

InStranet Buy Gives Salesforce.com Strong Knowledge Management

Michael Maoz

Acquiring InStranet gives salesforce.com strong knowledge management, access to large-enterprise call centers and a deeper European presence. InStranet customers should seek pricing and support guarantees.

NEWS ANALYSIS

Event

On 20 August 2008, salesforce.com announced that it has acquired privately held InStranet for \$31.5 million in cash. The deal closed on 4 August 2008.

Analysis

This deal will benefit salesforce.com customers and prospects, but large on-premises InStranet customers should be mindful of any unforeseen impact. Salesforce.com has moved aggressively into contact centers for business-to-business customer service yet lacked strong knowledge management (KM) and a presence in business-to-consumer industries. Businesses use KM to improve the customer experience by giving service agents the right information at the right time. InStranet has sold its KM products primarily to European telecom and financial service providers that have consumer-focused call centers with thousands of agents. More than 400,000 agents and knowledge workers use InStranet. InStranet offers both an on-premises model (over 75% of clients) and a hosted model.

The InStranet offering becomes salesforce.com's first major non-software-as-a-service (SaaS) product. Salesforce.com said it will support InStranet's on-premises customers for the foreseeable future. Salesforce.com says it is committed to continue developing and selling on-premises and hosted InStranet products for as long as there is demand. Salesforce.com will offer a SaaS version of the InStranet product by year-end 2009; it won't be rewritten but will be integrated through Force.com. Through 2010, salesforce.com will encourage InStranet customers to move to the SaaS version by offering it for the same price as InStranet customers' annual maintenance fee. Salesforce.com will also encourage new customers to select the SaaS product, but we expect that half of large contact centers will prefer an on-premises product until they become confident in SaaS. Note that salesforce.com has no experience managing on-premises or hosted software at this scale.

Some of InStranet's 25 large European customers have deployed InStranet in Siebel, PeopleSoft and Amdocs call-center desktop environments. We do not believe all of these Salesforce.com competitors will actively market InStranet at the previous level.

RECOMMENDATIONS

- **InStranet customers:** Seek clarification about product pricing, support and access to product enhancements, and obtain written guarantees.
- **InStranet prospects with more than 500 call center agents:** If you prefer SaaS, continue to engage with InStranet but obtain specifics on future product pricing. If you prefer on-premises software, ask salesforce.com to clarify pricing and support plans, and obtain written guarantees.
- **Salesforce.com customers and prospects, and small and midsize InStranet prospects:** Place the InStranet product on your shortlists, along with alternatives from eGain Communications, InQuira, Kana Software and RightNow Technologies, and seek guidance on pricing.

RECOMMENDED READING

"Magic Quadrant for CRM Customer Service Contact Centers, 2008" — The challenge during the next five years will be to find software suppliers that understand the focus has changed from enabling the agent to enabling the customer. **By Michael Maoz**

"Toolkit Decision Framework: Four Styles of Architecture for CRM in the Contact Center" — Buyers of software for customer service and support should evaluate suppliers by considering process complexity vs. interaction complexity. **By Michael Maoz**

(You may need to sign in or be a Gartner client to access the documents referenced in this First Take.)

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