

Microsoft Reduces Prices to Win CRM SaaS Business

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Microsoft made two announcements about its Microsoft CRM Dynamics Online software-as-a-service (SaaS) offering. Both announcements are consistent with Microsoft's CRM SaaS strategy to aggressively gain market share.

NEWS ANALYSIS

Event

On 3 November 2009, Microsoft announced a service update for Microsoft Dynamics CRM Online — the third service update delivered in 18 months. The service update offers new features at no additional cost to customers, including free mobile access, enhanced data importing and customizable views. Microsoft also announced that customers that switch from salesforce.com and Oracle CRM On Demand products can get Microsoft Dynamics CRM Online free for six months, in addition to Microsoft's free 30-day trial. The announcement also included news of a price reduction for all versions of Microsoft Dynamics CRM Online.

Analysis

Microsoft's announcements are consistent with its strategy of using price to win market share. This is not a new strategy for Microsoft. It has consistently been a “follower” to markets, leveraging its large installed base of products (such as Microsoft Office and Microsoft Windows) and has used low pricing to win market share. Here are the most critical parts of the announcements for users:

- A \$44 price point per user per month (reduced from \$59) for all versions of Microsoft Dynamics CRM Online
- Seven months free (one-month pilot plus six-month promotional offer for existing salesforce.com or Oracle CRM On Demand customers.

The \$44 price point is well below list prices of leading vendors that offer CRM SaaS. Microsoft also allows customers to “pay as you go” rather than make upfront preannual cash payments.

However, Gartner sees discount levels of 40% to 60% off of list prices from all leading CRM SaaS providers. It is also important to note that Microsoft CRM Dynamics Online is available in English only. Microsoft expects general availability of multilingual capability by YE2010. The free mobile read/write access is browser-based with no native application or data on the device. Most vendors offer a free mobile version with their offerings, with varying degrees of read/write access.

RECOMMENDATIONS

- Salesforce.com and Oracle CRM On Demand customers within 12 months of their contract renewal should evaluate Microsoft CRM Dynamics Online. At the very least, the evaluation will provide pricing leverage for your contract renewal.
- Customers that have switched to Microsoft Dynamics CRM Online from salesforce.com and Oracle CRM On Demand in the past three months should ask for the promotion retroactively.
- Negotiate the Microsoft Dynamics CRM Online user price first, then apply seven free months. For example, seven free months equates to an additional 19.44% discount on a three-year contract.
- New English-only CRM SaaS prospects with base opportunity management functionality (and with fewer than 300 users, as no data points for large user sets yet) should put Microsoft on their shortlist.

RECOMMENDED READING

- "Evaluating IBM, Microsoft, Oracle and SAP's SaaS Strategies"— Gartner analyzes SaaS strategies and products from IBM, Oracle, Microsoft and SAP. **By Robert DeSisto and Ben Pring**
- "Use the SaaS Readiness Assessment Checklist Before Deploying Your SaaS Solution"— Use Gartner's SaaS Readiness Assessment Checklist to help deploy your organization's unique SaaS solution. **By Robert DeSisto**

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

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