

Magic Quadrant for the CRM Customer Engagement Center

04 May 2016 | ID:G00278086

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Summary

Vendors' positions in this Magic Quadrant reflect the growing demand for cloud-based customer service applications to support agents who engage with customers through multiple channels. It remains the case that no vendor offers a suite that meets all global and cross-industry needs.

Strategic Planning Assumptions

Through 2017, 50% of organizations will select SaaS for complex business process support.

By 2018, as more applications are built for a cloud-based model, and as vendors deploy data centers in Europe and Asia, SaaS will emerge as an essential selection factor for CRM customer engagement centers in all geographies and for all levels of process complexity.

Through 2018, an ecosystem containing at least four types of product will be required to build the ideal customer engagement center, the core of which will be an intelligent system for CRM case management.

Market Definition/Description

This Magic Quadrant examines the global market for customer service and support applications designed to engage customers through whichever channel they are using when they require assistance. It covers a wide range of customer service applications for organizations with customer engagement centers (CECs) ranging from the very small (fewer than 20 agents), to the averagely sized (50 agents) and the very large (over 20,000 agents).

At the heart of a CEC is a case management and problem resolution system. It requires a strong ability to create, split, federate, join, assign and escalate cases, if it is not to be of merely marginal benefit to a CRM initiative.

The functionalities evaluated in this Magic Quadrant include those for knowledge-enabled service resolution, social media/community management and offer management. Also evaluated are interaction assistance tools and service analytics dashboards. Ideally, the applications should have tools for both agents and customers, designed on a common platform.

We considered the following to be critical capabilities and features:

- Case management/problem/service resolution (and control of customer master data)
- A knowledge management solution

- A full customer self-service suite, with support for Web and mobile channels
- Real-time decision-making and predictive analytics support for agents
- An adaptive business rule engine
- Enterprise feedback management

In addition, we draw readers' attention to the greater emphasis placed this year on the following:

- Agent guidance and nurturing (embedded human capital management abilities)
- Connection to the Internet of Things (IoT)
- Context mining of voice and text
- Global instances of the system
- Industry-specific functionality and workflow
- Multimodal capabilities, such as support for chat within mobile self-service
- Native mobile support for the vendor's customer service and support business applications
- Real-time and predictive analytics that identify the reasons for calls and their likely resolution
- Scalable cloud-based systems
- Social media engagement
- Suggested next agent action
- Support for both self-service and assisted service across different types of device

The software functionality weightings for this Magic Quadrant, which reflect the most common requirements expressed by Gartner clients, and our view of how requirements are evolving, are as follows:

- Case management/problem/service resolution (and controls of customer master data): 15%
- Knowledge solution: 15%
- Real-time decision support: 10%
- Support of collaborative online communities: 10%
- Integrated email, chat (including chat in external mobile apps), collaboration tools: 10%
- Multisource search optimization and authoring: 10%
- Social media engagement and community monitoring: 5%
- Full support of customers using mobile devices (such as support for mobile messaging, chat and content): 5%
- Adaptive business rule engine: 5%
- Support of video libraries and video chat with customers using the Web and mobile devices: 5%
- Enterprise feedback management: 5%

- Predictive customer analytics: 5%
- Offer management/sales capability: No weighting, but considered a good additional feature
- Virtual customer assistant/proactive smart agent capability: No weighting, but considered a good additional feature

Note that any vendor whose product does not control the customer master data during the customer interaction could not be considered a Leader in this Magic Quadrant, but might be considered a Challenger, a Niche Player or a Visionary.

Factors affecting our evaluations included the extent of a vendor's presence in the market and the observed momentum of its growth. A vendor with stagnant sales or an ineffectual marketing organization should concern prospective buyers.

Magic Quadrant

Figure 1. Magic Quadrant for the CRM Customer Engagement Center



Source: Gartner (May 2016)

Vendor Strengths and Cautions

bpm'online

Gartner's midsize business clients favor bpm'online for its ability to deliver marketing and sales functionality, in addition to customer service. Results from a Gartner survey of 150 companies looking for a CEC solution show bpm'online's name recognition is limited primarily to central Europe and the U.K.; it is also known, to a lesser extent, in the U.S. Bpm'online has offices in the U.K., the U.S., Australia and Eastern Europe. Its core strengths are easy setup and the provision of processes that guide users through the most appropriate steps to ensure effective customer interactions. Its multichannel CEC component enables customers to manage their interactions, regardless of channel, through a central user interface with embedded knowledge management and case management capabilities.

STRENGTHS

- Bpm'online's product supports both on-premises and cloud-based configurations, so providing greater

deployment flexibility.

- Reference customers score bpm'online highly for its product's case routing and management capabilities, as would be expected in light of this vendor's process-oriented focus.
- Bpm'online's product is easy to configure and modify, with training. Its scalability and security stand out, and it received the highest scores for ease of use.
- Bpm'online scored highly in the survey results for "cost to value," so, although it is not necessarily the least expensive option, customers perceive its additional sophistication to be worth the associated outlay.

CAUTIONS

- Although bpm'online has a good ecosystem of partners, customers report that it makes little use of implementation partners. This may reflect its ease of setup and lack of use in complex user environments.
- Bpm'online customers often turn to third-party technologies for channels such as social media, mobile chat and video.
- Reference customers indicated that they expected better integration capabilities than they received from bpm'online.
- Bpm'online appears to aim at the midmarket, and most of its reference customers (over 60%) are in Europe. Its suitability for larger organizations outside Europe needs careful verification.

CRMnext

CRMnext's CEC functionality is interesting for its strong emphasis on sales force automation and customer service. Based in India, CRMnext is a division of Acidaes Solutions. The majority of its presence is in Asia/Pacific and parts of the Middle East. It has a strong presence in large-scale banking and financial services institutions, and 80% of its revenue comes from this industry. CRMnext has approximately 400 employees. It has very large customers, with their average customer support organization having over 1,500 users. CRMnext has direct sales channels in India, Southeast Asia and the Middle East, but relies on partners outside those regions.

STRENGTHS

- CRMnext has good presence in India, Hong Kong and Singapore. It is also present in parts of the Middle East and Africa.
- CRMnext's product was received high scores for cost to value, or ROI, in comparison to those of its competitors. CRMnext supports SaaS and on-premises deployments with the same product, and both versions are priced in the lower range for CEC solutions.
- CRMnext's professional services team has good product understanding and knowledge of business processes, specifically in the banking and financial services sector.
- CRMnext has created an application framework that enables organizations to design their own business flows. CRMnext's involvement of customers in design considerations and code-free modeling show promise.

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- CRMnext's ability to scale is a key strength.

CAUTIONS

- CRMnext's reach is very limited beyond India, some other parts of Asia and the Gulf Cooperation Council states. There is little third-party knowledge to offer CRMnext customers an alternative to its own resources for consulting services.
- CRMnext's user interface can seem cluttered, and its tools to configure, extend and redesign the user experience could be improved.
- CRMnext's limited number of independent software vendor (ISV) partners is an issue for clients needing to fill functionality gaps in its product.
- Customers consider that the mobile component of CRMnext's product needs improvement.

Eptica

Eptica is a CEC solution vendor that primarily serves the European B2C midmarket, in which deployments have approximately 100 agents. This vendor's solution is available both on-premises and in the cloud, and it has a good spread of customers across these deployment modes. Eptica's solution is geared to customer self-service and includes engagement tools that augment, rather than replace, an existing customer service software package. Eptica offers a good solution for email response management, knowledge management and social engagements integrated into a CRM desktop.

STRENGTHS

- Eptica's solution has a strong ability to understand, route and autosuggest responses to text-based customer interactions, which, among Eptica's customers, are primarily email-based.
- Eptica's solution has strong knowledge management capabilities with self-learning features, supported by natural-language processing (NLP)-based linguistic capabilities. Well-documented, open APIs enable the creation of a single knowledge base for Web, social media and mobile self-service.
- Eptica has partnerships with established contact center infrastructure providers.
- Eptica has good capabilities for Web community engagement and collaborative management.

CAUTIONS

- Eptica is a good provider for Western Europe, but prospective customers elsewhere should be particularly careful to check its references.
- Eptica's reference customers express frustration during the deployment phase, due to challenges concerning project planning and execution (such as with integration, training and change management).
- Eptica's call scripting, predictive marketing and social media management capabilities are not best-in-class. Very few of its customers use the full set of channels, so viability across areas like mobile, video and social media is less verified. Reference customers identified usability issues with the graphical user interface and reporting capabilities.
- Eptica's solution is not generally used as a replacement for a customer service system, but as a layer of applications that helps customers navigate across channels.
- Components of Eptica's solution may be delivered by third-party vendors.

Freshdesk

Freshdesk focuses on small and midsize CECs, for which buyers seek applications for fewer than 50 agents. The company has made five acquisitions to expand its core product. With \$100 million in investment capital, Freshdesk has the ability to build a broader offering for its core market.

STRENGTHS

- Freshdesk has a presence on several continents, and its product is deployed in over 100 countries. Its support organization has good references from small and midsize customers.
- Freshdesk's in-line mobile chat product, Hotline, is a smart addition for routing existing and prospective customers in a mobile environment to the right resources within an organization.
- Freshdesk's solution is very good at the basics of case management, including simple routing and escalation. For many smaller organizations with uncomplicated support needs, it makes sense to shortlist Freshdesk. Larger organizations should not rule it out, either.
- The Freshdesk system is intuitive to learn and easy to use, with an appealing user interface.

CAUTIONS

- Freshdesk's reporting and analytics capabilities are rudimentary, though it has plans for upgrades.
- Reference customers noted that Freshdesk's native mobile app lacks the deep capabilities of its agent desktop product. There is no business process modeling feature. Computer-telephony integration is not mature.
- Freshdesk needs to increase its sales capabilities to realize its potential. Its marketing messaging also requires improvement.
- Freshdesk's reference customers stated that the functionalities they need are sometimes still in development or simply not available.
- We have not seen clients selecting Freshdesk's product for support organizations with complex business process needs — specifically, a high volume of interactions and five or more integration points with live data from legacy systems.

Lithium

The Lithium Platform is a social engagement service product, rather than a formal CRM agent desktop with case management at the core. It does not show up on shortlists for traditional customer service agent desktops. Instead, it supports customer engagement on social channels, as well as in its online customer communities. Businesses focused on customer engagement through communities will be interested in this approach.

STRENGTHS

- With the addition of two analytics products, Value Analytics and Lithium Cohort Benchmarking, Lithium's clients gain much better insight into the specific value that a community has for their business. This could take the form of key performance indicators (KPIs) about members' contributions and their satisfaction, or information about the community's role in deflecting calls away from the support center.

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For businesses considering developing a support community to solve problems, Lithium, with its community platform and customer engagement capabilities and analytics, is a good candidate for shortlisting.

- Lithium offers more than just customer support. Its real value lies in promoting and supporting corporate brands in terms of marketing, sales and service. Its strength in gamification is especially helpful.
- Lithium offers good capabilities to take conversations that begin in a public area, such as an online community, and continue them as one-to-one conversations in which a company can use more of its information about individual customers.

CAUTIONS

- Lithium has decided to broaden its offerings into more of a social media suite, rather than to broaden and deepen its CEC product.
- Lithium is rarely considered for customer service solutions for case management or customer care. It is not used for the customer master record, but does link to systems where customer information, case management and other business rules exist.
- Lithium does not offer a complete self-service solution that covers email, chat, customer portals, knowledge management, co-browsing, video agents and virtual customer assistants.

Microsoft

Businesses that have decided to deepen their Microsoft business application competencies are the targets for service by Microsoft Dynamics CRM. This product is the second-most-asked-about application for customer service agent desktops, according to Gartner's client inquiry data. Microsoft Dynamics CRM 2016, though as yet without reference customers, shows significant improvements in online capabilities and integration with other Microsoft assets. It is one of the lowest-cost products in its class. Because Microsoft offers both on-premises and online versions with the same or similar functionalities, and supports a wide range of local languages, it is one of only a few options available to organizations in regions or industries that are unable, or unready, to use the cloud.

STRENGTHS

- Microsoft Dynamics CRM 2016 blends sales, service and marketing capabilities, and integrates tightly with other Microsoft assets, such as Exchange, Office and SharePoint. Ongoing improvements to the user interface — for example, a better screen layout, intuitive scripting and reduced keystrokes — help with standard tasks.
- Microsoft has a solid financial standing and commitment to its CRM product line, global data centers, and sales, marketing and customer service. It also has access to many developer resources and global deployment partners.
- Once references demonstrate tight integration between Microsoft Dynamics CRM 2016 and Azure Services such as Social Engagement, Unified Customer Intelligence, the Telemetry Stack and LearningPath, prospective mainstream buyers will find these exciting add-ons.
- Microsoft has added Unified Service Desk, "click for care" and cloud-based field service to its product line, which has improved its functionalities' coverage.

CAUTIONS

- Microsoft faces extremely stiff competition for cloud-based customer service in the CRM market. It needs to do more to increase its management breadth and presales and direct sales personnel, a shortage of which leads to suboptimal messaging and product demonstrations. There are no examples of Microsoft-based CECs that are at the same time complex, large, global and cloud-based.
- Microsoft Dynamics CRM 2016 is not currently purpose-built for specific industries. Microsoft has only a limited number of partners that have built templates or marketplaces that can be used across businesses and upgraded easily.
- Reference customers reported a range of project-related issues, ranging from a lack of strong workflow capabilities to performance issues during scale-up from pilot projects, to difficulties customizing the interface and upgrading to the cloud from on-premises versions of the product. However, recent versions of Microsoft Dynamics CRM mitigate these issues.
- Microsoft's poor track record for attracting ISV partners is an issue for clients wanting to plug functionality gaps in its offering. Recently, however, Microsoft has made progress in this area.
- Clients have expressed concern about Microsoft's lack of trained professional service partners that understand best-in-class customer service centers and how best to configure Microsoft Dynamics CRM in their industries and parts of the world. Although Microsoft has good development tools, customers do not find them directed at customer service and support scenarios.

mplsystems

A U.K.-based provider of CEC and field service support technologies, mplsystems offers a solution particularly suited to environments that require a complex, guided call-handling capability. The company is very good at helping clients understand the best processes for their business, and at creating solutions for them without protracted development projects. This vendor continues to grow rapidly, and its deployments appear to be increasing in size and complexity. Deployments are primarily cloud-based, but support for on-premises deployment is also available.

STRENGTHS

- Mplsystems has strong domain knowledge and experience within its primary target industries of retail, financial services and manufacturing. It has a good attitude toward training and support.
- Mplsystems' solution has good configurability, scalability and flexibility, which enables customers to tailor it to their specific needs.
- Continued improvement to what mplsystems calls its intelligentDesktop has produced a product with a good interface, embedded contextual content, and chat and email functionality. It indicates that mplsystems has a sound vision for how the handling of customer engagements needs to develop.
- Mplsystems' solution is priced and packaged to provide viability for environments with as few as 10 employees, as well as those with up to several hundred.

CAUTIONS

- As it grows, mplsystems is facing challenges in terms of project management and responsiveness to client requests during the implementation stage.

- Until recently, mplsystems' deployments were relatively limited in scope. It will take time for its recent, more sophisticated and multichannel deployments to become referenceable, and to confirm that it is a viable provider of CEC solutions across all channels.
- Mplsystems' social media capabilities received low ratings from reference customers, probably due to the immaturity of the reference sites.

Oracle

Oracle Service Cloud contains (among other components) the customer service product acquired as part of Oracle's purchase of RightNow Technologies. Oracle has recently renewed its commitment to the CRM application sector with increased R&D investment, which will benefit existing and prospective customers.

STRENGTHS

- The Oracle Service Cloud products for customer service and customer self-service offer good cost of ownership, and Oracle has shown commitment to them over a long period.
- Oracle Service Cloud has very good complementary applications, such as for field service, mobile customer service, analytics, co-browsing, policy automation, chat, email and knowledge management.
- Oracle Service Cloud, delivered as a subscription service using a cloud model, is straightforward to set up and configure, and does not require deep involvement from IT staff. Oracle's professional service teams receive positive reviews for their implementation and business process advice.
- Oracle Service Cloud has a strong global presence. In addition, Oracle's huge installed base of customers, and its many applications and technologies for all parts of a business, make this offering attractive when its functional footprint matches a business's needs.

CAUTIONS

- Reference customers have encountered a range of tactical challenges with Oracle Service Cloud. They identified problems upgrading to newer versions, some performance issues, customization tools that are tricky to use, the need for a Microsoft .NET client and complex licensing fees.
- The focus of Oracle's product is not out-of-the-box industry processes, such as those for multiple support teams, multiorganizational structures, multiple business processes tied to legacy systems, and distributed support centers in areas such as health insurance, banking and hospitality.
- Some existing and prospective users of Oracle Service Cloud see no evidence that Oracle is committed to building an ISV ecosystem and creating more seamless integration with other Oracle business applications.
- For Oracle Service Cloud, Gartner has seen only emerging evidence of large deployment teams or configuration teams among the largest system integrators and global consultancies (such as Accenture, Capgemini, Deloitte and IBM) for the CEC or traditional contact center desktop.

Pegasystems

Pegasystems' offering is used in environments where there are frequent changes to highly complex customer service processes. Pegasystems is a profitable company that generated over \$660 million in revenue in 2015. Its business is dedicated to customer engagement and process optimization. With over 3,300 employees worldwide focused on business processes, it is among the top-three thought leaders in

the CRM industry. Pegasystems' SaaS revenue, though only 5% of its total revenue, grew by over 75% in 2015.

STRENGTHS

- The system can scale up to cater for extremely large deployments, and Pegasystems has reference customers for this type of deployment for various aspects of case management (often involving the addition of case functions to existing desktops).
- Pegasystems supports many business models and delivery models, from business process outsourcing to the cloud, mobile, Web and on-premises. It has an unparalleled ability to handle complex cases. This means that the system can ingest targeted, contextual information — whether content, data or rules — depending on the need.
- Pegasystems' range of customer service products includes a customer service desktop, mobile field sales and field service, employee and customer portals, outbound marketing, chat, email and co-browsing. The overall package received the best cost-to-value rating of any solution assessed for vendors in the Leaders quadrant.
- In the CEC sector, and the CRM market overall, Pegasystems has the strongest ability in, and received the highest scores from reference customers for, modeling and predicting customers' behavior, and for communicating the next action to agents. Reference customers also considered Pegasystems' system configuration to be at the best-of-breed level.
- Pegasystems delivers industry-specific best practices for the insurance, healthcare and financial services sectors, as well as prebuilt templates that accelerate adoption. We have also seen Pegasystems make strong recent moves into the telecommunications field. Many users commend the ability to build, view and audit processes, and the use of the Pegasystems' "direct capture of objectives" methodology, whereby a team can design a business process and integrate the result at the right point in the application. This also makes support practices easy to change.

CAUTIONS

- Reference customers did not give high scores to Pegasystems' key functionality and usability for integrating with processes for social media engagement, mobile customer service applications, communities, or in-line support on websites and mobile apps.
- Whereas organizations in industries such as insurance, healthcare and financial services are drawn to products with a decision-making approach and rule engines to resolve complexity, many traditional IT-driven organizations do not favor Pegasystems' model-based software coding environments for CECs.
- The learning curve for achieving competence in configuring and customizing Pegasystems' offering is longer than those of simpler packages. Although the resource pool has increased, some clients still report issues finding trained and talented third-party resources for building, extending and integrating the system.
- Prospective customers not well versed in BPM find Pegasystems' application prices high, compared with other products on the market.

Salesforce

Salesforce has five business application clouds — Sales Cloud, Service Cloud, Marketing Cloud,

Community Cloud and Analytics Cloud — in addition to its App Cloud and IoT Cloud. As of 2Q16, Salesforce had over \$6.5 billion in revenue and a commanding presence in key markets — that is, it appeared as the leading vendor on shortlists for B2B customer service and support solutions seen by Gartner six times as often as its nearest rival. Gartner estimates that 40% of Salesforce's new revenue came from Service Cloud in 2015, making Salesforce the leading CEC vendor, measured by sales volume. However, Salesforce is not a leader in complex B2C service centers.

STRENGTHS

- For B2B customer service operations, especially those with an established Salesforce presence in the sales department, Service Cloud is a routinely shortlisted product in the U.S., Western Europe, Japan, Australia and New Zealand. New partnerships are bringing Salesforce into the public, communications and media, insurance and health insurance sectors.
- Key new customers — both B2B and B2C — have shown enough faith in the CEC product and the Service Console to invest more than \$10 million per year in Salesforce, while retiring homegrown systems and/or systems from competitors that were at the end-of-life stage. They consider the Salesforce application platform to be a strategic asset.
- Salesforce's enormous influence in the market has attracted a global list of key system integrators and over 600 complementary software providers.
- Salesforce's Community Cloud product for internal collaboration and digital commerce is becoming a differentiator, as are its new analytics capabilities. Adoption of these is often the first step in a more complex implementation. As such, Community Cloud is a good place to learn the strengths and weaknesses of Salesforce's products overall.
- Salesforce is the clear leader in this market.

CAUTIONS

- Salesforce's out-of-the-box functionality is fairly generic, though the company has delivered an industry roadmap and is building industry-specific capabilities. Business users are often surprised at the degree of effort required to achieve a solution with the workflows and case capabilities that they need.
- Advanced customer service organizations may be frustrated by Salesforce's lack of master data management functionality, and the simple nature of its dashboards and reports for KPIs. This applies especially to buyers expecting a focus on workforce optimization.
- Salesforce's new Lightning development environment is progressing, but for complex and high-volume customer service environments its user interface may not be the preferred one. As of 2Q16, there are no examples of large and complex CECs (those with a high volume of interactions and five or more integration points with live data from legacy systems) using the Lightning user interface.
- Customers have expressed concern about high prices and vendor lock-in, once they integrate multiple Salesforce components. As clients gain more complex CEC capabilities, they encounter maintenance complexities that were not apparent when the installations were simpler, and they find that these, combined with software costs, result in a higher-than-expected total cost of ownership.
- Features such as mobile chat, intuitive content discovery for customer self-service, enterprise feedback management, real-time next best action, email intake and routing, and multichannel interaction routing

are best handled by Salesforce's partners.

- Salesforce still offers only limited ability to build and support a global-class B2C CEC product (for example, one that requires integrations and ongoing support of phone switches, email exchanges and back-end real-time processing systems). For large-scale, high-volume CECs where processes must be continually synchronized and monitored — such as in retail banking, loan origination, insurance policy administration, bill processing and fraud management — we recommend checking references for implementations of similar size and complexity.

SAP

SAP's vision for the CEC has evolved to encompass SAP Hybris advances. Its marketing messaging for the CEC is challenging for prospective customers. There are two established products: SAP Cloud for Customer — the version for customer service being the multitenant SAP Cloud for Service — and an older, on-premises system. Both these products are sold for use in case management. The stability and reliability of Cloud for Service were not rated highly by reference customers in large and complex environments.

From now on, SAP products for contextual, unified communications (such as chat, video chat, co-browsing, audio chat, and email) will be based on the SAP Hybris microservices platform and extend the core customer service applications. So far, we have seen only the product considered by SAP ERP/ERP Central Component (ECC) users and SAP Hybris customers, and primarily by IT teams, rather than customer support teams. Potential customers should consider the impact of these separate products and initiatives when assessing SAP for customer service.

STRENGTHS

- SAP is a strong and profitable company, with \$20 billion in yearly sales and over 75,000 employees around the world. This mitigates the financial risk of making a large investment in SAP offerings.
- SAP Cloud for Service has functional breadth beyond customer support, especially for consumer packaged goods and B2B manufacturers and utilities. SAP has very strong integration capabilities for SAP ECC and other assets, and knowledge of end-to-end B2B processes for order management, pricing, shipping, logistics and inventory. Together with the SAP Hybris product, this prepares SAP for a good future in the CEC sector. There is tight standard integration with SAP ECC, SAP Business Warehouse and SAP for Mobile.
- SAP has a broad set of features for customer service: a customer portal, social media engagement functions, integration with Facebook and other social media, SAP Business Warehouse analytics, and field service and customer self-service features.

CAUTIONS

- SAP's reference customers gave SAP Cloud for Service lower-than-average scores for overall usability, intuitiveness and industry-specific capabilities.
- SAP's future development for CECs appears focused on its YaaS platform, which is not yet proven as a platform for enterprise CECs. There is a confusion in the market as to how YaaS is evolving, but we believe that YaaS will evolve into a microservices layer of the SAP Hana cloud platform (HCP) — that is, that it will merge with HCP.

- We have not seen SAP offer strong capabilities for complex cases, such as those involving the launch of a business process at a certain stage in an application's life cycle, support for complex support organizations, or support for multiple business units on the same instance of an application.
- Gartner has not seen SAP Cloud for Service used in a scalable, stable and complex deployment — that is, one with a high volume of interactions and five or more integration points with live data from legacy systems.
- The on-premises SAP Interaction Center user interface is falling behind the best of breed. In addition, SAP's mobile apps to support customer self-service — contextual chat, knowledge management, video and co-browsing (much of it handled by partners) and complex case routing — were not rated highly by its reference customers. We received no references for the SAP Jam online communities product.

SugarCRM

SugarCRM is one of the top-10 most-asked-about CRM product vendors for customer service and support, according to Gartner's customer inquiry data. It is a privately held company with revenue of \$100 million in 2015 (Gartner estimates), of which 25% may be attributable to the CEC sector. Most of SugarCRM's deployments in the CEC sector are in small and midsize support organizations.

STRENGTHS

- SugarCRM's CEC product is available globally, both on-premises and in the cloud, which is a big advantage for companies worried about latency. SugarCRM continues to release frequent enhancements.
- SugarCRM's basic features for problem resolution and case management, as well as case routing, were scored highly by customers for ease of setup and management. It is relatively straightforward for customers to take over system maintenance, configuration and customization after implementation. Recently, SugarCRM has made significant enhancements to workflow and routing.
- SugarCRM's interface is easy to configure and navigate. SugarCRM uses an open-source stack, with PHP as its core extension language, which gives customers access to the significant number of open-source developers worldwide.
- Small and midsize support organizations already using or planning to deploy sales automation, especially in B2B settings, should consider shortlisting SugarCRM's product. The cost of its software is below the average for the top-five CEC solution providers.

CAUTIONS

- Reference customers scored SugarCRM's product below the average for enterprise feedback management, case escalation and routing, advanced email management, knowledge management and predictive analytics.
- SugarCRM's implementations for CECs and customer service are primarily on-premises, and few feature computer-telephony integration or cater for over 100 support agents in multiple locations. Larger cloud customers identified system latency issues.
- SugarCRM's product is not strong in terms of providing industry templates or out-of-the-box, industry-specific functionality, business process flows or modeling tools. SugarCRM relies on partners to deliver industry-specific solutions.

- Gartner has not seen an international customer support organization using SugarCRM's product in a traditional SaaS/cloud format across multiple locations. Several SugarCRM deployments use cloud and hybrid capabilities to manage distributed deployments across locally installed instances.

Verint

This evaluation is specifically for the Verint Engagement Management product, which is essentially a rebranded combination of the Kana customer service software solutions that Verint acquired in 2014. We see potential synergy resulting from Verint's efforts to bring together customer service, community, enterprise feedback management, workforce optimization and analytics software, and provide them holistically to its 10,000 customers. The result will be what Verint calls its Customer Engagement Optimization platform. Verint has a globally deployed professional services organization and generates over \$1 billion in annual revenue.

STRENGTHS

- Verint is a profitable company with a substantial installed base. It also has a good development organization, compared with many of its competitors, which serves as a foundation for future product and service enhancements.
- Reference customers scored Verint very highly for case management, process modeling and customer problem resolution. Verint offers a broad mix of products for the Web, mobile channels and agent desktops.
- Web customer self-service is a strong aspect of Verint's solution.
- Verint has products for analytics, as well as good software in the areas of workforce optimization, fraud detection and prevention, risk management, and compliance.
- Verint Engagement Management can be configured for multiple user roles, which shortens the average handling time for tasks, reduces training periods and makes complex processes easier to introduce.

CAUTIONS

- Reference customers gave Verint lower-than-average scores for its use of complementary software partners and implementation partners. They also expressed concerns about the ease of modifying and customizing the system, and the lack of a true multitenant cloud-based offering.
- Our perception, based on the survey of reference customers, client inquiries, and insights from consultancies and system integrators is that the market's awareness of Verint Engagement Management is very limited.
- Most recent Verint deployments that we are aware of have not been of multicountry CECs handling complex processes.
- Prospective Verint customers should check the local availability of professional services personnel for Verint Engagement Management in their industry and in the geographic area in which they wish to deploy it. They should also look for recent references that support their proposed use.

Zendesk

Zendesk has grown to support 70,000 customers across the world, 80% of which, we estimate, have small

implementations for fewer than 20 users. During 2015 and 2016, Gartner has, however, seen instances of Zendesk deployments for between 100 and 250 users. Zendesk is a publicly traded company that now has more than 1,200 employees and over \$200 million in annual revenue, and a revenue growth rate in excess of 60%. Its product has a cloud-based SaaS subscription model and appeals primarily to entities with midsize support organizations. Zendesk has several product packages, but we evaluated only the Enterprise package for this Magic Quadrant.

STRENGTHS

- Zendesk offers an intuitive user interface. It is simple to set up, and its responsive design allows for deployment on websites, on mobile apps and in CECs.
- The addition of analytics, satisfaction prediction and advanced voice capabilities, as well as better testing and diagnostic tools, and security monitoring and reporting features, has improved Zendesk's product.
- The product's components are viewed by reference customers as offering good value for money, especially for support centers of between 20 and 400 users where deep business process modeling and industry templates are not essential.
- SaaS architecture enables Zendesk's product to be deployed in most of the world's key markets.
- Zendesk has good presence in Western Europe and the U.S. It also has offices in Australia, Brazil, Japan and Singapore.

CAUTIONS

- Zendesk's product received low scores from reference customers for its social media engagement, enterprise feedback management, advanced knowledge management and complex email workflow management.
- We were unable to validate Zendesk's solution for large and/or complex customer support organizations (those with a high volume of interactions and five or more integration points with live data from legacy systems). Prospective customers should demand industry-, geography- and process-specific references before proceeding.
- Configuring complex processes with Zendesk's product is difficult. It is also hard to create complex support teams — the routing and escalation rules pose a challenge — and to support multiple organizations within a single instance. We have yet to see a Zendesk reference for a global, "follow the sun" implementation.
- Companies requiring business process change should know that Gartner has detected no significant trend for major system integrators and CRM consultancies to build Zendesk practices.

Vendors Added and Dropped

We review and adjust our inclusion criteria for Magic Quadrants as markets change. As a result of these adjustments, the mix of vendors in any Magic Quadrant may change over time. A vendor's appearance in a Magic Quadrant one year and not the next does not necessarily indicate that we have changed our opinion of that vendor. It may be a reflection of a change in the market and, therefore, changed evaluation criteria, or of a change of focus by that vendor.

Added

Freshdesk

Dropped

None

Inclusion and Exclusion Criteria

Inclusion criteria were used to determine which vendors appear in this Magic Quadrant.

Gartner's inclusion criteria specified that vendors must:

- Have a minimum of 15 customers using the latest version of the software for customer service and support functionality in a CEC, including examples of social media integration
- Have secured at least five new customers for customer service and support between February 2015 and February 2016 in at least two regions — for example, Asia/Pacific, Latin America, South America, North America and Europe
- Be able to demonstrate at least \$7 million in software revenue from core customer service and support in the contact center/CEC sector — that is, as the desktop of record — from new clients between February 2015 and February 2016
- Demonstrate that they will equal or exceed the previous four quarters' business results in the period 2Q16 to 2Q17
- Appear regularly on client shortlists
- Have a practice with sufficient third-party consulting and integration firms to grow at a double-digit pace for five years
- Have sufficient professional services to fulfill current customer demands and those arising between 2Q16 and 2Q17, and at least enough cash to fund a year of operations at the current "burn rate"
- Have the technology to support an extension to cross-channel customer service, including mobile and social media, without needing to code a new development environment
- Be trendsetters or "market movers," based on their software and strategies

Evaluation Criteria

Ability to Execute

Table 1 shows the criteria we used to evaluate vendors' Ability to Execute. For more details, see the Evaluation Criteria Definitions section.

Table 1. Ability to Execute Evaluation Criteria

Evaluation Criteria	Weighting
Product or Service	High

Overall Viability	Medium
Sales Execution/Pricing	High
Market Responsiveness/Record	High
Marketing Execution	High
Customer Experience	Medium
Operations	Medium

Source: Gartner (May 2016)

Completeness of Vision

Table 2 shows the criteria we used to evaluate vendors' Completeness of Vision. For more details, see the Evaluation Criteria Definitions section.

Table 2. Completeness of Vision Evaluation Criteria

Evaluation Criteria	Weighting
Market Understanding	Medium
Marketing Strategy	High
Sales Strategy	High
Offering (Product) Strategy	High
Business Model	Medium
Vertical/Industry Strategy	Medium
Innovation	Medium
Geographic Strategy	Medium

Source: Gartner (May 2016)

Quadrant Descriptions

Leaders

Leaders demonstrate market-defining Completeness of Vision and the Ability to Execute that vision through products, services, sales figures and solid new references for multiple geographies and industries. Clients report that these vendors deliver high levels of value and return on their investment. These vendors' development teams have a clear vision for the emerging area of customer engagement and the "mobile first" future. They engineer flexible products that have easily changeable business rules. They factor in the impact on customer service requirements of advanced analytics, social media engagement and the IoT (including wearable devices).

A characteristic of a Leader is that clients look to it for clues about how to innovate in customer service in areas such as real-time analysis for and about customers, sensors embedded in other equipment, mobile support and extension to social communities. A Leader does not necessarily drive a customer toward vendor "lock-in," but rather provides openness to an ecosystem. Clients indicate that Leaders' products have improved their organization's competitive position and helped to lower costs.

The Leaders each demonstrated \$50 million in sales to new customers during 2015.

Challengers

Challengers demonstrate a high volume of sales in their chosen markets — that is, more than 30% of their new business comes from more than one industry, and more than 50% of new sales come from sales to the broader installed base. Challengers understand their clients' evolving needs but might not lead them into new functional areas with strong vision and technology leadership. In this respect, they follow the Visionaries.

Challengers often have a strong presence in other application areas, but they have not demonstrated a clear understanding of how to win new business in the CRM CEC market outside the installed base. They may, therefore, not be well-positioned to capitalize on emerging trends. Without a SaaS-architected cloud model, for example, a vendor cannot be a Leader (however well it performs in terms of other criteria), but may be a Challenger. Challengers frequently lack a strong worldwide presence and deployment partners. Often, their product development resources are split across multiple offerings.

The Challengers each demonstrated \$50 million in sales to new customers during 2015.

Visionaries

Visionaries are ahead of many competitors in delivering innovative products and delivery models. They anticipate emerging and changing needs for customer service and move into the new sectors associated with them. They have strong potential to influence the direction of the CRM CEC market, but they are limited in terms of execution or track record. Typically, their products and market presence are not yet complete or established enough to challenge the Leaders.

Niche Players

Niche Players offer important products that offer unique CRM CEC functions, or offerings for particular industries or geographic areas. They may offer complete portfolios but exhibit weaknesses in one or more important areas. They could, for example, be regional experts with limited ability to meet global needs. They may focus on supporting a small number of large enterprises or a large number of small and midsize

businesses.

The Niche Players each demonstrated at least \$7 million in new software license sales to new customers across two continents in two or more industries and business models in 2015.

Context

Customer support remains inconsistent as customers move from one interaction channel to another. During a series of client interviews in 2015 in the U.S., Europe, China, Japan and Australia, we asked business leaders what percentage of their overall customer interactions were conducted on mobile devices. The standard answer was between 30% and 40%. We followed this up in 2016 by asking what percentage of their customer service and support interactions were on mobile devices. The standard answer was between 5% and 8% — a finding virtually unchanged from 2015. This indicates a gap of 600% to 800% between mobile interactions and adequate support for them. So much for "omnichannel (or multichannel) consistency."

To support customers, some interactions will remain human-assisted, while far more will be automated, and some will require customer self-service through search tools or social media channels. There has been an explosion in interest in social media tools, such as Kik, Line, WeChat and WhatsApp Messenger. The established business applications for the CEC function are largely obsolete, because of the unintuitive user experiences they offer across devices and channels. Their support for mobile customers, or customers wanting assistance via social media, is often mediocre.

Many CEC vendors have simplistic and restricted offerings with inflexible configuration rules and procedures that govern the input, retrieval and flow of data and information. Many are not true cloud-architected products, and even those that are often lack global data centers in which to store sensitive customer information. This is especially disconcerting for businesses with multiple support organization structures. Most CEC vendors support collaborative interactions poorly.

Despite the high value of their systems, CEC vendors have failed to incorporate new ideas and developments, such as real-time analytics, machine intelligence and social experience design concepts, into customer interaction applications for customer service. Without collaboration capabilities "baked" into the software, or data analytics that enable visualization of customers and their needs, interaction between employees and with customers is limited. Best practices are therefore hard to capture.

The major vendors developing customer management software now see the economic value of rearchitecting their software for social experiences. Oracle is a leading example. Aware of the innovations brought on by communications software and social software, Oracle has integrated its products. Several other vendors are doing likewise. They understand that the social revolution in software will adversely affect sales of their core systems during the next five years. Through acquisition and integration, Microsoft, Oracle, Salesforce and SAP are making good progress, whereas many other vendors in this Magic Quadrant are lagging behind in terms of innovation.

Organizations are rarely able to migrate from an old CRM CEC system to a new one if they have complex back-end processes. However, we have spoken to over 1,000 companies that have demonstrated that it is possible to take an augmentative approach, by which mobile analytics and social tools for collaboration and sharing are integrated into a CEC environment. Workflows and rules are written, often in the CRM system, and passed to the social engagement stage for more complex deployments as experience is

gathered. This is why Gartner is promoting the concept of the CRM CEC as a seamlessly integrated solution that embraces social media engagement.

As CEC suites with fuller analytics capabilities and better mobile-centric designs reach the market, the business case for migrating to these new suites will be easier to demonstrate. Industry- and geography-specific considerations will cause businesses to accelerate investments in innovation in social-centric interfaces. Although the U.S. and Asia still lead Europe and other regions in their use of social media for business processes, they do not in their use of mobile channels. In addition, although the mining, chemicals, industrial machinery, oil and gas industries are under no great pressure to progress in this regard, the high-tech, media and entertainment, retail and consumer goods, banking, and telecom sectors do need to advance in 2016.

Market Overview

Prospective buyers regularly come up against two issues that reflect the complexity of this market.

The first is the complexity of the information required to support customers, and the complexity of the business rules and processes that frame the steps within each interaction. It may help prospective buyers to know that:

- For simpler customer service process models, the vendors that dominate Gartner's conversations with clients are (in alphabetical order) Microsoft, Oracle (Oracle Service Cloud), Salesforce (including Desk.com), SugarCRM and Zendesk. However, we also regularly recommend that clients consider Astute Solutions, Wilke Global and Zoho.
- For more complex business rules and processes, we tend to discuss bpm'online, CRMnext, mplsystems, Pegasystems, SAP (SAP CRM) and Verint, but we also discuss Oracle (Siebel) and Vertical Solutions.
- For more specialist functions for social customer engagement and self-service, we often recommend the following vendors for use by customer service agents: Coheris, Conversocial, Dimelo, eGain, Moxie and SpiceCSM.

The second issue concerns the availability and applicability of cloud-based solutions. As a delivery model for CRM CECs, SaaS is being accepted and preferred by many organizations. However, in many parts of the world, and in some industries and environments, cloud-based customer service business applications are not yet preferred, due to issues of data residency and latency. These areas include:

- Locations where there is greater caution about SaaS, due to concerns about data privacy, latency and application availability. Notable examples are Central and Eastern Europe, many parts of Asia (including India and China) and South America.
- National/federal governments and healthcare organizations subject to strict regulations.
- Complex environments with high call volumes, high transaction volumes and real-time integration with legacy systems, which can slow performance.

In our evaluations, we indicate when we see a potential challenge for a product in view of these factors.

In 2015, for new projects, more than half the new CEC deployments worldwide were SaaS-based, and at least 85% of CECs used some form of SaaS application (often for a specific capability, such as knowledge

management, feedback management, or Web or video chat).

In 2016, complete customer service solutions delivered as SaaS will remain most prominent in B2B, low-volume contact centers and in non-process-intensive B2C centers.

Honorable Mentions

There are many providers of software for this market that, although lacking sufficient breadth or depth to appear in this Magic Quadrant, have strong offerings that prospective buyers should consider. Examples are as follows:

- Akio
- Astute Solutions
- Dassault Systèmes (Exalead)
- Eudata
- Infor
- Nice
- SpiceCSM
- Wilke Global
- Zoho

Evidence

We conducted over 150 online surveys and 50 telephone interviews with vendors' reference customers, as well as over 1,000 inquiry calls with Gartner clients wanting to evaluate products. We also interviewed vendors, attended their product demonstrations, and interviewed business consultancies and system integrators.

Evaluation Criteria Definitions

Ability to Execute

Product/Service: Core goods and services offered by the vendor for the defined market. This includes current product/service capabilities, quality, feature sets, skills and so on, whether offered natively or through OEM agreements/partnerships as defined in the market definition and detailed in the subcriteria.

Overall Viability: Viability includes an assessment of the overall organization's financial health, the financial and practical success of the business unit, and the likelihood that the individual business unit will continue investing in the product, will continue offering the product and will advance the state of the art within the organization's portfolio of products.

Sales Execution/Pricing: The vendor's capabilities in all presales activities and the structure that supports them. This includes deal management, pricing and negotiation, presales support, and the overall effectiveness of the sales channel.

Market Responsiveness/Record: Ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, customer needs evolve and market dynamics change. This criterion also considers the vendor's history of responsiveness.

Marketing Execution: The clarity, quality, creativity and efficacy of programs designed to deliver the organization's message to influence the market, promote the brand and business, increase awareness of the products, and establish a positive identification with the product/brand and organization in the minds of buyers. This "mind share" can be driven by a combination of publicity, promotional initiatives, thought leadership, word of mouth and sales activities.

Customer Experience: Relationships, products and services/programs that enable clients to be successful with the products evaluated. Specifically, this includes the ways customers receive technical support or account support. This can also include ancillary tools, customer support programs (and the quality thereof), availability of user groups, service-level agreements and so on.

Operations: The ability of the organization to meet its goals and commitments. Factors include the quality of the organizational structure, including skills, experiences, programs, systems and other vehicles that enable the organization to operate effectively and efficiently on an ongoing basis.

Completeness of Vision

Market Understanding: Ability of the vendor to understand buyers' wants and needs and to translate those into products and services. Vendors that show the highest degree of vision listen to and understand buyers' wants and needs, and can shape or enhance those with their added vision.

Marketing Strategy: A clear, differentiated set of messages consistently communicated throughout the organization and externalized through the website, advertising, customer programs and positioning statements.

Sales Strategy: The strategy for selling products that uses the appropriate network of direct and indirect sales, marketing, service, and communication affiliates that extend the scope and depth of market reach, skills, expertise, technologies, services and the customer base.

Offering (Product) Strategy: The vendor's approach to product development and delivery that emphasizes differentiation, functionality, methodology and feature sets as they map to current and future requirements.

Business Model: The soundness and logic of the vendor's underlying business proposition.

Vertical/Industry Strategy: The vendor's strategy to direct resources, skills and offerings to meet the specific needs of individual market segments, including vertical markets.

Innovation: Direct, related, complementary and synergistic layouts of resources, expertise or capital for investment, consolidation, defensive or pre-emptive purposes.

Geographic Strategy: The vendor's strategy to direct resources, skills and offerings to meet the specific needs of geographies outside the "home" or native geography, either directly or through partners, channels and subsidiaries as appropriate for that geography and market.



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