



2007 Service and Support Technology Trends

By John Ragsdale, VP of Research, SSPA

January means one thing to most technology analysts: time to predict trends for the coming year. When members were asked in the December SSPA News to vote for the topic they would most like to see

me address in this issue, the winning title, with 50% of the vote, was “2007 Service and Support Technology Trends.” Whether you are embarking on a project to evaluate and select technology, curious what options may be available to address a new business problem, or wondering if there is a better alternative for one of your existing systems, it is important for customer service professionals to stay current on the technology trends impacting our industry. I have recently published an SSPA Accelerator on [SSPA’s website](#) which highlights comprehensive industry trends, but for this article, I’ll address what I predict will be the 3 biggest trends specific to service and support technology and vendors in 2007.

Support Technology Trend #1: *Vendor Consolidation Accelerates*

As we saw with the [year-end acquisition of Knova by Made2Manage](#), best-of-breed customer service technology is increasingly interesting to enterprise application vendors. For too long, enterprise CRM providers have offered a simple explanation for why they continue to partner for best-of-breed eService capabilities such as knowledgebases, diagnostics, self-service searching, email response, Web chat, etc.: they have never lost a CRM deal for not having eService inherent in their own application suites. But in 2007 this will no longer be the case for several reasons, including:

- **RightNow Technologies redefined the game.** Growing from their roots in customer service and eService, RightNow has made a successful transition to a full CRM suite provider. Their acquisition of SalesNet in 2006 even gave them “street cred” for best of breed SFA capabilities. Though RightNow plays best in the mid-market, they are gaining visibility in larger deals, and offer a refreshing customer service and eService functional advantage over standard CRM fare with low-end knowledge bases and limited support for self- and multi-channel service. As more vendors try to compete in the OnDemand CRM market, RightNow has a clear

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advantage when the service organization is driving the deal.

- **Enterprise vendors attempt to regain interest from business users.** After spending 2 years battling for the hearts and minds of IT buyers with infrastructure platforms Fusion and NetWeaver, SSPA Research predicts enterprise giants Oracle and SAP will return to product messaging more appealing to business users, who drive many CRM deals. Business users care more about functionality than infrastructure, and identifying new innovative functionality to broaden appeal and create functional differentiation is a wise business move.

But acquisitions by enterprise vendors are not the only consolidation plays that will occur in 2007; mergers within the eService community are also likely. Multiple vendors offer flexible multi-channel platforms and end up competing head to head for most deals, often dropping prices to win the business. A merger of eService vendors to gain market share would eliminate competition in deals and help increase average eService deal size. A likely hot acquisition target in 2007 will be InQuira, an analytic-based provider of self-service searching and **microsites**, which remains the last standalone vendor now that IBM has acquired iPhrase and M2M owns Knova.

Support Technology Trend #2: *OnDemand Becomes Preferred Deployment Model*

OnDemand, or Software as a Service (SaaS), software is not limited to our industry, but most analysts agree that the meteoric rise of OnDemand CRM vendor Salesforce.com paved the way for other providers, within CRM as well as other application areas. Pick your analyst firm; there is agreement about the growth of SaaS as a deployment model across the board:

- **McKinsey.** A new McKinsey survey found that the proportion of CIOs considering adopting SaaS applications in 2007 is 61%, compared to 38% a year ago.
- **Aberdeen:** According to Aberdeen, over 50% of mid-market firms plan to deploy SaaS solutions within the next 24 months.
- **Gartner.** Gartner projects that 25 percent of all new business software (CRM, ERP, SCM, etc.) will be delivered by means of SaaS by 2011.

Within customer service and eService, practically all technology vendors offer some type of OnDemand option, except for a few that use a unique deployment model as a competitive differentiator (NetworkStreaming's appliance-based remote support is a great example). Though RightNow and Salesforce receive most of the attention when OnDemand is discussed, having a SaaS deployment option is common: eGain, Knova and Talisma offer hosting, for example, and KANA has announced a new

OnDemand product coming soon. Even SAP launched an OnDemand CRM suite earlier this year to better compete with Oracle's Siebel OnDemand.

Why is adoption of OnDemand so widespread? The easy answer has always been that business users are able to select and implement applications with little or no IT involvement, and SaaS vendors offer monthly or quarterly payment options that easily fit within the signature approval of mid-level management, eliminating executive approval from the purchase cycle. While these reasons will continue to drive SaaS purchases for both mid-market and enterprise companies, I think there is a more compelling reason to adopt OnDemand software: better products.

Early OnDemand solutions were light on functionality, but made up for it with the ease of implementation and customization. Instead of paying a systems integrator to hard code customizations, a wizard-like interface allows even business users to add fields, change UI layouts, apply style sheets to change colors and fonts, etc. Built by Web-savvy companies for use only in Web browsers, the look and feel and overall usability of OnDemand products are, in general, stronger than applications from traditional client/server vendors. Now that the SaaS vendors are reaching functional parity with on-premise competitors, the ease of administering OnDemand products has emerged as a major advantage.

Support Technology Trend #3: *OpenSource CRM Becomes a Viable Option*

For the uninitiated, open source software is developed and maintained by a community of developers and users. The software is free, or considerably cheaper than packaged alternatives, with adopters agreeing to participate in forums for the product to share ideas, tips, best practices, and provide technical support for other users. Obviously a risky proposal for enterprise companies or any 'mission critical' deployment, open source CRM products seem to be today where OnDemand was 5 years ago: multiple options with a single player dominating the market; thin functionality compensated for by low cost and ease of implementation.

Why open source? With much of CRM functionality reaching maturity, the same capabilities are offered by many (if not most) vendors, and paying top dollar for a commodity makes less and less sense. Open source projects recreate mature functionality for application areas such as CRM as an alternative to packaged solutions, so companies can have low cost access to commodity functionality like case tracking, and spend their development budgets on packaged capabilities where there is clear differentiation—intelligent searching is a good example. In general, don't expect functional innovation from an open source provider, they focus on known product areas with a large industry of development experts to leverage.

Open source CRM providers include Anteil, Daffodil CRM, Ohioedge and vtiger, though the largest and best known is SugarCRM, started in 2004 by a group of CRM industry insiders. With multiple deployment models (OnDemand, on premise, and even a preloaded appliance), SugarCRM appeals to a wide array of companies, and is the first open source CRM provider to move beyond the mid-market, boasting some enterprise accounts (Honeywell, Yahoo, Starbucks). SugarCRM has even launched an exchange for add-on products and extensions, SugarExchange, similar to Salesforce.com's AppExchange.

SugarCRM, as most open source providers, is built in PHP, a server-side HTML embedded scripting language for building dynamic websites and applications. Some open source players, including Ohioedge, author in pure Java. Which is right for you? From a business user perspective either can get the job done, but likely your IT department has a preference. Each has its advantages: PHP is known for excellent scalability, while Java has many packaged development toolkits, at least one of which your IT department likely has proficiency with already.

At the enterprise level, most companies have a CRM platform in place. But for mid-market companies, CRM continues to be a hot ticket item. According to our 2006 Technology Survey, 35% of our under \$1B members have budget for CRM in 2007, and this is the primary target market for open source CRM. Mid-market companies shopping for CRM packages should add an open source vendor to the evaluation list to see if the low cost access to software justifies the risks.

To get a feel for how companies using open source CRM feel about the software, check out the public access forums offered by the vendors, such as the [SugarCRM forum](#), which allows anonymous browsing of the customer forums for technical support, feature requests, product announcements, and other topics.

If your company is leveraging open source software for customer service, eService or CRM, please drop me line and let me know how the open source experience has been so far. As I mentioned earlier, check the [SSPA Research site](#) for more trends; the current focus is on 2007 industry trends including the rise of offer management, increased proactive service with Web 2.0, and an emerging solution for multi-vendor support.

About John Ragsdale.....

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Comments? Suggestions? We would like to hear from you. Please email the editor at sspanews@thesspa.com.

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