.2	-28.6
IBM	16.1	18.8	19.7	0.2	5.1
Click Commerce	18.5	18.9	19.7	0.2	4.6
Selectica	25.6	26.7	19.7	0.2	-26.2
Cisco Systems	17.4	18.0	18.8	0.2	4.4
Bottomline Technologies	18.0	18.0	18.7	0.2	3.8
Findwhat.com	5.0	7.0	17.0	0.2	142.9
ProfitLogic	8.4	16.1	16.7	0.2	4.0

TABLE 2**Worldwide CRM Applications Revenue by Vendor, 2002–2004 (\$M)**

	2002	2003	2004	2004 Share (%)	2003–2004 Growth (%)
Vignette	16.1	15.8	16.7	0.2	5.6
Interface Software	15.4	15.9	16.7	0.2	4.8
SER Solutions	16.0	15.9	16.6	0.2	4.5
Blue Martini Software	15.0	19.7	16.5	0.2	-16.2
Jack Henry & Associates	15.0	15.3	16.0	0.2	4.7
Deltek Systems	7.0	9.0	16.0	0.2	77.8
Fiserv	9.2	14.8	15.5	0.2	4.8
eGain	13.7	14.2	15.3	0.2	7.8
SSA Global Technologies	10.0	16.6	14.7	0.2	-11.2
AIT	14.0	14.2	14.5	0.2	2.3
QAD	13.4	12.6	14.1	0.2	11.9
Cerner Corp.	12.5	12.4	13.9	0.2	12.5
Astea Intl.	10.0	8.9	13.6	0.2	53.3
Intershop Communications	40.0	18.8	12.9	0.1	-31.4
MetaSolv Software	–	12.4	12.7	0.1	2.2
ScanSoft	–	–	12.0	0.1	NA
Infor	11.0	11.5	11.9	0.1	3.4
CommercialWare	8.0	8.1	10.0	0.1	23.0
Coremetrics	3.6	6.7	10.0	0.1	49.3
Peace Software	–	–	10.0	0.1	NA
Pegasystems	15.0	17.1	10.0	0.1	-41.5
Assetlink	13.2	12.0	9.6	0.1	-20.0
Nielsen/NetRatings	8.0	8.3	9.1	0.1	9.6
Gelco	8.5	8.6	9.1	0.1	5.0
Responsys	8.0	8.3	8.6	0.1	4.0

TABLE 2**Worldwide CRM Applications Revenue by Vendor, 2002–2004 (\$M)**

	2002	2003	2004	2004 Share (%)	2003–2004 Growth (%)
Comergent	8.0	8.1	8.5	0.1	5.0
Maximizer Software	14.1	10.1	8.4	0.1	-16.5
ViryaNet Ltd.	6.4	8.8	8.4	0.1	-4.5
Computer Sciences Corp.	9.6	8.0	8.4	0.1	5.0
ClickSoftware	5.0	6.7	8.3	0.1	24.6
Selligent	6.0	6.3	7.7	0.1	23.0
Visma ASA	4.0	5.5	7.4	0.1	34.6
IFS Industrial and Financial Systems AB	6.2	6.2	7.3	0.1	18.3
Computer Corporation Of America (CCA)	6.6	6.8	7.1	0.1	5.0
Zilliant	0.3	1.2	6.8	0.1	466.7
Manugistics	12.5	8.0	6.7	0.1	-15.8
Adonix	0.6	2.0	6.7	0.1	237.6
WebMD	5.2	6.3	6.6	0.1	4.6
FirePond	9.2	6.1	6.4	0.1	5.1
Corillian Corp.	6.0	6.1	6.4	0.1	4.4
Epicor Software Corp.	3.0	5.0	6.1	0.1	22.1
DST Systems	5.0	5.0	5.8	0.1	16.4
McKessonHBOC	5.1	5.2	5.4	0.1	4.3
Able Commerce	5.0	5.1	5.3	0.1	5.0
IBS AB	3.4	3.6	5.1	0.1	42.4
Firstwave Technologies	4.5	6.4	5.0	0.1	-21.6
Exact Holding B.V.	2.2	4.0	5.0	0.1	25.0
Premier Data Services	4.7	4.7	4.9	0.1	4.5
Itron	–	–	4.8	0.1	NA

TABLE 2**Worldwide CRM Applications Revenue by Vendor, 2002–2004 (\$M)**

	2002	2003	2004	2004 Share (%)	2003–2004 Growth (%)
JDA Software Group	8.7	4.5	4.7	0.1	6.1
Made 2 Manage Systems	4.0	4.0	4.5	0.1	13.3
Global Exchange Services	3.7	3.7	3.9	0.0	4.8
Allen Systems Group	4.4	3.7	3.9	0.0	4.3
Cognos Incorporated	–	4.0	3.7	0.0	-7.5
PerSe Technologies	3.0	3.3	3.5	0.0	6.4
Geac Computer Corp. Ltd.	4.2	3.5	3.5	0.0	0.0
Multima Corp.	3.4	3.1	3.2	0.0	4.5
NetSuite	1.0	1.0	3.2	0.0	219.3
PDG Software	3.0	3.0	3.2	0.0	5.0
Viziqor Solutions	3.0	3.0	3.1	0.0	4.2
Metavante Corp.	–	3.0	3.1	0.0	4.8
Entigo	2.9	3.0	3.1	0.0	5.7
Intentia Intl.	0.9	2.5	2.9	0.0	16.0
Cegid SA	1.4	1.9	2.5	0.0	29.5
Advent Software	3.7	2.2	2.5	0.0	13.1
DocuCorp Intl.	2.0	2.5	2.5	0.0	-1.4
Silvon Software	3.1	2.1	2.2	0.0	7.1
RedEye	1.9	2.0	2.2	0.0	7.7
Retek Retail Solutions	1.5	2.0	2.1	0.0	3.9
I code	1.7	1.7	1.9	0.0	7.4
IDX Systems Corp.	1.0	1.5	1.6	0.0	4.9
SymphonyRPM	1.1	1.4	1.4	0.0	3.1
Expandable Software	0.4	1.0	1.0	0.0	5.0
Gruppo Formula Spa	0.8	1.0	1.0	0.0	2.2

TABLE 2**Worldwide CRM Applications Revenue by Vendor, 2002–2004 (\$M)**

	2002	2003	2004	2004 Share (%)	2003–2004 Growth (%)
Applied Innovation Management	4.0	2.0	1.0	0.0	-49.7
Sedona Corp.	1.6	1.6	0.9	0.0	-43.7
Quovadx	–	1.0	0.8	0.0	-15.3
Finmatica SpA	–	0.8	0.7	0.0	-14.1
Maconomy Intl.	–	0.6	0.6	0.0	6.0
Intuitive Manufacturing Systems	–	0.5	0.5	0.0	7.4
OpenAir	–	0.3	0.3	0.0	5.2
ComOps	0.1	0.1	0.1	0.0	23.2
Compiere	0.1	0.1	0.1	0.0	7.5
American Software	2.0	–	–	–	NA
Applix	11.6	0.8	–	–	-100.0
Computer Associates Intl.	6.0	6.5	–	–	-100.0
FaceTime Communications	5.0	9.9	–	–	-100.0
Gemplus Intl. S.A.	3.3	3.0	–	–	-100.0
Invensys	7.5	–	–	–	NA
Lawson Software	4.0	2.0	–	–	-100.0
Peregrine Systems	31.1	–	–	–	NA
TIBCO	1.0	0.9	–	–	-100.0
Subtotal	5,912.7	5,749.5	6,396.7	72.2	11.3
Other	2,383.8	2,449.1	2,457.0	27.8	0.3
Total	8,296.5	8,198.6	8,853.7	100.0	8.0

Source: IDC, June 2005

Performance by Geographic Region in 2004

IDC analysts around the globe supplied regional input and insight into the CRM applications market data collection process. The worldwide sizing is the aggregation of this regional data as reported in Table 3. Revenue for 2004 is shown graphically in Figure 1.

North America remains the largest geographic region within the CRM applications market, controlling 60.3% of the revenue in 2004. Western Europe represented 28.8% of the market, while both Asia/Pacific and the rest of the world (ROW) were below 10%.

TABLE 3

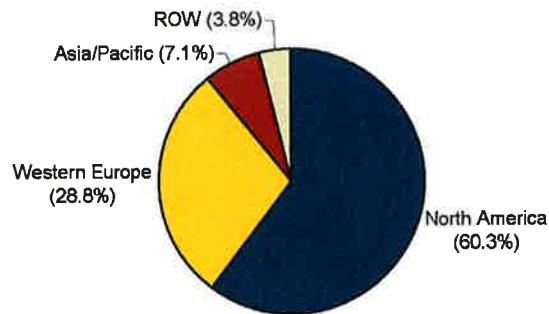
Worldwide CRM Applications Revenue by Region and Operating Environment, 2004

	Revenue (\$M)	Share (%)
Geographic region		
North America	5,335	60.3
Western Europe	2,551	28.8
Asia/Pacific	632	7.1
ROW	336	3.8
Total	8,854	100.0
Operating environment		
Mainframe	128	1.4
OS/400	125	1.4
Unix	3,287	37.1
Linux/other open source	92	1.0
Other host/server	171	1.9
Windows 32 and 64	4,728	53.4
Embedded	23	0.3
Other single user	292	3.3
Platform independent	9	0.1
Total	8,854	100.0

Source: IDC, June 2005

FIGURE 1

Worldwide CRM Applications Revenue Share by Region, 2004



Total = \$8.85B

Source: IDC, June 2005

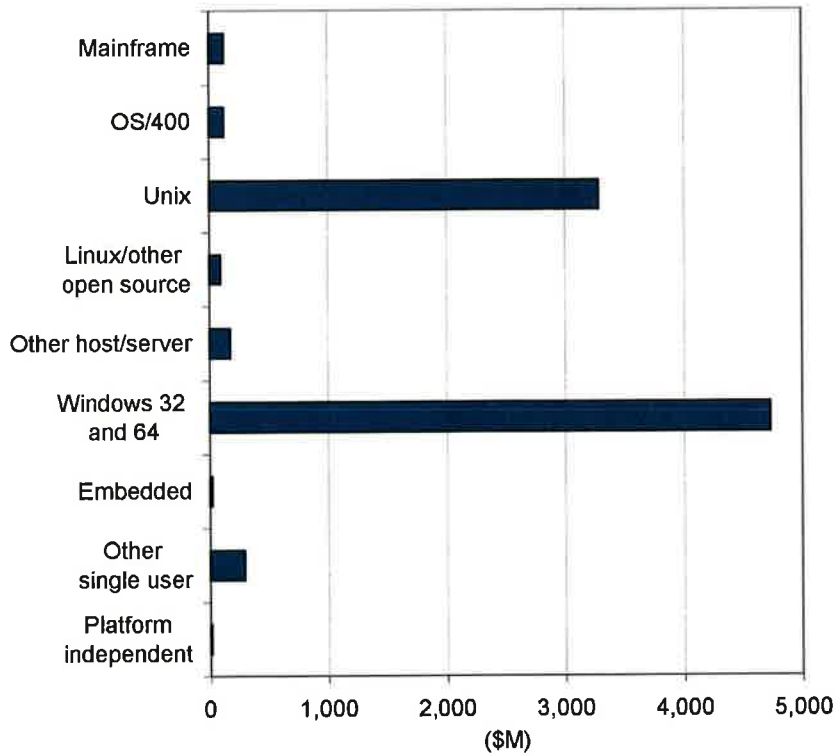
Performance by Operating Environment in 2004

The revenue distribution for the CRM applications market, segmented by operating environment, is also shown in Table 3; revenue for 2004 is illustrated in Figure 2.

Windows 32 and 64 platforms continue to dominate with a 53.4% market share, followed by Unix with a 37.1% share in 2004. These percentages are stable from 2003 where the percentages were 51.6% and 38.9%, respectively. Although Windows increased slightly and Unix decreased slightly, the change is insignificant at this time. The remaining platforms are small and those of mainframe, OS/400, and other host/server continue to decline as legacy systems are replaced with Windows and Web-based solutions.

FIGURE 2

Worldwide CRM Applications Revenue by Operating Environment, 2004



Source: IDC, June 2005

FUTURE OUTLOOK

Among end-user organizations, intentions to implement CRM functionality or to focus on CRM initiatives remain high. In IDC's *Project Barometer* survey conducted in early 2005, customer care was ranked as the highest initiative among business and IT professionals in North America for the 2006 time period. This was the first time any initiative ranked higher than security in this annual survey for over five years.

Although customer-related issues rank high in mindshare within organizations, they still present many hurdles from an implementation perspective. Surprisingly, most hurdles are actually related more to the business and how it functions than to the technology. The processes of selecting the software, installing the software, engaging

with systems integrators or consultants, and other processes are very straightforward compared with navigating the politics regarding business process, authority, and responsibility. Suppliers are sensitive to these facts, and coupled with the down market of the last several years, suppliers are game to try anything that works to reinvigorate purchasing. The current trends in the CRM applications market reflect a shift from a straight technology orientation in selling to one that is more sensitive to the needs of the end-user organizations. This message is one that end users are both dictating and responding to.

Business Process

Clearly, there is a business issue if an organization decides it needs some sort of CRM solution. Issues such as not having a solid methodology for handling leads, not knowing who an organization's customers are, or having angry customers calling the contact center are symptoms of a problem that often leads to a purchase of technology. This, however, is coming at the problem through technology and not through a perspective on the entire business flow. Much of the CRM purchasing has come from this perspective but now is also being driven from the appreciation of the need to address an entire business flow issue. Customers are looking at how to solve the lead-to-customer, order-to-cash, or cash-to-delivery flows. This change is due to organizations gaining both increased skill in understanding the role of technology as well as new customers coming into the CRM market.

There is a large population of organizations that have yet to jump on the CRM bandwagon. Many of these organizations have felt that the available solutions didn't address their requirements because their requirements were either very specific or were tied to the vertical industry in which they operated, and packaged software couldn't address these needs. However, a focus on business process, which tends to focus on a precise business flow, has greater pull within these organizations. Siebel has introduced an initiative directly aimed at this issue. At their European User Conference in April, Siebel announced a new offering from their services organization called the Customer Experience Blueprint. The Blueprint engagement begins before the technology selection and implementation stage to help organizations focus on how they currently do business and the impact of that on business processes. A focus on the process speaks the language end-user organizations understand. Organizations will be interested in CRM if they are looking to answer questions such as: How do I speed my order-to-delivery flow? For many, the message of CRM was not within the context of their need. Focusing on the business process places the technology in context and therefore is finding resonance with a new customer base.

On Demand

The construct of the on-demand model or any software as a service (SaaS) offering removes some of the hurdles presented with a technology implementation allowing the end-user organizations to focus on the business goal. IDC interviews with customers of SaaS products have revealed that end users are becoming increasingly more comfortable letting the technology vendors do what they do best — develop and maintain technology. This allows the end-user organizations to focus on the business — their core strength.

There has been a shift within some IT groups toward becoming a consultant to the business, which SaaS allows them to do. By offloading the day-to-day maintenance and maintaining fewer internal support resources, the IT organization can be the liaison between the technology supplier and the end user. Although many SaaS products may get their initial foothold within the lines of business, it is clear who will ultimately be responsible for supporting the product — IT. Additionally, SaaS vendors have successfully marketed to the end-user population, and these same end users are "pulling" the solutions into the organization. To a certain degree, IT is slowly seeing the validity of these solutions and "letting" the end users have their way. If it means the end users are happy and IT can manage the application more easily than a premise install, everyone is happy. Although IDC does not believe all applications will become on demand, there will be coexistence in many circumstances. With on-demand suppliers also providing SDKs and customization capabilities, IT and the broader organization have more choice.

Analytics

Although analytics capability falls quite obviously in the functionality category, it is functionality with a cause that sets it apart and is driving end-user interest. Analytics is not new, but what is new is its more natural incorporation into transactional systems to make them intelligent. In addition, analytic capabilities are not the esoteric function they once were. New products deliver capabilities to business users within the confines of a workflow. The workflow is the focus, but the analytics (read intelligence) make the event meaningful and more targeted. In just the last several years, IDC has seen analytic capabilities emerge out of something only marketers used for campaigns and into analytics that address the segments of sales automation and customer service. This evolution will continue over the next several years as analytic capabilities refined for specific business processes are built into the transactional systems broadly through the CRM solution set.

ESSENTIAL GUIDANCE

IDC offers end users and providers the following suggestions for navigating the changing landscape in the short-term CRM application market:

- ☒ The CRM applications market is not completely out of the throes of recovery. North America's market has picked up, whereas the CRM markets in Western Europe and other regions are still experiencing slow recoveries. Suppliers cannot abandon their customer-centric approach, but they continue to listen intently to the evolving needs of organizations regarding business process and alternative delivery models.
- ☒ SaaS will increase in importance and relevance to organizations. With the rapidity with which new functionality can be delivered to the market and the increased focus on capabilities for customization and development within these products, end users need not be as concerned with functionality. Instead, they should focus on fit with business requirements.

- ☒ End-user organizations must continue to engage with the entire organization when undertaking a CRM initiative. The success or failure of most implementations is contingent upon the internal support and commitment of the business leaders. If the engagement does not address the central business issues and have internal support, it will languish.

LEARN MORE

Related Research

- ☒ *IDC's Software Taxonomy, 2005* (IDC #32884, February 2005)

Methodology

The IDC software market sizing and forecasts are presented in terms of "packaged software revenue." Packaged software is defined as programs or codesets of any type commercially available through sale, lease, or rental, or as a service. Packaged software revenue typically includes fees for initial and continued right-to-use packaged software licenses. These fees may include, as part of the license contract, access to product support and/or other services that are inseparable from the right-to-use license fee structure, or this support may be priced separately as software maintenance. Upgrades may be included in the continuing right of use or may be priced separately.

Packaged software revenue *excludes* service revenue derived from training, consulting, and system integration that is separate (or unbundled) from the right-to-use license but *includes* the implicit value of software included in a service that offers software functionality by a different pricing scheme (e.g., the implicit or stated value of software included in an application service provider's [ASP's] or other hosted software arrangement). It is the total packaged software revenue that is further allocated to markets, geographic areas, and operating environments.

The market forecast and analysis methodology incorporates information from five different but interrelated sources, as follows:

- ☒ **Reported and observed trends and financial activity.** This study incorporates reported and observed trends and financial activity in 2004 as of the end of April 2005, including reported revenue data for public companies trading on North American stock exchanges (CY 1Q04–4Q04 in nearly all cases).
- ☒ **IDC's *Software Census* interviews.** IDC interviews all significant market participants to determine product revenue, revenue demographics, pricing, and other relevant information.
- ☒ **Product briefings, press releases, and other publicly available information.** IDC's software analysts around the world meet with hundreds of software vendors each year. These briefings provide an opportunity to review current and future business and product strategies, revenue, shipments, customer bases, target markets, and other key product and competitive information.

- ☒ **Vendor financial statements and related filings.** Although many software vendors are privately held and choose to limit financial disclosures, information from publicly held companies provides a significant benchmark for assessing informal market estimates from private companies. IDC also builds detailed information related to private companies through in-depth analyst relationships and maintains an extensive library of financial and corporate information focused on the IT industry. We further maintain detailed revenue by product area models on more than 1,000 worldwide vendors.
- ☒ **IDC demand-side research.** This includes thousands of interviews with business users of software solutions annually and provides a powerful fifth perspective for assessing competitive performance and market dynamics. IDC's user strategy databases offer a compelling and consistent time-series view of industry trends and developments. Direct conversations with technology buyers provide an invaluable complement to the broader survey-based results.

Ultimately, the data presented in this study represents IDC's best estimates based on the above data sources as well as reported and observed activity by vendors and further modeling of data that we believe to be true to fill in any information gaps.

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