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2011 preview – Applications

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If we had to sum up our expectations for 2011, the phrase would be 'incremental change on all fronts.' We've noted how many applications players that were previously bullish on on-premises CRM and ERP have backed down on pushing users to adopt their latest and greatest offerings. There's much more of a sense of letting customers migrate at their own pace in gradual steps. At the same time, the arguments to move into the cloud remain, whether it be to realize lower support costs, fewer IT headaches or more flexibility. For both camps – customers and vendors – a mix of deployments seems likely, with on-premises players looking to shore up their CRM and ERP offerings that are particularly vulnerable to attack by SaaS pure plays, notably sales force automation and talent management, with their own on-demand takes. In general, we predict that applications vendors will talk even more than in previous years about ease of use. We may well see more makeovers of existing applications with the focus on enabling usage by a wider variety of an organization's employees, particularly line-of-business managers.

We also believe 2011 may be when we discover whether collaboration really is the right direction for applications players of all stripes to go in, or whether it's something better left to players already experienced in that field. What's beyond doubt is the ever-increasing importance of embedded analytics, and we'd expect applications vendors to make a lot more noise about what they have to offer. Hybrid deployments will come into their own as many on-premises customers look to adopt more SaaS applications or, at the least, some add-ons that hook into their existing and long-standing on-premises CRM and ERP software. There will continue to be plenty of advocating around cloud computing, with more applications vendors talking up the merits of SaaS plus PaaS, both their own and those of partners, and more discussion around the infrastructure-as-a-service piece of the cloud.

Simple, usable and more accessible

We see ease of use as a rallying cry from many CRM and ERP applications vendors in the coming year. For some players, both on-premises and older SaaS outfits, revisiting their user interfaces is a way to try to retain existing customers and to appeal to a wider range of users within organizations, as well as go after new prospects. At the same time, applications vendors are looking to come up with interfaces that work well across a variety of devices, particularly those that seamlessly bridge the transition between computers and smartphones, offering a similar or mirror-image user experience. Vendors are keen to debut applications where the look and feel more accurately reflect and showcase the various embedded technologies they're also busily adding, such as analytics and collaboration. With Facebook acting as the model for many applications vendors' internal collaboration offerings – think Facebook for the enterprise – their current CRM and ERP software tends to look dated by comparison. We'll look at analytics and collaboration a little later on.

In general, more companies are looking to open up their CRM and ERP data to more staff within their organizations – for instance, allow a company's sales reps to more easily view the status of a customer's support calls into its service agents and to view accounting information regarding whether a customer is up to date with invoice payments. Additionally, CEOs and other management are eagerly seeking oversight into all corners of their companies' businesses, including their call centers and marketing operations. In general, we believe there will be an increasing vendor focus on business processes that flow across ERP and CRM, often with a vertical twist. On-premises applications vendors will talk more about so-called 'rapid implementation,' fixed-cost, tightly integrated bundles of applications, services and content as a way to counteract inexpensive and speedy deployment arguments from their SaaS applications rivals.

Where SaaS players have already led the way is in the use of visual programming to help customers better tweak existing business processes presented within applications to their particular needs or industry. We expect to hear a lot more from all kinds of applications vendors about opening up the code-free, point-and-click automation of business processes to line-of-business managers, as well as developers. We'd also anticipate more applications and infrastructure players touting business frameworks that encompass a variety of technologies and again can be tailored toward specific verticals and roles within a company. We've already seen several vendors start laying out their Web experience management (WEM) visions, and we'd expect these to take shape more fully and for other players to debut their own takes on WEM.

On-premises applications vendors have long tended to either home-grow or buy-in vertical capabilities to create specific industry versions of their CRM and ERP software. We've already seen some SaaS applications vendors hone in on particular industries with versions of their CRM or ERP software, but we believe one focus will be to build out more vertical clouds. These clouds are ones where the security and compliance required by a particular industry sector – such as financial services, healthcare or the public sector – are hardwired into both the applications and the platform they run on.

You want analytics and collaboration with those apps?

If the global economic recession has had any upside, it's that it has forced companies to take a long, hard look at themselves, take stock of all their operations and seek to tie all aspects of the business tighter to the bottom line. This has meant an increase in user interest in having analytics running throughout all stages of their CRM and ERP operations. Applications vendors are rising to that demand by working to embed analytics within their software. We've already heard SaaS marketing automators and human capital management players tout terms like 'revenue performance management' (RPM) and 'business execution management,' and we anticipate hearing a lot more about RPM and its variants over the next 12 months. What we hope to see in 2011 is a sense of what user needs such home-grown analytics best serve and for which demands customers may need to resort to third-party offerings. We also expect to hear a lot more about analytics being applied to the social media arena and about mashups and integrations of various kinds of analytics – text, speech and website – with both scenarios aiming to generate a more complete picture of the thoughts and needs of organizations' customers.

In 2010, we saw applications vendors falling over each other not only to forge ties with social networks like Facebook and Twitter, but also to build out their own largely internal collaboration offerings. The success or failure of such efforts will be on view throughout 2011. There are still a good many kinks to be worked out in such offerings and ROI arguments to be advanced for customers of all sizes. We expect to hear some of the former resolved in the coming year and, hopefully, will hear some much stronger use cases for the latter. At the heart of such moves, which have largely occurred among SaaS applications vendors, is the belief that embedded collaboration, whether free of charge or paid, will prove sticky and, thus, drive subscription renewals. There's also a deep-seated wish among applications players to have users 'live' – spend the majority of their working day – within their software. The longer bet is whether CRM and ERP applications vendors are the best providers of internal, and eventually external, collaboration, or will they ultimately abandon their own developing efforts in favor of more-established offerings from collaboration pure plays.

A little bit you, a little bit me

We talked last year about a trend among some applications players to tout hybrid business models – a melange of on-premises, partner-hosted and SaaS deployments – and, given our introductory premise about incremental change, we believe hybrid will be an even stronger battle cry in 2011. We can see SaaS pure plays striking up partnerships or even closer relationships with on-premises counterparts as a way to provide migration paths for customers that may be leery of moving quickly to the cloud but which might welcome the option at some future point.

We also expect more cracks appearing in SaaS vendors' previously walled PaaS gardens as they seek more usage of both their applications and their development tools by being more open to third-party applications and PaaS. We anticipate more application-specific purchases within particular PaaS environments where a CRM or ERP niche player buys a rival's complementary application to expand its overall addressable market. We're predicting that just as PaaS players will seek to break their development environments into more consumable and open-to-third-party pieces, applications vendors will look to deconstitute particular elements of their applications, which can then be included within their partners' applications.

Geographical trends

In general, many of the trends we've discussed above are being driven from the US, and most early trials of new directions also take place here. That said, we are hearing more about cloud interest and deployments in both Europe and Asia-Pacific, some of them implemented by multinationals with their headquarters in North America, but a growing number of others among companies based outside of the US. At the same time, there's more substantial internationalization of applications going on at an earlier stage among cloud/SaaS vendors than many of their on-premises applications rivals.

Data privacy issues may prove to be an issue in some European countries, but we have yet to hear CRM and ERP applications players cite them as an obstacle to winning business. On the other hand, in part to ensure they are in compliance with emerging legislation, some of the larger SaaS applications players either have or are in the process of setting up European datacenters. One area around CRM where players may encounter difficulties is the emerging data-as-a-service market – providing contact details, which although public, may have been community-sourced and, therefore, may not have been approved by the individuals to whom the data refers.

An interesting trend we've heard about from a number of SMB, CRM and ERP players is the demand they're seeing from Eastern and Central Europe for their SaaS/cloud applications offerings. In Asia-Pacific, Japan continues to be the leader in cloud applications adoption, which is not surprising, given that some of the older SaaS pure-play CRM and ERP players have concentrated their efforts and partnerships on that market.