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# Magic Quadrant for Worldwide CRM ESPs, 2004

**Accenture and IBM lead the 2004 customer relationship management external service provider Magic Quadrant. Smaller ESPs are reducing costs by merging or focusing on industry segments or geographies.**

**Core Topics**
Customer Relationship Management: Creating Business Value for CRM

Sourcing: ESP Evaluation and Selection

**Key Issues**
What is CRM, how will it evolve, and what drivers are emerging to force its adoption?

How are individual ESPs positioned in the competitive landscape?

**Strategic Planning Assumptions**
By 2009, more than 40 percent of CRM implementation work will be done offshore, compared to 8 percent in 2003 (0.7 probability).

Through 2006, Accenture and IBM BCS will be the CRM C&SI service delivery leaders (0.7 probability).

The market for customer relationship management (CRM) services is changing:

- The implementation of packaged CRM software applications is more commoditized and is diminishing as a differentiator for external service providers (ESPs).
- Organizations are demanding services from their CRM ESPs that deliver business results, not merely the implementation of CRM technology "on time and on budget."
- Buyers are demanding that services be delivered at lower prices, which requires overall delivery costs at much lower levels than ESPs previously have achieved.
- New competitors have entered the market with lower-cost delivery models in India and other offshore areas.
- Large ESPs have been forced to use a global delivery model of onshore (domestic), nearshore (outsourcing services delivered from an adjacent or nearby country) and offshore resources.
- Smaller ESPs have been forced to reduce their costs by merging or by focusing more on a specific industry segment or geographic market.

These changes have led to a bifurcated landscape. A gap has emerged between large and small CRM ESPs. Larger ESPs are growing even larger, bundling services into "solutions" and expanding their offshore delivery capabilities. Conversely, smaller ESPs are shrinking to specialize in specific industries or with functional expertise in specific CRM segments.

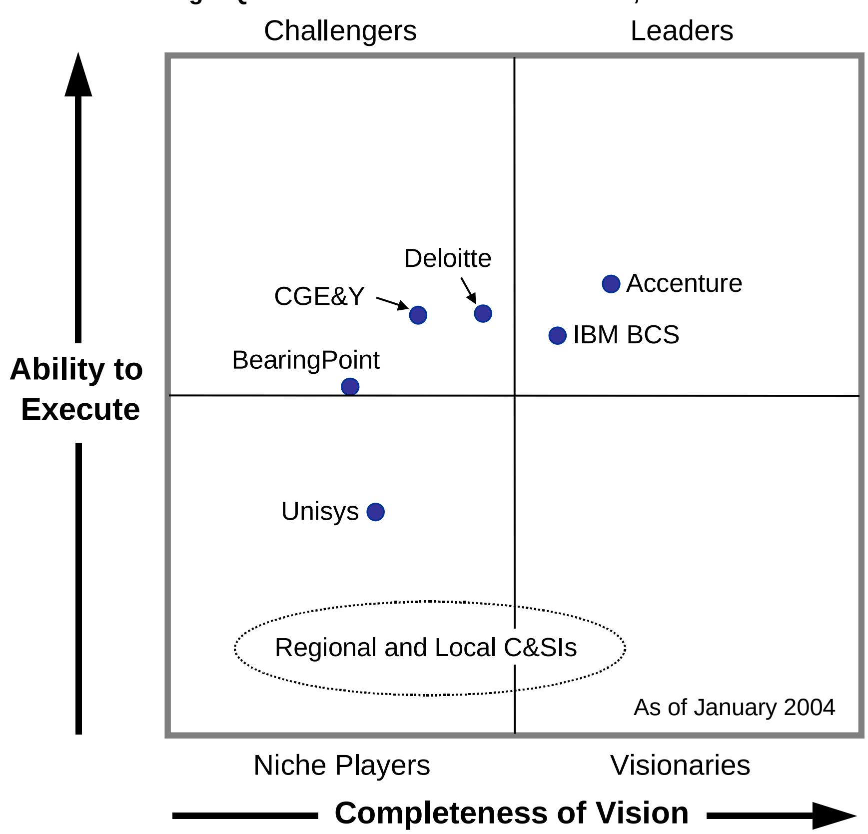
As CRM ESPs migrate implementation components of their delivery models offshore and nearshore, they introduce new risks. Thus, evaluating service providers for CRM is complex and difficult. CRM managers who buy ESPs' CRM services must assess the competencies of these vendors in a number of delivery tiers: onshore, nearshore and offshore. *By 2009, more than 40 percent of CRM implementation work will be done offshore, compared to 8 percent in 2003 (0.7 probability).* In addition, the ongoing management of these CRM ESPs becomes complex and ultimately will determine if business results are truly achieved.

### The Magic Quadrant and Related Research

"Magic Quadrant Criteria for Worldwide CRM ESPs, 2004" defines the criteria used to evaluate vendors for the Magic Quadrant for Worldwide CRM ESPs in 2004 (see Figure 1). See Note 1 for quadrant descriptions.

**Figure 1**

**Magic Quadrant for Worldwide CRM ESPs, 2004**




BCS = Business Consulting Services
C&SI = consulting and systems integration
CGE&Y = Cap Gemini Ernst & Young

Source: Gartner Research (January 2004)

### Understanding the Research on CRM Service Providers

A combination of Gartner research should be used to assist you in evaluating ESPs providing consulting and systems integration

**Note 1**
**Quadrant Descriptions**

Leaders are service providers that are doing well and have strong prospects for the future. They have mature CRM practices, are financially stable, demonstrate long-term management commitment to their practices and have large numbers of CRM consultants that have delivered solutions across a number of industry sectors. They have proven ability to execute across three major geographies to support clients' global operations. They generally sell into the senior management levels, have long-term relationships and serve in long-term advisory roles. They have solid and long-standing partnerships with the leading CRM suite vendors. Enterprises should expect more than the basics from the leaders, and this should come from the combination of vision and execution with regard to the ESP's ability to meet or exceed the benefits it projects for its CRM initiatives. Although many leaders claim to provide everything an enterprise needs for its CRM initiatives, enterprises must dig below vendor claims and seek a deeper understanding of the vendors' true capabilities, because no vendor is without its challenges.

Challengers are vendors that execute well, may dominate a large segment, have a less-mature understanding of market trends and directions, or are not able to articulate their vision clearly. It is undetermined whether they have all the elements to be successful in the future, but they have a solid track record of execution, financial resources and staying power. In general, they have presence in all three major geographies but are inconsistent in their coverage of at least one geography. Generally, they are good choices for the specific segments where their track record demonstrates success.

Visionaries are vendors that have great ideas for tomorrow, but they may be struggling in specific areas with less-consistent execution. They understand business requirements, demonstrate innovation in service offerings with a particular industry focus, and tend to have fewer resources focused on CRM than leaders and challengers.

Niche players are vendors that focus on a smaller segment of the market — and do it well — or vendors that have modest horizons and possibilities due to an inability to innovate or outperform other providers that participate in the CRM market. Niche players tend to deliver tactical implementations or do not demonstrate expertise or execute across all CRM domains or with the same consistency as challengers. They tend to serve a smaller part of the CRM market and may be more confined to a specific geography or vertical market.

(C&SI) services for enabling your overall CRM goals to be achieved:

- The Magic Quadrant — an evaluation of ESPs that deliver CRM C&SI services worldwide — the Americas (the United States, Canada, Mexico, Central America and South America); Europe, the Middle East and Africa (EMEA); and Asia/Pacific.
- "MarketScope: CRM ESPs in the Americas" — an evaluation of the midtier ESPs that deliver CRM C&SI services in the Americas. These ESPs may also operate in a second geography.
- Future reports on ESPs in EMEA.

One or more of the vendors (see Note 2) may be viable options for enterprises seeking CRM C&SI services.

### Leaders

Consider leaders if you are a global or multinational enterprise with complex business processes requiring worldwide support. In addition, consider leaders if you require significant scale involving large numbers of skilled and experienced CRM practitioners for multiyear, multidomain initiatives.

### Accenture

Accenture is consistently mentioned in large enterprises' shortlists and is considered a ubiquitous competitor. Its effective use of channel influence through strong alliances and partnerships with leading CRM software providers — along with its long-standing, stable leadership team — is a source of strength. Its heavy focus on customer analysis, marketing sciences and analytics shows the course in which it wants to head. However, clients rate this expertise lower than Accenture's proven expertise in customer service and support. Accenture has some of the highest satisfaction ratings in business skills and understanding processes in its clients' industries — particularly communications and process manufacturing — yet its clients continue to express frustration at the high costs associated with its premium pricing. With regard to its overall presence, Accenture continues to be the largest of the vendors in terms of CRM revenue (based on Gartner's revenue estimates). We estimate that approximately 60 percent of its CRM revenue comes from its Americas-based clients. EMEA represents approximately 30 percent, with the balance coming from the Asia/Pacific region. Accenture supported this revenue with more than 4,200 CRM consultants worldwide.

**Note 2**
**List of CRM Consultants and Service Providers Gartner Analyzed**
The Magic Quadrant process emphasizes primary research through client feedback to Gartner, which is obtained directly, as well as references supplied by each C&SI vendor. This primary research is supplemented by the vendor's representation of its organization. Gartner's analysis involves weighting all sources of information, with heavy emphasis on direct feedback from clients. The following CRM consulting and services providers may be viable options for CRM initiatives.

Accenture — www.accenture.com
Akibia — www.akibia.com
AMS — www.ams.com
Atos Origin — www.atosorigin.com
BearingPoint — www.bearingpoint.com
C3i — www.c3icare.com
Cap Gemini Ernst & Young — www.cgey.com
Cognizant Technology Solutions — www.cognizant.com
Computer Sciences Corp. — www.csc.com
Deloitte — www.deloitte.com
Electronic Data Systems (EDS) — www.eds.com
eLoyalty — www.eloyalty.com
Hitachi Consulting — www.hitachiconsulting.com
HCL Technologies — www.hcltech.com
Headstrong — www.headstrong.com
IBM Business Consulting Services — www.ibm.com
Inforte — www.inforte.com
LogicaCMG — www.logicacmg.com
Peppers & Rogers Group — www.1to1.com
Satyam Computer Services Ltd. — www.satyam.com
SchlumbergerSema — www.schlumbergersema.com
Siemens Business Services — www.siemens.com
Tata Consultancy Services — www.tcs.com
T-Systems — www.t-systemsus.com
Unisys — www.unisys.com
Wipro — www.wipro.com
ZAMBA — www.zambasolutions.com

### IBM Business Consulting Services

Since its acquisition of PricewaterhouseCoopers Consulting in October 2002, IBM Business Consulting Services (BCS) has completed its integration and is beginning to execute as a combined organization. Client feedback on the combined organization indicates that there is still some way to go before seamless execution of its delivery capability will produce consistently positive references. Clients reported BCS's strength to include the CRM domains of sales and marketing, and Gartner sees BCS appearing almost as often as Accenture on the shortlists of candidates for large, complex implementations, particularly in the discrete manufacturing and financial services industries. Clients are positive about its "bench strength," global presence and experience in CRM. However, clients cite BCS's organization as difficult to understand, complain of the heavy focus on selling other IBM products and services, and complain about its high costs as areas for improvement. We estimate that its percentage of CRM business is nearly equally split between the Americas and EMEA — 44 percent and 40 percent, respectively. Furthermore, we estimate that, in the Asia/Pacific region, it is the largest of all CRM service providers, making IBM BCS the most well-rounded CRM practice globally. We estimate that it has nearly 4,500 CRM consultants worldwide, excluding its On Demand and outsourcing capability.

### Challengers

Generally, challengers are good choices for the specific segments where their track record demonstrates success and where presence in three geographies (the Americas, EMEA and Asia/Pacific) is not a paramount requirement.

### BearingPoint

BearingPoint continues to build and unify its practice from the multiple acquisitions (in 2002) of various dispersed Andersen Business Consulting and KPMG practices. However, it does not appear as well coordinated and consolidated around a single vision for CRM as its competitors. With these acquisitions, BearingPoint strengthens its EMEA presence; however, there are still gaps that need to be filled in the United Kingdom and several other countries. Recently, BearingPoint experienced a change in its global leadership for CRM. One outcome of this is that its European leader is now part of the global leadership. This change brings a strong and experienced senior leader in Europe, which should bolster BearingPoint's continued efforts to solidify its overall CRM vision. In addition, it has demonstrated depth and vision in its knowledge of financial service regulations, the need for permission management, and next-generation retailing and field service. Clients cite its above-average business acumen, its relatively competitive pricing for CRM skills sets, and the responsiveness of its management as strengths. Areas for improvement include its program/project management and its methodologies. We estimate that BearingPoint has 2,500 CRM resources worldwide. Our estimates are that approximately 65 percent of its revenue comes from the Americas, 25 percent from EMEA and the balance from Asia/Pacific. Clients in the communications industry and public sector should consider BearingPoint.

### Cap Gemini Ernst & Young

Cap Gemini Ernst & Young (CGE&Y) has made impressive strides during the past year. It demonstrated, through case studies, good global coverage, and a well-coordinated and well-structured CRM practice, that it is executing soundly and working well with its industry leads. CGE&Y has improved its vision in marketing with its Loyalty Factory and is making more forward investments and creating new ideas. Examples include the investment in Customer Experience Transformation and its unique offering using Accelerated Solutions Environments. Using a unique methodology to accelerate complex decision making, CRM teams with diverse perspectives come together in pursuit of a common goal, enabling rapid decision making. CGE&Y has a high concentration of its CRM revenue in the communications and financial services industries. With regard to customer reference feedback, clients report that improvement is needed in CGE&Y's technical skills and knowledge transfer. Its strengths include its consultants' business skills, capabilities in return on investment/total cost of ownership analysis, and program/project management skills. Gartner estimates that 50 percent of its CRM revenue comes from EMEA, 42 percent from the Americas (with a small presence in South America), and the balance from the Asia/Pacific region. We estimate that the CRM practice has 3,900 consultants.

### Deloitte

After announcing a planned spinoff of Deloitte Consulting in February 2002, Deloitte abandoned its planned separation in March 2003. As a result, Deloitte is the only remaining large, traditional advisory firm that operates as a private entity with an integrated set of services (combining consulting, audit and tax). Given this strategy, Deloitte is promoting the corporate synergies of "one Deloitte" and is anticipating the benefits to be forthcoming. However, those synergies have not yet been fully established for CRM clients. Deloitte's extended delivery model using offshore skill is smaller-scale than its competitors, but practical in its application. Deloitte has demonstrated industry capability in communications and discrete manufacturing. Clients cite its strength in its knowledge of the sales, customer service and marketing domains, as well as its methodology and program/project management capabilities. Its clients rate its performance on delivering enterprisewide strategy high. However, they report that Deloitte needs improvements in its delivery around customer data repositories and its ability to complete knowledge transfer to its clients. Gartner estimates that its CRM practice, numbering 3,600 consultants worldwide, garners approximately 63 percent of its CRM revenue from Americas-based clients, 30 percent from EMEA and the balance from Asia/Pacific.

**Visionaries**

This year's Magic Quadrant does not position any visionaries. However, there are several smaller, visionary-type CRM service providers, and we recommend looking beyond the Magic Quadrant (see "MarketScope: CRM ESPs in the Americas").

Look at visionaries if you want to gain a competitive advantage using leading-edge, creative thinking from smaller, yet highly capable firms offering unique services, or if you are willing to forgo strong vendor viability in favor of firms that have smaller practices.

**Niche Players**

Consider niche players for their particular industry strengths, their ability to focus tactically, their ability to deliver rapidly, and their evidence of repeatable processes worldwide.

**Unisys**

Unisys' large installed base of customers in key industries like public sector and financial services is seeing the benefits of its growing CRM practice. However, it is still skewed somewhat toward operational CRM, as demonstrated by its call center work and base of references. It needs to increase its scale, raise awareness of its skills, and strengthen its technology partnerships with top-tier CRM software vendors. Clients cite strengths in its consultants' technical ability, its ability to provide business-unit-level CRM strategy, and its overall value for services delivered. Areas where improvements are needed include its business skills, its program/project management capability, and its understanding of business processes outside its primary vertical-industry capabilities. Unisys' CRM leadership team indicates that it is the fastest-growing CRM practice of the ESPs evaluated; however, it is starting with the smallest base. We estimate that, with more than 800 CRM consultants, Unisys derives 65 percent of its revenue from the Americas, 25 percent from EMEA and the balance from Asia/Pacific.

### Industry Expertise Matters

The realization of business results is based on defining executable strategies made possible by robust technologies that enable business process change specific to the industry. Table 1 lists Gartner's estimates of percentage-of-CRM revenue (worldwide) for the key industries that we track for CRM.

**Table 1**

**Estimated Percentage of CRM Revenue by Industry (Gartner Estimates)**

| | Accenture | BearingPoint | CGE&Y | Deloitte | IBM BCS | Unisys |
|---|---|---|---|---|---|---|
| Agriculture, Mining, Construction | 1% | - | - | - | - | - |
| Communications (Information) | 30% | 34% | 23% | 27% | 15% | 6% |
| Discrete Manufacturing | 8% | 15% | 16% | 23% | 19% | - |
| Education | 1% | 2% | - | - | - | - |
| Financial Services | 15% | 10% | 18% | 8% | 15% | 33% |
| Healthcare | 4% | 2% | 4% | 6% | 3% | 1% |
| Nonprofit | - | - | - | - | - | - |
| Process Manufacturing | 9% | 9% | 15% | 8% | 10% | 8% |
| Public Sector | 8% | 17% | 10% | 9% | 15% | 22% |
| Retail | 4% | 6% | 3% | 13% | 8% | 4% |
| Services | 2% | - | 3% | 1% | 5% | - |
| Transportation | 2% | - | 3% | 2% | 5% | 26% |
| Utilities | 16% | 5% | 5% | 3% | 5% | - |
| Wholesale | - | - | - | - | - | - |
| | 100% | 100% | 100% | 100% | 100% | 100% |

Source: Gartner Research (January 2004)

When evaluating an ESP's industry capabilities, you should assess the level of depth a provider claims in that particular industry. In addition, conduct sufficient due diligence around its claims of industry expertise by looking at its track record as supported by referenceable clients. For example, the CRM needs of a pharmaceutical company are very different than those of a petroleum or textiles manufacturer, yet all are examples of subsegments within process manufacturing.

**Bottom Line:** Many customer relationship management external service providers claim to be global but, as can be seen, only six have been able to prove their capabilities across North and South America, Europe and Asia/Pacific. Accenture and IBM Business Consulting Services will continue to be leaders, delivering CRM consulting and systems integration services through 2006 (0.7 probability). However, selecting a leader may not always be the best choice. The service provider landscape is extremely fragmented, and it is highly likely that, at times, you will have to look at regional or local vendors. You must conduct due diligence and always check references to ensure that the cultures of your organization and the service provider are synergistic. All other things being equal, the most critical criterion is often the ability for providers to work within an enterprise's culture, work with its people and effect the organizational change that is key to a successful CRM program.

**Acronym Key**

| | |
|---|---|
| **BCS** | Business Consulting Services |
| **C&SI** | consulting and systems integration |
| **CGE&Y** | Cap Gemini Ernst & Young |
| **CRM** | customer relationship management |
| **EDS** | Electronic Data Systems |
| **EMEA** | Europe, the Middle East and Africa |
| **ESP** | external service provider |