

April 28, 2006

Market Overview Of CRM Professional Services

by William Band

MARKET OVERVIEW

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Includes Forrester user interview data



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Many Choices Drive Need For Buyers To Make A Careful Selection

by **William Band**

with John Ragsdale, Christine Ferrusi Ross, and Ian Schuler

EXECUTIVE SUMMARY

Customer relationship management (CRM) professional services providers (PSPs) play an important role in helping enterprises achieve their goals to have more profitable interactions with customers and partners. Spending on CRM PSP services will remain robust due to the shift from customer functional management to customer process management, the need to deliver a better “branded” customer experience, the shift to service-oriented architecture (SOA) as the basis for technology solutions, and the growth of high-value CRM offshore/near-shore services providers. However, four out of 10 enterprises would not fully recommend their CRM PSP to others, demonstrating that choosing a PSP is a risky decision. To avoid disappointment, buyers must select a PSP that most closely matches the needs of the enterprise by understanding the strengths and weaknesses of the six types of CRM PSPs: 1) management consultants; 2) global full-service systems integration firms; 3) North American regional specialists; 4) European regional specialists; 5) offshore/near-shore technology services providers; and 6) software vendor professional services organizations (PSOs).

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NOTES & RESOURCES

This report is based on a survey of 119 organizations using an online research tool, discussions with 21 leading CRM management consultants and systems integrators, interviews with eight CRM software vendor professional services organizations, and interviews with senior executives at 17 organizations that use CRM PSPs.

Related Research Documents

[“How To Select A CRM Professional Services Provider”](#)
February 23, 2006, Best Practices

[“Trends 2006: Customer Relationship Management”](#)
February 21, 2006, Trends

[“Best Practices For CRM Deployment”](#)
December 13, 2005, Best Practices

[“Clients Prefer Integrators Over Product Vendors To Lead Major Implementations”](#)
September 23, 2005, Trends

CHOOSING A CRM PSP IS A RISKY DECISION

CRM theories and technologies have moved from an era of over-hyped expectations through a period of exaggerated pessimism to become a core pillar of competitive strategy for many enterprises. To succeed, companies continue to rely on PSPs to provide the necessary skills and experience to accelerate the capture of benefits from CRM investments.

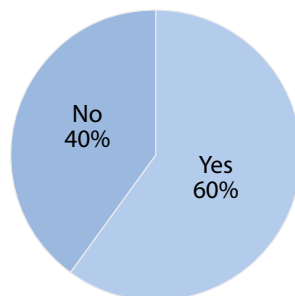
Organizations have a broad range of services partners to choose from, including management consulting firms, international multiservice systems integrators, regional CRM specialists, offshore/near-shore technology firms, and the professional services organizations of CRM software vendors. Enterprises view their relationship with PSPs as very important and assign these firms significant roles in formulating strategies for, and implementing, customer-facing improvement initiatives.

Although enterprises place a great deal of importance on selecting the right CRM PSP to meet their needs, a significant proportion of buyers would not recommend their PSP to others. They are wary about a perceived lack of skills and the high costs of these services. Clearly, the CRM PSP selection decision is high risk in the minds of enterprise decision-makers.

- **Many decision-makers will not recommend their CRM PSP.** In a recent survey of 50 IT and business executives, Forrester found that four out of 10 would not recommend their CRM PSP to others after the work was completed.¹ In an industry where client relationships are critically important, this can only be viewed as a worrisome performance (see Figure 1). Either enterprises do not use good judgment in selecting the right partner or CRM PSPs are failing their clients in more cases than is acceptable. Problems such as inappropriate technology recommendations, cost escalations, schedule miscues, poor system performance, contentious relationships with company employees, and lack of appropriate skills transfer to the enterprise are areas of concern.

Figure 1 Propensity To Recommend CRM Professional Services Provider

“Would you recommend your CRM professional service provider to others?”



Base: 50 business and IT executives

- **Buyers worry about lack of skills and high costs.** The buyers surveyed expressed concerns that CRM services providers do not have CRM skills significantly better than in-house staff or that they could not afford to engage the services of PSPs. For example, 28% of the companies surveyed that carried out a CRM initiative but chose not to work with a PSP felt they had the skills to do the work themselves, and 22% felt they did not have sufficient funds to work with an outside services provider.

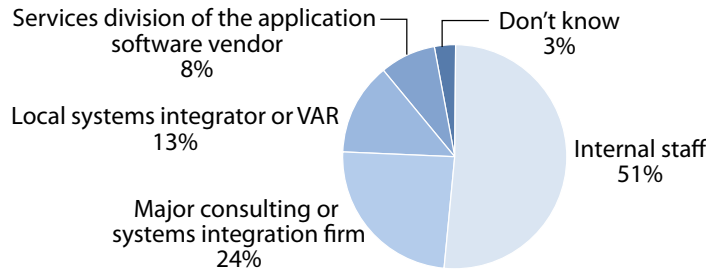
CRM PSPS PLAY IMPORTANT ROLES

Enterprises use third parties for a large portion of their application development projects, highly value the expertise of the PSPs when choosing packaged CRM software, and use PSPs for both strategic and executional roles.

- **There is continued reliance on consultants and systems integrators.** Enterprises have long desired to do much of their own technology development work in-house, including application implementation. Despite this preference, Forrester's latest research shows that enterprises use third parties for application development projects nearly half the time. In particular, they prefer systems integrators to lead new application implementation projects. For example, we recently conducted a survey of IT decision-makers.² While half of the respondents reported that they choose internal staff to lead packaged applications implementations, 24% use a major systems integrator (see Figure 2). Thirteen percent use local integrators or value-added resellers (VARs), and 8% hire the services arm of their software company to lead the implementation.
- **High-quality service providers are important to CRM buyers.** Forrester talked with 19 large organizations about the selection criteria they use in choosing CRM technology for their customer-facing initiatives.³ These buyers reviewed 38 criteria, including six pertaining to the "market presence" of the software vendors under consideration. The quality of the vendors' professional services partners is of "high importance" to buyers in making their CRM software application decision.
- **Enterprises use PSPs during all phases of CRM initiatives.** Enterprises entrust PSPs with important tasks; services providers are not relegated to merely "screwing-in software," according to one client. Forrester surveyed 50 companies that had worked with CRM PSPs to implement customer-facing initiatives.⁴ Nearly one-third used PSPs to help develop their strategic vision for CRM (see Figure 3). In addition, 42% use PSPs for the important task of defining business objectives for CRM, 44% for aligning business processes with the CRM strategy, and 56% to define the conceptual design for CRM technology solutions. PSPs were used by 60% of enterprises to establish detailed design requirements and by 64% to implement CRM solutions.

Figure 2 Among Third Parties, Clients Prefer Integrators For Apps Implementations

“When you buy and deploy an enterprise application software package for the first time, who typically leads the implementation?”



Base: 527 US IT decision-makers
(percentages do not total 100% because of rounding)

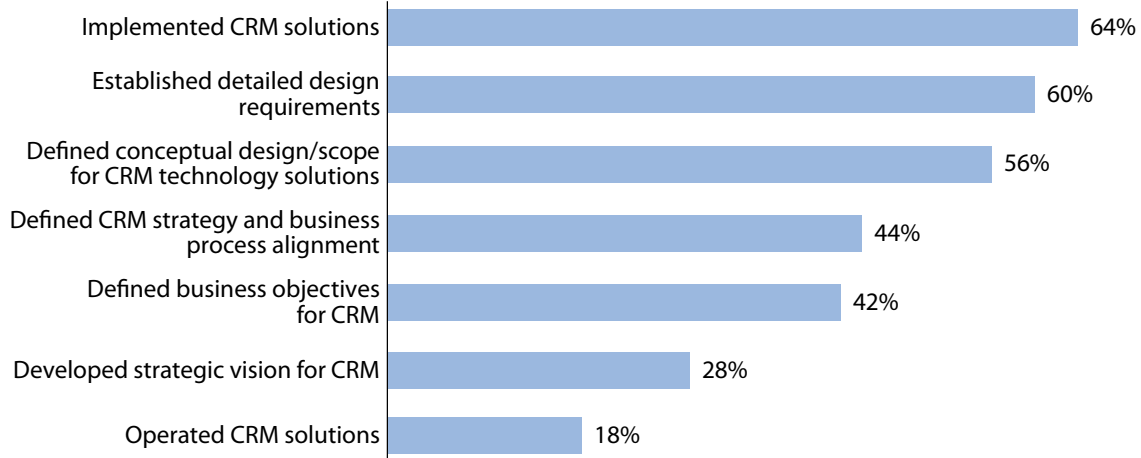
Source: Business Technographics® August 2005 United States Enterprise Governance Survey

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Source: Forrester Research, Inc.

Figure 3 Types Of Projects Carried Out By CRM Professional Services Providers

“What type of work did your CRM PSP perform?”



Base: 50 business and IT executives

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Source: Forrester Research, Inc.

SPENDING ON CRM PSPS IS ROBUST

Enterprises of all sizes continue to invest at a significant rate to improve their customer-facing capabilities, driving a robust market for CRM PSPs.

- **There is persistent investment in CRM software.** Forrester expects enterprises to spend about \$3.2 billion worldwide on new CRM software licenses in 2006.⁵ Total spending with CRM application vendors, including services and maintenance, will reach \$8.7 billion. This investment is not limited to enterprise-class organizations. Small and medium-size businesses (SMBs) are also investing in customer-oriented technology projects.⁶ Unrelenting pressure to create customer experiences that distinguish organizations from their competitors drives continued high investment in CRM technologies and services.
- **Investment in CRM consulting and systems integration support is also significant.** Expenditures on new CRM software licenses are only a small portion, perhaps 25%, of an enterprise's required investment to implement new CRM technologies. In addition, a company can spend two to three times the initial license costs on systems integration services and new installation/support hardware. Therefore, worldwide expenditures on CRM consulting and systems integration are likely approximately \$6 billion per year. This figure does not include the additional very large sums spent on outsourced CRM services providers in the contact center and direct marketing sectors.⁷

FOUR TRENDS DRIVE USE OF CRM PSPS

Several market trends drive enterprises to need the continued support of CRM PSPs. These include a desire to integrate end-to-end business processes to create customer experience-based differentiation in their markets, changes in technology architectures, and the rise of high-quality, lower-cost, offshore CRM technology services providers.

- **CRM innovation shifts to process management.** Customer demand, market dynamics, and technology are driving the convergence of CRM functionalities to be more easily integrated with the capabilities associated with enterprise resource management (ERP) and supply chain management (SCM). As a result, there has been a rise to dominance of multifunctional enterprise software suite applications that promise to better support end-to-end business processes, even those processes primarily originating from customer-facing interactions. CRM is evolving from a focus on optimizing customer-facing business functions to a renewed emphasis on customer process management.⁸ PSPs have the deep skills in process redesign that enterprises need to accomplish this transition.
- **Experience-based differentiation is moving to the forefront.** As organizations undertake customer process improvement, they are taking a careful look at how new processes and services affect the end customer experience. In a recent survey of 176 large firms in North

America, Forrester found that 60% felt that it was “critical” and 36% “very important” to improve the customer experience.⁹ In this case, “customer experience” was defined as “the degree to which customers felt that interactions meet their needs.” Delivering a consistent customer experience across all channels requires sophisticated processes and technologies. Enterprises are increasingly turning to PSPs to help them address this challenge.

- **The push for global CRM standards and SOA will continue.** In recent years, most vendors began to deploy Web services technology primarily as an extension of existing platforms, applications, and tools, not as a foundation for new applications and environments. Web services and service-oriented technology are now becoming more central in both the users’ and vendors’ platform architectures, and such Web services environments will become the focal point for most application development and integration projects in 2006 and beyond. For example, more than two-thirds of 300 large enterprises recently surveyed by Forrester in North America and Europe said they expect their SOA usage to increase during the next 12 months.¹⁰ Leading vendors, such as Oracle, with its Fusion Applications initiative, and SAP, with its NetWeaver platform, are promoting this trend. The shift to SOA requires new technology skill sets to be applied in new ways to CRM problems. This will drive clients to seek the assistance of CRM PSPs, which are staffing up to meet an anticipated shortage of personnel skilled in creating, integrating, and maintaining SOA components.
- **The global delivery model (GDM) is becoming the standard approach for CRM.** Enterprises have watched offshore professional services providers diversify into new areas for years, from legacy application maintenance to leading-edge technology implementations, infrastructure management, and business process outsourcing. Many buyers now believe these players are ready to transition to technical and business process consulting services and they will provide these services at a fraction of the cost of US and Europe-centric consulting services.¹¹ While there are still limitations to the range of services these firms can provide in the CRM sector, they have become a strongly increasing force. As the GDM has taken hold, buyers are receiving better value for their investment in professional services support and will use even more of these types of resources in the future.

CONSIDER THE FULL RANGE OF CHOICES

Organizations must fully understand the diverse range of PSPs that claim expertise in helping clients to improve customer capabilities. CRM PSP service offerings span a wide range of competencies, including: formulating CRM strategies, designing the correct business processes to carry out these strategies, defining technology solutions necessary to support customer process integration, implementing CRM technology solutions, maintaining these solutions, and even operating the solutions on an outsourced basis. The scope of services offered, from a functional perspective, includes: marketing, sales, partner and channel management, electronic commerce, service (contact

centers), customer analytics, and data integration and management. PSPs also vary greatly with respect to their depth of knowledge about specific industries and associated business processes. And PSP knowledge about specific CRM applications varies from firm to firm.

CRM PSPs may offer to support clients across all roles, functions, applications, and industries, or may provide services in select areas only. PSPs can be categorized into six groups (see Figure 4).

- **Management consultants.** Management consulting firms in the CRM sector are distinguished by providing primarily advisory services that address customer issues. These firms typically help clients formulate market and customer strategies and define customer-facing operational policies. This group typically does not implement CRM technologies or operate and maintain these types of solutions.
- **Global full-service systems integrators.** The leading international systems integrators maintain CRM practices as one of their important lines of service. Firms in this group are often engaged to define CRM strategies but are distinguished by their ability to undertake detailed process redesign and provide technology solution development and implementation. These firms maintain global pools of technology talent and have resources trained in both mature and emerging CRM technologies. Large systems integrators are organized into industry practice groups so that their consultants develop deep industry domain knowledge. Several of these firms also provide CRM outsourcing services, particularly in the contact center arena.
- **Regional North American firms with strength in CRM.** This group includes consultants and systems integrators that provide a range of technology-centric services, including implementation, with strength in CRM capabilities for specific functions and/or industries. These firms may maintain offices and do work in other countries but are best known in the North American market.
- **Regional European firms with strength in CRM.** This group includes systems integrators that provide a range of technology-centric services but are best known in the European market and promote their strength in CRM.
- **Offshore/near-shore technology services providers.** This group comprises technology services organizations with primary origins and operations in Asia that serve global markets. These firms typically are multiservice technology providers that maintain CRM specialty practices.
- **Vendor PSOs.** The PSOs of the CRM software providers focus on helping clients implement the technologies offered by their companies. These capabilities are typically distinct from the maintenance support services also offered by the vendors. CRM software PSOs usually do not implement applications of other vendors except where there is a close partner relationship with a complementary solution.

Figure 4 Types Of CRM Professional Services Providers

Professional services firm category	Description	Example of firms (listed alphabetically)
Management consultants	Consulting firms providing advisory services that address the customer-facing issues of their clients	Firms like: Bain, The Boston Consulting Group, McKinsey & Company, Peppers & Rogers Group Consulting
Global full-service firms	Large international multiservice systems integrators that maintain CRM as one of the major offerings in their services portfolio	Firms like: Accenture, BearingPoint, Capgemini, Computer Sciences Corporation, Deloitte, EDS, IBM Business Services
Regional North American firms with strength in CRM	Systems integrators that provide a range of technology-centric services but are best known in the North American market and have a strength in CRM	Firms like: Celerant, C3i, Headstrong, Inforte, Sapien, Skura Corporation
Regional European firms with strength in CRM	Systems integrators that provide a range of technology-centric services but are best known in the European market and have strength in CRM	Firms like: Atos Origin, LogicaCMG, PA Consulting, Siemens Business Services, T-Systems
Offshore/near-shore technology services providers	Technology services organizations with primary origins and operations in Asia delivering service on a global basis; these firms typically are multiservice providers that maintain CRM specialty practices	Firms like: Cognizant, Hexaware, Infosys, Patni, Satyam Computer Services, Sierra Atlantic, Tata Consultancy Services, Wipro
Software vendor PSOs	Professional services organizations managed by CRM software vendors that focus on helping clients implement the technologies offered by their companies	Firms like: Amdocs, Dendrite, Onyx, Oracle (Siebel), RightNow, SAP, salesforce.com, StayinFront

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Source: Forrester Research, Inc.

UNDERSTAND THE STRENGTHS AND WEAKNESSES OF EACH TYPE

Choosing the right CRM PSP for your organization requires careful consideration of the unique challenges facing the organization and an understanding of the skills needed that best fit the requirements. These general characteristics help identify a shortlist of potentially suitable partners; however, enterprises must evaluate each firm on an individual basis to find the right one for their needs.

Management Consultants: Strong On Vision, Lack Implementation Capabilities

The best-known business consulting firms offer services globally to help clients define their market and customer-facing strategies, build customer loyalty, and improve customer-oriented policies and organizational structures. In addition, they offer skills to define the strategic, organizational, and financial justifications for major business investments. They do not implement or maintain technology solutions, and therefore, their CRM strategies may sometimes lack practicality. As the CRM market has matured with increasing interest in CRM operations and execution issues, the demand for pure CRM advisory services has abated.

From a CRM perspective, there are differences between the firms in this sector.

- **Bain.** Bain's "customer management practice" is best known for its work in customer loyalty-building strategies, market segmentation and analysis, and marketing strategies.
- **The Boston Consulting Group.** The Boston Consulting Group delivers CRM advisory services through its functionally defined Marketing and Sales practice. It focuses on go-to-market strategies, pricing, and consumer and customer insight.
- **Peppers & Rogers Group Consulting.** Peppers & Rogers is now a part of Carlson Marketing, is best known for its work in defining and popularizing "1-to-1 marketing" concepts and strategies. Its most recent work focuses on "Return on Customer (ROC)," a concept that emphasizes the management of customers as valuable enterprise assets.
- **McKinsey & Company.** McKinsey & Company's CRM practice highlights its analytical rigor in the formulation of strategies to manage customer value and experiences. It views technology as an enabler of the benefits that accrue from a well-crafted customer strategy, superior analytics, and innovative programs.

Major SIs Offer A Full Range Of Services But May Not Offer The Best Value

The large international multiservice consulting and systems integration firms offer a depth of resources to assist with CRM strategy development, solution design, implementation, operations, and maintenance. This group is known for having deep expertise with the major CRM packaged software applications (Siebel, Oracle, SAP, and PeopleSoft). Their global reach, depth of industry knowledge, and ability to manage and deliver large complex projects make the large SIs good partners for organizations seeking to undertake far-reaching customer-facing improvement initiatives.

However, since many of these firms have historically had a majority of their resources based in North America and Europe, they are perceived to be expensive compared with the CRM practices of the fast-growing offshore/near-shore providers. As a consequence, the international systems

integrators are revamping their service delivery models to incorporate the GDM for CRM. They have refocused their value proposition to more strongly emphasize “delivering business results” as a way to deliver higher business value compared with low-cost competitors.

There are a number of well-known firms in this category that share common characteristics. But there are differences among the organizations.

- **Accenture.** As a technology and systems integration giant, Accenture offers a full range of CRM functional services, including CRM outsourcing. With the exception of IBM, Accenture has global scale and reach and deep industry-specific expertise, almost unrivaled in the industry. It promotes helping clients achieve organic growth through offering support for end-to-end solutions, promising “superb execution,” and maintaining a focus on delivering the business outcomes needed by the client.
- **Bearing Point.** A global CRM services provider with primary strength in North America, Bearing Point has a focus on selected industry vertical CRM solutions, but it does not offer CRM outsourcing services. This allows it to take on the role of independent advisor for clients considering outsourcing customer-facing solutions.
- **Capgemini.** Capgemini operates around the world offering a broad array of CRM services, including outsourcing. It claims strong expertise in SOA-oriented solutions, is a leader in “right-shoring for CRM,” has strength in the financial services industry, and has a focus on improving the customer experience delivered by its clients. It works with clients through a unique collaboration methodology using a network of Accelerated Solution Environment (ASE) locations.
- **Computer Sciences Corporation (CSC).** CSC is a large diversified technology services provider with strength in outsourcing. With regard to CRM, it offers strategy development, process, project and contact center planning, salesforce automation, and integration with back-end environments. It has strength in customer data repositories.
- **Deloitte.** Deloitte is distinguished as the only large consulting and technology organization offering a full range of CRM services that is still integrated with a global audit and tax firm. This linkage provides strong financial skills and a deep understanding of long-term Deloitte clients. It takes a strategic approach to client CRM challenges and strives to frame these as “business transformation” opportunities. It uses a “customer value mapping” methodology to guide delivery of its engagements, but it is not in the CRM outsourcing business.
- **EDS.** This is another technology services giant, one that offers end-to-end CRM services from strategy to implementation, but EDS provides mostly outsourcing services to companies in its current client base. Its strongest industry sectors are in the public sector and manufacturing.

- **IBM Business Services.** IBM Business Services is a technology and consulting behemoth offering the full range of CRM services from strategy through technology integration, including CRM outsourcing — particularly for contact centers. Its strength in outsourcing means it can offer comprehensive CRM “business transformation outsourcing (BTO)” for clients looking for transformative, not just operational, outsourcing solutions. In addition to its size, depth of skills, and global reach, it has the unique ability to leverage the full range of IBM hardware and software technologies for CRM solutions. It also can capitalize on IBM’s considerable ongoing technology research and development effort.

NA Regional Players Understand The US Market, May Have Delivery And Technology Gaps

There are a number of consultants and systems integrators that may operate in countries around the globe but have a primary focus on serving clients headquartered in the North America. These firms include multiservice providers with a special expertise in CRM and firms that have a primary focus on solving the customer-facing problems of clients in a particular industry. North American regional specialists have adopted the GDM approach to remain competitive with the larger SIs and the offshore/near-shore firms. The CRM services and industry knowledge they offer may be deep, but they are not as broad as the larger players. They are good choices for clients seeking unique abilities that match specific needs.

They are a number of firms in this category, with diverse expertise.

- **Celerant.** Headquartered in Canada and owned by Novell, Celerant offers general business process transformation technology skills, with special expertise in the energy sector, including improving client customer-facing systems.
- **C3i.** C3i delivers CRM outsourcing services, including help desk, workstation management, and technology training optimized for field-based sales and support professionals in the pharmaceutical industry. Its center of expertise is on Siebel and client proprietary CRM applications.
- **Headstrong.** Headstrong offers CRM strategy and technology implementation services, with strength in the financial services sector. It boasts a well-developed “multishore” model for delivering projects for North American clients.
- **Inforte.** Inforte is a CRM-centric technology services provider with particular strength in business intelligence and data warehouse technologies. It applies its expertise to help clients better understand customers, segment customers, and implement strategies based on “actionable customer intelligence.” Inforte has an alliance with Cognizant, who maintains a large resource capability in India, to offer a full “strategy-to-implementation” set of services.

- **Sapient.** Sapient is a technology services company known for its “fixed-time, fixed-cost” delivery methodology, its strength in using its “global distributed delivery” model, and strong capability in IT maintenance and support. It also assists clients with CRM strategy development projects and has good skills in eBusiness and Web solutions.
- **Skura Corporation.** Skura specializes in CRM strategy, process redesign, and implementation for the life sciences industry. It further specializes by focusing almost exclusively on implementing and integrating Siebel applications for its target customers. Headquartered in Canada, the firm offers a near-shore delivery model to deliver cost-effective solutions for clients located primarily in the US and secondarily in Canada.

European Regional Players May Also Have Delivery And Technology Weaknesses

Like their counterparts in North America, the European CRM PSPs serve clients in many parts of the world but are particularly strong in understanding European country markets, regulations, and language preferences. This group is also starting to adopt GDM approaches for CRM but not as rapidly as in North America.

- **Atos Origin.** Atos Origin, headquartered in France, is a diversified technology services provider (including CRM), operates internationally, and offers management consulting and systems integration services. A large portion of its business is derived from outsourcing services. It claims to be one of the leaders in “global sourcing” in Europe.
- **LogicaCMG.** LogicaCMG is a multiservice systems integrator and IT services provider based in the United Kingdom. Its CRM services are delivered via separate country practices in the UK and Europe.
- **PA Consulting.** PA is also primarily based in the UK and provides management consulting advisory services as well as building custom technology solutions. It claims independence from major CRM software vendors and partners with T-Systems in some cases to implement CRM solutions.
- **Siemens Business Services.** Siemens offers a CRM “center of competency” as part of its diversified set of technology product, services, and consulting offerings. The company promotes its end-to-end CRM capability and has particular strength and experience with SAP’s CRM solutions.
- **T-Systems.** T-Systems is owned by Deutsche Telecom and does most of its work in Germany and Central Europe. Its primary strengths are in the telecommunications industry in the call center customer service space.

Offshore Players Are Growing But Still Lack CRM Strategy Credentials

Many customers believe that their Indian technical services vendors can and will easily transition into providing technical and business process consulting services and that they will provide these services at a fraction of the cost of domestic consulting services. With the exception of some technical consulting categories, consulting is a new skill set requiring domain expertise, an understanding of the client's local culture and market, an on-site presence, and advanced training in business issues. Indian vendors typically lack these capabilities and have to make significant investments to provide them. However, in the CRM sector, these firms are growing their practices rapidly, reflecting growing client confidence and acceptance. For clients who have confidence working within the GDM model, the offshore/near-shore players are becoming an increasingly attractive choice for supporting CRM initiatives.

The span of capabilities in this category is diverse.

- **Cognizant.** Cognizant is moving to reposition itself from being “Siebel implementers” to “delivering customer solutions.” It seeks to partner with clients on key strategic projects, offering technology domain expertise, reliable delivery, strong client references, industry knowledge, and the capability to assume full project leadership responsibility.
- **Hexaware.** Hexaware is a smaller firm that maintains a CRM practice that includes services in vendor selection, implementation, support and maintenance, customer data integration, upgrade services, and QA and testing services. It also has strong expertise in PeopleSoft applications.
- **Infosys.** Infosys is one of the larger Indian-based technology services companies and delivers CRM services through its “customer operations practice.” This practice maintains deep skills in most major CRM software packages. The company has made an investment in creating a separate IT/business consulting arm to place it in a better position to offer high-value management consulting skills.
- **Patni.** Patni's CRM practice, like many of the other Indian-based firms, is part of its enterprise applications solutions group. The applications practice delivers enterprise consulting, systems integration, implementation, migration, and application maintenance. It has traditionally had a strong relationship with Siebel (now Oracle) and is growing skills in SAP CRM and PeopleSoft (now Oracle).
- **Satyam Computer Services.** Saytam's CRM practice is a part of its enterprise applications practice. The company is one of the larger Indian-based technology services companies, with a focus on package integration, implementation, application upgrades, and post-implementation support and maintenance. Its historical strength has been in Siebel applications, and it is now making an investment to build up its SAP CRM and Microsoft CRM skills.

- **Sierra Atlantic.** Sierra Atlantic is one of the smaller Indian-based firms, with most of its clients in North America. It is unique in that most of its revenue comes from application development and support for major CRM vendor software products (as well as supporting vendors' clients), particularly Oracle and Siebel.
- **Tata Consultancy Services (TCS).** Tata is very large technology services company serving global clients. CRM is part of the IT Services practice within TCS. Its CRM offerings include: strategy, implementation, and application management — with primary strength in the latter two areas. Tata has expertise in all major CRM packaged software and emphasizes its ability to scale up for large projects.
- **Wipro.** Wipro is a large Indian-based technology services company, with a depth of CRM software package implementation skills. It encourages clients to take advantage of the economies of its GDM capability to quickly develop CRM prototype solutions for testing with end users. This surfaces user requirements through a “see what you are getting” approach that reduces development times and delivers solutions well-tailored to user needs.

Vendor PSOs Offer Deep, But Narrow, Capabilities

CRM software vendors are seldom able to manage an entire CRM project, despite attempts by leading vendors to build up substantial professional services organizations and the demand from clients for vendor PSOs to take more responsibility for delivering the business benefits promised. A vendor's own consulting organization has direct access to the development organization for assistance with any problems that may arise. Consequently, vendors usually offer strong technical configuration skills in their own technology solutions and can provide required customization during the design and deployment phases. Even when vendor consultants claim to have experience with certain third-party products, CRM software vendors are best engaged for single-application projects instead of more complex enterprisewide initiatives involving more than one product.

Firms in this category offer their professional services in a variety of ways.

- **Amdocs.** Amdocs specializes in CRM and billing systems for large telecommunications services providers, with a growing presence in financial services. It is a large systems integration services company in its own right. It develops custom solutions for its clients and implements its own CRM solutions. It uses offshore resources as part of its delivery model and typically does not work with other systems integrators to implement its solutions.
- **Dendrite.** Dendrite has traditionally been a provider of sales force automation software to the pharmaceuticals industry. It has been moving into the services space, installing and supporting its own software as well as offering hosting and help desk support for other brands of software; it now offers customer data integration services.

- **Onyx.** Onyx professional service organization offers deep skills to help clients implement Onyx solutions. The company partners with several of the large systems integrators by providing the specialized Onyx skills needed by the SIs to implement Onyx solutions successfully.
- **Siebel.** Siebel has recently been acquired by Oracle. Therefore, the nature of the professional services strategy for the combined entity is not clear at this time. In the past, Siebel maintained a large PSO. The majority of its work involved providing support to, and through, Siebel's strong alliance partner network composed of large SIs around the world. However, Siebel took primary responsibility to implement its solutions for cases in which clients demanded that.
- **RightNow.** RightNow is young company in the CRM software-as-a-service (SaaS) sector. Since clients consume SaaS solutions on a subscription basis, these solution are not highly customized for individual company needs. They can be quickly deployed and require little in the way of professional services support. The company does, however, provide "go-live" support through its PSO, helping clients configure and test the RightNow product they will use.
- **SAP.** SAP as the largest business applications company in the world, maintains relations with all major systems integrators (including the Asian offshore providers) to provide solution implementation support and maintenance, including CRM solutions. SAP tries to limit its PSO offerings to complement, and not compete with, its third-party systems integration partners.
- **salesforce.com.** salesforce.com, a leader in the CRM SaaS space, has traditionally operated a limited PSO for its solutions. Implementation of its solutions at smaller companies did not require deep business process change and integration capabilities. However, it recently moved to build alliances with Accenture, Deloitte, and a number of Asian technology services providers to create capabilities to better support their solution for buyers in the enterprise space.
- **StayinFront.** StayinFront is a CRM SaaS player with a primary focus on the pharmaceutical sector. It develops, implements, hosts, and maintains its own solutions. It therefore maintains a hybrid software license and services delivery revenue model.

WHAT IT MEANS

DEFINE MUST-HAVES TO CHOOSE THE RIGHT PARTNER

Enterprises correctly understand that their CRM PSP can make an important contribution to the success of their customer-facing improvement initiatives. However, the risk is high: Four out of 10 client/PSP relationships fail. Use caution when choosing who to work with.

- **Understand the role the PSP will play.** Do you need a customer or CRM strategy? Do you need help implementing packaged software? Do you need support in application upgrades and maintenance, or are you looking for CRM outsourcing capabilities? CRM PSOs vary greatly in their ability to assume specific roles. You must define clearly the type of help you need.
- **Require that CRM technology skills be rock solid.** The most important capability required of professional services providers is competence in the technical nuances of the CRM solutions you seek to implement. Check that the firm uses recognized technology development quality control standards. Make sure that the consultants assigned to your project are certified by the vendors. Review the resumes and interview each consultant individually to ensure that they bring the skills you need. Don't hesitate to ask for a replacement if an individual consultant is not up to the task.
- **Seek a partner you can work with easily.** CRM success is not dependent only on technology. You need a consulting partner that can work effectively with your people. Look for consulting methodologies that build in skills transfer and emphasize strong communications structures between consultants and in-house staff. Insist on effective project management structures that make accountabilities for task completion clear.
- **Require that your budget be respected.** The discipline of CRM has matured to become very pragmatic. Clients and consultants now have deep experience about the costs and benefits that can be achieved in given circumstances. Insist on fixed-price contracts to ensure that the consultant bears its fair share of the risk for project delivery. Be wary of low bids that will be the basis for expanding the scope of the project at a later date. Clarify in advance how project change requests will be handled and accounted for with respect to the project budget. Insist on regular and transparent reporting of time and expenses compared with budget milestones.
- **Demand value from your consulting partner.** Find a CRM professional services partner that can provide references attesting to business results it has achieved. Redefine project success metrics to include not only cost and schedule milestones but also business outcome metrics such as faster first-call resolution, increased cross-selling, larger quantities of sales leads generated by marketing campaigns, or higher levels of measured customer satisfaction.

SUPPLEMENTAL MATERIAL

Forrester used a combination of four data sources to assess the strengths and weaknesses of CRM professional services providers.

- **Survey of buyers about satisfaction with CRM PSPs.** Forrester surveyed 119 organizations via an online data collection tool. Respondent executives were the senior persons who were knowledgeable about their organization's use of CRM professional services firms and who had close knowledge of the selection criteria used in making the CRM professional services firm decision. The enterprises comprised a cross-section of industries: finance and insurance, manufacturing, retail and wholesale, media and entertainment, business services, healthcare/pharmaceutical, and the public sector. Seventy percent of the respondents worked in organizations with 5,000 or more employees.
- **Interviews with CRM professional services firms.** Forrester interviewed 21 CRM professional services firms to understand their service offerings, delivery capabilities, and distinctive competence.
- **Interviews with CRM software professional services organizations.** Forrester also interviewed eight CRM software vendors to understand their approach to offering professional services support to their customers.
- **Interviews with business and IT executives.** Forrester interviewed 17 companies to validate professional services firms' qualifications, understand the relative importance of CRM PSP selection criteria, and learn how leading companies work with CRM PSPs.

Companies Interviewed For This Document

Accenture	Defense Logistics Agency
Amdocs	Deloitte
Bank of New York	Dendrite
Bearing Point	Ericsson
Bose Corporation	Florida Department of Revenue
BT Wholesale (British Telecom)	Gillette (Procter & Gamble)
C3i	Headstrong
Capgemini	Hexaware
Celerant	The Home Depot
Cognizant	IBM Business Services

Inforte	salesforce.com
Infosys	SAP
Johnson & Johnson	Sapient
JP Morgan	Satyam Computer Services
KeyCorp	Siebel (now Oracle)
Lufthansa Systems-Airline Services	Siemens Business Services
Microsoft	Sierra Atlantic
Onyx	Skura Corporation
PA Consulting	StayinFront
Patni	Tata Consultancy Services
Pfizer	Travelocity
RightNow	Wipro
Roche	Yahoo!

ENDNOTES

- ¹ Forrester recently surveyed 119 North American organizations from a number of industries, including finance and insurance, manufacturing, retail and wholesale, media and entertainment, and business services, to understand their satisfaction with CRM PSPs as evaluated against 12 criteria. See the February 23, 2006, Best Practices “[How To Select A CRM Professional Services Provider.](#)”
- ² Forrester asked respondents who they wanted to lead their major implementation projects. See the September 23, 2005, Trends “[Clients Prefer Integrators Over Product Vendors To Lead Major Implementations.](#)”
- ³ Forrester talked with 19 large organizations in North America, Europe, and Asia in a number of industries, including manufacturing, financial services, communications, and utilities, to understand selection criteria they use in choosing their CRM application vendor. See the August 11, 2005, Best Practices “[How To Select A CRM Software Vendor.](#)”
- ⁴ Forrester recently surveyed 50 North American organizations. PSPs used by these organizations included: VARs, local/regional systems integration firms, national or regional specialist CRM systems integration and consulting organizations, offshore/near-shore technology integration firms, global, multiservice consulting and systems integrators, and the PSOs of leading CRM software vendors. See the February 23, 2006, Best Practices “[How To Select A CRM Professional Services Provider.](#)”

- ⁵ Forrester anticipates that spending on new CRM application licenses will increase approximately 2% to 3% per year through 2008. Total spending on vendor offerings, including maintenance and services, will increase about 5% to 6% for the period. See the February 21, 2006, Trends “[Trends 2006: Customer Relationship Management](#).”
- ⁶ SMBs consider the replacement of outdated systems and the deployment of major applications as most important in 2005, driving spending on application licenses and related implementation services.
- ⁷ Most enterprise customers no longer expect one-dimensional support from contact center outsourcers and want to extend these services across multiple channels, including the Web and other self-help services. See the December 12, 2005, Tech Choices “[The Forrester Wave™: Multichannel Contact Center Outsourcers, Q4 2005](#).” Forrester surveyed 49 database marketers about their outsourcing activities and plans. On average, respondents employ nine outsourcers to assist in their database marketing efforts. See the September 28, 2004, Market Overview “[What Database Marketers Think About Outsourcing](#).”
- ⁸ Forrester has long maintained that the successful selection, implementation, and adoption of technology require a major emphasis on business processes. See the December 16, 2005, Best Practices “[Use Business Process Management Thinking To Evaluate CRM Solutions](#).”
- ⁹ Forrester’s evaluations confirm what companies already know: They deliver subpar experiences to customers. But it’s not for lack of trying. Companies say that improving customer experience is a critical objective. See the March 15, 2005, Forrester Big Idea “[The Customer Experience Value Chain](#).”
- ¹⁰ Forrester has hosted an overview of BPM and SOA and organizational interest in these concepts. For more information, visit our Teleconference Archive online to download this past Forrester Teleconference: December 16, 2005, Teleconference “BPM & SOA — How Do They Relate?”
- ¹¹ To assess the state of the Indian vendor consulting market and see how the vendors stack up against each other, Forrester evaluated the strengths and weaknesses of top-tier Indian vendors across 20 criteria. See the December 1, 2005, Tech Choices “[The Forrester Wave™: Indian Vendor Consulting Capabilities, Q4 2005](#).”

FORRESTER®

Helping Business Thrive On Technology Change

Headquarters

Forrester Research, Inc.
400 Technology Square
Cambridge, MA 02139 USA
Tel: +1 617/613-6000
Fax: +1 617/613-5000
Email: forrester@forrester.com
Nasdaq symbol: FORR
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