

Microsoft Brings CRM to Small Businesses

Joseph D. Outlaw, Michael Maoz

Small businesses looking for basic sales and service automation in a Microsoft environment will benefit in 2003 from Microsoft's upcoming customer relationship management (CRM) product.

NEWS ANALYSIS

Event

On 25 February 2002, Microsoft announced sales and customer service software targeted to small and midsize businesses (SMBs) and built on the .NET platform. Microsoft expects to release the software in North America in 4Q02 as a stand-alone product, bundled with Microsoft Great Plains Software suites or as a hosted Internet service.

Analysis

Microsoft's entrance into CRM software will benefit small businesses (up to 100 users, primarily synchronizing desktop data over high-speed lines) since most are Microsoft-centric shops that put a premium on reliability and stability in their technology choices. The products will be sold and supported by Microsoft's Great Plains reseller channel and will also be available as a hosted service although most SMBs will likely prefer on-premises software tools to support their customer-focused activities.

The initial CRM suite will be a no-frills application built for the Microsoft user, with the advantages and challenges that implies. The advantages:

- Out-of-the-box, Tier 1 sales force automation, customer service and marketing tools
- Low cost compared to competitive offerings
- Software that's easy to use, set up and manage
- Full integration with Microsoft Office and Exchange

The challenge will lie with SMBs that need more than basic capabilities (e.g., building workflow processes or aligning sales teams by territory, product or campaign). And enterprises that have integration needs outside of the Microsoft environment, have complex sales and service models, or require advanced CRM functions such as configuration, content management, personalization and relationship optimization won't find those capabilities in Microsoft CRM. As Microsoft gains comfort with the effort involved in selling customizable applications through 2004, it will make at least one aggressive acquisition to serve the midsize enterprise market (0.7 probability).

For small businesses that have at least basic IT expertise in-house, Microsoft CRM will offer technology that enables simple sales and basic customer service activities. SMBs with less than 100 employees should consider other products until 2003 in North America and in 1Q04 in the rest of the world. The first release of CRM will not enable tight call-center integration or permit significant application customization. Microsoft will likely not be the natural first choice of larger or more complex enterprises.

Analytical Sources: Joe Outlaw and Michael Maoz, Customer Service and Support Strategies

Need to Know: Reference Material and Recommended Reading

- "Attention SMBs: Are Your Customers Happy?" (AV-14-2296). SMBs that don't become customer-focused will find themselves increasingly at a competitive disadvantage. **By Joe Outlaw and Jim Browning**
- "The Complete SMB Guide to CRM Vendors" (COM-14-2171). SMBs should select CRM products and vendors that put the least pressure on their internal resources and budgets. **By Joe Outlaw and Wendy Close**

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REGIONAL HEADQUARTERS

Corporate Headquarters

56 Top Gallant Road
Stamford, CT 06902-7700
U.S.A.
+1 203 964 0096

European Headquarters

Tamesis
The Glanty
Egham
Surrey, TW20 9AW
UNITED KINGDOM
+44 1784 431611

Asia/Pacific Headquarters

Gartner Australasia Pty. Ltd.
Level 9, 141 Walker Street
North Sydney
New South Wales 2060
AUSTRALIA
+61 2 9459 4600

Japan Headquarters

Gartner Japan Ltd.
Aobadai Hills, 6F
7-7, Aobadai, 4-chome
Meguro-ku, Tokyo 153-0042
JAPAN
+81 3 3481 3670

Latin America Headquarters

Gartner do Brazil
Av. das Nações Unidas, 12551
9º andar—World Trade Center
04578-903—São Paulo SP
BRAZIL
+55 11 3443 1509