Gartner

Press Release

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Gartner Says CRM Will Be at the Heart of Digital Initiatives for Years to Come

Hot Areas for CRM Investment Include Mobility, Social Media and Technologies, Web Analytics, and E-Commerce

STAMFORD, Conn., February 12, 2014 — Organisations are leveraging customer relationship management (CRM) technologies as a major part of their digital initiatives to enhance the customer experience, according to Gartner, Inc. Gartner said that demand for modern technology customer relationships is driving refreshed or expanded integration and usage of all areas of CRM software. The outlook continues to be positive for CRM as buyers focus on technologies that enable more-targeted customer interactions in multichannel environments.

"CRM will be at the heart of digital initiatives in coming years. This is one technology area that will definitely get funding as digital business is crucial to remaining competitive," said Joanne Correia, research vice president at Gartner. "Hot areas for CRM investment include mobility, social media and technologies, web analytics and e-commerce."

Gartner expects CRM market growth to stay moderate in 2014, following three strong years of investment. CRM software revenue is forecast to reach $23.9 billion in 2014, with cloud revenue accounting for 49 per cent. SaaS- or cloud-based CRM deployments currently represent more than 40 per cent of all CRM deployments, and look set to reach 50 per cent during 2015.

"Unsurprisingly, high-tech, banking, insurance, securities, telecommunications, pharmaceutical, consumer goods, IT manufacturing and IT services vertical industries will continue to be the largest spenders on CRM as they have the widest use of different types of CRM applications and technologies," said Ed Thompson, vice president and distinguished analyst at Gartner. "All these industries are also increasing investment in emerging economies, further driving spend."

Line-of-Business Buyers Have Different Operational Requirements for CRM
Customer support and service (CSS) has IT leaders, vice presidents and directors of customer service involved in customer support/relationship initiatives and are looking at the targeted use of big data analytics, peer-to-peer communities and the evolving customer engagement centre (CEC), which is the next generation of the customer service contact centre, for critical processes and technologies. A central focus of the CSS organisation is on how to engineer consistent, differentiated, cross-channel customer experiences, while supporting the need for increased use of customer self-service.

E-commerce is top of mind for CEOs, chief marketing officers (CMOs) and senior executives as they seek the ability to improve overall customer experience, profitability and sales. At the same time, marketing technology is a hot area for IT investment, but solution decisions are increasingly being driven by CMOs and the marketing organisation, with little to no IT involvement. CIOs will need to work more closely with CMOs and marketing leaders to adapt to the increasing technology demands emanating across the marketing organisation. Mounting pressure on CMOs to drive growth, improve accountability and reduce costs is pushing marketing organisations to make significant marketing technology investments across a broad set of applications and functionality.

Internet of Things Joins the Nexus of Forces as the Fifth Driver of CRM
The main drivers behind the hot topics in CRM — cloud, social, mobile and big data — are being joined by a fifth driver: the Internet of Things, where sensors connecting things to the internet create new services previously not thought of.

- **Social** — In the sales, marketing and customer service departments, marketing is being forced to monitor, communicate and engage in social commerce business with several hundred public social networks. Customer service has to respond to tweets and Facebook and LinkedIn discussions, as new service channels and sales are now using social media as a source of new leads and intelligence on prospects.
- **Mobile** — Smartphones, tablets and mobile apps are forcing change at an even faster rate than social networks. Connections to the internet via smartphones will exceed PC users by the end of 2014 and smartphones have already overtaken PCs as the most common tool for accessing social networks in most countries. Bring your own device (BYOD) policies are springing up around the globe as IT departments are forced to support a proliferation of devices. It is tablets, however, that are causing the most disruption as sales departments and board directors purchase them and then demand support.
- **Big Data** — The marketing department has been most impacted by the explosion in customer information available to businesses during the past five years. Predictive analytic models for churn analysis, product and service recommendations direct to the customer, and/or sales prompts for salespeople are all becoming more sophisticated. Thus, the data is available and the tools are emerging, but the problem is the lack of skills and resources to use the tools.
- **Cloud** — This driver is a decade old now in CRM, having started back in the late 1990s with the rise of application service providers. In many ways, the low-hanging fruit for cloud adoption has already been picked. The remaining areas of CRM application functionality will be ever harder to adopt in a cloud delivery model, so the switch to cloud will steadily slow.
- **Internet of Things** — As cars, buildings, bodies and chairs are connected to the internet and as the price of sensors and communications drops down toward $1, the automotive, construction, healthcare and hospitality industries, among many others, will be transformed. At the forefront of this shift will be sales, marketing and customer service departments in promoting, selling and supporting the new services.

"These drivers are spurring a critical need for more traditional operational CRM as CRM continues to top software investment priorities. This further validates businesses' focus on enhancing customer experience and consistent investment in CRM software, especially in CSS, marketing and sales software," said Ms Correia.

More detailed analysis is available in the report "Market Trends: CRM Digital Initiatives Focus on Sales, Marketing, Support and E-Commerce." The report is available on Gartner's web site at http://www.gartner.com/doc/2657016.

CRM trends will also be discussed at the Gartner Customer Strategies & Technologies Summit 2014, on 28-29 April, in London. For more information on this Summit, please visit www.europe.gartner.com/crm. Members of the press can register for the Summit by contacting Laurence Goasduff at laurence.goasduff@gartner.com.

Information from the Summits will be shared on Twitter at http://twitter.com/Gartner_inc using #GartnerCRM.

About Gartner

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