Cutter IT Journal

The Journal of Information Technology Management

REPRINT
Cutter IT Journal Vol. 19, No. 6

The Wireless CRM Market: Double-Digit Growth, High ROIs, Hosted Systems

by Brenda Lewis

Brenda Lewis discusses the recent growth and interest in wireless CRM, but points out some key barriers to future adoption. Technical complexity, multiple wireless network frequencies, diverse authentication systems, and the need to better manage lost devices are key areas needing improvement. Moreover, most research and development dollars are spent by the telecommunications industry on consumer devices. Business needs are more varied, more tailored, and still underdeveloped. Lewis suggests that firms focus on a mobile device strategy before they focus on a wireless CRM strategy. This could be a ripe opportunity for smart wireless integrators.

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CRM: The Next Five Years

The Wireless CRM Market: Double-Digit Growth, High ROIs, Hosted Systems

by Brenda Lewis

THE WIRELESS CRM MARKET TODAY

Wireless CRM can be defined as sales force automation (SFA) and customer field service applications, encompassing real-time access through any wirelessly equipped device, including PDAs, smart phones, tablets, laptops, special-purpose devices, and even (a few) cell phones. By all accounts, wireless CRM is booming. While total CRM market revenues are estimated to reach US $15.7 billion by 2009 at a compound annual growth rate (CAGR) of 6% [3], the wireless segment of the CRM market continues to grow much faster. According to Chandar Dhawan of *Mobile Info*, a broad consensus of market forecasters predict continued annual growth in the 25%-30% range in wireless CRM, which currently accounts for about 10% of the whole market, or $1 billion in revenues [1]. In a December 2005 survey of 375 North American IT and business managers planning wireless deployments for 2006 [9], wireless CRM and field service deployments combined were surpassed only by planned deployments in wireless personal information management (e-mail, text messaging, calendar) and LAN access (see Figure 1).

In May 2005, I participated in a private survey of 150 North American CIOs by a global handset manufacturer. This study also showed that 2006 planned deployments of wireless CRM ranked third after e-mail and LAN access. In an interview in May of this year, Oracle's Senior Director of Mobile CRM Product Management, Guy Waterman, told me that about 25% of Oracle's installed base of customers had adopted wireless CRM, and that while hosted or "on-demand" solutions were still in their infancy, they were the fastest growing market segment [10]. In addition, David Werezak, VP Enterprise Business Unit, Research in Motion Limited (RIM), noted that "there is evidence that a significant number of customers are choosing Blackberry devices *because* of CRM applications" [11].

DRIVERS OF WIRELESS CRM GROWTH

Convergence of Workflows

The definition of CRM itself has changed, now embracing SFA, field service management, and even (as a result of location information available in wireless handsets and satellite terminals) some elements of supply chain management (SCM). Customer-facing remote workflow processing is one way to think of wireless CRM. The capture of real-time data at the point of sale or service allows enterprises to speed decision making and improve customer service. Wireless data input in real time (or near real time, using store-and-forward techniques) also generates immediate productivity gains over supplanted paper systems by reducing input errors.

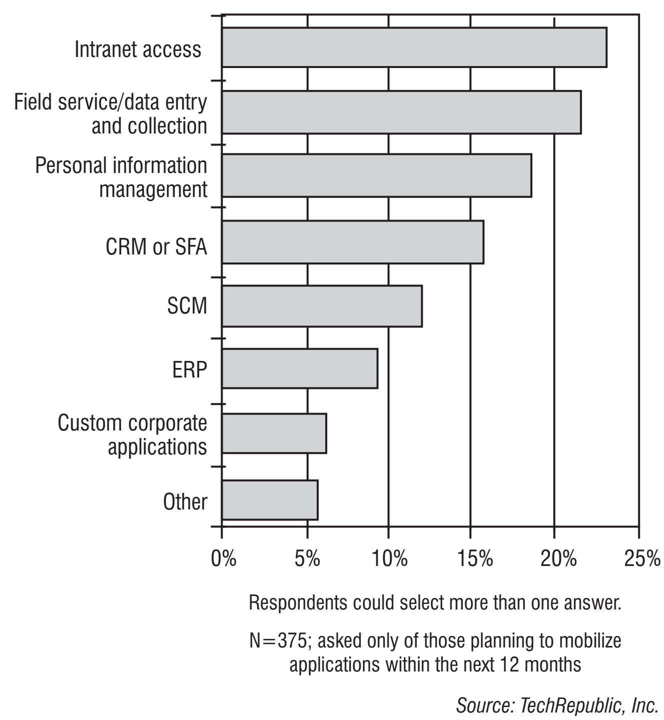


Figure 1 — Planned enterprise mobile deployments by type for 2006.

Improved Devices

With QWERTY keyboards, brighter and larger screens, and easier navigation procedures, pocket-sized devices such as the RIM BlackBerry, Treo 700, and Nokia Communicator are increasingly viable substitutes for a laptop for mobile white-collar professionals. In the field service arena, larger devices such as the HP 6915 and ruggedized laptops like Panasonic Toughbooks may now be equipped with built-in Wi-Fi and/or EvDO, allowing both voice and data access. Device convergence can yield unintended benefits. In the hours before Hurricane Katrina's landfall, RIM's David Werezak reports that an oil pipeline's field service technicians were able to coordinate their pipeline shutdown activities using "chat" on their BlackBerry handhelds.

Hosted Systems

In a 25 May 2005 press release, Kevin Reilly of AMR Research states that "40% of companies are using hosted CRM applications" [6]. Reilly later reports that sales of hosted CRM systems grew 105% in 2004, with the two leaders in the hosted CRM market, Rightnow Technologies and salesforce.com, growing at 97% and 83% rates, respectively [7]. Finally, in October of last year, AMR Research predicted that application hosting would grow by 22% CAGR per year through 2009, faster than other revenue categories [3] (see Figure 2). Through its $5.58 billion acquisition of Siebel Systems, Inc., Oracle is currently the CRM market leader, and Juergen Rottler, Executive VP of Oracle On Demand, has stated, "We believe that on-demand is the future of our business" [4]. I believe that because of the technical complexity of enterprise wireless implementations, particularly in North America (see below), the majority of wireless CRM applications will be hosted.

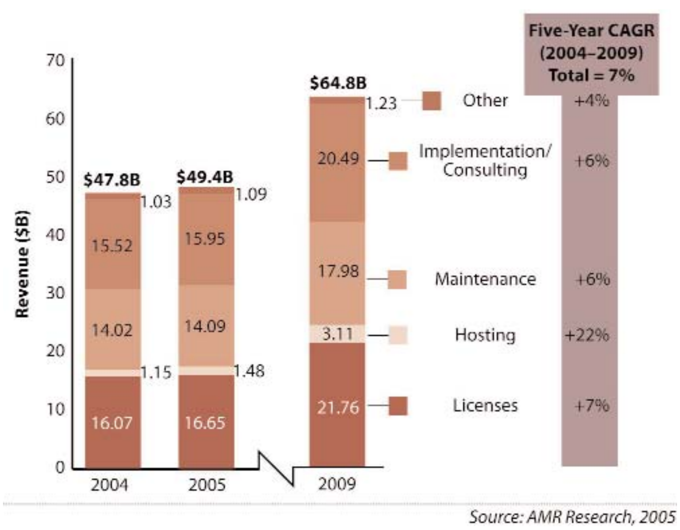


Figure 2 — Traditional enterprise application market, 2004-2009 — by revenue type.

High ROIs

I've conducted case studies that indicate ROI for wireless CRM is typically in the high double digits [5]. Oracle's Guy Waterman indicates that wireless CRM project ROI averages in the 12%-20% range for existing Oracle customers [10].

Ubiquity of Wireless

Mobility is no longer a "nice to have" feature, but a "must have" for competitive viability in the marketplace. In the private survey of 150 North American CIOs mentioned earlier, this assessment was expressed by over 85% of CIOs.

BARRIERS TO FUTURE ADOPTION

Technical Complexity of Wireless Implementation

For the enterprise, extending CRM beyond the 802.11 LAN to the public Internet presents a formidable challenge, because few firms have radio frequency (RF) engineers on staff. The first issue is authentication and control of easily lost wireless devices. While there is wide availability of "kill systems" for lost devices; biometric authentication with iris scans, thumb prints, and voice prints; and excellent wireless VPN clients, the adoption rate has been slow. A consensus across many researchers indicates that fewer than 20% of firms with wireless corporate data applications implement security systems beyond username/password at sign-in, signifying both an education and/or a cost issue.

A second challenge for enterprises deploying wireless CRM in North America is dealing with multiple wireless network frequencies across a continental market footprint. Handset manufacturers such as Motorola, Nokia, and Samsung originally offered multifrequency devices for international travelers, but they are increasingly designing products to address the multiple wireless network standards in the North American marketplace. There are also middleware vendors who address the issue of multiple wireless networks and wireless handsets, providing CRM platforms with RFID, bar code readers, signature capture, and other "basics" for wireless CRM developers. Examples of vendors in this space are AppForge, Inc., and Citrix Systems, Inc.

Suitability of Mobile Devices

Unlike Europe and Asia, where the sale of the wireless handset is separate from the provision of wireless service, in North America enterprises must deal with devices unique to each carrier. The vast majority of wireless devices are designed for the consumer mass market and are often unsuitable for wireless CRM and other enterprise applications. For example, cameras — ubiquitous in consumer phones — are barred from the courtroom, from union-staffed facilities, and from any defense or homeland security vendor premises. The wireless snapshots, music, and video that delight consumers are memory and battery hogs from an enterprise standpoint, especially for data-intensive uses like wireless CRM.

In addition, wireless CRM devices must be easy to use, with the business process adapted to the small real estate of the wireless device. The user is typically in front of a customer (and in some CRM systems may actually *be* the customer), so the time required to enter data and navigate through screens must be short. RIM's David Werezak believes that "initial CRM applications attempted to present too much information. Complicated dial-in and authentication procedures actually meant lots of CRM systems didn't get used. One of our customers saw utilization jump by a factor of five once wireless CRM was implemented." However, Werezak cautions that "the decision to select sales force automation or field service management architecture is often made before the decision to use a mobile solution. Successful wireless implementation requires focus on what is absolutely necessary for the application *and* suitable to the screen size" [11]. Guy Waterman of Oracle suggests customers bench-test their applications by standing at arms-length from a table and entering data using one hand. "We always counsel our customers: focus on short, repetitive tasks. Don't try to put your whole inventory on the wireless device" [10].

Carriers Are Ill-Equipped to Deal With Wireless Enterprise Solutions

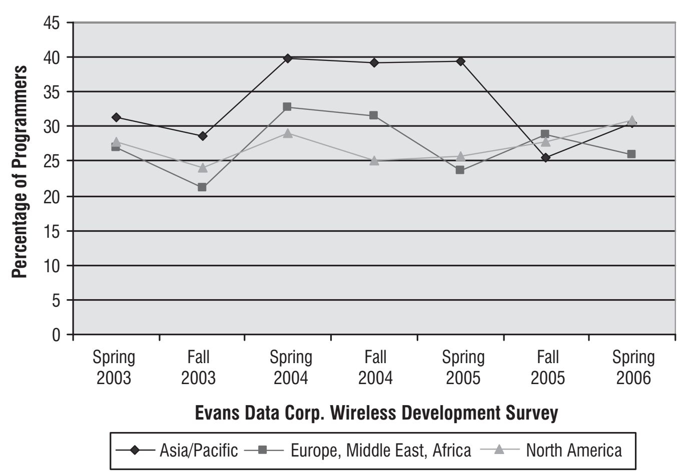
Of the CIOs I interviewed in May 2005, only 20% believed cellular carriers provided excellent customer support for enterprise applications, while 28% rated carrier support as poor to very poor. Among those who deemed their applications "mission critical," the poor to very poor rating was 40%. The remaining CIOs deemed carrier support "adequate," but the majority indicated they would turn to an integrator or vendor rather than a carrier for support in implementation.

Happily, an increasing number of "off deck" wireless applications — that is, applications that bypass the carrier's control — are being developed. At the *Dow Jones Wireless Ventures* (*DJWV*) conference in May 2006, Eric Chu, Director, J2ME Platform, Client Systems Group at Sun Microsystems, indicated that a new Java J2ME release planned for June 2006 will interact with the embedded network characteristics in the handset (e.g., location, directory) to create a custom user experience. Available on handsets in 2007, this will enable CRM developers to create a suite of wireless applications specific to any enterprise and permit the user to navigate smoothly between them, just as one does at a desktop. Seamless mobility functions are also coming from Oracle Fusion, an open, standards-based platform being readied for launch in 2007.

LOOKING AHEAD

Development activity in wireless CRM applications remains strong. In its semi-annual global survey of 500 wireless developers for spring 2006, Evans Data Corporation found steady activity in the wireless CRM market in Europe and the Middle East, but a downturn in the Asia/Pacific region [2] (see Figure 3). Significantly, sometime in mid-2005, in spite of excellent desktop broadband Internet access and the integration issues posed by existing legacy systems, North American wireless CRM activity surpassed that of Asia/Pacific.

What is truly remarkable is the continuing strength of the wireless CRM market in the wake of 9/11 and flat IT spending. Although no separate data is available for wireless CRM venture investments, according to



Source: Evans Data Corp.

Figure 3 — Wireless CRM development (trend), 2003-2006.

Rutberg & Co., the total of all wireless enterprise applications investment was only 3.3% of the total $4.9 billion in wireless venture investments in 2005 [8]. As we see in Figure 4, very little of that investment is in startups. In fact, Figure 5 illustrates one of the reasons. The majority of new companies active in the wireless CRM space today are *not* startup ventures. This was especially noticeable at the recent *DJWV* conference. It is primarily established firms that are now entering the mobility solutions space, especially with software and systems to enhance wireless CRM. First time-presenters at *DJWV* included:

- dataBased Intelligence, which has created a cost-effective, wireless dashboard that can download existing corporate data to a small screen, including color graphs
- ClairMail, which uses messaging to create one-button access to corporate applications
- Network Chemistry, which manages intrusion detection for WLANs
- Orative, which provides mobile telephony management solutions

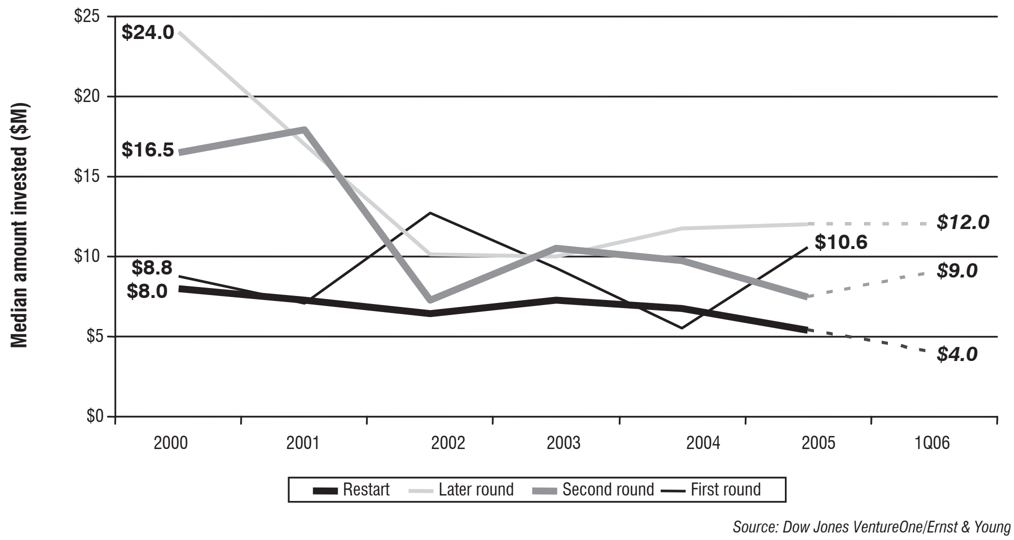


Figure 4 — First round wireless financing falls, median amount invested by round class (annual), 2000-2006.

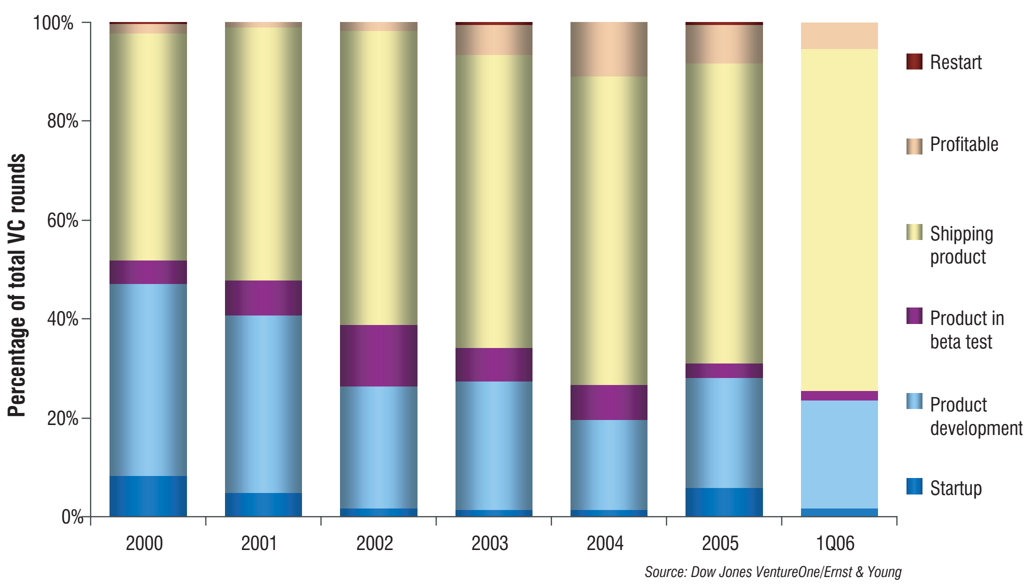


Figure 5 — Revenue companies take half of wireless deals, deal flow allocation by business status (annual), 2000-2006.

Each of these firms already has a customer base, revenues, and funding. The entrance of these companies into the wireless enterprise space is heartening, suggesting a maturing market large enough to sustain significant self-funded investment.

Traditional enterprise application vendors are also aggressively pursuing the wireless CRM space. SAP stuck its toe in the water with a hosted solution as of February 2006, the same month in which Oracle completed its acquisition of Siebel Systems, Inc. Oracle is aggressively marketing Siebel on Demand for laptops, PDAs, and browser-based applications, and hosted systems provider salesforce.com bought its wireless solutions partner, Sendia, in March 2006 to further integrate its mobility solution.

Finally, the cellular carriers derive high margins from enterprise applications, and as voice revenues continue to decline, they are increasingly dependent on data. In his remarks at the *DJWV* conference, Mark Anderson, Ericsson's VP Mobility Solutions, said that "in 2005 Verizon's data business grew 79%, accounting for 11% of revenues." I believe that the combination of a strong need to generate profits and cash flow from nonvoice services, the $1 billion scale of the wireless CRM market, and the market's 25%-30% annual growth rate will lead to better support structures for this vital enterprise application among the cellular carriers. What remains missing are savvy wireless systems integrators to fill the gap in cellular carrier support and to help companies modify existing business processes (or create new ones) to utilize these new software and systems for CRM mobility. As David Rothschild of Hewlett-Packard, VP Handheld Unit, told *DJWV* conferees in May, "It's early days on the enterprise side."

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