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## Battle coming over mid-market CRM

With Microsoft's CRM Live about to debut, the struggle over on-premise versus on-demand is heating up

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by Howard Solomon

This summer will be hot for [channel](#) partners selling customer relationship management software to the mid-market, and it won't be due to global warming.



Microsoft will release CRM Live, a company-hosted version of its client-server Dynamics CRM solution to the market, one that further expands the number of software as a service (SaaS) options for customers.

The move is another round in the battle for mid-market CRM buyers.

In the last three years Oracle, Sage Software and others have made CRM acquisitions. Meanwhile pure play online CRM apps, led by Salesforce.com are making deep inroads.

That means VARs are being squeezed. While partners selling vendor-hosted offerings will get a piece of the action and potentially can

add customization or integration services, selling an on-premise solution is more lucrative.

"It's a tough marketplace," said Karen Brodie, president of Brodie Computes, a Guelph, Ont., systems integrator that specializes in CRM applications.

"Customers have high expectations - they expect a lot in return for their investment."

Joe Bergera, senior vice-president and general manager of Sage Software's CRM solutions, described himself as "bullish and optimistic about the market."

However, he cautioned, "all of the vendors have to be at the top of their game."

### *Willing to spend*

Mid-size companies are willing to spend. According to a new report by Forrester Research's Liz Herbert, purchases of CRM software and services will be dominated by small and mid-sized organizations (defined by Forrester as having up to 1,000 employees). Today they account for 33 to 38 per cent of the market. By 2010 they will be spending US\$4.2 billion a year.

The market can roughly be divided into three groups: software giants like Microsoft, Oracle, SAP (which is bringing out a CRM module for its All-in-One suite) and Sage Software (which has four CRM products); veterans, some of whom started on the desktop and have moved to enterprise editions, including Vancouver's Maximizer Software, Pivotal CRM and FrontRange Solutions' GoldMine; and upstarts, which include the pure plays and open source alternatives.

However, most of the companies selling client-server software also offer a way for partners to host a SaaS version as a way of keeping a foot in that vital market. Some offer customers the ability to jump to their on-premise version.

So far, customers preferring on-demand CRM haven't shown a preference in the way they want to buy it, Herbert said in an interview, though there's no doubt it's hot. Sales of online CRM accounted for only two per cent of the market three years ago and have been soaring since. But SaaS will only account for 22 per cent of all sales in the segment by the end of this decade, she said.

That may be due in part to pricing. While online CRM has an advantage of being available over the Web anywhere and offers fast start-up, some vendors insist customers buy licences, which could trim expected cost savings over their on-premises counterparts.

Microsoft isn't the only vendor with a new release this year. Maximizer Enterprise 10 is scheduled for the fall, while U.K.-based Sage

Software will celebrate its 20th anniversary with "something fun and big," said Bergera.

#### *Analyst warning*

How they see Microsoft CRM Live varies. Microsoft partners, like FrontRange, shrug. Greg Anderson, its senior product director, believes the software giant's target is the enterprise.

Interestingly, Frank Falcone, Microsoft Canada's CRM product manager, says the target is small to mid-size companies.

Brodie, whose company is both a Microsoft and Maximizer partner, sees CRM Live appealing to smaller companies that lack IT [infrastructure](#). She doesn't worry it will take away sales from her firm.

But Forrester's Herbert cautions that CRM Live will be a "major factor" in the market.

"It will definitely shake up the way people buy," she said, because if organizations want pay as you go, quick implementation and someone else hosting, they can get it direct from Microsoft instead of smaller parties.

Her advice to VARs: "You're not going to be able to differentiate on simple hosting or implementation," especially as CRM systems get easier to set up, easier to manage and more vendors are offering SaaS.

"Partners who will have the most success in the future are ones who will focus on verticals and vertical best practices, or certain processes - like a sales process - they can become an expert in. That will differentiate them," she said.

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