CRM Success Handbook

Four research notes from Gartner focusing on CRM best practices.

Salesforce is pleased to provide you four research notes from Gartner focusing on CRM best practices. We hope this complimentary and practical set of information, along with Salesforce's on-demand CRM solution, will help you achieve greater business success.

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Toolkit Decision Framework: Gartner's CRM Framework: The Eight Building Blocks of CRM

Gartner's building blocks for CRM form a framework that contains the elements necessary for a successful CRM initiative: vision, strategy, customer experience, organizational collaboration, processes, information/insight, technology and metrics.

Key Findings

- All eight building blocks are essential for successful CRM.
- Only one of the eight blocks involves technology, which underscores the importance of viewing CRM as a business strategy.
- The hardest blocks to get right are the metrics to measure success, the definitions of key processes and the work required to convince employees to alter their behaviors.
- Organizations that are able to address all eight blocks are more successful than those that miss one or two.

Recommendations

Organizations should use Gartner's eight building blocks to improve the effectiveness and long-term success of their CRM programs.

WHAT YOU NEED TO KNOW

Look beyond fragmented CRM approaches, which remain popular because of their associated quick wins, and the desire to avoid the political difficulties of convincing different business units to cooperate. Join the increasing numbers of organizations that understand the "big picture" and plan initiatives within a strategic framework to build lasting, profitable relationships.

ANALYSIS

To achieve the long-term value of CRM, organizations need to involve the entire business (see Note 1) and approach CRM at an enterprise level. Few companies have addressed this challenge (see Note 2), and not many are implementing what Gartner calls "true CRM" (see Figure 1). Fewer than 10% of organizations have done so; however, the number is steadily rising, after having bottomed out during the downturn of 2003. Recent research (see Note 3) shows that many enterprises still allow individual business units to select their own CRM applications.

Gartner

True CRM isn't easy. It requires board-level vision and leadership to drive a "relentless focus on the customer"; otherwise, it will remain fragmented. It involves potentially difficult changes to processes, culture and organization that can make the technology support seem easy; however, it isn't. Technology personnel must grapple with the challenges of multichannel alignment, alternative delivery models – for example, software as a service (SaaS), system integration and data quality. Even if the board accepts the need for enterprise-level CRM, the quarterly demands of revenue and profit targets, especially in delicate economic conditions, make CRM the most important challenge facing an organization, but not the most urgent. This typically results in a shortsighted focus on tactical "quick wins" until conditions improve.
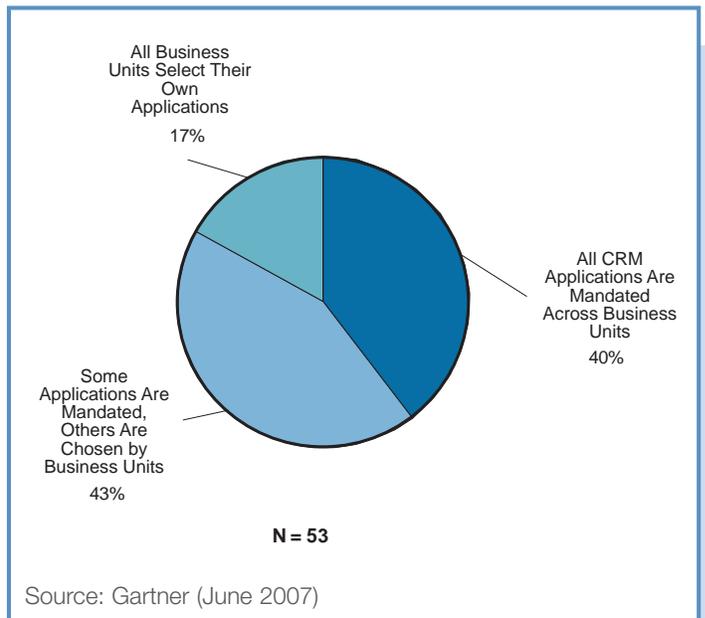
The main reason enterprises aren't implementing true CRM is their inability to see the big picture and understand what's involved. Just as a map helps describe the context of a journey (the roads to navigate and the alternative routes), the CRM framework helps enterprises make decisions about the best route and objectives, given their situation.

Later adopters of CRM often question whether the investments are warranted. Organizations struggle to measure the benefits, because many are difficult to prove, such as a correlation between sales force automation and increased sales revenue. However, in general, most organizations underestimate the benefits as they accrue. Nonetheless, a few have succeeded in measuring and have clearly shown the extent to which businesses benefit and customer experiences are enriched.

Following an analysis of several hundred organizations in 2002, Gartner created a CRM framework, or map, called "the eight building blocks of CRM" (see Figure 2). This framework was designed to help enterprises see the big picture, make their business cases and plan their implementations. The framework can be used for internal education and to foster debate about the development of a CRM vision and strategy. It can then be used as the basis of an assessment of an enterprise's current and required CRM capabilities, to help analyze its position and future strategies. Using this framework, Gartner has published numerous case studies, including some written about Gartner CRM Excellence Award finalists and winners that exemplify how CRM should be done.

The eight building blocks in the model are the fundamental components of an effective CRM initiative. Beneath each component are a variety of interlinked capabilities. A key feature of this framework is its emphasis on the need to create and maintain a balance between the requirements of the company and the customer. Far too many CRM initiatives suffer from an inward focus on the organization – the point of CRM is to achieve a balance between value to shareholders or stakeholders and value to customers for mutually beneficial relationships.

Figure 1. Some CRM Application Strategies Are Becoming More Coordinated

All Business Units Select Their Own Applications
17%

All CRM Applications Are Mandated Across Business Units
40%

Some Applications Are Mandated, Others Are Chosen by Business Units
43%

N = 53

Source: Gartner (June 2007)

CRM Vision

This is a picture of what the customer-centric enterprise should look like. Without a CRM vision, employees, customers and other stakeholders will not have a clear idea of:

- The value proposition the company is offering
- The customers with which it wants to have a relationship
- The importance and benefits of CRM to the enterprise strategy
- The nature of the customer experience to be delivered

Note 1
Gartner's Definition of CRM

CRM is a business strategy with outcomes that optimize profitability, revenue and customer satisfaction by organizing around customer segments, fostering customer-satisfying behaviors and implementing customer-centric processes. CRM technologies should enable greater customer insight, increased customer access, more-effective interactions, and integration throughout all customer channels and back-office enterprise functions.

The vision starts with an overall customer value proposition. This is a unique mix of a supplier's capabilities that will attract customers to buy – one example is Treacy and Wiersema's core competencies model of 1995. This value proposition needs to be supported with appropriate corporate values. These values must be attractive to target customers and should be created from their standpoint to ensure that the enterprise stands out from its competitors. The responsibility for creating the CRM vision clearly lies in the boardroom. The most fertile environment is one in which the board understands what CRM means and is receptive to new ideas and ways of working. The CRM vision must be publicized and accepted throughout the enterprise and the customer base. With this in mind, it's useful to have a meaningful, company-specific definition of CRM, rather than a generic one supplied by consultants. For successful implementation of the vision, a board member must own it and provide inspirational leadership in creating it, even if he or she isn't involved in its day-to-day implementation.
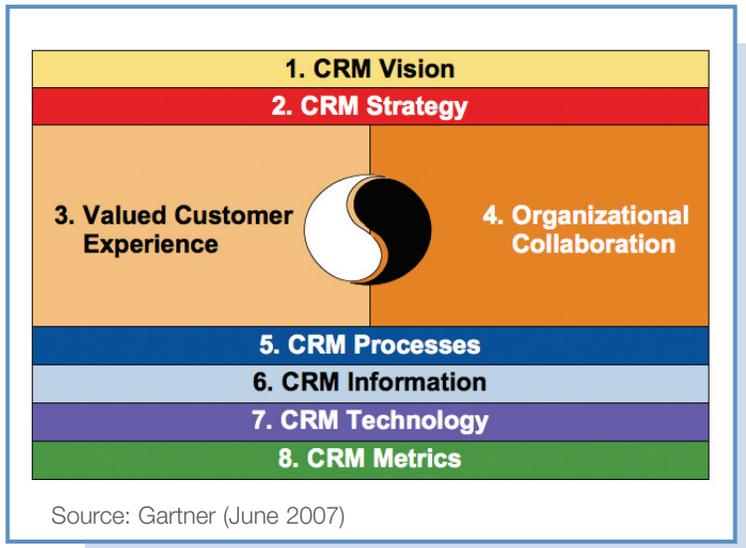
CRM Strategy

The CRM strategy should be interwoven with the marketing strategy to provide direction in other operational areas, such as IT, HR and production strategies. The ultimate driver for these strategies is the corporate business strategy, which outlines how stakeholder value is to be delivered. The marketing strategy builds the enterprise's position in the market. If the enterprise wants to increase profitability through customer loyalty, it has to weave the CRM strategy into the marketing strategy. The task of the CRM strategy is to create and maintain a customer base that is an asset to the company. The CRM strategy is created by:

- Auditing the business' current position regarding customers' value, loyalty and satisfaction
- Segmenting customers
- Setting customer objectives (including acquisition, retention and development)
- Defining metrics for monitoring the execution of the strategy (for example, satisfaction, loyalty and cost to serve)
- Outlining the strategy for the customization by product segment, pricing, communication and contact, channel, customer service and segment management
- Specifying the customer infrastructure required (including skills, organization, IT, analysis and data) to give direction to the other

Figure 2. The Eight Building Blocks of CRM

Source: Gartner (June 2007)

operational strategies

Customer Experience

People tend to focus on the things that they can understand and influence – technology, customer data, processes or the organization. Thus, most CRM initiatives are inwardly focused and provide little value to customers. They fail to take into account that value must be created for both sides in relationship management.

It's foolish to pretend that you understand customers without talking to them. Leading organizations (see Note 4) are creating positions that formalize the need for the customer viewpoint and ensure that it's heard at the highest levels in the enterprise. In many cases, this is accomplished through the appointment of a CRM program manager or director, who ensures that processes are developed based on customer research and collaboration. However, customers also need to be told about developments, their satisfaction levels should be routinely monitored, and the customer experience should be consistent with brand values and be well-known in the enterprise.

Organizational Collaboration

True CRM normally involves changing internal processes,

Note 2
True CRM

Gartner equates the term "true CRM" with the leading level of CRM maturity, as defined by Gartner's CRM Maturity Profile. True CRM is an enterprisewide initiative, in which enterprises know how they want to manage customer value and loyalty and put all relevant capabilities in place to achieve those goals. True CRM is a solid vision and strategy, with a supportive set of integrated initiatives in the areas of organizational collaboration, valued customer experience, processes, information, technology and metrics.

Note 3
Mandatory vs. Business Unit Selected
CRM Applications

Although technology use is only a proxy for how integrated a strategy is across the organization, a survey performed by Gartner at our CRM Summit in 2Q07 discovered that 40% of businesses have a mandated CRM application across the business units, 17% allow the business units to select their own applications, and 43% have some applications mandated across business units and others chosen by the business unit.

organizational structures, compensation incentives, and employees' skills and behaviors. None of these goals is easy to achieve – top management must drive the necessary changes through a formal program of initiatives, while ensuring that communication is tactful and unites the enterprise around common CRM objectives. Changes will need to be gradual – they may take years to achieve, and they won't happen by themselves. An enterprise's value proposition depends to a degree on its suppliers and business partners. In addition to optimizing CRM within the enterprise, work must be done to include them.

CRM Processes

Enterprises frequently fail to recognize that their customers are having poor experiences because their functionally fragmented processes fail to deliver a seamless macro process. CRM demands a fresh approach to business processes, rethinking how they appear to the customer and re-engineering them to be more customer-centric and to deliver greater customer value. This entails working outside-in and listening to the customers' views. Not all processes matter equally to the customer, so discovering which are important is a critical starting point.

CRM Information

Customer information is key to CRM. It must be acquired, stored, analyzed, distributed and applied throughout the enterprise – and, potentially, to its business partners – in a timely fashion. It is the basis of customer knowledge and effective cross-channel interaction. Achieving quality information requires hard work "behind the scenes." Most enterprises' CRM information capabilities are poor because they have numerous fragmented databases and systems and lack an ongoing data cleanup or quality strategy.

A strategic approach to customer information is required at the start of any CRM initiative, and the first step is planning. Enterprises should consider what customer data is required to support the desired insight (analytics) and interaction (operational) processes. Historically, these processes were seen as separate, and there was a unidirectional data flow from operational to analytic systems. However, true CRM demands the support of effective communication and action-oriented insights across the enterprise. Analytical insights, such as predictive behavior scores, are required in the operational systems to help drive customer interactions.

CRM Technology

CRM involves more than just technology; however, the technology enables the necessary analytical insight and operational interaction. Most enterprises' CRM technology bases are fragmented. To achieve integration across channels and business units, an agreed-on architectural approach is needed, with policies and standards for sourcing applications. In addition, a determination of the performance, security and availability

standards is required. This should include how they should interoperate, as well as how and when they should be refreshed.

Consistency in the underlying hardware, software, networking and telephony infrastructure is required to support integration, skills management and commercial management. Integration is key to CRM applications, whether they're bought or built, and whether they're a suite, best-of-breed or some sort of hybrid system. Integration is also important with non-CRM applications – financial systems, supply chain management solutions, legacy tools and, frequently, business partners' systems.

CRM Metrics

Enterprises must set measurable, specific CRM objectives and monitor indicators if they are to become customer-centric. CRM metrics not only gauge the level of success, but also provide the feedback mechanisms for the continuous development of strategy and tactics. In addition, they can act as a tool for change management and are vital for the structuring of employee incentives.

CRM metrics must follow and measure the enterprise's CRM strategy. The metrics should not be viewed as an amorphous whole. A hierarchy of metrics is required, depending on their purpose and who's using them. Two primary challenges exist in developing CRM metrics:

- Understanding the linkage points between the levels.
- Avoiding overly complex or simplistic internal and external

Note 4
Gartner CRM Maturity Profile Maturity Levels

Leading: An enterprise that has differentiated itself based on customer-centric capabilities and has simultaneously redefined those capabilities

Optimizing: An enterprise that has not only developed customer-centric capabilities, but has actively integrated them into its daily operations

Practicing: An enterprise that has implemented basic customer-centric capabilities

Developing: An enterprise that has a rudimentary, loosely woven set of customer-centric capabilities in place
Aware: An enterprise that exhibits few customer-centric capabilities

Magic Quadrant for Sales Force Automation, 2007

Salesforce.com joins Siebel as a leader, while Sage SalesLogix and Microsoft Dynamics CRM emerge as challengers on the Magic Quadrant for Sales Force Automation, 2007. The SFA market remains diverse; we review 20 products that target sales organizations of different sizes and scope.

WHAT YOU NEED TO KNOW

The vendors shown on the Magic Quadrant for Sales Force Automation (SFA), 2007, have customers that are successfully using their products and services. The Magic Quadrant is not exhaustive. There are other regional and/or vertical-industry SFA specialists that do not meet our inclusion criteria. The Magic Quadrant encompasses a wide cross-section of vendors, including those that offer different delivery models – such as on premise, hosted and software as a service (SaaS) – and differing levels of complexity and functional footprint. No matter what vendor you consider, always come back to the question: "Will this vendor help my sales organization sell more effectively?" Use the Magic Quadrant as a reference for evaluations, but explore further to qualify the capacity of each vendor to satisfy unique business problems and technical concerns. Depending on the complexity and scale of your requirements, your shortlist will be unique. *Gartner's Magic Quadrant for Sales Force Automation, 2007, like all Magic Quadrants, is not intended as the sole tool for creating a vendor shortlist. Use it as part of your due diligence and in conjunction with discussions with Gartner analysts.*

MAGIC QUADRANT

Market Overview

SFA applications are built around a core set of functional capabilities for accounts, contacts, opportunities, selling processes and sales operations. SFA requirements are unique for each business-to-business (B2B) sales organization, based on the maturity and culture of the organization in its use of technology, individual degrees of sales complexity and anticipated return on investment. Key trends during the past year are the continued growth of SaaS – that is, on-demand SFA – as a viable delivery model for small and large companies. Gartner predicts that within three years the majority of new SFA deployments will be based on SaaS. Other trends are less deployments on disconnected laptop deployments, unless the user is a classic "road warrior" – an individual who spends the majority of his or her time in multiple disparate geographic locations.

Gartner.

Saleforce.com has continued its strong growth for new subscribers, while Microsoft gained market momentum for its Microsoft Dynamics CRM 3.0 offering. With less choice for on-premise software due to the Oracle acquisitions of Siebel and PeopleSoft, vendors such as Sage SalesLogix have gained more attention as plausible on-premise alternatives. Finally, we see a focus on simplicity as a theme to improve adoption among salespeople. Specifically, limiting required input data fields and user interface screens enables salespeople to navigate using the SFA application.

Market Definition/Description

SFA applications enable B2B organizations to automate sales activities, processes and administrative responsibilities for the sales professional. Core functionality includes account, contact and opportunity management; sales solution functionality (such as sales configuration and content management); and sales operations support (including incentive compensation and territory management).

Inclusion and Exclusion Criteria

To be included in the 2007 SFA Magic Quadrant, a vendor must demonstrate that it:

- Has at least 10 customers that have deployed opportunity management systems into live production during the past 12 months

- Has at least 15 new named customers that were actively deploying opportunity management functionality during the past 12 months

- Is actively selling or marketing SFA applications to multiple industries and geographies

Figure 1. Magic Quadrant for Sales Force Automation, 2007

Source: Gartner (June 2007)
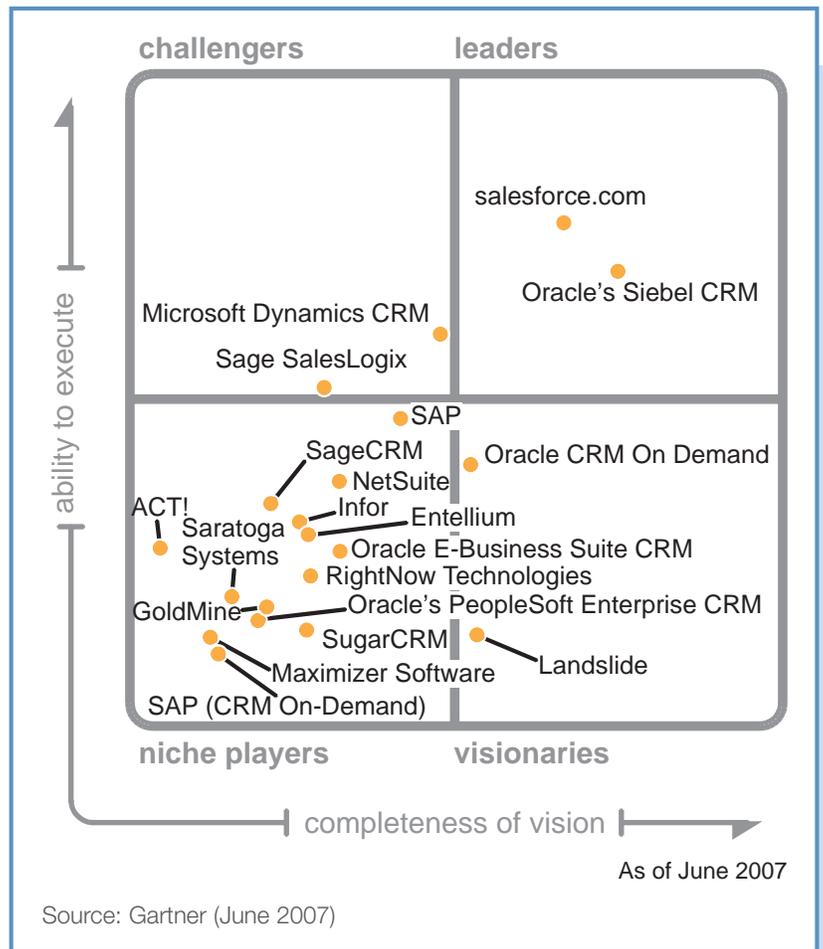
- Has proved that it can be deployed in sales organizations of more than 75 users

- Has a vision and commitment to the SFA market for the next three to five years

Added

With a greater emphasis placed on opportunity management this year, the following vendors were added to our Magic Quadrant: Landslide, SugarCRM, Maximizer Software and GoldMine.

Dropped

- Pivotal has moved to a niche vertical strategy and should no longer be considered for best-in-class, cross-industry SFA deployments.

- JD Edwards does not meet the inclusion criteria for deploying new customers during the past 12 months.

Evaluation Criteria

Ability to Execute

Product/Service: An SFA application will include capabilities for opportunity management, solution management (for example, sales configuration, quotation management and content management) and operations management, including incentive compensation. Different sales organizations require different levels of depth and complexity of capabilities. Vendors that support a wide range of complexity have greater market potential and are rated accordingly.

In many cases, an SFA application will combine several functional components, some that will require third-party vendors. The implication is that a key evaluation criterion is the existence of a service-oriented architecture (SOA) and current architecture standards, such as Java Platform, Enterprise Edition (Java EE, formerly known as J2EE) and .NET. An SOA based on Web services standards will simplify integration with other applications (for example, Microsoft Outlook). Integration is measured primarily on the number and complexity of data and application integrations as proven in live customer deployments.

Key evaluation criteria will also include salesperson technology access: Internet browser-based, a disconnected laptop and a personal mobile device.

The overall vendor product/service functionality rating is developed by evaluating specific SFA functionality: opportunity management, solution management, operations management, access and architecture (for example, openness, flexibility, usability and workflow) and sales reporting and analytics. Opportunity management capabilities are weighted more heavily than other salesforce application building blocks. This is reflective of market demand of SFA functionality by sales organizations. The vendor must have a stable product development team for each product module it sells.

Overall Viability (Business Unit, Financial, Strategy, Organization): Key aspects of this criterion are the vendor's ability to ensure continued vitality of a product, including support of current and future releases, as well as a clear road map the product will follow during the next 36 months. 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 commitment and ability to generate revenue and profits, specifically in the SFA market.

Sales Execution: The vendor's ability to provide global sales and distribution coverage that aligns with marketing messages is a critical component to measuring its sales execution. The vendor must also have specific experience and success selling SFA applications to the sales buying center (that is, the vice president of sales or sales operations).

Market Responsiveness and Track Record: This refers to a vendor's 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 provider's history of responsiveness.

Marketing Execution: This criterion examines 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 sales buying center. This "mind share" can be driven by a combination of publicity, promotions, thought leadership, word-of-mouth and sales activities.

Customer Experience: Feedback from active customers on generally available releases during the past 12 to 18 months is an important consideration. Sources of feedback include vendor-supplied references, Gartner inquiries and other customer-facing interactions, such as Gartner conferences. Customer experiences are rated based on the vendor's ability to help customers achieve positive business value, as well as sustained user adoption, and quality implementation and ongoing support.

Operations: The last criterion we evaluate in this section is the ability of the organization to meet its goals and commitments. Factors include the quality of the organizational structure – skills,

Table 1. Ability to Execute Evaluation Criteria

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

experiences, programs, systems and other vehicles that enable the organization to operate effectively and efficiently on an ongoing basis.

Completeness of Vision

Market Understanding: The vendor needs to demonstrate a strategic understanding of SFA opportunities, such as new application functionality, evolving sales models, delivery models (for example, SaaS) and architectural trends (for example, SOA).

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: Does the strategy for selling the SFA product use 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: A vision for new application functionality across the breadth and depth of product capabilities is critical to meeting the needs of a maturing market. Subcriteria include the vendor's vision for opportunity management; solutions management (for example, sales configuration, quote management and content management); operations management

(including incentive compensation); access and architecture (such as openness, flexibility, usability and workflow); and sales reporting and analytics. Product strategy can be a combination of organic development, acquisition and/or ecosystem. However, in the case of ecosystems, there will be close attention paid to the quality and support of any third-party partner.

Business Model: Vendors need to have clear business plans on how they will be successful in the SFA market. These business plans should include appropriate levels of investment to achieve profitability and healthy revenue growth during a three-to-five-year period.

Geographic Strategy: We examine the vendor's strategy to direct resources, skills and offerings to meet the specific needs of regions outside the corporate headquarters' location, directly or through partners, channels and subsidiaries, as appropriate for that geography and market.

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. A characteristic of a leader is that most competitive vendors will tend to measure their own success against the success of leading vendors.

Table 2. Completeness of Vision Evaluation Criteria

Evaluation Criteria	Weighting
Market Understanding	standard
Marketing Strategy	low
Sales Strategy	high
Offering (Product) Strategy	high
Business Model	standard
Vertical/Industry Strategy	no rating
Innovation	no rating
Geographic Strategy	standard
Source: Gartner	

Challengers

The vendors in the Challengers quadrant are often larger than the majority of vendors in the niche area (but not all) and demonstrate a higher volume of new sales for SFA, where the sales buying center has had input in the selection decision. They understand their clients' evolving needs, yet may not lead customers into new functional areas with their strong vision and technology leadership.

Visionaries

Visionaries are ahead of potential competitors in delivering innovative products and/or models. They anticipate emerging/changing sales needs and move the market ahead in areas where it has not been yet. They have a strong potential to influence the direction of the SFA market, but they are limited in execution or demonstrated track record. The vendor does not have to be small to be a visionary.

Niche Players

Niche players all offer products for SFA functionality but may be missing some functional components. They may offer complete portfolios but demonstrate weaknesses in one or more important areas, such as distribution or understanding the needs of the sales buying center. They may have an inconsistent implementation track record or have not shown the ability to support large enterprise requirements.

Vendor Strengths and Cautions

ACT!

Strengths

- Large installed base for basic opportunity and contact management
- Conservative vision on adding deep functional features for handling complexity will help it maintain its ease of use at the low end of the market
- Low software cost for on-premise software
- Contact management with extensibility continues to be a "sweet spot"
- Large company backing with Sage Software
- Ease of use

Cautions

- Limited functional footprint or partnerships in the areas of solution or performance management
- New enhancements to support managing multiple sales opportunities by enabling users to associate multiple contacts to opportunities needs proof in the marketplace
- Not for companies with complex integration, process flows or deep functional requirements
- Lack of SaaS offering will limit reach for small and midsize businesses (SMBs) where SaaS is gaining momentum

Entellium

Strengths

- Continuous focus on improving system usability (for example, higher interactive "gamer design," which attempts to bring consumer-oriented user interface paradigms to business applications)
- Lower-cost subscription rates compared with other SaaS providers
- Flexibility in service-level agreements (that is, month-to-month contracts)
- Bundled add-on services at no additional fee for each customer, including 24/7 support and deployment consulting
- Focus on SMBs

Cautions

- Needs to improve execution on its channel distribution model to augment direct sales efforts

- Limited market awareness relative to other SaaS providers

- Large, complex enterprise implementations are not Entellium's target focus

GoldMine

Strengths

- Ease of customization and configurability

- Lower-cost software for companies looking for on-premise SFA software

- Long history of supporting SMBs

Cautions

- Customers cited needing better Microsoft Outlook integration

- User interface needs to be more intuitive

- Limited experience implementing large enterprise, complex deployments; only two customers on GoldMine Enterprise Edition (released in February 2007)

Infor

Strengths

- Despite numerous acquisitions during the past few years, Infor has begun to grow its SFA business over the last few quarters

- Integration with marketing functionality and analytics, particularly when automating a lead management process

- Increased focus and R&D investment in SFA offering

- Vision for adding more functionality, such as sales configuration

Cautions

- Having added some new reference deployments during the past 12 months, it must convert new sales momentum to new customer deployments.

- Frequent acquisitions during the past few years diluted the focus on the sales domain and produced a level of uncertainty; however, Infor has placed a renewed focus on CRM.

- Customers cited the need for better support for mobile users, specifically for devices such as the BlackBerry; Infor does support a full laptop version with data synchronization, and requires Apache/JBoss Web server on the client.

Landslide

Strengths

- Visionary concepts of integrating and measuring the effectiveness of aligning buying and selling processes

- Strong focus on salesperson, including VIP service for updating data in the system

- Customer-facing portal tools for salespeople to foster better customer relationships

Cautions

- No presence outside North America

- Small vendor (new to market in past 18 months)

- Gaps in functional footprint for solutions management, such as price management, sales configuration, and so on

Maximizer Software

Strengths

- Product simplicity attractive for SMBs

- Ease of doing business and customer responsiveness

- Low-cost solution for companies looking for on-premise SFA software

Cautions

- Implementing larger complex implementations

- Majority of customers based in North America

- Limited marketing awareness prohibits greater company growth

- Limited functionality and/or partnerships for solution and performance management

- Limited professional service organization

- References that Gartner checked felt the user interface could be more intuitive

Microsoft Dynamics CRM

Strengths

- Large vendor business viability
- Microsoft Outlook integration
- Strong leverage of .NET and Microsoft infrastructure for clients committed to Microsoft
- Microsoft Dynamics CRM 3.0 is an improvement over Microsoft CRM 1.2 in quality and functionality
- New customer business momentum in new customer business and deployments
- One of few SFA on-premise systems to be considered for large enterprises (Gartner has validated references of more than 1,500 seats)
- Lower license cost (less than $700 per user, on average – Gartner estimate) alternative for large enterprises with on-premise requirements

Cautions

- Limited footprint focused on opportunity management, lacking best-of-breed functionality or partnerships for solutions and performance management (for example, incentive compensation and sales configuration)
- More proof points needed for integrating with large enterprise ERP systems, such as SAP and Oracle ERP
- Few partners have implementations of more than 750 users

NetSuite

Strengths

- Broad functional footprint to support end-to-end processes is appealing for SMBs, but not deep in areas such as solutions and performance management for large enterprise organizations
- Competitive base price for SaaS
- Gartner estimates NetSuite has maintained double-digit revenue growth ($75 million in revenue in 2006 – Gartner estimate)

Cautions

- Limited presence in Europe, the Middle East and Africa (EMEA), outside of the U.K.
- More focus on selling to sales buying centers where a broad end-to-end business suite does not have as much appeal
- Customers cited the need for NetSuite to grow its professional service organizations; this is especially important when implementations become more complex for larger organizations
- More-meaningful partnerships in functional areas where its offering is deemed not complete enough, such as incentive compensation and sales configuration

Oracle's PeopleSoft Enterprise CRM

Strengths

- "Application Unlimited" strategy promises further development in the product, with new releases focused on tactical customer-driven enhancement requests and integration with Oracle Fusion Middleware technology
- Leverages PeopleTools for PeopleSoft customers who have experience with PeopleTools and other PeopleSoft applications

Cautions

- Limited functional innovation and footprint compared with other Oracle CRM products, such as Siebel
- Users felt release quality could be improved, based on most-recent versions
- Only for PeopleSoft customers or organizations deploying other PeopleSoft applications as an overall suite strategy
- Limited new references that have deployed PeopleSoft CRM for B2B SFA

Oracle's Siebel CRM

Strengths

- Large vendor business viability
- Siebel 7.8 and 8.0 have high product viability, deep industry knowledge, demonstrated scalability and are supported by strong Web services

- Siebel will serve as the basis of the majority of Oracle Fusion Sales functionality in B2B environments

- Integrated Oracle technology stack (for example, Oracle Fusion Middleware and Oracle Database)

- Broadest functional footprint across all areas of SFA, including opportunity management, solutions management, performance management and analytics

Cautions

- Oracle has had one customer reference migrate to Siebel 8.0; Oracle states that more than 15 customers plan to, or are in the process of, upgrading to Siebel 8.0 during the next two years.

- Unlike lower-end solutions, Siebel's broad functional footprint and focus on automating complex business processes place high demands on IT or require consulting partners.

- Customers that base their Siebel deployments on Microsoft or IBM infrastructure (for example, application servers and databases) should continually validate Oracle support for these platforms.

- When end-to-end process design and significant customization are required, a strong commitment to training dedicated resources must be made by IT and the business.

Oracle CRM On Demand

Strengths

- Revamped architecture on complete Oracle technology infrastructure (for example, Oracle Fusion Middleware, Oracle database) running in Oracle data centers provide greater control of execution and provisioning; however, entire installed based will not be migrated until 4Q07

- Stronger than most SaaS offerings for analytics and reporting

- Strong vision for integration with other Oracle on-premise software assets (for example, accessing Oracle Sales Configurator from Oracle CRM On Demand)

- Large vendor business viability

- Price competitive ($70 per user per month)

Cautions

- Limited to three custom objects will impact customization flexibility

- Has seen recent increase in sales but must be proven during the next few quarters to validate renewed sales and marketing investment

- "Private" database option attractive for users that want a physically separated data source but comes at a $75 per-user per-month premium

Oracle E-Business Suite CRM

Strengths

- Integrated functionality for order-management-related processes

- Ability to support end-to-end processes, such as order to cash, in one application environment

- Common data model with other E-Business Suite applications

- Large vendor business viability

- Application Unlimited strategy promises further development in the product, with new releases focused on tactical customer-driven enhancement requests

Cautions

- Customers cite usability as a concern (for example, too many clicks to update basic information)

- Only for e-business customers or organizations deploying other E-Business Suite applications

- Siebel product will be the basis of any new SFA product developed by Oracle; however, elements of E-Business Suite, such as Sales Configurator, will be the basis of an eventual new offering

RightNow Technologies

Strengths

- Focused on selling environments where there is more of a consumer model

- RightNow customer service clients will benefit from having a consistent customer view across departments

Cautions

- Lacks team selling for B2B environments

- Limited business growth for SFA (Gartner estimates more than 85% of RightNow's business is related to customer service functionality)

- Limited solutions and performance management footprint

salesforce.com

Strengths

- High new customer and revenue growth (greater than 50% year-over-year)

- Good system usability for salespeople

- Thought leader on leveraging SaaS model (for example, the salesforce.com platform including Apex Code)

- Strong relationship focus on the sales business buyer (for example, head of sales or head of sales operations)

Cautions

- Subscription rate for some editions is higher than other SaaS providers – Enterprise Edition is $125 per user per month, and Unlimited Edition (at an estimated $195 before discounts) is significantly more expensive

- Limited out-of-the-box functional footprint focused on opportunity management

- AppExchange ecosystem needs to demonstrate more viable best-of-breed vendors that can support large enterprise requirements

- Needs to improve relationships with IT organizations

- Salesforce.com does not support custom tabs for a full laptop version with data synchronization, although the object data shows up in related lists

- Customers cite reporting and analytics should have more customization and configurability

Sage SalesLogix

Strengths

- Large company vendor viability as part of Sage Software

- Support for customized business processes is a key technical differentiation among other Sage CRM offerings

- Regained market momentum for large enterprise on-premise business; significant number of new customers – more than 400 users during the past 12 months

- Currently, one of the few on-premise SFA vendors for large enterprise applications

Cautions

- Managing differentiation with Sage's two other CRM offerings – ACT! and SageCRM

- Limited footprint focused on opportunity management, lacking best-of-breed functionality or partnerships for solutions and performance management (for example, incentive compensation and sales configuration)

- SalesLogix 7.2's configuration and customization environment is enhanced but not proven with customer references

SageCRM

Strengths

- Large company vendor viability as part of Sage Software

- Fairly intuitive user interface for salespeople

- Most customers stated deployments were straightforward

- SOA-based product

Cautions

- Hybrid deployment model (on premise, SaaS) difficult to sustain long term

- Most customers located in North America and the U.K.; launched in Germany and France in 2005

- Some users cited the need for improved help desk support, specifically more-complete advice and better response times

- Limited functional footprint and partnerships for functionality outside of opportunity management and reporting

- Maintain differentiation from ACT! and SalesLogix, which are Sage Software's other two SFA products

Saratoga Systems

Strengths

- CDC Software planned acquisition will provide more financial stability and investment R&D opportunity
- Currently one of the few on-premise SFA vendors for large enterprise applications

Cautions

- Last CDC acquisition (Pivotal) was dropped from the 2007 SFA Magic Quadrant
- Despite longevity, Saratoga Systems has not been able to increase market awareness of its offering
- Currently no SaaS offering, and migration from its current on-premise offering to an eventual SaaS offering will be challenging

SAP (CRM On-Demand)

Strengths

- Large vendor business viability
- User interface more intuitive than traditional SAP products

Cautions

- Hybrid SaaS model difficult to maintain in the long term
- Customers cited quality and timeliness issues for new releases
- Offline use limited to wireless access still needs to be proven in market
- Despite being available for more than a year, has not gained traction in the market due to insufficient functionality and quality issues

SAP

Strengths

- Ability to support complex, end-to-end, industry-specific business processes, such as order to cash on an integrated platform
- Large vendor business viability
- Improved user interface for SAP's 2006s version
- Broad functional footprint (that is, quote management and sales configuration)
- SOA with NetWeaver enables third-party integration of best-of-breed products

Cautions

- Different user interface paradigms for laptop disconnected and connected versions
- Although customer response to the new user interface has been very positive, shipment of the 2006s release has been limited to a select group of strategic customers and remains unavailable to most SAP CRM customers; therefore, it is unproven in the market
- Large-enterprise-class footprint with many technical dependencies to other SAP products, such as SAP Business Information Warehouse (BW), will require extensive IT resources to implement
- Strong connection to IT buyer; has not been able to build relationships with sales buying center, causing significant shelfware of SFA software

SugarCRM

Strengths

- Open-source model and community enables collaborative customer-driven enhancements

- Relatively lower price point compared with the competition

- Ease of system configurability cited by multiple customers as an advantage

Cautions

- Needs to get closer to the business buyer; open source does not mean anything to a head of sales

- Hybrid model (on premise, hosted, SaaS) generally difficult to sustain; however, pure open-source infrastructure focus will help

- Customers cited usability as an area for potential improvement

- Lack of custom objects limits the level of complexity the product will handle

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 and skills, 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 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 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 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 Web site, 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.

Augmenting Leads **Improves Sales Conversion Rates**

Gartner RAS Core Research Note G00146128, Robert P. Desisto, Kimberly Collins, 12 February 2007

What makes up the ultimate lead for a salesperson? Simply put, it is one that helps a salesperson complete prospecting processes as quickly and efficiently as possible in pursuit of a compelling deal opportunity. In this research, we will describe the key information elements that help produce ideal leads for sales organizations. The result is increased lead conversion and higher sales.

Key Findings

- Providing leads without sales, channel and customer context turns into lost opportunities.
- The conversion rate of a lead is directly related to the quality of information provided to augment a lead prior to handing it off to the sales organization.

Recommendations

- Marketing and sales operations should meet immediately to identify the elements of the ultimate lead.
- Prioritize the information that will be included in the lead. Factor in the difficulty to automate collecting information for the lead against the importance of the information for the salesperson, agent, customer service representative or customer offer. Ultimately, there should be a phased rollout.
- Develop and review metrics to determine which information is being used and the utility of the information that has been added to the leads.
- Continuously assess the value of information used to augment the lead, and remove information that is not useful.
- Develop strategies to improve the use of information associated with the lead if it is not being used.

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WHAT YOU NEED TO KNOW

Marketing can improve conversion rates by augmenting leads with relevant, insightful customer and marketing information available in-house and from external sources. Along with lead qualification and prioritizing, appending leads with details on customer profiles, product interests and lead origins will increase the profitability of initial customer interaction assists with the successful presentation of compelling value propositions to a receptive audience, leading to a greater chance of an order. Be aware of customer sensitivity in the use of information while prospecting, and recognize that different sales channels (manned vs. unmanned) and roles will require different kinds of information in terms of breadth and detail.

ANALYSIS

Marketing's role in lead management has primarily been viewed as lead generation, whereas sales' role has been to take leads and convert them into opportunities. Therefore, both organizations often think that they are doing their part in lead management. The reality is that there is a divide between marketing (demand creation) and sales (opportunity management) that needs to be bridged. Nowhere is this more apparent than in the content of a lead that is distributed to sales. All leads have basic information, such as contact data, but in many cases, information beyond product interest is not attached to the lead. Sales then has to figure out the context of the lead from a "cold call" or less personalized offer to the prospect. An alternative approach is to develop processes and invest in technology to augment the lead (see Figure 1) with additional content that will provide salespeople with context for the selling situation.

Contact Details

Contact details must include name, title, physical location, phone number, e-mail address, possible budget for purchase and source of lead. Additional value-added information includes organization

Figure 1. Augment Leads to Improve Conversion

Source: Gartner (February 2007)
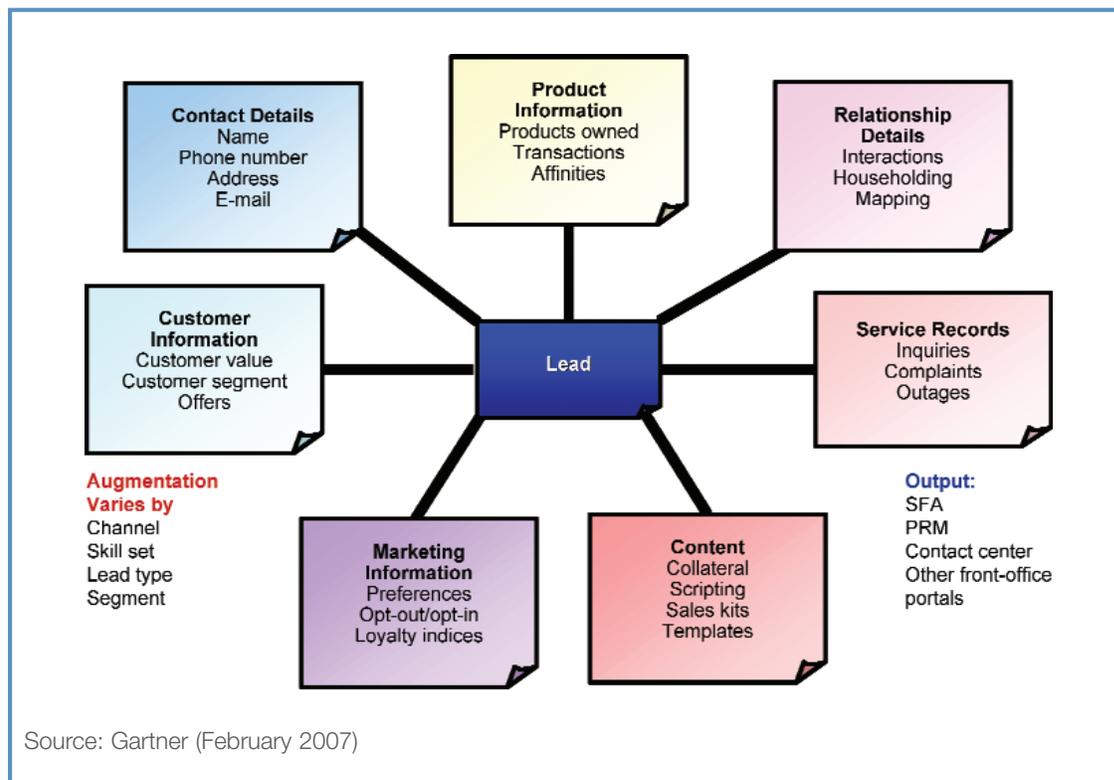
charts for business clients to provide a context where the contact fits into the overall organization structure. Ideally, this chart would include key influencers to the contact. For example, the contact may have a manager with ultimate budgetary authority for a potential purchase, or if the contact is IT-based, you want to have information on the business buyers that are sponsoring a project. Consumers may also have influencers across their network of extended family and friends that can provide additional contextual information for offers.

Customer Information

Marketing analytics data, such as customer segment information, can provide a wealth of value for salespeople, other channels and defined offers. Information such as customer value and price points for a particular segment can immediately help salespeople prioritize leads as they are received and derive appropriate offers. For example, if marketing has identified that a prospect may have a low initial entry point, but will make many additional purchases, such information will help the salesperson take a broader view of the meaning of the sales opportunity. Understanding current value vs. long-term potential value is very important for prioritization and the ability to continue managing the relationship past the original conversion to a client.

Relationship History

By the time a salesperson or other customer-facing personnel gets a lead, there is a good chance that the prospect has been touched by multiple touchpoints. For example, the first interaction may have been a marketing offer to attend a trade show sent via e-mail. The second interaction occurs at the trade show itself; then a third interaction could be a follow-up phone call by an inside salesperson to further develop the lead into the opportunity. Its important that the salesperson or customer representative has a complete view of these interactions so that he or she can use them during the first interactions with the prospect. You don't want a salesperson telling a prospect that there is a new offer he or she may be interested in if the prospect has already seen it. This makes the salesperson look disconnected from the relationship from the beginning.

Product Information

Product information should include a list of products in which the buyer has identified interest or already owns or uses from your company. In the best case, the list of potential products should be preceded by a customer needs assessment. This will include information such as the prospect's business problem, budgetary constraints and timing. In the case of existing customer prospects, it's important to identify potential affinities with other products the customer may already being using. For example, an industrial manufacturing company may be using pumps from your company and now may have use for compressors. A financial services consumer may already have a mortgage and now needs property insurance. This will enable the sales representative to sell the value of the total solution.

Marketing Information

Marketing information includes preferences the prospect may have provided during a Web experience, an affinity-to-purchase profile for a set of products or a view of past marketing campaigns that the prospect may have opted in or out of. This will help provide the salesperson with a more general picture of interests the prospect has expressed through various marketing interactions. It may also include propensity scores for various products and services or potential to churn. In addition to internally captured marketing information, external marketing data, such as company fact sheets, press articles and financial data, are also critical to help shape a picture of the prospect.

Content

Providing the right content (for example, collateral, fact sheets, sales kits or presentations) can make the difference between converting a lead or losing a deal. When delivered correctly, content is a competitive weapon for salespeople. Beyond the basic collateral of products the customer expressed interest in, content should also include competitive analysis with potential competitors, "silver bullets" that have a proven track record to be effective in similar

sales situations or a personalized presentation that is tailored to this unique lead situation. Sharing content can protect the brand and ensure consistency in pricing and offers made. It can also provide localization of content to specific geographical regions, distribution partners, agents or customer segments.

Service Records

Service records can inform a salesperson if the prospect has had problems with products or services, as well as provide an opportunity for a salesperson to play a role in resolving a customer's issues. For example, if a prospect is using capital equipment that has been fully depreciated, then it will help the salesperson know that there is an upsell opportunity. Further data on the performance of the product will also provide

guidance on what new products should be sold to the prospect. Customer complaints can also be important. Customer representatives should not be making offers if the customer has an outstanding complaint.

Tactical Guidelines

- Augment leads with content to help salespeople and other channels sell more effectively.

- Determine appropriate information based on lead type, customer or customer segment, channel and skill set.

- Measure the use and effectiveness of information.

- Continuously evaluate and update the information provided.

Introducing SaaS-Enabled Application Platforms: Features, Roles and Futures

The now-leading software as a service (SaaS) specialist vendors are relatively small; the leading platform and application vendors are not quite ready with their SaaS offerings; and, for the majority of the mainstream users, SaaS-style application solutions remain niche-focused and otherwise experimental. Nevertheless, we believe that now is the time when enterprise IT departments should begin planning for the growing influence of SaaS in their business practices; establish in-house understanding of the opportunities, challenges and best practices of SaaS; and begin to track the involvement of their technology providers in SaaS-related industry initiatives.

Key Findings

- SaaS is a well-established phenomenon in some areas of enterprise IT. It is growing into a mainstream option for software-based business solutions and will affect in some way most enterprise IT departments in the next three years.

- There are multiple business and technology forms in which the SaaS model will manifest itself at mainstream enterprises; one model will not fit all.

- Enterprise software vendors have not yet established the best practices in supporting SaaS application styles, nor are there applicable industry standards.

- Traditional technology platforms, such as standards-based application servers, are sufficient for simple SaaS use, but advanced and broad-based SaaS offerings now and in the future will rely on specialized or extended SaaS-enabled application platforms.

- In the next three years, most mainstream users will face the need to understand the trade-offs of SaaS and non-SaaS software models, as well as the best practices of a mixed SaaS and non-SaaS IT environment.

Recommendations

- Understand the SaaS-related business and technology plans of your current business application, software infrastructure and development tool providers. Similarly, include SaaS-related questions in evaluating new software products and vendors. Give preference to vendors that have an informed and credible business position and plans for SaaS-style business software solutions.

- Plan to gradually add SaaS-style software solutions to the supported enterprise software options, but do not plan, in most cases, to migrate entirely to SaaS-based application software in the next five years. Prepare for the coexistence in your environment of SaaS and non-SaaS business software solutions.

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- Establish guidelines for preferences in selecting SaaS or non-SaaS software solutions for future projects.
- Examine opportunities inside the enterprise to establish an "internal SaaS" mode of support for some business software.

ANALYSIS

SaaS is a growing phenomenon in the IT industry, now beginning to penetrate mainstream enterprise use. Leading packaged-application vendors have made long-term commitments to SaaS modes of delivery of their software solutions to customers. Platform technology vendors are reassessing the technology content of their application platforms (development frameworks, tools and middleware) with an eye on supporting the requirements of SaaS-style application utilization. All of these processes are early in their evolution. Currently, the leading SaaS specialist vendors are relatively small; the leading platform and application vendors are not yet quite ready with their SaaS offerings; and, for the majority of the mainstream users, SaaS-style application solutions remain niche-focused and otherwise experimental. Nevertheless, we believe that now is the time when enterprise IT departments should begin planning for the growing influence of SaaS in their business practices, establish in-house understanding of the opportunities, challenges and best practices of SaaS and begin to track the involvement of their technology providers in SaaS-related industry initiatives.

The SaaS model of rendering business applications is not new. In fact, market revenue of SaaS application solutions exceeded $4 billion in 2006, according to Gartner. Companies like salesforce.com, NetSuite, Ceridian and many others have become broadly successful with their entirely SaaS-style application offerings. Most of the currently deployed SaaS applications are built on proprietary underlying technologies because the general-purpose application servers and platforms have lacked specialized support or tools for SaaS requirements. Recently, vendors like WebEx (now Cisco), Cordys, salesforce.com, Oracle, Microsoft and others have begun the work on offering reusable platform technologies for SaaS. The most notable of these offerings today is the recently announced Apex Platform, including Apex Code, of salesforce.com.

The purpose of most of the vendors in doing this is to create a foundation for a new ecosystem of independent software vendors (ISVs) – smaller application vendors that would develop their SaaS-style applications on a third party's platform, dramatically reducing their cost of entry. A platform vendor that attracts the largest ecosystem following would likely gain leading share and leading influence in the market. The vendors are pursuing different business models, offering the platform as a product for sale to ISVs, as a hosted service for subscription by ISVs or as an enabling technology for their own (and their partners') applications. As the SaaS-enabling race between platform and application vendors begins, users must understand their options and trade-offs: When do general-purpose platforms offer advantages compared to proprietary platforms? What features of platforms are

the best predictors of the quality of the applications that run over them? What features of the platform are important for what patterns of use? How should ISVs choose platforms, and how should users subsequently choose ISV applications? The answers to these questions begin with the understanding of the nature and differentiating capabilities of the SaaS-enabled application platforms.

Platform middleware has been the enabling technology for business applications since the mainframe days (CICS, IMS). Application platforms have supported the changing application styles and adopted the requirements of the prevailing application styles of their times (distributed computing [Tuxedo, DCE], distributed objects [CORBA, DCOM], distributed components [Java EE, .NET]). As new application patterns emerge, new categories of platform technologies emerge as well. The most recent ones include the event-driven application platforms (Java Service Logic Execution Environment [JSLEE]) and SaaS-enabled application platforms (SEAPs), discussed here. The users during the transition times have a choice of using the well-established previous-generation platform technology or taking a risk and leaping forward to the specialized technology in hopes of gaining competitive advantage. This applies to technology choices in SaaS-style software solutions. The new way of enabling SaaS-style applications using optimized SEAPs will prove more resilient, more productive and more agile, but the older, now-dominating distributed component platforms (designed for use by enterprises in-house) are well-established, well-understood and substantially standard – all attractive characteristics to enterprise technology buyers. This research aims to shed some light on the field and technology trade-offs of the new platforms for SaaS-style applications.

1.0 Definition

Software is SaaS (also referred to as software on-demand) if it has the following characteristics:

- It is deployed and managed off-premise relative to the user organization.
- It is owned by someone other than the user organization.
- It is charged on a usage-derived basis.
- It is shared by multiple independent user organizations (one software instance to many tenants).

Note here that SaaS is not quite the same as application as a service. "Application" implies end-to-end completeness for use and must therefore include user interfaces, business logic, data access modules and, often, access to external resources such as other applications, internal or external to the user organization. The majority of new applications are heterogeneous (composite). Many will combine some on-premise resources and some SaaS-style resources. Even an application offered in its completeness in a SaaS style may have some user-facing elements that are deployed locally for performance or network-independence considerations. The discussion of the compositions including SaaS and non-SaaS

resources is beyond the scope of this research, but software elements that have a singular nature (SaaS or another) must be distinguished from application assemblies that often compose elements of multiple natures.

Note also that sharing of the software by multiple tenants (a definitional part of SaaS) can take multiple forms.

2.0 Roles and Responsibilities in SaaS Environments

There are five key role players in a SaaS scenario (see Figure 1):

- The SaaS platform supplier (develops and owns the intellectual property [IP] of the platform technology, underlying the application software in question)
- The SaaS application provider (develops and owns the IP of the application software in question)
- The SaaS host (hosts and manages the application software and the platform technology in question in service of many user organizations [tenants] and, potentially, on behalf of many application providers and applications)
- The user organization (contracts with the application provider and is provided independent virtual instances of the application software in question)
- The user (an individual actually using the application software in question – typically, an employee or customer of the user organization)

These roles may blur in some scenarios.

2.1 One Vendor Plays All Providing Roles (Application Provider, Platform Supplier and Host)

In most cases, SaaS applications are developed over proprietary platforms, and the SaaS platform supplier, the host and the application provider are all one entity. In this case, the platform is typically not standard and not productized (it is "supplied" to only one provider). We believe the growing trend through 2012 will be away from proprietary platforms and toward productized and standardized platforms. This can be achieved by extending existing platform standards (such as Java EE) or by standardizing or at least documenting new SaaS-specialized programming models (such as Apex Code). The platform vendors will aim to enter the SaaS market, and the SaaS application providers will aim to create an ecosystem of partners around their platforms. Both trends will lead to the emergence of and growing competition among programmable SEAPs.

Example: Salesforce.com's SFA

2.2 Platform as a Service (PaaS)

In the case when the host and the platform supplier are the same entity, but the application provider(s) are others, the resulting SaaS offering is a PaaS – a platform for application development and deployment that is a service to ISVs building these applications

and then, in turn, acting as application providers (presumably on the same platform) to the user organization(s).

Example: ForeSoft's dbFLEX

2.3 Internal SaaS

The application provider may be a department of the user organization, serving other departments similarly to a third-party provider serving its customers. Technically speaking, this contradicts the definition of SaaS, which requires that the application be hosted outside of the user organization (not just outside of a department of a user organization). We see growing adoption of "internal SaaS" and, while the business nature of such variation is quite different from the conventional SaaS, the technology involved is the same. Thus, the technology of the internal SaaS legitimately belongs to the SaaS model, even though the business implications and characteristics of internal SaaS do not.

2.4 Personal SaaS

In some scenarios, individual users may contract directly with the provider, leaving out the role of the user organization. This might be referred to as "personal SaaS": The user could have deployed the solution locally, but chooses to use the solution off the external site. Just as enterprise applications, when hosted by a SaaS provider, are enterprise-type SaaS, so personal applications, when hosted by a SaaS provider, are personal-type SaaS. Personal SaaS is out of the scope of this research and is not covered here.

Example: Google's Docs & Spreadsheets

Exceptions notwithstanding, it is useful to always apply the five-level role model to understanding the functioning of SaaS. In a traditional on-premise model, most of the SaaS roles are played by the user organization and the one-to-many hosting rarely applies

Figure 1. Roles and Responsibilities in a SaaS Application Environment

Source: Gartner (August 2007)
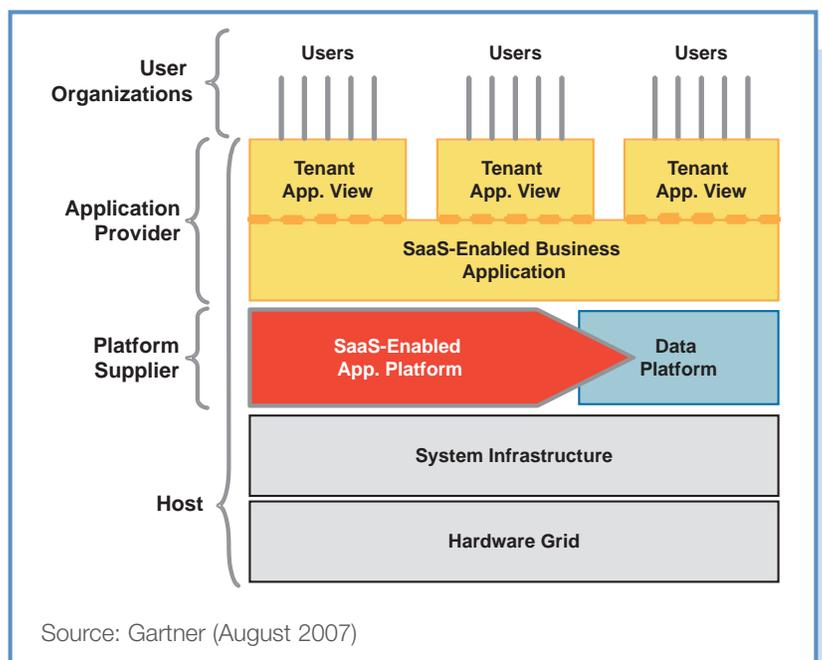
(although subdividing data by regions or departments is common). The five-level multiplayer relationship of the SaaS model has significant impact on its technology and business requirements.

3.0 Functional Characteristics of a SaaS-Enabled Application Platform

To support the definitional requirements of SaaS, providers must use suitable platform technology. The standard general-purpose application platforms, such as Java EE implementations and the .NET application platform, can be used for some simple and less demanding SaaS scenarios, using the isolated-tenancy model of deployment. Here, each user organization gets its own system instance (including an instance of the application platform and a database) and, thus, each instance serves only one user organization – each tenant executes in physical isolation. This model works when the provider hosts applications of a relatively few user organizations or when the number of users of each instance is small. However, the cost and complexity of adding, supporting and scaling up a new user organization can be very high. Platforms that are used for isolated-tenancy SaaS cannot be qualified as SaaS-enabled because there is nothing in these platforms that is specially designed for SaaS. The majority of user organizations that are committed strategically to the SaaS model of software are not choosing this model and instead use a dedicated SEAP, although, at this time, this means that they have to rely on proprietary platform designs because no standards have yet emerged for SaaS-enabling and multitenancy of application platforms. Some user organizations choose isolated tenancy to ensure complete isolation, thus expressing lack of trust in the SaaS one-to-many model. This is a familiar problem for most innovations coming to mainstream enterprises: "guilty of immaturity until proven otherwise."

The defining feature of a SEAP is multitenancy. The multitenancy of a platform is its ability to present itself and the applications that are deployed under its control as exclusively dedicated to a group of individual users (user organizations, tenants), while in fact using a common undivided space of computing resources and a single instance of the platform and application code to support multiple such tenants simultaneously. Multitenancy can highly optimize use of computing resources for a large number of tenants and users, but it poses a formidable challenge to deliver truly reliable and secure isolation of the logically independent (and sometimes adversary) tenant operations.

Note that SaaS-style operations can be delivered using regular application platforms (isolated tenancy approach to SaaS, often relying for scalability on virtualization or dynamic grid), so multitenancy is not a requirement of SaaS, but it is a requirement for an application platform, in order for it to be SaaS-enabled.

A more detailed list of features of a SaaS platform is listed in Table 1. Use this list to evaluate competing SaaS platforms relative to each other and to your specific priorities and circumstances. This is not a minimal required list for a usable SEAP, but rather a long list of desired capabilities. Most vendors will deliver some, but not all, of these capabilities, and most users will have a requirement for some, but not all, of the features as well.

4.0 Leading Vendors

Most application and platform vendors either offer or plan to offer support for the SaaS model. Some application ISVs target the SaaS model exclusively, whereas others are planning to support a dual model of letting the prospect choose a SaaS subscription or a perpetual on-premise license for generally the same product. Most platform vendors pursue this dual strategy in that they aim to offer their platform technology for both SaaS application development and in-house deployment applications as well. The market for SEAPs is new and the best practices in the vendor and user strategies are still being discovered. A few vendors have invested ahead of others in developing a strong productized (available to third parties) platform technology for SaaS. These include:

4.1 Salesforce.com Apex Platform

Apex Platform is, without question, the most advanced, although largely proprietary, example of a SEAP. Some of the technology is still in beta, but is imminent and already being extensively used by hundreds of beta partners. Apex Platform offers a runtime environment and a programming language (Apex Code, now in beta) designed specifically and exclusively for SaaS application design. The platform is driven by a centrally controlled metadata repository and all users, tenants, data models, process models, user interfaces and customizations are, in fact, implemented as metadata entries. This allows the Apex development tools to support rapid addition, change and removal of any of these fundamental components of a SaaS application (including new tenants, new users and new interface and data designs). The language is designed to support the data-facing back-end business logic of applications and delegates development of user interface logic to other tools, also part of Apex Platform. Although the language is nonstandard (it is a hybrid of Java syntax style and stored procedure-style data manipulation functionality), it is compiled down to Java and the entire application and the platform execute over a standard Java Virtual Machine. The Apex runtime (Governor) controls all activity and uses the metadata to enforce tenant isolation, including control of prioritized sharing of resources, preventing any one tenant from dominating resource consumption. Salesforce.com acts as the platform supplier, application provider and application host, but the platform also enables third-party ISVs to act as application providers, utilizing salesforce.com as that platform supplier and host.

4.2 Cordys Application Platform

Cordys offers an application platform for service-oriented architecture (SOA)-style projects, including an XML-based Java application server, a service management environment (SOA Grid), a business process manager, a rule engine and XForms or Ajax-based user interface framework. The internal architecture of the platform supports the notion of an "organization," which represents the tenant unit for a multitenant deployment. A shared organization contains data, metadata and processes that are available to all tenants, and specialized organizations contain components and designs specific to an individual tenant. Cordys development tools automatically make use of Cordys organization entities, allowing multiple instances of the application to run in a multitenant mode over a single actual instance of the Cordys platform. Beyond graphical design, programming for the platform is in standard Java,

Table 1. Ability to Execute Evaluation Criteria

Characteristic	Description
Multitenancy • Tenant-aware application server (process container) resource sharing, prioritization, optimization and isolation	Processes executing on behalf of multiple tenants execute in shared memory and process spaces, but care is taken to isolate the visible memory, the process states, the configuration metadata, the performance fluctuations and the malfunction handling between tenants. Tenants are also treated with discrimination: priority depends on the tenant service-level agreement (SLA), contract and other parameters.
• Tenant-aware data space sharing and isolation	An application platform is a separate technology layer from the data store, but it must be designed to ensure multitenant functioning of the data layer (isolated visibility of the data between tenants). The data store approach can be a separate instance of data store per tenant (isolated tenancy at data level) or a common data store shared by all tenants (multitenancy at the data level). Multitenancy at the data level can be implemented by the data store itself (automated), by the platform (also automated) or by the design of the application (manual). The well-designed multitenant application platform will support all options; supporting at least one of the options is a minimal requirement.
• Tenant-aware back-end data management	With the database no longer dedicated to a single tenant, it is no longer feasible to fix a data problem by restoring the database to a previous point in time, because that would affect all tenants. The backup/restore, disaster recovery, roll-back, roll-forward, diagnostics, import/export and other database administrator (DBA)-driven back-end database processes must be strictly tenant-aware as well.
• Arm's-length tenant-aware hosting	The semantics of the tenant's application data or business logic must be protected not only from other tenants, but also from the host. The host provides the support of the overall operation of the application, but must do so in a nonintrusive manner. Only the tenant can authorize a host DBA or other host employees to have access to the tenant's business data. Only the application provider must have access to the code and business logic of the application.
• Tenant-aware security, monitoring, reporting, management	Associates users with tenants, prevents any visibility of "out-of-tenant" resources, provides isolated monitoring capability per tenant and independent management parameters and policies.
• Tenant customization	Adjustments to application user interface, service interfaces, process flows, policies, data objects, rule frameworks and SLAs that apply to an individual tenant, without preventing that tenant's virtual rendition of the application to run in a shared real resource environment.
• User subpersonalization within a tenant	Ability for individual tenants to retain internal personalization capability for their users, in addition to the application customizations occurring at the all-tenant level.
• Tenant-aware development tools and supporting metadata	Development tools, utilizing metadata and aware runtime engines, can free the developers of the application from the requirement to design applications specifically for SaaS operation, reducing complexity and cost of entry for small ISVs. (continued)

Table 1. Ability to Execute Evaluation Criteria (continued)

Characteristic	Description
• Tenant on- and off-ramping (that is, "provisioning")	Optimized process to create a new tenant (or remove a tenant) at low cost, time to completion and complexity.
• User on- and off-ramping (that is, "provisioning")	Optimized process to register (or remove) a new user within a tenant at low cost, time to completion and complexity.
• Application on- and off-ramping and version control (that is, "rolling updates")	Optimized process to deploy (or remove) a new application at low cost, time to completion and complexity; also includes the ability to substitute versions or run multiple versions of the application simultaneously for different tenants.
• Subtenancy	Ability to create "tenants within tenants" so a customer of an application provider (a tenant) can turn around and contract with its own customers and provide a level of multitenant isolation for these customers (subtenants) under the umbrella of the customizations of the "supertenant."
Fine-grained usage tracking and metrics	SaaS application tenants pay to application providers in some proportion of usage (in part because the traditional per-CPU pricing is impossible because all tenants share the common pool of CPUs, and in part because it fits best with the logic of the SaaS model). The SEAP must, thus, have the ability to register fine-grained usage metrics per users and per tenant and control the visibility of this information to both the relevant tenants only and to the SaaS application provider and the host as a whole.
XTP-style high scalability	A successful SaaS host might have to support thousands of tenants with hundreds of thousands of customers each. Ability to support the dynamics and demands of a mature multitenant environment will require high and, in some cases, extraordinary levels of availability, scalability, performance, reliability and consistency in the underlying platform. Extreme transaction processing (XTP) capabilities will be essential for addressing this challenge over time
Integration with other on- and off-premise resources	The whole environment of an enterprise will not be SaaS – the ability of the SaaS-style application to participate in composite applications and to also access resources outside of its own scope is essential for the majority of user enterprises. The integration technology, essential for composition of multiapplication and multienterprise (business-to-business [B2B]) applications, may itself be SaaS (in this case, referred to as "IaaS" – integration as a service.
Support for dual use	Most ISVs developing an application using a SEAP would value the ability to offer the same application on-premise as well, depending on the user enterprise requirements.
Internationalization	A SaaS-style application will likely have user organizations operating in different geographies, so the application must be able to be localized per tenant and possibly per user. To support this form of personalization and customization, the platform overall must have support of internationalization (a coexistence of multiple national renditions of the application).
Source: Gartner (August 2007)	

but not Java EE. To achieve multitenant support in the data store, the application provider must design the application to be aware of tenants. Cordys can also automatically allocate separate database instances to each tenant, freeing the application design from this concern by taking an isolated tenancy approach to data in the middle of multitenant functioning of the process. The existence of the shared organization in the Cordys model allows deployment of the same platform for nonshared on-premise use or shared multitenant SaaS use. There are several customer ISVs that have deployed SaaS-style applications using the Cordys application platform and have deployed, in turn, multiple tenants in these installations. Cordys itself does not act as a host, or as an application provider. In 2006, Cordys entered into agreement with WebEx (now Cisco) to offer jointly a SaaS-style composite application platform and marketplace. The outcome of that work is still pending.

4.3 Oracle Fusion Middleware

Oracle Fusion Middleware includes the notion of a tenant profile – a metadata object profiling many aspects of a tenant configuration. The profile is available for introspection via Java, SQL and other application programming interfaces (APIs) and is recognized by the Oracle development tools, so Fusion developers are equipped to create multitenant-style applications. The Oracle relational database management system (RDBMS) also recognizes the profile and allows configuration of data in a multitenant mode, on demand (when a DBMS product other than Oracle is used, the application developer is responsible to ensure multitenant data isolation). Multitenant configuration is supported in Oracle implementations of the JSF framework (for multitenant user interface customization), ESB and BPEL Process Manager (for multitenant service and process flow customization), policy support (for multitenant process and data security) and Oracle Enterprise Manager (for multitenant administration and management). Many of the Oracle Fusion Middleware runtime and development tools are multitenant-enabled by way of organizing all configuration metadata in tenant-assigned partitions of the metadata store. However, the core execution container remains a standard Java 2 Platform, Enterprise Edition (J2EE) implementation, not designed for multitenant use. Oracle acts as a platform supplier now, but it plans to offer its Fusion Application Suite entirely SaaS-enabled, at which time Oracle will take on the role of the application provider and application host as well (in addition to the current Oracle CRM On-Demand, acquired as part of Siebel and not based on Fusion Middleware). The current installed base of Oracle Fusion Middleware as SEAP is minimal.

4.4 SAP (Future)

SAP's forthcoming suite of applications for midsize enterprises (now code-named A1S) is planned to be delivered as a SaaS offering and to be enabled by the next version of NetWeaver (now referred to as v.7.1). No further detail is publicly available at this time.

4.5 Microsoft (Future)

Microsoft's current CRM Live v.3 uses an isolated tenancy approach to supporting SaaS deployment (each tenant deployed on an isolated instance of the platform). The next version (code-named Titan), which is in beta now with several hundred beta ISVs, will be multitenant SaaS. The internal design of Titan is said to be heavily based on metadata-driven functioning (similar to the approach of salesforce.com), including metadata-driven multitenant data models. A programming language over the metadata environment is not planned (programming using .NET languages is possible in the form of Web services, referenced from inside Titan, but such services are not multitenant-aware). XML schemas that control functioning of the application will be published and can be used by advanced engineering teams to create design extensions beyond the tool-based nonprocedural application design. Several Microsoft system products are prerequisite – including SQL Server and IIS. Microsoft is focused on acting as the platform supplier, application provider and host in one, although opportunities for ISVs to create applications for the Titan platform are available and will likely increase over time.

5.0 Future of SaaS-Enabled Application Platforms

We expect a significant increase in the number of available programmatic platforms for SaaS in the next 24 months. We also expect that support of SaaS operations will become an essential capability for leading platform and application vendors because an increasing number of users will adopt, at least in part, the SaaS format of software solutions. The competitors in the SaaS enablement business will come from many backgrounds, including the application platform vendors (IBM, BEA Systems, Cordys), the application vendors (SAP, Oracle), the Web business vendors (Google, Cisco/WebEx), the computing platform vendors (Sun, Microsoft) and others: The SaaS space is an intersection of many technology evolution paths. This pressure to win new business and to retain or establish leadership in the now-extended platform market will result in a new cycle in the battle for platform domination, leading to a rise of new vendors and demise of some previous-generation leaders. Users must give preference to vendors that invest to establish standards where they are now absent and to maintain openness in all of their technologies – in order to be protected from some of the inevitable changes in the platform market landscape.

Tactical Guideline: By 2012, more than 33% of ISVs will offer some of their applications optionally or exclusively as SaaS, most using a third-party SEAP.

We believe that the SaaS style of application deployment and contracting with solution providers will continue to grow. The growth of this mode of operation into the mainstream enterprise space will put pressure on ISVs to offer the SaaS option. The smaller ISVs will not be able to develop their own platform technologies, nor to establish a scalable hosting environment. They will typically look to join an ecosystem of one or several larger vendors, offering a programmable platform for SaaS. The vendors that offer a programming and deployment environment that is based on standards will reduce cost for such adoption and will have an advantage in attracting a new ISV following over their nonstandard competitors. Meanwhile, we do not expect that demand for in-house deployed applications will dramatically decline in the next five years. Thus, most application vendors will be under pressure to offer applications in dual mode: available as SaaS subscription or as perpetually licensed software. Maintaining the dual model of their products can be expensive for the ISVs, but saying no to their prospects can be perceived as even more expensive. Some ISVs will make the transition to the SaaS model exclusively, others will manage the dual offering for some time, but most will have a SaaS option available.

Tactical Guideline: By 2012, every leading platform technology provider will offer a SaaS-enabled application platform.

We believe that the SaaS style of application deployment and contracting with solution providers will continue to grow. The growth of this mode of operation into the mainstream enterprise space will put pressure on vendors to create a degree of consistency in their technology to reduce the costs and risks for themselves and for users. The leading application platform vendors will invest to offer a programmable platform for SaaS applications based on their proven technology engines, aiming to take a share of revenue in the growing SaaS market and to capitalize on the opportunity to upsell their platform products into a new market.

Increasingly, the leading platform vendors are also application vendors – in this situation, the use of a programmable SEAP will enable a building of an ecosystem of third-party ISVs, utilizing the platform. This is a particularly attractive proposition for the lead vendor, increasing its market influence.

SaaS also presents a notable challenge to platform vendors: The key buyer of platform technology changes from a user organization to an ISV. The majority of business of the leading vendors of platform technology comes from the user organizations (enterprises), and most will be compelled to expand into SaaS quickly to prevent new competitors from establishing domination in this new market and with these new buyers.

6.0 Bottom Line

Simple SaaS support can be offered using existing standard platforms in an isolated tenancy model, but such an approach cannot compete with the ease of use, flexibility and scalability of the emerging SEAPs. Although most user organizations contract for a SaaS-style business application and do not engage in selecting the underlying application platform, users should be aware of the nature and characteristics of the platforms (even as application providers may want to hide the platforms behind the applications) and should give preference to SaaS application providers that are more confident and more competent in their platform engineering or who rely on an established full-function third-party SEAP. The platform underneath the application is an important predictor of the application's long-term flexibility, scalability and costs.