

Magic Quadrant for the CRM Customer Engagement Center

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VIEW SUMMARY

The Magic Quadrant reflects the slow emergence of globally scalable consumer-facing customer support applications in a multitenant cloud model. Consequently, many CIOs will favor an emphasis on CRM applications and projects for self-service, mobile, social engagement and real-time analytics.

Market Definition/Description

The CRM customer engagement center (CEC) refers to a logical set of business applications and technologies that are engineered to provide customer service and support (CSS), regardless of the interaction (or engagement) channel. The goal of the CEC is not only to provide reactive service to customers as they move among communications channels — including social media — while retaining the customers' context, but also to deliver the appropriate business rule to determine the next best action, information or process with which to engage the customers. This approach can be thought of as a concierge service, or proactive service, as the enterprise establishes processes to reach out to the customers to assist them when the enterprise sees that there is information or advice to deliver.

Until 2013, Gartner referred to CECs as "customer service contact centers." As the need to engage customers and prospects on new channels such as mobile devices and social media has expanded, we have evolved the term "contact center" to "customer engagement center," and thus, we renamed our Magic Quadrant in 2013 to reflect this change.

At their most basic level, CRM CEC applications handle a wide range of tasks, including engaging customers and prospects across multiple channels, and handling trouble ticketing, order management, case management, advisory services, problem diagnostics and resolution, account management, and returns management. Channels include Twitter, Facebook and communities or forums. The focus of the engagement might also be for government, nonprofits and higher education institutions, in which the target not always is customers, but also could be students or citizens. This support task may also involve knowledge-enabled resolution (such as advanced search tools), process-centric/enabled service resolution, community management, and management and service analytics dashboards.

CRM Business Applications for Customer Service Engagement

A complete CEC solution, although not yet available from a single vendor, will contain all of the following functional components:

- CSS problem management, trouble ticketing and case management (a core customer record)
- Knowledge-based solutions, content management and advanced desktop search
- Real-time analytics/decision support
- Social media engagement for customer service
- In-line support of mobile consumers and a native/hybrid mobile application
- P2P (community/blog/forum) support and/or integration
- CRM databases for account/contact/offer information
- Desktop integration with telephony, co-browsing, mobile and Web extension of the solution to online communities interested in P2P collaboration management
- Real-time feedback and surveys
- The ability to connect to remote sensors embedded in equipment such as consumer electronics

The agent must be able to support the customer, whether the customer is on a website or a mobile device, at a kiosk, on Facebook or on Twitter, or in a community or a blogosphere. This means:

- The agent sees what the customer sees.
- The agent knows the path the customer has taken before the voice conversation takes place (that is, he or she knows the communication context of the interaction).
- The agent has the tools to solve the customer's problem or address the customer's issue from a remote location.

The CEC needs to send out proactive, automated alerts. For example, when the status in a back-end

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STRATEGIC PLANNING ASSUMPTIONS

By 2018, 85% of customer engagement centers (CECs) for business-to-business support will be in a software as a service (SaaS) model.

Through 2017, 60% of core customer support functionality (that is, consumer-facing support) for CECs will be in a SaaS model, although 90% of buyers will prefer this model.

Through 2015, contextual advice and support delivered through analytics systems across all channels will be the key differentiators during customer engagement.

By 2015, at least 60% of the Internet users will opt for mobile customer service applications as their first option.

By 2016, 50% of peer-to-peer (P2P) community offerings will be packaged and sold alongside CEC offerings, leading to further market consolidation.

EVIDENCE

We performed more than 250 online surveys and telephone interviews with vendor references, as well as conducted more than 500 inquiries with Gartner clients evaluating the products. We also conducted vendor interviews and product demonstrations, as well as interviewed system integrators.

EVALUATION CRITERIA DEFINITIONS

Ability to Execute

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

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

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

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

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

Customer Experience: Relationships, products and services/programs that enable clients to be successful with the products evaluated. Specifically, this includes the ways customers receive technical support or

system changes to one in which the customer needs to be aware (such as a bank balance, credit card fraud, flight delays, available upgrades, price range reached, a special offer on cars or insurance policy exceptions), an alert is sent to one or several devices until the customer responds that he or she has received the notification.

The application must contain business rules for complex entities, such as contact, enterprise, subsidiary or partner, and the workflow processes to route a case, opportunity or order based on the rule set for the specific relationship. Optionally, the application should be available as a subscription service in a cloud-architected model for all relevant industries. (Some industries, such as telecommunications and federal government agencies, may not be ready for this model, and on-premises software or private cloud may be preferred.)

A case may be routed from one department to another, depending on type. The case can link to all interactions across channels, whether via email, online, SMS or a phone call. An application supports multiple languages simultaneously. In some situations, real-time decision support is important. Multiple back-end systems synchronize using their own rules — for example, credit card fraud; telecommunications-specific functions, such as telecommunications billing, service and resource management; product life cycle management; digital content; advertising bundling; and integrated order management.

An important evolution in the market is the as-yet-unsuccessful attempt to create a single business application that joins two sets of capabilities, such as the following:

- A customer record, the database and business process rules that enable agents
- The communications and context routing (for example, email, chat, co-browsing virtual assistants) that enable customers

Coheris, Eptica, Transversal, mplsystems, Interactive Intelligence and Anboto are examples of vendors (some of which aren't listed in this Magic Quadrant) that offer such customer-enabling applications for CRM.

Magic Quadrant

Figure 1. Magic Quadrant for the CRM Customer Engagement Center



Vendor Strengths and Cautions

Astute Solutions

Astute Solutions is a small (estimated revenue of more than \$20 million in 2013) niche provider of cloud-based (SaaS) and on-premises customer service functionality, primarily to the consumer affairs market and primarily in the U.S. and the U.K.

account support. This can also include ancillary tools, customer support programs (and the quality thereof), availability of user groups, service-level agreements and so on.

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

Completeness of Vision

Market Understanding: Ability of the vendor to understand buyers' wants and needs and to translate those into products and services. Vendors that show the highest degree of vision listen to and understand buyers' wants and needs, and can shape or enhance those with their added vision.

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

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

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

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

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

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

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

Strengths

Astute's products are evolving to meet changing customer demand, including cloud capabilities and knowledge management. It also has a clean and useful social product for CRM — Social Relationship Management (SRM). It has a good natural-language processing tool that is useful for customer sentiment analysis.

The company received high scores for its responsiveness when clients had support issues.

The new version of Astute's ePowerCenter, now with beta customers, will be available either on-premises or in a cloud subscription model, and it will be primarily in small and midsize customer service centers (15 to 100 agents). It has a cloud-based computer telephony integration (CTI) component, and it also offers support of mobile devices.

Astute has strong knowledge of and functionality for customer service processes in industries such as restaurants, hospitality, consumer goods and retail (nonbanking or other financial services), as well as best-of-breed capabilities, such as Facebook-based chat.

Cautions

Astute is a small company (fewer than 100 employees), and it has a limited software partner ecosystem and a small integrator/consultancy partner practice. With a better-focused sales and marketing organization now, it has greater market reach, but it remains focused on the U.S. and Western Europe.

References point out weaknesses, such as an old-feeling user interface and weak mobile support capabilities, as well as poor upsell/cross-sell and poor offer management functionality.

One percent of references list the products from Astute on their shortlists for CEC.

The system is rarely deployed in large-scale, multichannel operations of large, distributed international service environments.

CRMnext

CRMnext, a product division of India-based Acidaes Solutions, first came to market in 2002. It is an interesting alternative for prospects primarily in Asia in verticals such as banking, insurance and automotive. It provides both an on-premises and cloud-based customer support solution, largely on a Microsoft platform. It has versions of its products for the small, midsize and large enterprises.

Strengths

CRMnext has good regional strength in India, Hong Kong and Singapore, as well as a presence in parts of the Middle East and Africa.

The product was rated high on cost to value, or ROI, versus peers' products.

CRMnext's product has a single code base for both on-premises deployments and cloud-based offerings.

The CRMnext professional services team has good product understanding, although there is not enough third-party knowledge to offer customers an alternative.

The product has good workflow, and it has been deployed with integrations into numerous internal systems.

Cautions

Some clients have expressed hesitancy about the Microsoft SQL Server environment, citing it is hard to install and maintain, although other databases are supported.

Adherence to software rollout timelines has been cited as an issue, which may have to do with the immaturity of CRM in parts of Asia, where CRMnext is doing business.

The company has not provided a good road map for future product releases and enhancements.

The mobile component appears lower in rankings versus the peer group, and the Web self-service design is in need of improvement.

Eptica

Eptica, a sub-\$15 million niche vendor of CEC solutions, serves primarily the European business-to-consumer (B2C) market. The Eptica products are geared to customer self-service and engagement tools that augment, rather than replace, a customer service software package. It has a good platform for email response management and knowledge management, as well as social engagements that are integrated into a CRM desktop.

Strengths

Eptica has found European partners to build out contact center infrastructure.

Eptica offers strong knowledge management capabilities with self-learning features, leveraged through its linguistic capabilities. Eptica's well-documented open APIs enable the creation of a single knowledge base for Web, social media and mobile self-service.

Eptica provides good capabilities for Web community engagement and collaborative management.

Eptica offers video customer service through the use of "How To" videos linked to the knowledge-based articles.

Eptica offers good reporting functionality and guidance.

Cautions

The company is a good Western European regional provider. Outside of this area, prospects should be particularly cautious during the reference-checking process.

Although the company scores well on software capabilities, there is frustration at the limited choice of professional services partners.

CTI, call scripting, predictive marketing and social media management capabilities are not best-in-class.

The product is not generally a replacement for a CRM customer record but, rather, is a layer of applications that helps to navigate customers across channels.

Lithium Technologies

Lithium Technologies has made four acquisitions in five years as it builds out a broader set of marketing-oriented capabilities for social engagement. The latest came in March 2014, with the acquisition of Klout. Lithium is focused more on marketing than on CSS, and its broadening set of cloud-based platform products looks at both business-to-business (B2B) and B2C organizations globally. Its offering is not a traditional customer service CRM system. It is because of its strong focus on customer engagement on social channels, while connecting these interactions (as necessary) to a broader CRM initiative or process, that Lithium is included in this Magic Quadrant.

Strengths

The Lithium product is not a substitution for the traditional agent desktop. However, the community platform continues to undergo broadening and enhancements. For example, the social moderation tool allows service organizations to both support online user communities and engage those customers.

Lithium is rated as strong by reference customers for the ease of use of the interface, and the product's connectivity with underlying CRM systems is simplified via good APIs.

Lithium provides good professional services for setup, advice on creating social media engagement teams (a unique value-add is gamification techniques), and ongoing analytics on the progress and effectiveness of the support organization engaging on social media.

The Private Support Manager module allows an agent to continue a conversation that begins inside a public area, such as an online community, and continues into a one-on-one conversation, whereby more corporate information about the customer can be brought to bear on how to proceed with the client.

Cautions

Lithium's system is not a replacement for a traditional CRM system. It lacks a customer master, and it must link to the systems in which the customer information and other business rules exist.

In an evolving "mobile-first" world, the product capabilities are improving, but current references said they lack maturity.

The acquisition of Klout, together with the earlier Scout Labs acquisition, may signal a focus on marketing programs versus CSS organizations. It is too early to judge the value of the acquisition to CSS organizations.

Industries such as health insurance, telecommunications, governments, universities and most other industries should think of Lithium's system as part of an augmentation strategy to deepen customer engagement.

As a private company, revenue and new customers for the past 12 months in the area of CEC are difficult to validate. This situation, combined with limited global consultancy relationships, hampers the expansion of the broader product set for customer engagement to a global market.

Microsoft

The Microsoft Dynamics CRM product for CSS has had sustained client interest and continues to be used for on-premises deployments and in nontraditional customer service contact environments. The upcoming release of Microsoft Dynamics CRM 2013 Service Pack 1 (SP1) in the first half of 2014 will introduce the new Unified Service Desk for service agents, as well as social channel integration. (Microsoft CRM 2013 SP1 is expected to deliver an integration with Microsoft Social Listening in the third quarter of 2014.) It will be the first viable cloud-based product for more than 250 agent support centers. We cannot evaluate the new release because there are no references as of the second quarter of 2014. The real value and strength of the on-premises product is in supporting a customer request for information, or the needs of students, citizens or government officials to interact with other people, versus a scalable CEC. There are many scenarios across industries (examples are government, healthcare, higher education, real estate and retailing), in which the flexibility of the on-premises system to support a range of interactions makes it a good shortlist product.

Strengths

The acquisition of Parature (see "Parature Acquisition Deal Boosts Microsoft Dynamics CRM Solution") adds good self-service software capabilities and the expertise of the Parature team.

The Microsoft Dynamics CRM product has good overall attributes, such as built-in workflows, a highly regarded Software Development Kit (SDK), good customization capabilities, a growing end-user community contributing ideas, and multichannel process integration.

The product blends sales, service and marketing, as well as tightly integrates with other Microsoft assets, such as Office and SharePoint, and offers the promise of deeper integration of Lync and Skype.

There has been continued improvement of the user interface — in particular, screen layout, active fields, intuitive scripting and reduced keystrokes — to accomplish standard tasks. The release of the new Unified Service Desk in the first half of 2014 will allow customers to handle more-complex back-end integrations.

The company has the benefits of solid financial standing and commitment to the CRM product line, global data centers, sales, marketing and service, access to a deep bench of developer resources,

and global deployment partners.

Cautions

The product scored poorly on key areas for real-time engagements, such as predictive marketing, social media engagement, mobile chat and social/co-browsing.

The Parature product acquired by Microsoft has strong knowledge management, chat and email response, yet it must be brought to market with a look-and-feel graphical interface identical to Microsoft Dynamics CRM 2013. The product is built on a multitenant SaaS model with a development environment similar to, but not identical to, the Microsoft core product.

For analytics, Parature support for embedded SAP BusinessObjects solutions is expected to continue; however, users as well as prospects should clarify the specifics of future releases of products.

Clients mention as a concern the lack of trained professional services partners that understand best-in-class customer service centers and how to configure Microsoft Dynamics CRM to achieve this. Although Microsoft has good development tools, customers do not find them directed at CSS scenarios.

Outside of some areas of the public sector, the product does not provide industry templates that deliver a significant amount of functionality and process flow out of the box. Prospects should look to the Microsoft Marketplace for other industry capabilities and templates.

For an organization with complex customer service center requirements, on-premises is the only proven option today. Also, arriving at an accurate sense of infrastructure requirements is challenging. A multitenant cloud version of the customer service product for large and globally distributed CECs cannot be demonstrated.

For third-party support, prospects should evaluate the local partner's capabilities in providing support.

Nice Systems

Nice Systems has yet to move the market toward its quality software that improves insightful customer interactions and, thus, it has yet to jump ahead on prospect shortlists. It is a nontraditional provider of CEC, in that it does not own the customer record. Nice's tools are more of a complementary offering, often making it a complicated purchase decision for customer service managers. Nice's offerings provide the agent with actionable information in real time.

Strengths

Nice's Real-Time Impact (RTI) product helps with decisioning and is useful for customer service organizations tasked with upselling/cross-selling during inbound interactions.

It has a good set of tools to follow the customer journey, such as cross-channel real-time interaction support, process automation and guidance, interaction analytics, customer propensity and pattern analytics (through the Causata acquisition), and compliance and recording tools.

The integration of real-time feedback and the advances in support of the mobile customer are giving Nice not only greater appeal to prospects, but also greater reach.

References cite the ease with which not only information and data from multiple systems can be assembled, but also the workflows can be created to drive the customer dialogue.

The integration of RTI with the rest of the vendor's assets for recording, agent training, governance, analytics and back-office workflow support creates good synergies for prospects owning other Nice products.

Cautions

Based on reference data, Nice has very limited capabilities for service request and activity management, role-based or skills-based routing, business rule workflow, and case management. Furthermore, it does not provide social media management, mobile chat, knowledge management, co-browsing or marketing functionality. Therefore, it is complementary to a CEC core system.

Not all organizations find the methodology of the Nice professional services group intuitive or easy to follow. The company can be flexible, although it requires some persistence.

Nice does not spend sufficient energy focused on the emerging need for customer engagement by service agents on social media channels, such as Facebook, Twitter and user communities.

There is no multitenant cloud version of the core RTI product.

Pricing policies, although in line with other software providers' pricing, are not sufficiently transparent to prospects.

Oracle (Oracle Service Cloud)

Oracle Service Cloud is the customer service product acquired as part of Oracle's acquisition of RightNow Technologies in early 2012. Oracle has doubled development funding, and the product is integrated into the Oracle technology stack. It is the cloud offering for Oracle customers and prospects looking for a customer service cloud solution with a subscription model. The product is available as a stand-alone solution and as part of a broader Oracle solution.

Strengths

The product is trusted increasingly for greater scalability as it leverages selective Oracle technologies. Oracle has several technologies that it continues to weave into the offering to augment its capabilities.

The product provides cross-channel customer service functionality in the CEC, including case management, knowledge base, customer portal design tools, customer self-service and feedback management.

The solution, delivered as a subscription service in a cloud model, is straightforward to set up and configure, and it does not require deep IT involvement.

Oracle Service Cloud has a strong global presence. This is true in the high-tech industry; government agencies; retailers; education, travel and consumer electronics industries; and branches of telecommunications. It does not focus deeply on industry-specific processes — for example, billing, price catalogs, order execution and underwriting.

Cautions

Closely integrated social media management was not highly rated by reference customers; however, with the new integration to Oracle Social Cloud, it should give Oracle Service Cloud greater capabilities. Ask Oracle for reference customer contacts for the new integration to Oracle Social Cloud as the references become available.

Gartner has not seen large deployment teams or configuration teams from the largest system integrators and global consultancies, such as IBM, Accenture, Deloitte and Capgemini, for the CEC or traditional contact center desktop.

Gartner clients that were customers of RightNow Technologies and that now face contract renewals have voiced concern about rising net software costs, and they perceive there is less of a sense of a product road map.

The solution is cloud-based. Prospects with a preference for on-premises deployments will need to consider on-premises alternatives.

Oracle (Siebel)

The availability of Oracle's Siebel Open UI opens new possibilities for organizations committed to Siebel in the customer support center. Eight years after Oracle acquired Siebel Systems, the Siebel Contact Center and Service product continues to be sold, maintained and modernized, albeit not rearchitected in a SaaS/cloud multitenant model.

Strengths

Siebel remains one of the only large-scale customer service contact center products deployed globally by large enterprises in 2013 across multiple B2B and B2C industries.

As of the first half of 2014, Oracle Siebel continues to receive higher-than-average ratings from customers for core capabilities, such as service request management, activity management, case routing, business rule workflow, and case and asset management.

The new Siebel Open UI on versions, specifically on version 8.1.1.10, when referenceable (Gartner expects this to be by the middle of 2014 for customer engagement, although we have solid references for internal help desks), will introduce a much-improved user experience.

The acquisitions and native developments that are part of the Oracle Social Relationship Management product lines will give Siebel greater capabilities for social media management, but there were no references with whom to speak.

The product line has global software support and distribution, and it has a global presence of professional services for multiple industries.

Cautions

The product is neither best-in-class for mobile consumers wanting in-line support, nor best-in-class as a peer-to-peer community capability tightly connected to the customer service process. We have not seen the system providing an advanced social media management capability.

Siebel is an on-premises software product, and there are no plans to rearchitect it to deploy with a subscription cloud product. Oracle does offer customers the option of having the application managed for them as a private cloud deployment.

Customers should check that the new user interfaces address the requirements for the current generation of customer service agents. The Siebel Open UI delivered in two releases, Innovation Pack 2012 and Innovation Pack 2013, enables new Siebel UI templates for scenarios such as mobile and CEC. To synchronize CRM data into email or different types of calendars, customers can purchase Siebel CRM Desktop (Siebel on Lotus Notes and Outlook), or use CalDAV support.

Before making a decision for Siebel Contact Center and Service in their industry and geography, prospects should perform reference checks of similar businesses that have deployed the prospects' version of the product in the past 15 months to ascertain that the software version has local professional resources to assist with the deployment.

Non-Oracle customers running B2B customer service or technical support centers may find Siebel Contact Center and Service either too functionally rich or costly (that is, if prospects have simple requirements or a small number of users).

Pegasystems

Pegasystems is rated highly in both this Magic Quadrant and the "Magic Quadrant for Intelligent Business Process Management Suites." The company has made a bold bet on the future of the mobile customer with its acquisition of Antenna Software in the fourth quarter of 2013. With more than 2,500 employees worldwide focused on business processes, Pegasystems is among the thought leaders in the CRM industry overall. Its revenue grew in double digits in 2013, and it achieved more than \$500 million in revenue.

Strengths

Pegasystems received the highest evaluations of any CEC software provider in the areas of service request and activity management, case routing, role and skills-based case assignment, business rule workflow, and case management.

In the CRM space overall, Pegasystems has the best ability to model and predict a customer's

behavior, create a workflow to support that customer, and to then associate the best action to execute with (and for) the customer.

The company has expanded the reach and depth of its professional services partner network, as well as improved slightly in the area of partnerships with complementary vendors.

The company delivers industry-specific best practices that we have evaluated, specifically for insurance, healthcare and financial services, as well as prebuilt templates, which accelerate adoption.

The acquisition of Antenna Software added more than 200 dedicated development resources to the company's efforts to become a top provider of mobile-first CRM solutions.

Cautions

The product was rated by references as lacking in key functionality and usability for marketing, social media management and in-line support of mobile applications (such as contextual knowledge, search or chat).

The majority of traditional IT-driven organizations do not favor Pegasystems' business process management (BPM), model-based approach (which is different from traditional software coding environments) for CEC. Whereas industries such as insurance, healthcare and financial services are drawn to a product with a rule engine to resolve complexity, the product may not be the ideal choice for a shortlist in which there are infrequent changes and low complexity.

Pegasystems has less multi-industry experience outside North America and the U.K., and prospects should look for references with similar requirements.

Prospects that are not versed in BPM find application pricing high versus other products on the market.

salesforce.com

Salesforce.com is in the enviable position of appearing on the majority of prospect shortlists for B2B CEC solutions. In 2013, salesforce.com's revenue grew 35% compared with the previous year and reached \$3.67 billion. Gartner estimates that 40% of new revenue came from the Service Cloud line, making salesforce.com the leading CEC vendor, as measured by sales volume. However, it is not a leader in complex B2C service centers and lags in certain aspects of best-of-breed social media engagement vendors. The company has yet to host the applications in a European data center, although it has plans to do so during 2014.

Strengths

For B2B customer service operations, especially those with an established salesforce.com presence in the sales department, Service Cloud is recognized as a de facto shortlist product by most North American and Western European organizations. Several key new Service Cloud global deployments in B2B demonstrate the product's scalability.

Key new customers — from both B2B and B2C — have shown enough faith in the customer service contact center product to invest more than \$10 million per year, as well as to retire homegrown systems and/or systems from competitors that were at an end-of-life stage, and they consider the salesforce.com application platform a strategic asset.

The salesforce.com product for customer service has an excellent graphical user interface (GUI), simple design tools, intuitive navigation and a good understanding of the importance of communities. References for Web communities have been through primarily integrations with partners that provide the Web community capability. There is good integration with content management systems and back-end systems, such as Oracle ERP, SAP and telephony infrastructure.

Salesforce.com core objects and clouds are built using the same underlying kernel (for example, Sales Cloud and Service Cloud). This strategy allows it to better-leverage infrastructure, code and developers across products.

The added benefits of the customer portal, partner portal, social media monitoring and the Salesforce Ideas products draw customers to the Service Cloud.

Cautions

Salesforce.com is now building and supporting at least eight major product lines: Service Cloud, Sales Cloud, ExactTarget Marketing Cloud, Work.com, Data.com, Desk.com, Salesforce1 Platform and Chatter. Chatter is used by all of the main product lines. Even for a larger product development team, this diversity is challenging efforts to build a global-class business to consumer CEC product.

As clients build out more-complex CEC capabilities, they discover maintenance complexities that were not apparent when the installations were simpler; when combined with software costs, such capabilities also result in a higher-than-expected total cost of ownership.

Salesforce.com support does not demonstrate sufficient depth or consistency yet to deal with a global set of complex customer service environments in a timely manner (for example, those that require integrations and ongoing support of phone switches, email exchanges or back-end real-time processing systems).

References relate that product pricing for complex customer service environments is not as transparent as the published guidelines suggest.

The vendor is only at the beginning of addressing the needs of large, complex, retail, B2C contact centers — that is, large-scale, high-volume call centers where processes must be continually synchronized and monitored, such as retail banking, loan origination, insurance policy administration, bill processing and fraud management. Prospects should base decisions on proven references in their industry and process model.

The company has limited Asian, South American or Eastern European presence in larger-scale

(more than 200 seats) CECs.

SAP

The SAP CRM application is most challenged in the customer service market, although SAP's vision around the engaged customer has greatly improved, in particular the articulation of the new combined offering for cloud: SAP Cloud for Social Engagement, analytics, and the SAP Hana Cloud platform. We are evaluating only the on-premises version of the product, as we have been unable to find suitable scalable references for the cloud product (SAP Cloud for Service). The on-premises product lags market requirements for a proven, scalable CEC business application.

Strengths

SAP is a strong and profitable company, mitigating the financial risks of making a large and ongoing investment in the product.

References for SAP CRM 7.0 EhP2 (also known as Enhancement Package 2), all on-premises, endorse the application for essential case management.

The product has functional breadth for B2B manufacturers, with good integration capabilities and knowledge of end-to-end B2B processes.

The integration of SAP Hana Advanced Analytics and the choice of either on-premises or cloud-based CEC (SAP Cloud for Service) helps the product gain more traction outside of a portion of the installed base.

SAP's marketing of an integrated business application suite that supports end-to-end customer processes is compelling to clients from an IT and line-of-business perspective, because it simplifies the application portfolio and promises better speed-to-solution delivery.

Cautions

Although momentum for its CRM applications has greatly increased, SAP still sells its CRM applications primarily to its installed ERP base and IT organizations, rather than to business leaders.

New reference clients are typically in the range of 40 to 150 users and are all on-premises customers. They have given SAP low scores for postimplementation support responsiveness.

We have not seen strong support of mobile consumers.

We have not seen the multitenant cloud (SAP Cloud for Service) product in a scalable deployment. Some of the challenges appear to be the newness of the cloud product, and the separation (from a marketing perspective) between the on-premises SAP CRM interaction center technology and the CRM Customer Support software that is a part of SAP Cloud for Service.

We have yet to see deployments of the customer service solution for a complex environment in a multitenant cloud model.

The company has not kept pace with market demand for advanced real-time decisioning/next-best-action solutions, integrated offer management, industry-specific solutions, knowledge management, or mobile customer support. SAP clients should not expect SAP to close this gap through 2015.

SugarCRM

SugarCRM is a 10-year-old CRM application provider with more than 350 employees, and it is the only major CRM application vendor built on an open-source platform. It has raised more than \$125 million in investment capital. It is privately held, but we estimate that it has grown revenue to just under \$75 million. We estimate that less than 25% of 2013 revenue was derived from customer service software. Most of its CEC deployments are to small and midsize support organizations.

Strengths

The company has more than 1 million users, and the user population is distributed across more than 20 countries. We estimate that it is profitable and has sufficient funds to continue development.

The product for the CEC is the only scalable open-source product available globally, and SugarCRM continues to release frequent enhancements, including the recent release of version 7 in the later part of 2013.

For small and midsize support organizations where SugarCRM is already deployed for sales automation, especially in B2B settings, the product should be considered for shortlists.

Cautions

Survey data shows that the company appeared on 5% of CEC shortlists in 2013.

Implementations for CEC/customer service are primarily on-premises, with few containing CTI, or with more than 250 support agents in multiple locations.

Reference clients noted a lack of maturity in Web collaboration and in supporting mobile customers. Some reference clients found email response capabilities below average.

The product is not strong in providing decision support, business process automation or industry templates.

We have not seen an international customer support organization of 250 or more support agents using the product in the cloud.

Verint (Kana Enterprise)

Verint acquired Kana Software from Accel-KKR in the first quarter of 2014 (see "Verint-Kana Deal Extends Channel Support for Intelligent Interactions"). The Kana division has three products in the CEC market. This review is specifically for Kana Enterprise because of its focus on midsize- to large-enterprise customer service. The second product, Kana Express, is focused on the midsize and small business. A

third line of business is focused on the public sector. This multipronged strategy could slow its leadership potential in the emerging CEC market through the first quarter of 2015, although the acquisition by Verint will have a positive impact, if it demonstrates the broader value proposition.

Strengths

The combined assets of Kana and Verint, together with the broader reach and access of the Verint sales force, could, over time, yield to the deployment of best-in-class CECs. The Kana Enterprise, with an agent desktop, knowledge, social and mobile components (notable was the new release in April 2013), gives the company good material to scale an integrated product.

The product can be configured for multiple user roles, which speeds the average handling time for a task, streamlines/shortens the training period and makes new complex processes easier to introduce.

Cautions

Web integration into the core Kana agent-facing desktop tool must be simpler, with better multichannel work queuing. Social media management and advanced search have not been well-received by some references in 2013 and the first quarter of 2014.

Recent prospects found the procurement process complex and prices significantly above comparable products, although we have seen the company make strides to be more streamlined in the process.

Coordinating the existing broad set of CSS tools to reach many constituencies, even without the Verint acquisition, will be challenging. The products cover the public sector, midsize businesses, the traditional customer service representative and those looking for social media tools. Verint's sales and marketing organization will require 12 months to better-focus on selling Kana Enterprise, integrating the multiple Kana products into the overall Verint product strategy, and gaining mind share.

For businesses looking for a multitenant SaaS platform model for the CEC from Verint, ask to speak with references who have such a system, as we have not been able to verify Verint's cloud capabilities for Kana Enterprise.

Prospects should look for the local availability of professional services personnel for the specific product set that they wish to deploy, backed by references.

Zendesk

Zendesk was founded only in 2007, yet it has grown and scaled the company to support more than 40,000 customers across the world, 85% of which we estimate are small implementations of less than 20 users. The company is preparing for an initial public offering (IPO), perhaps in late 2014. Zendesk's product has a cloud-based SaaS subscription model and appeals primarily to small-to-midsize support organizations with simple needs. The company has several product packages, and we evaluated the Enterprise package for this Magic Quadrant.

Strengths

In 2014, reference customers gave Zendesk the highest overall satisfaction scores of any vendor on the CRM CEC Magic Quadrant for product implementation.

The user interface is very well-designed and receives high praise from reference customers. For supervisors, in particular, many of the product features are also available on mobile devices, such as the Apple iPad.

As a modern system with published interfaces, it is straightforward to integrate with social media tools or telephony products. Because it is not a CRM system with an underlying customer record, it often will integrate with other CRM packages, such as Microsoft Dynamics CRM.

The SaaS architecture allows the product to be deployed in most key world markets, and the recent acquisition of [Zopim](#) for chat is encouraging.

The company has a good presence for support and data in Western Europe and the United States, with additional offices in Australia, Brazil, Singapore and Japan.

Cautions

The future will be one of a mobile-first customer, yet reference customers found support of the mobile customer to be immature and insufficient.

We were unable to validate the solution for large and/or complex customer support organizations. Prospects should demand industry-, geography- and process-specific references before proceeding.

Reporting and analytics are acceptable, although customers would like more-advanced features, which we expect in the late second quarter with the release of Zendesk Insights.

Zendesk's customer support tool is not feature-rich, and it does not have specific functionality for most industries. It assumes that the user group will use the open APIs to integrate into the underlying systems that hold the rules for other customer activities.

The product is not a replacement for the core system of record, but rather, it integrates to such an ERP and CRM system.

Vendors Added and 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's appearance 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. It may be a reflection of a change in the market and, therefore, changed evaluation criteria, or of a change of focus by that vendor.

Added

In 2014, we included CRMnext, Eptica and SugarCRM in the CRM CEC Magic Quadrant. They are Niche Players, serving primarily a narrow market. CRMnext's B2C application is found primarily in Asia's market as a customer support tool for financial services and other industries. In the case of Eptica, its solution is primarily an add-on to ongoing customer support, providing email response, knowledge management, search, chat, and case routing and management. SugarCRM's solution is found as an extension to its core sales automation product.

Dropped

As a result of Microsoft's acquisition of Parature in 2013, we have combined Parature with Microsoft as part of the Microsoft Dynamics CRM product family.

We have dropped Amdocs, as we no longer have evidence that it is selling into industries other than communications service providers.

Inclusion and Exclusion Criteria

Factors that affect our evaluation are the presence that a vendor has in the market, and the observed momentum of its growth. A vendor with stagnant sales or an ineffectual marketing organization should concern prospective buyers. Gartner's criteria specify that vendors should:

- Have a minimum of 15 customers using the latest version of the same software for CSS functionality in a contact center, including examples of social media integration

- Have at least five new customers for customer service and support during the past four quarters in at least two geographic regions — for example, the Asia/Pacific region, Latin America, South America, North America and Europe

- Be able to demonstrate at least \$7 million in software revenue for core CSS in the contact center/CEC (that is, as the desktop of record) from new clients during the past four quarters

- Demonstrate that they will equal or exceed the previous four quarters of business results in the upcoming four quarters

- Appear regularly on client shortlists

- Have a practice with sufficient third-party consulting and integration firms to grow at a double-digit pace for five years

- Have sufficient professional services to fulfill current and future customer demands during the next six months, and at least enough cash to fund a year of operations at the current burn rate

- Have the technology to support an extension to cross-channel customer service, without the need to code in a new development environment, including mobile and social media

- Be trendsetters or market movers, based on their software and strategies

Evaluation Criteria

Ability to Execute

Gartner analysts evaluate providers on the quality and efficacy of the processes, systems, methods or procedures that enable IT provider performance to be competitive, efficient and effective, and to positively impact revenue, retention and reputation. Ultimately, providers are judged on their ability and success in capitalizing on their vision.

Product or Service

This criterion includes core goods and services (offered by the vendor) that compete in/serve the defined market. This includes current product/service capabilities, quality, feature sets, skills and so forth, whether offered natively or through OEM agreements/partnerships.

Overall Viability

Viability includes an assessment of the overall organization's financial health, the financial and practical success of the business unit and the likelihood of the individual business unit to continue to invest in the product, continue offering the product and advancing the state of the art within the organization's portfolio of products.

Sales Execution/Pricing

This criterion includes the vendor's capabilities in all presales activities and the structure that supports them. This includes deal management, pricing and negotiation, presales support and the overall effectiveness of the sales channel.

Market Responsiveness and Track Record

This criterion includes the 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

This criterion is defined as the clarity, quality, creativity and efficacy of programs designed to deliver the organization's message in order to influence the market, promote the brand and business, increase awareness of the products, and establish a positive identification with the product/brand and organization in the minds of buyers. This mind share can be driven by a combination of publicity, promotional, thought leadership, word-of-mouth and sales activities.

Customer Experience

Customer experience includes 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 forth.

Operations

This criterion looks at 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.

Table 1. Ability to Execute Evaluation

Criteria

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

Source: Gartner (April 2014)

Completeness of Vision

Gartner analysts evaluate providers on their ability to convincingly articulate logical statements about current and future market direction, innovation, customer needs, and competitive forces and how well they map to the Gartner position. Ultimately, providers are rated on their understanding of how market forces can be exploited to create opportunity for the provider.

Market Understanding

This criterion is defined as the ability of the vendor to understand buyers' needs and translate these needs into products and services. Vendors that show the highest degree of vision listen and understand buyers' wants and needs, and can shape or enhance those wants with their added vision.

Marketing Strategy

Marketing strategy involves a clear, differentiated set of messages consistently communicated throughout the organization, externalized through the website, advertising, customer programs and positioning statements.

Sales Strategy

This criterion entails the strategy for selling products that uses the appropriate network of direct and indirect sales, marketing, service, and communications affiliates that extend the scope and depth of market reach, skills, expertise, technologies, services and the customer base.

Offering (Product) Strategy

This criterion is defined as a vendor's approach to product development and delivery that emphasizes differentiation, functionality, methodology, and feature set as they map to current and future requirements.

Business Model

This model involves the soundness and logic of a vendor's underlying business proposition.

Vertical/Industry Strategy

This criterion is defined as the vendor's strategy to direct resources, skills and offerings to meet the specific needs of individual market segments, including verticals.

Innovation

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

Geographic Strategy

This criterion entails 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.

Table 2. Completeness of Vision

Evaluation Criteria

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

Source: Gartner (April 2014)

Quadrant Descriptions

Leaders

Leaders demonstrate market-defining vision and the Ability to Execute against that vision through products, services, demonstrable sales figures, and solid new references for multiple geographies and vertical industries. Clients report that the vendors deliver a high level of value and return on their commitment. The development team has a clear vision of the emerging area of customer engagement and the mobile-first future. They engineer flexible products that have easily changeable business rules. They factor in the impact of social networking on customer service requirements. A characteristic of a Leader is that clients look to the vendor for clues as to how to innovate in customer service in areas such as embedded sensors in equipment, mobile support and extension to social communities. The vendor does not necessarily drive a customer toward vendor lock-in but, rather, provides openness to an ecosystem. When asked, clients reply that a Leader's product has affected the organization's competitive position in its markets and helped lower costs. Leaders can demonstrate \$50 million in sales to new customers during the past year.

Challengers

The vendors in the Challengers quadrant demonstrate a high volume of sales in their chosen markets (that is, more than 30% of new business by percentage comes from more than one industry, and more than 50% of new sales come from sales into the broader installed customer base). They understand their clients' evolving needs, yet they may not lead customers into new functional areas with their strong vision and technology leadership. They follow the Visionaries. They often have a strong market presence in other application areas, but they have not demonstrated a clear understanding of how to win new business for the CRM CEC market outside of the installed base. They may not be well-positioned to capitalize on emerging trends. Lacking a SaaS-architect cloud model, the product and/or vendor that may have fulfilled other Leaders criteria could be found in the Challengers quadrant. The vendors in the Challengers quadrant may not have strong worldwide presence or deployment partners. Vendors in the Challengers quadrant can demonstrate \$50 million in sales to customers during the past year.

Visionaries

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

Niche Players

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

Context

The world of customer interaction now revolves around the concept of engagements — engagements that happen across multiple channels. Some of these are human-assisted, some are automated, and some require customer self-service through search tools or social media channels. The established business applications for the CEC function are largely obsolete because of their outdated programming models, lack of a native cloud and native-mobile architecture and poor abilities in social media engagement as a part of a customer service offering. They are simplistic and restricted by inflexible configuration rules and procedures that govern the input, retrieval, and flow of data and information. They support collaborative interactions poorly. Despite the high value of these systems, they have failed to evolve to incorporate new ideas, such as social experience design concepts, into customer interaction applications for customer service. Without collaboration capabilities "baked" into the software, interaction among employees and between employees and customers is limited, and best practices are hard to capture or suggest.

The major vendors developing customer management software fail to see sufficient economic value in rearchitecting their software for social experience. They are aware of the innovations brought on by communication software and social software, and they are actively pursuing an acquisition strategy. They understand that the social revolution in software will adversely affect sales of their core systems during the next five years. By pursuing a tactic of acquisition and integration, Oracle, SAP and salesforce.com are making good progress, whereas many other vendors covered in the Magic Quadrant lag behind in

innovation in this area.

Organizations are rarely able to migrate from an old system to a new one. More than 500 companies have demonstrated that it is possible to take an augmentation approach by which social CRM tools and internal social tools for collaboration and sharing are integrated into the CEC environment. Workflows and rules are written, often in the CRM system, and passed to the social stage for more-complex deployments, as experience is gathered. This is the reason that Gartner is pressing the concept of the CRM CEC as a seamlessly integrated solution that embraces social media engagement.

As more-complete social- and mobile-centric CSS systems — CEC suites, which have a deeper mastery of real-time analytics — reach the market in 2014 and 2015 and beyond, the business case for migrating to the new tools will be easier to demonstrate. There are industry-specific and geography-specific considerations that will cause businesses to accelerate investments in innovation in social-centric interfaces. The U.S. is still ahead of Europe and other geographies in social media for business processes, although this is not the case for mobile. High-tech, media and entertainment, retail and consumer goods industries, telecommunications providers, and banking industries need to move forward during 2014 and 2015. Mining, chemicals, industrial machines, and oil and gas industries are under far less pressure to evolve.

Market Overview

The market for CEC applications for CRM customer service is fragmented, based on the complexity of the information required to support the customer and the complexity of the business rules or processes that form the steps in an interaction. In many parts of the world, such as Eastern Europe, India, South America and China, cloud-based customer service business applications are not yet the preferred model due to data residency and latency.

There are many good vendors not found in this Magic Quadrant that we regularly recommend for consideration, including (but not limited to):

- Amdocs
- BPMonline
- Coheris
- Conversocial
- Dimelo
- eGain
- Freshdesk
- Infor
- Jacada
- mplsystems
- Moxie Software
- Vertical Solutions
- Zoho

Gartner analysts are available for assistance with evaluations and comparisons of these companies and products, and others. As a delivery model for CRM CECs, SaaS is being accepted and preferred by many organizations. However, Gartner has observed resistance to SaaS in several areas, including:

- Locations in which there is greater caution due to fears regarding data privacy, latency and application availability — for example, Central and Eastern Europe, many parts of Asia (such as India and China) and South America

- National/federal governments and healthcare organizations in which regulations inhibit penetration

- More-complex environments with high call volumes, high transaction volumes and real-time integration with legacy systems, which can slow performance

In our evaluations, we point out when we foresee a potential challenge for a product based on these limitations. Through the second half of 2015, complete customer service solutions delivered in the SaaS model will continue to be most prominent in the B2B, low-volume call/contact center, or in the non-process-intensive B2C centers.

As the market matures, the rating scales from one year to another can shift. The result is that a product that has not improved or declined could still show a shift in position on the Magic Quadrant that has resulted from a change in the weighting of a criterion between 2013 and 2014.

By 2015, as more applications are built in a cloud-based model, and EU and Asia's data centers are deployed by the vendors, SaaS will emerge as a critical selection factor at all levels of the CRM CEC. In 2013, at least 75% of CECs used some form of SaaS application as part of the CRM CEC solution. This could be for knowledge management, desktop CRM functionality, feedback management or chat. Through 2015, fewer than 25% of organizations will select SaaS for complex business process support.

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