

Executive Summary

Customer Relationship Management (CRM) defines both a class of enterprise applications and a business strategy. The latter reflects how enterprises are transforming organizations and processes and using technology to identify, attract, serve, and retain customers in the new global economy. To this end, enterprise CRM applications and supporting technologies are increasingly being planned and deployed in an integrated fashion.

As a result of this drive toward integration, CRM business initiatives and technology solutions deployments are becoming more sophisticated and complex. This evolution can be traced by a number of industry trends that have emerged over the last five years:

- **Changing ROI Drivers and Benefits** — Early sales force automation (SFA), customer service and support (CSS), and other CRM application deployments were focused on reducing costs of sales and improving internal efficiencies. Over the past five years, however, enterprises have started to use CRM to improve sales and marketing efforts and offer superior customer service to increase selling opportunities and create customer loyalty — thus promoting growth and resulting in increased revenues.
- **Enterprise CRM Initiatives** — Driven by global market and competitive forces, and attracted by the potential ROI benefits of lasting customer relationships, enterprise decision-makers have made CRM a top business and IT planning priority. This high level of visibility and its impact across enterprises have served to highlight challenges such as organizational stovepipes, unconnected processes, and incompatible IT systems — issues that have spurred the creation of multidisciplinary approaches to CRM planning, design, and implementation.
- **CRM/E-Commerce Convergence** — The rapid growth of the Internet as a channel for marketing, sales, service, and support activities has pushed CRM issues to the forefront of e-commerce strategy planning and solutions deployments. Meanwhile, as enterprise decision-makers grapple with the how to do business in this new medium, they must also deal with the challenge of integrating e-commerce activities with those taking place in brick-and-mortar outlets, field sales and support environments, and call centers.
- **Front-Office/Back-Office Integration** — Links between front-office sales, service, and support functions and back-office transaction systems and data stores have been a feature of CRM deployments in call centers — and now in Web sites. Increasingly, enterprises are expanding these links to include manufacturing and supply chain systems to create made-to-order products and to support the complex sales and service transactions.

As these and other trends have started to be reflected in enterprise CRM strategies, however, there is a noticeable gap between planning activities and actual deployments. This gap is due in part to the characteristic lag time between IT industry hype and the actual implementation of integrated, end-to-end customer interaction environments. It is also due to an overall shortage of the expertise and resources required to plan, design, and deploy complex solutions — which is what CRM applications and supporting technologies are.

Enterprise business and IT planners, faced with an overall shortage of internal IT expertise and resources, and somewhat confused as to what technologies to use and what business contexts are looking to the rapidly expanding CRM professional services for assistance. This assistance is offered by an array of independent professional services providers (IPSPs), and the services organizations of CRM independent software vendors (ISVs) and original equipment manufacturers (OEMs). In response to — and, in some cases, in anticipation of — the emergence of CRM as a business strategy, these entities have created service

strategies and delivery models, refocused existing practice areas, and developed and/or acquired additional resources and expertise to meet the needs of enterprises striving to develop lasting, profitable customer relationships.

CRM practice areas and service lines — the vast majority of which are less than two years old — reflect not only the growing importance of CRM, but also a trend toward the development of “business solutions.” These solutions are built around such business-enablement technology solutions as supply chain management (SCM), electronic commerce and electronic business (e-commerce/e-business), and data knowledge and decision support (DK/DS). Modeled on enterprise resource planning (ERP) practices, CRM service lines are characterized by a wide range of business consulting, technology integration, and related offerings. And, as with the CRM solutions market overall, the growth of the CRM professional services industry has benefited from a number of trends, including the following:

- **Focused CRM Practices and Pure-Play Services Suppliers** — As noted, professional services firms of every size and type have created CRM practice areas and service lines. Through internal roll-ups, new hires and retraining, and external acquisitions, suppliers have entered this rapidly growing market with an array of business and technology consulting, systems integration, training, and outsourcing services. Included in this group are a variety of pure-play CRM services firms ranging from management consultants to multidisciplinary solutions suppliers.
- **Business Solutions Focus** — In response to the strategic, organizational, and process challenges that characterize integrated CRM, many package implementers and systems integrators have added management consulting and process improvement capabilities to augment technology services and to provide end-to-end solutions. Meanwhile, many business and IT consulting firms have packaged CRM solutions offerings with a focus on enterprise transformation aimed at the creation of technology-enabled, customer-focused strategies and processes.
- **Systems Integration Diversity** — CRM applications are used in field service and remote sales offices, call centers, and, increasingly, on the Internet. In these contexts, CRM applications are augmented by computer telephony integration (CTI) middleware and other call products; DK/DS systems; Web development tools; and a variety of network, system, and security technologies. Some services suppliers specialize in specific environments. Others provide systems integration services that encompass multiple technologies.
- **New Twists on Traditional Services** — Customer interaction business process (e.g., catalog[we’re using the short form] sales, customer support) and IT operations outsourcing have long been staples of the professional services industry. With the growth of CRM, suppliers have refined their service offerings to more tightly integrate the former with internal client systems and processes, and focus the latter on CRM-specific IT environments. And, in a new twist on an old service — time share computing — application service providers (ASPs) are offering CRM application “rentals” as a cost-effective, rapid deployment alternative to IT infrastructure ownership and in-house package implementation initiatives.

These and other trends reflect a rapidly growing and dynamic CRM professional services market that is characterized by a wide variety of services strategies, offerings, delivery models, and pricing/packaging options. Suppliers in this segment are as diverse as the services and approaches, ranging from multi-billion-dollar global business and IT consulting firms specializing in enterprise business transformation to small, niche players that specialize in specific application implementation and training services. Growing at an annual rate of nearly 40%, this segment of the IT professional services market is one of the most important and wide-ranging in the industry — and will likely to continue as such well into the new millennium.