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Partner Relationship Management: 2003 Magic Quadrant

In the latest Gartner PRM Magic Quadrant, Siebel remains the sole PRM leader. Allegis, Blue Martini, ChannelWave, Click Commerce and Comergent distinguish themselves as visionaries, and SAP emerges as a challenger.

Core Topics
Customer Relationship Management: Business Strategies, Technologies and Applications for Marketing; Business Strategies, Technologies and Applications for Sales

Key Issues
How will technology impact the evolution of sales channel and customer relationships?

How will enterprises drive profitable loyalty while satisfying increasingly demanding prospects and customers?

Strategic Planning Assumptions
By 2005, there will be three or fewer viable best-of-breed PRM vendors remaining because of acquisitions, consolidation and attrition (0.8 probability).

By 2005, enterprise application suite vendors will command more than 70 percent of new PRM application license revenue (0.7 probability).

Enterprises that depend on demand network partners to provide value-added services, such as distribution, vertical marketing and sales reach, or to provide localized operations and customer service and support have come to recognize that indirect relationships need to be properly orchestrated to compete effectively. Therefore, despite a challenging economic environment, partner relationship management (PRM) continues to gain momentum. To date, PRM applications have helped enterprises better manage partner relationships and have improved the efficiency and effectiveness of marketing and sales to partners, as well as servicing of partners. More-recent PRM application enhancements leverage distributed architectures that further enable enterprises to extend collaborative business processes through their demand network partners and to end customers themselves.

From a vendor perspective, Siebel Systems' PRM offering (formerly named eChannel) continues to gain market share as the company leverages its ability to execute and enhances its vision to support evolving PRM requirements. Although the economic downturn has slowed the growth and raised viability issues for some of the best-of-breed PRM vendors, a few continue to distinguish themselves by their breadth or depth of functionality and progressive application architectures that support more-flexible, dynamic demand network processes. The entrance of enterprise resource planning (ERP) giants Oracle, SAP and PeopleSoft has already begun to affect the PRM market, as their clients that seek PRM solutions begin to seriously consider the PRM capabilities of their enterprise application suite vendor(s) of record and even select it as vendor of choice.

Figure 1 shows the 2003 PRM Magic Quadrant.

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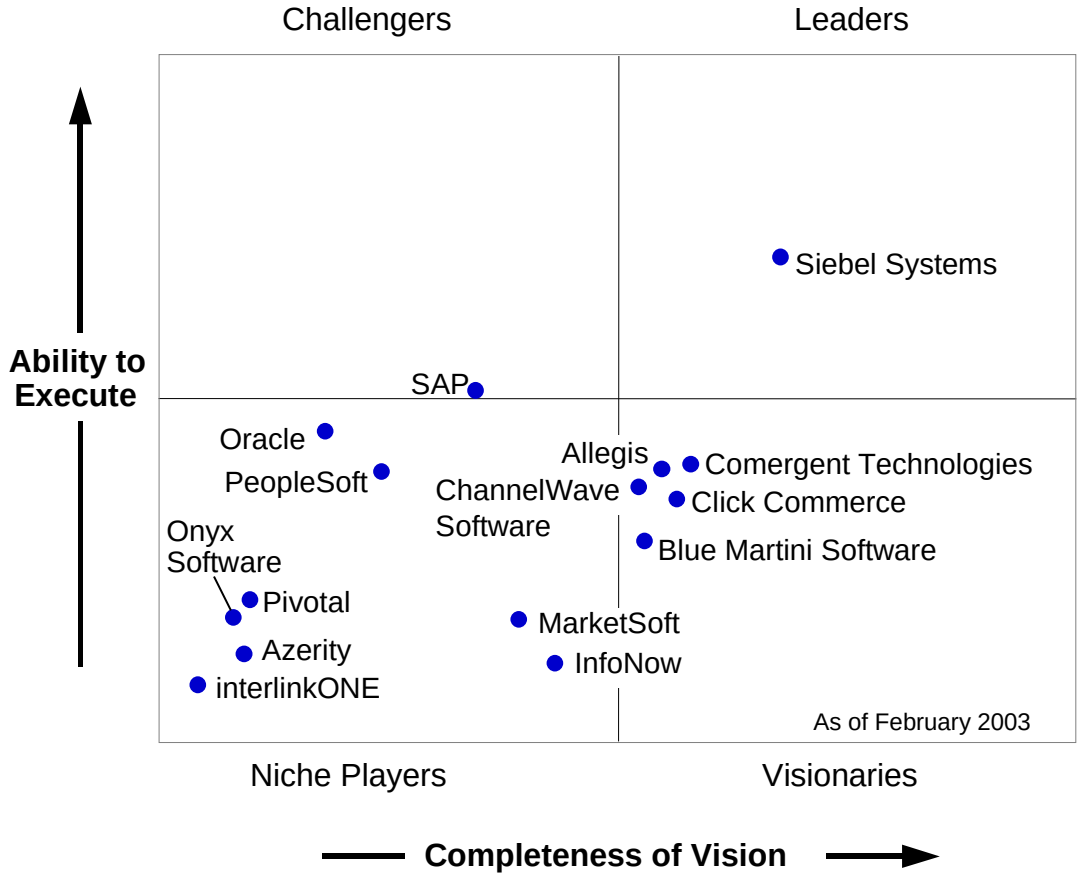
Figure 1

2003 PRM Magic Quadrant



Source: Gartner Research

Leaders

When to Consider a Leader: Consider a leader if your enterprise can benefit from broad deployment of core PRM prepackaged functionality that is strong overall (but may lag behind best-of-breed offerings in some areas) and tightly integrated as a PRM suite, and your enterprise has or is likely to have many-to-many relationship requirements that require the enterprise to interface with partners and customers.

Siebel Systems continues to be the clear PRM market share leader. Siebel is the only vendor to offer both strong customer relationship management (CRM) and PRM functionality, which is important for enterprises seeking a multichannel, direct and indirect selling solution. Siebel also provides a proven enterprise platform with strong scalability and globalization capabilities. Siebel PRM delivers a high degree of business process support and continues to evolve with more-useful features, and Siebel is the only vendor that offers multiple, vertical-specific versions of its PRM offering. Although some reference clients cite integration with other non-Siebel applications as an ongoing challenge, Siebel is addressing this issue with its Universal Application Network initiative, but it remains a relatively unproven approach

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that lacks substantial production references. Among Siebel's largest PRM deployments are IBM, Hewlett-Packard (Compaq) and Renault.

Visionaries

When to Consider a Visionary: Consider a visionary if your enterprise has many-to-many relationship requirements, such as when customers need to interface with both the enterprise and its partners or when partners can benefit from greater collaboration among themselves, where PRM focus is to improve relationships with partners as well as work with and through partners to improve the end-customer satisfaction and enhance the overall value of the demand network.

What distinguishes the visionaries in the PRM Magic Quadrant are their distributed architectures and security models that make it easier for enterprises to implement processes that support many-to-many relationships common to advanced demand networks with challenging extraenterprise relationship and workflow requirements.

Allegis offers breadth and depth for noncommerce PRM functionality but lacks such capabilities as sales configuration and sell-side electronic commerce. Allegis continues to get high marks for its ease of use, integration and administration that make it easier to handle large, complex partner management networks and global requirements. It has also begun to serve financial services companies. Among Allegis' largest deployments are Microsoft (Europe, Middle East and Africa), Hewlett-Packard (the PartnerONE Program) and Dow Corning.

Blue Martini Software released its vertical-industry CRM suite for manufacturers in August 2002, enabling it to become a more viable player for manufacturers with business-to-business CRM and PRM requirements. The modular-component suite supports marketing, lead management, sales configuration, quoting, order management and customer service. With the new suite, Blue Martini has improved its ability to handle distributed order, lead and opportunity management processes. Customer references cited Blue Martini's main strength as its flexible platform and ease of use, as business users can readily manage and publish their own Web content. Blue Martini's largest deployments include Harley-Davidson, Wavin and Jafra Cosmetics.

ChannelWave Software provides broad functionality that facilitates partner management and enhances partners' marketing, sales and service capabilities, relying on an open architecture platform that supports emerging many-to-many relationship requirements. ChannelWave has established itself

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as a reputable PRM vendor, with particular focus on the partner network needs of high-technology and telecommunications companies, with clients that include BEA Systems, Intel and Qwest Communications International. ChannelWave references express a high degree of satisfaction with its implementation and support services, with most references stating that initial deployments were completed in 90 days or less.

Click Commerce provides broad functionality and has become a PRM vendor of choice for durable industrial product manufacturers. Despite a revenue decline of more than 50 percent in 2002 relative to the previous year (mostly because of a significant decline in the number and average size of new client contracts), Click Commerce continues to have outstanding customer references. References revere its dedication to the success of their initiatives and highlight the Click Commerce Relationship Manager as a solid tool for managing distributed security, roles, marketing content, product data and customer hierarchies. Click Commerce has established solid relationships with key technology (Microsoft) and systems integration (Accenture) partners. Among Click Commerce's largest deployments are Kawasaki Motors, Motorola and Emerson.

Comergent Technologies provides a compelling architecture that readily enables integration to disparate back-office and legacy applications, with particular emphasis on the ability to support distributed e-commerce. Comergent already delivers guided selling, product configuration and order management capabilities, and it continues to make progress in providing broader and deeper application functionality in other PRM areas. Comergent's reference accounts cite high-caliber and responsive service. Among its largest PRM deployments are Nissan, Cisco Systems and Maytag.

Challengers

When to Consider a Challenger: Consider a challenger if your enterprise places strong emphasis on vendor viability or has already implemented other applications from the vendor in a different area (for example, ERP) and desires pre-built integration between the desired PRM functionality and vendor applications that have already been successfully deployed.

SAP enters the Gartner PRM Magic Quadrant as a challenger based on good sell-side e-commerce functionality and a large installed base of customers in the manufacturing sector that are strong candidates to adopt an SAP PRM offering. However, SAP lags behind best-of-breed vendors and Siebel PRM in core partner life cycle management capabilities. Gartner has taken a substantial number of inquiries from SAP installed ERP

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customers seeking vendor alternatives for this aspect of PRM efforts. Customers that implemented SAP ERP will find SAP's Partner Portal attractive for extending their implementation to business partners for sharing enterprise data, such as order information, availability, status and account management information.

Niche Players

When to Consider a Niche Player: Consider niche vendors if your enterprise has tactical business objectives related to PRM, such as improving partner lead conversion or demand planning and forecasting. Because of viability concerns, enterprises should adopt a planning assumption that niche PRM-specific vendors will remain independent no longer than 24 months.

Azerity continues to offer broad PRM-related functionality focused specifically on the needs of enterprises in the semiconductor industry. Client references report that Azerity's strengths are the general ease of use and administration of its application and the tight integration with distributors' point-of-sale systems that facilitates financial reconciliation. Among Azerity's largest PRM deployments are Micron Technology, Cypress Semiconductor and Texas Instruments.

InfoNow has traditionally provided a solution that lacks breadth of built-in PRM but is recognized by its clients for its distributed architecture and the level of flexibility and customization available to tailor specific communications between the enterprise and its partners and customers. More recently, InfoNow has leveraged its distributed architecture and integration capabilities to focus on the high-value issue of demand network reporting, forecasting and planning. Among its largest PRM deployments are Apple Computer, Bank of America and Hewlett-Packard.

interlinkONE provides a flexible platform with broad PRM-related marketing and sales functionality. Although the product lacks depth of functionality in many areas and the quality of user interface leaves plenty of room for improvement, interlinkONE is cited by its references as a cost-effective and reliable solution. Among its PRM-related clients are ABN AMRO, Cisco Systems and the Fireman's Fund Insurance Company.

MarketSoft continues to lead in best-of-breed lead management capabilities but does not deliver breadth of PRM functionality to meet broader enterprise requirements. Enterprises focused mostly on lead management should consider MarketSoft. More recently, MarketSoft has begun to offer PRM-related solutions specifically designed for financial services companies.

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MarketSoft's largest deployments include Allstate, Cisco Systems and Fidelity Investments.

Onyx Software, with v.3.0 of its partner portal, provides substantially more "out-of-the-box" functionality than prior releases and is to be considered for organizations implementing a PRM strategy. Onyx's PRM functionality delivers basic opportunity management and content distribution for partners. Onyx has demonstrated PRM capabilities in agent/brokerage models for healthcare and financial services.

Oracle enters the Gartner PRM Magic Quadrant based on the strength of its sell-side commerce functionality and sales configuration technology, both of which have been deployed for use with indirect channels. Oracle has also made progress in areas such as partner life cycle management and lead management but still trails best-of-breed vendors in PRM functionality related to distributed marketing, sales and service capabilities that enhance the partner's ability to perform such functions.

Pivotal provides some of the core functionality to be considered by enterprises implementing a PRM strategy. Pivotal's PRM functionality enables enterprises to provide partners with opportunity management and sales configuration functionality. To date, Pivotal has not shown significant market traction for PRM. Pivotal's acquisition of MarketFirst will improve its ability to offer lead management to partner selling channels.

PeopleSoft has limited customers using its CRM product to manage partner relationships. PeopleSoft's PRM-related capabilities include lead management, sales opportunity sharing, sales configuration and sell-side commerce. PeopleSoft v.8.8's Internet-based architecture should scale for larger partner sales channel models but to date remains unproven in large PRM deployments. PeopleSoft lags behind best-of-breed, out-of-the-box partner life cycle management functionality but can be configured to provide most partner life cycle capabilities. PeopleSoft's broad CRM footprint makes it a good candidate for enterprises seeking to integrate their partner channel with other customer-facing channels, such as the call center or inside sales.

Likely Future PRM Magic Quadrant Candidates

In the next six to 12 months, enterprise application suite vendors Baan/Invensys and J.D. Edwards will pursue more aggressively the PRM market, building out or acquiring and integrating PRM functionality, and mostly focusing on penetration of their client bases. Chordiant Software will probably begin to leverage the acquisition of OnDemand to focus on the PRM requirements of

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financial services providers. It is also possible that vendors such as Haht Commerce and Webridge will provide Gartner with the required information and references to be considered for the PRM Magic Quadrant. In addition, although the PRM vendor space continues to mature and consolidate, it remains likely that new PRM-focused point solution vendors will emerge.

Bottom Line: Enterprises that are looking to deploy partner relationship management (PRM) functionality will have to be conscious of the trade-off between the deep PRM functionality, flexibility and experience of best-of-breed vendors and the more basic offerings of large enterprise application suite providers that offer tight integration with their own enterprise applications and superior vendor viability. By 2005, there will be three or fewer viable best-of-breed PRM vendors remaining because of acquisitions, consolidation and attrition (0.8 probability). By 2005, enterprise application suite vendors will command more than 70 percent of new PRM application license revenue (0.7 probability).

Acronym Key

CRM	Customer relationship management
ERP	Enterprise resource planning
PRM	Partner relationship management

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