STRATEGIC PARTNERSHIP ANALYSIS FOR RESPONSETEK NETWORKS CORP.

by

Gordon Elder
Bachelor of Science (Biosystems Engineering), University of Manitoba, 1998

PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS FOR THE DEGREE OF

MASTER OF BUSINESS ADMINISTRATION

In the Management of Technology Program
of the
Faculty
of
Business Administration

© Gordon Elder 2010

SIMON FRASER UNIVERSITY

Summer 2010

Approval

Name: **Gordon Elder**

Degree: **Master of Business Administration**

Title of Project: **Strategic Partnership Analysis for ResponseTek Networks Corp.**

Supervisory Committee:

_____

Pek Hooi-Soh
Senior Supervisor
Assistant Professor

_____

Aidan Vining
Second Reader
CNABS Professor of Business and Government Relations

Date Approved: _____

Abstract

ResponseTek operates in the Customer Experience Management (CEM) software industry, which is showing strong growth and increasing competition. As competition for market share accelerates, it is expected that partnerships will form an important growth strategy. To strengthen its competitive advantage, ResponseTek must gain access to complementary assets that belong to incumbent firms in three related industries, namely, market research, customer relationship management (CRM) and business intelligence (BI). This research investigates these industries for potential partnerships, and makes recommendations on specific partners and strategic actions for ResponseTek to consider.

Recommendations from this research include integrating BI technology to address core product gaps, and forming partnerships in the market research and CRM domains, sequentially or concurrently, depending on resource availability. This partnership strategy will establish new sales channels and provide growth for ResponseTek. Finally, the firm must adjust its product roadmap to strengthen its organizational alignment with new channel partners.

Executive Summary

 Customer Experience Management (CEM) is a business solution that focuses on capturing customer feedback continuous after every interaction, in order to quickly learn what areas of the business are under-performing to customer expectations. These insights are used to take action to address those weaknesses. CEM results in continuous improvement via "customer driven quality" and can increase customer satisfaction and loyalty and reduce customer defection in any organization.

The CEM software industry is quickly growing and moving into a phase of mainstream adoption. All major vendors, including ResponseTek, are experiencing strong growth and are beginning to compete more aggressively for market share across various target markets. Most vendors are small or medium sized businesses and currently no enterprise software company is competing in the space. However, with the rapid growth in the market, it is anticipated that competition will increase and the enterprise software vendors will begin to show interest in the market as it represents a growth opportunity for them.

In order for ResponseTek to accelerate its growth and capture market share before its competitors, it must find new channels into the markets, as direct selling will limit the firm's current growth rate. This project assesses three industries, which are market research, customer relationship management (CRM), and business intelligence (BI).   Each of these are complementary to CEM, and the research determines how they may assist ResponseTek in achieving its strategic objectives.

The market research industry is dominated by a set of global agencies such as Synovate and WPP. Market research agencies may see value in re-selling ResponseTek's reporting software to add more real-time analytics value to their existing studies. If successful channel partnerships are established, ResponseTek could see major growth of its software platform by tapping into this major market.

The CRM industry is also dominated by a set of major enterprise firms such as Oracle, SAP, and Microsoft. CRM software is designed to help companies sell more products and manage all aspects of customer service, therefore CEM functionality, which focuses on customer feedback data, has a natural fit with CRM's customer focus. By forming a partnership with a CRM vendor, ResponseTek will gain access to a large market of enterprise clients. In turn, the partner firm will have leading CEM technology to up-sell to its clients, as well as differentiate itself from its CRM competitors who do not have CEM capabilities.

The third industry considered in this project is business intelligence software. The opportunity with BI is different from that in the market research or CRM industries. Instead of channel partnerships, ResponseTek must consider a technology partnership with a BI vendor, where ResponseTek embeds the partner's BI technology into its platform. This will add significant flexibility to the ResponseTek platform for specialized research analysts and improve competitiveness as the firm moves further into the market research industry. Additionally, a partnership with a credible, well established company will add value to ResponseTek's brand in the marketplace.

After assessing the dominant firms in each industry and the key industry trends, the study puts forth several recommendations for forming strategic partnership. The first is for ResponseTek to establish a BI partner, as these capabilities are needed both for growing ResponseTek's direct market as well as for attracting potential market research partners. The strongest candidate for a BI partner is Microsoft due to its complementary technology, depth of proven capabilities, and strong history of technology partnerships.

The second set of recommendations is to prepare the business and product for a partnership with a market research agency. These preparations include modifying terminology and functionality in ResponseTek's software and services to align with traditional market research terminology and processes, which will help the firm to appear "research friendly". The firm must also invest in market research training for key employees to strengthen knowledge and competencies in this domain. The global agencies that appear to have the best potential fit for ResponseTek are Synovate and WPP. However, the firm should consider establishing partnerships with smaller regional agencies first to learn what it takes to form a successful partnership with a research agency.

The final set of recommendations is related to CRM partnerships. ResponseTek must seek to protect its intellectual property before engaging closely with these firms due to the high risk of technology appropriation.   If this risk can be minimized, then ResponseTek should consider a partnership with Microsoft first, especially if they are the selected BI technology partner. As a secondary option, Oracle appears to be a strong candidate in this area.

Within the CEM industry, which sees an increasingly strong market adoption rate, ResponseTek is in an enviable position with a proven technology and a strong client base. To outflank its competitors and gain market share in this growing industry, however, it must form a coherent strategy that established key channel and technology partners. Several specific recommendations are made from this research, which should provide a solid strategy for ResponseTek's consideration.

Table of Contents

List of Figures

List of Tables

Glossary

CEM   **Customer Experience Management:** The practice of improving brand quality by gathering customer feedback after every interaction with the company in order to understand where customers are being disappointed or delighted.

CRM   **Customer Relationship Management:** The practice of building customer knowledge and processes in order to increase sales and service quality.

EFM   **Enterprise Feedback Management:** The practice of centralizing an organization's surveys into a single software platform in order to improve survey quality and centralization of insights.

VOC   **Voice of the Customer:** A general term used to describe customer opinion.

BI   **Business Intelligence:** The practice of mining corporate data for insights, including financial, operations, sales, and service monitoring and data management.

MR   **Market Research:** The practice of understanding market and customer needs and opinions in order to make business planning decisions.

1: Introduction

ResponseTek Networks Corp. is a software company headquartered in Vancouver, BC Canada. The company, founded in 1999, owns, sells, and manages its proprietary platform for "Customer Experience Management" (CEM), called ResponseTek:CEM™. The software solution is designed to help companies measure and improve customer satisfaction and loyalty on a continuous basis. At the core of the firm's goals is to continue growth while maintaining profitability and to gain the largest market share in the industry. Obtaining these objectives will put ResponseTek in a position to either be acquired or go public and provide an excellent return to shareholders.

Many strategies exist to achieve growth in a small technology firm. Five strategic options for growth as identified by Mascarenhas et al. (2002) are: (1) product proliferation, (2) mass market development, (3) increasing value to select customers, (4) distribution innovation, and (5) acquisition and consolidation. In the case of ResponseTek, product proliferation and mass-market development are not applicable due to the specialized B2B nature of the software. Creating additional value to select customers is a strategy that ResponseTek is already actively been undertaking. Acquisition and consolidation has limited potential due to the limited financial resources of the firm. Therefore, ResponseTek should consider distribution innovation and must look to partners to provide complementary assets and market access that will help to accelerate growth.   A strategic partnership strategy can also positively influence the firm's value simply by building relationships with large well-known brands (Sen et al., 1998). Finally, strategic partnerships can play an important role in both supplementary and complementary knowledge acquisition in key areas, which can help ResponseTek both broaden and deepen its knowledge and capabilities for the future (Buckley, Glaister, Klijn, & Tan, 2009).

The industries of consideration in this analysis are the market research agencies, customer relationship management (CRM) software, and business intelligence (BI) software industries. Each of these industries share complementary elements with CEM, as clients value ResponseTek's software more if any of these systems and tools are in place (Nalebuff & Brandenburger, 1997). In this analysis, the selected industries and their incumbent firms are

assessed to identify the feasibility of a partnership, and recommendations on key players to pursue in each area are considered. Key trends are also assessed within each industry to provide additional context for how the related industries and CEM itself will be shaped in the coming years.

This research and analysis seeks to identify one or more alternatives for ResponseTek's strategic direction over the next two to three years as it relates to its product and technology roadmap and its partner and channel strategies. All analysis presented is provided by the author, whose role is Product Group Director in the firm with responsibilities spanning from product management to product marketing. The author is also a co-founder of ResponseTek with over ten years of CEM industry experience and sits on the corporate management team.

2: ResponseTek Background and Market Overview

2.1 Company History

ResponseTek was first conceived in 1998 by Syed Hasan, who continues to serve as CEO and Chairman of the Board. The late 1990's was a time of major opportunity as the rapid business adoption of the Internet had reached a tipping point, and Hasan, a management consultant at the time, saw a great opportunity to leverage the web to better connect companies with what their customers thought. Through his consulting work, Hasan knew that senior management was desperate for meaningful insight from "the front lines". They struggled to get anything more than a quarterly or annual customer satisfaction metric from their market research department. Early business planning showed a strong interest, and the company was officially incorporated in 1999. The next 12 months involved other co-founders coming on board in full-time roles, prototype software was developed, and early selling was initiated. The company received its first funding from a group of local angel investors in late summer 2000, and first customers coming on board shortly after.

The company's early years focused heavily on product development and establishing early adopter buyers. Over the first several years, ResponseTek established strong reference accounts in Canada, including WestJet, Fairmont Hotels and Resorts, Vancity, Sportchek/Forzani, and many others. The company also began to penetrate the US market, adding major clients such as Nike and T-Mobile. The company also established a presence in the UK in 2002 and brought marquis clients on board there too including British Telecom and NTL (now Virgin Mobile).

By 2005, the company's client base was beginning to outgrow the capabilities of its software as larger clients such as T-Mobile USA. ResponseTek decided to invest in a new version of its platform, re-built from the ground up. This approach allowed for a major re-architecting of the application, providing extreme flexibility and scalability for the future. The new platform was released in mid-2006, and existing clients were upgraded to the new system over the following 18 months. While a costly process, the new platform enabled ResponseTek to make a

major leap forward in its capabilities and the scale of solutions that could be supported, enabling the firm to sell and successfully implement true enterprise-scope CEM programs for global firms.

2.2 Financial Overview

ResponseTek has had several rounds of financing over the years from angel investors, venture capitalists, and its own management team. Venture capital investors include Growthworks and Business Development Bank of Canada (BDC) who are the primary financiers of the firm.   In the early years, the company operated at a loss as it invested heavily in sales, marketing, and technology development. Revenue has seen double-digit growth in many years, with 2009 revenue just under $5M CAD. The company has also recently shifted to profitability as the company's financial strength grows. The company does not report specific financial results publically.

2.3   Product and Solutions

ResponseTek currently offers four different solutions, which are all integrated into its proprietary platform: Feedback Management, Market Research, Knowledge Management, and Brand Monitoring, all shown in the graphic below:

Figure 1 - ResponseTek Solution Mix

Source: ResponseTek Networks Corp

The software is hosted by ResponseTek (as opposed to being installed at the client's site), and all functionality is delivered to users through the web browser. The single platform enables ResponseTek to reuse functionality, packaged into specific solutions such as market research. The overall scope of the platform's functionality is illustrated below:

Figure 2 - ResponseTek:CEM Platform Functionality Map

Source: ResponseTek Networks Corp

An overview of each of the four core solutions is described below:

2.3.1   Feedback Management

ResponseTek's Feedback Management solution is designed to capture customer feedback (complaints, suggestions, questions, etc.) through a variety of channels (web, SMS, telephone, etc.) and enable the organization to manage the information and respond to customers. At the granular customer level, this open dialogue can save customers from 'defecting' by improving communication and resolve issues they have. At the macro level, ResponseTek's proprietary reporting and analytics system enables the company to mine the feedback automatically for key insights, such as which areas customers are most frustrated and happiest with.

2.3.2   Market Research

ResponseTek's Market Research solutions enable clients to gather customer experience insight via web, phone, email, SMS, and paper-based surveys. ResponseTek's platform is designed to power all surveys across the organization, from general satisfaction studies to in-depth transactional surveys administered right after a customer interacts with a specific aspect of the company. The data is automatically score and consolidated, providing the company with a real-time set of dashboards, scorecards, and analytics that highlights the key insights. Companies can understand how trends change over time, within specific customer segments, and many other aspects of the data.

2.3.3   Knowledge Management

ResponseTek is the only CEM vendor that provides an integrated knowledge management solution as part of its product offering. The solution is a hosted dynamic FAQ database designed to reduce customer service costs by enabling the client's customers to self-serve and find answers to common questions they have. Powerful content management and reporting tools make it easy for Client Administrators to manage and update content, ensuring it stays relevant and effective. Finally, the knowledge base is integrated into the Feedback Management solution so that customer service agents managing and responding to customer feedback can leverage the knowledge base and incorporate new contents into it based on what customers are talking about.

2.3.4   Media Monitoring

While the other ResponseTek solutions all deal with managing customer insights provided by direct communications between the customer and the company, Media Monitoring is designed to add a new perspective - insights from what is being said about the company in social media and other channels such as Twitter™, blogs, and news sites. The solution searches the web and aggregates relevant "mentions" based on keywords defined by the company, which are typically variations of their brands, products, and competitors. The mentions are automatically analysed for sentiment by ResponseTek's proprietary sentiment analysis algorithm and the resulting insight provides a powerful view that illustrates the topics being discussed and whether the tone is negative or positive.

2.4   Culture, Values and Organizational Structure

ResponseTek prides itself on its ability to deliver – to work closely with its clients to develop innovative solutions to customer experience problems. The firm has been a leader in product innovation since its inception, and continues to lead the market in features brought to the market. For example, ResponseTek was the first vendor in the space to add text analytics tools with other vendors following shortly after, and the first vendor to add social media monitoring capabilities, which competitors are starting to now copy. The company is customer focused, with very low customer defection rates. This has been achieved through a high degree of customer involvement across all departments, including regular client calls and visits involving management from all departments, and the firm believes that clients must success in order for ResponseTek to succeed.

Consistent with its innovation initiatives, ResponseTek has also formally defined its corporate values which help guide many facets of the organizational development. The five values are captured in the following: Tireless Innovation, Excellence at all we do, Integrity, Shared success, and Power of all. These value statements underscore the firm's commitment to achieving success through the collaboration of all employees, regardless of position or tenure. As an example of this in action, requests for input from employees occurs on a regular basis on many topics and any employee is welcome to speak with the CEO about any topic at any time. Organizationally, the company operates with a functionally oriented structure. This structure allows the organization to focus on its clients while being able to deliver market-driven innovation in its products. The core departments, each with a VP or Director reporting directly to the CEO, includes Sales and Professional Services, Marketing, Product Management, Engineering, and Finance. The sales and service team is split between Sales Executives, charged with closing new clients as well as up-sell, and Client Managers, responsible for implementing and managing programs with clients. The Engineering team consists of several departments, including Product Development, Configuration and Support Services, and Systems Management. This relatively flat organization allows for open communication and strong collaboration across departments.

2.5   Resources and Capabilities

The following section provides an analysis of ResponseTek's resources and capabilities as assessed by the author based on competitive industry knowledge and experience.   Because ResponseTek is a small software firm, the analysis focuses on traditional core areas such as financial, brand, people, and technology aspects of the firm. Strategically, these areas are important as the industry is growing and currently served by a large number of small to medium sized firms. Therefore, the firms that have the resources and capabilities in place to capture market share and build brand equity will likely outperform those firms that cannot execute as effectively. Each item is assessed on a scale of 1 (very low) to 10 (very high).

Table 1 - Evaluation of ResponseTek resources and capabilities (Source: Author)

	Importance	ResponseTek's Relative Strength	Comments
RESOURCES			
R1. Finance	8	6	Some competitors appear to be better funded and have larger revenue, while others appear to struggle with profitability and/or have smaller revenue.
R2. Technology	9	8	ResponseTek is a leader in this area, proven by being first to market with many features as described in Chapter 2, and supporting some of the world's largest CEM deployments by data volume.
R3. Human Capital	7	7	This is difficult to measure with other firms but ResponseTek has a strong team of people with a long tenure in many key positions.
R4. Channels	7	7	ResponseTek appears to have stronger alliances with channel partners than other firms today.
R5. Brand	8	5	Several other firms have spent more resources creating brand awareness than ResponseTek over last two years.
CAPABILITIES			
C1. R&D	8	9	ResponseTek consistently leads competitors with innovative new features
C2. Sales & Marketing	9	5	Due to financial constraints, ResponseTek has a relatively small direct sales team and limited marketing capabilities.
C3. Client Services	7	8	ResponseTek includes high quality client services with every contract to maximize client success and satisfaction.
C4. Management	8	7	ResponseTek's mgmt team likely has the most CEM industry experience of any firm. Some competitors however have strong proven mgmt from other industries on board.
C5. International Management	7	9	ResponseTek has worked internationally since 2002 and this is a strong competency over more regional competitors.

Based on the assessment above, the following chart visually summarizes ResponseTek's key resources and capabilities within its market relative to its most direct competitors.

Figure 3 - ResponseTek Resource & Capability Map
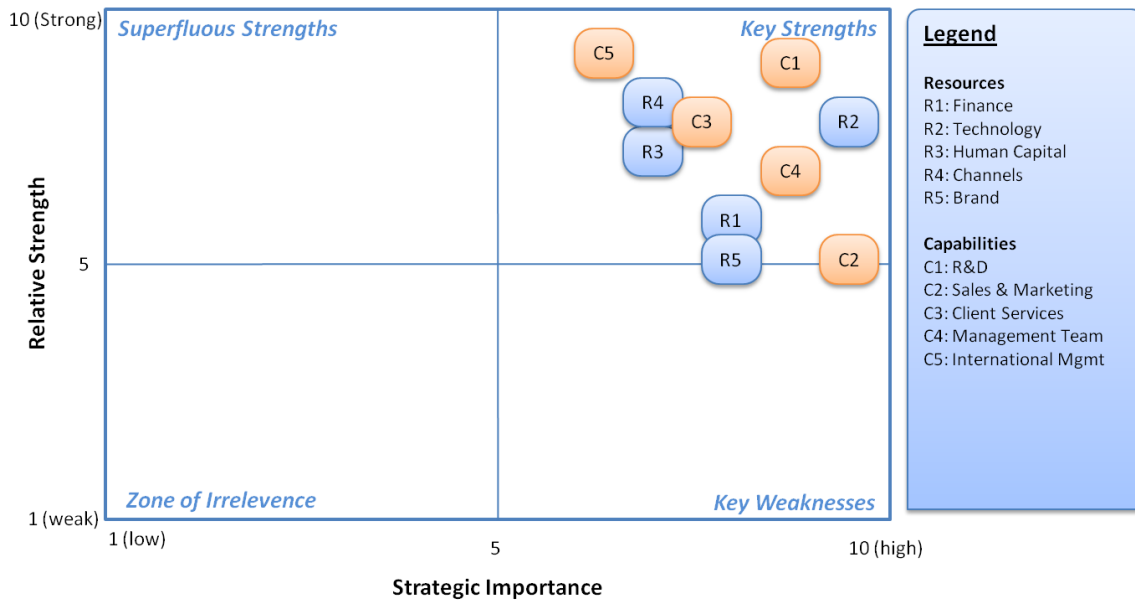
In summary, ResponseTek's resource and capability key factors are as follows:

Key Strengths: ResponseTek has the ability to innovate and has a proven technology platform (indicated by C1 and R2) which points at the firm's technology strengths. It should be noted that partnering to add complementary assets to support the innovation capabilities is an important factor in achieving market success (Teece, 1988). In addition, a very experienced management team and a strong client services organization also support the firm. These strengths have enabled the firm to build strong brand equity with clients and partners.

Key Weaknesses: ResponseTek's financial position limits its ability to invest more aggressively in sales and marketing and building market awareness. (indicated by R1, R5, and C2). This is amplified by the fact that the firm has a broad set of geographic markets to focus on which may dilute the effectiveness of the financial and sales and marketing resources and capabilities across the market space.

11

2.6 Market Overview

ResponseTek currently considers financial services, insurance, and telecom to be its primary vertical markets with approximately 30% of revenue coming from each, while the remaining 10% of revenue comes from a mix of retail industry clients and crown corporations (Leung, 2010).

Geographically, ResponseTek's primary markets are companies headquartered in Canada, the United States, and the United Kingdom, but channel partners have also sold and deployed ResponseTek solutions in South Africa and Australia. This geographic diversity is one of the firm's strongest assets, and most competitors do not have the geographic reach that ResponseTek has achieved. In 2009, 63% of the firm's revenue was from North American clients, while the remaining 37% was from EMEA regions (Leung, 2010). A snapshot of clients in various geographies is illustrated below.

Figure 4 - A global view of ResponseTek clients
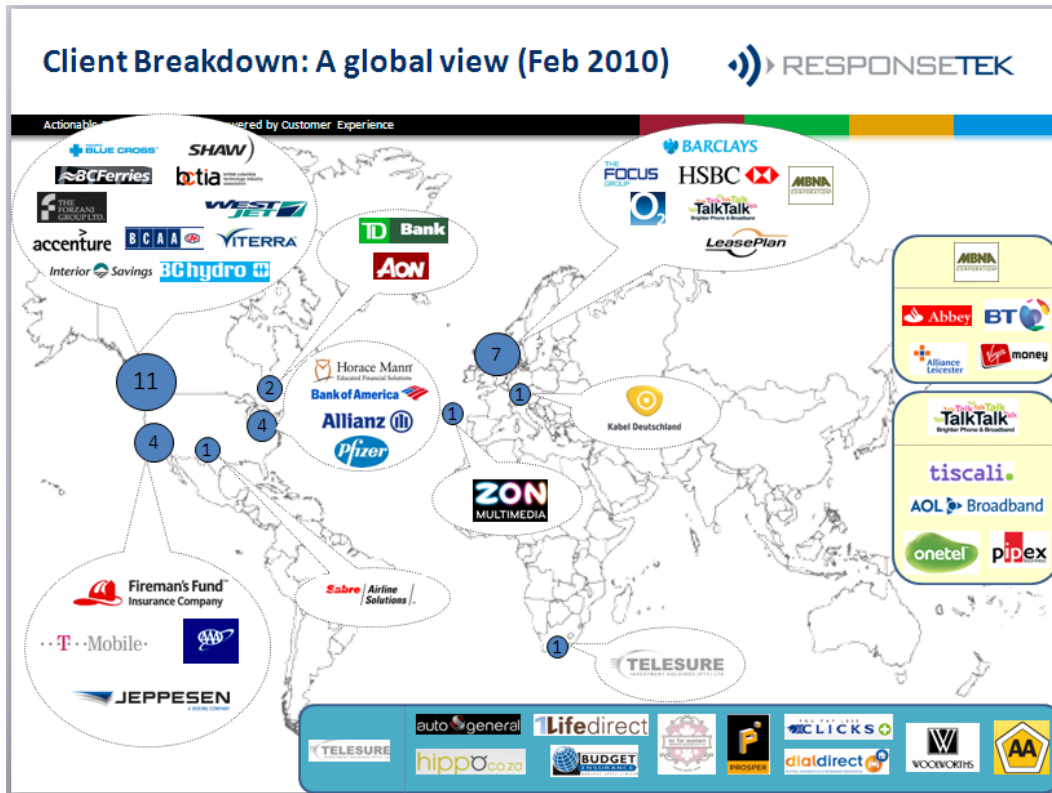
Source: ResponseTek Networks Corp

3: CEM Industry Overview

This chapter will define the CEM industry and analyze the competitive landscape. A brief description of the largest firms is provided, and a Five Forces Analysis explores the competitive dynamics of the industry. Important trends in the industry are explored to provide additional context for the direction of CEM. Finally, a brief overview of complementary industries relevant to this project is provided.

3.1   What is Customer Experience Management?

In many industries today, customers have increasing buyer power, with many product and service choices and easy access to product reviews and comparison shopping. The result is that both product and service companies must constantly manage customer interactions to minimize negative experiences and maximize positive ones, with the goal of creating stronger relationships. While many strategies exist to improve loyalty and revenue per customer such as Customer Relationship Management (CRM) and loyalty programs such as Aeroplan™ and other affinity credit cards, none focus on creating competitive advantage through the continuous improvement of customer interactions.   This is especially important within industries that are service-differentiated, such as financial services, telcos, travel and hospitality, etc. In these industries, firms who closely monitor the customer experience have the advantage to address issues quickly and drive service consistency for customers.

Customer Experience Management (CEM) is used to identify customer experience gaps by measuring and improving the customer-facing elements of an organization, based directly on what customers like and dislike about their actual interactions. CEM is the practice of continuous measurement of customer experience at every 'touch point' in the organization, and providing a robust framework for reporting the results and managing improvement activity and customer follow-up processes.

ResponseTek considers itself a CEM software vendor. However, the CEM industry is not currently well defined. Many different vendors and industry experts have described and presented CEM business solutions in many different ways. For instance, Gartner has defined

and studied the Enterprise Feedback Management (EFM) industry, of which many vendors have product offerings related to CEM. In ResponseTek's viewpoint, these EFM vendors are in fact direct competitors in the emerging CEM industry. Given the lack of market data specific to the CEM industry, this investigation will utilize the EFM market data from Gartner for analyzing the broader industry trends.

3.2   CEM and Enterprise Feedback Management

Technically, EFM software is considered to be a component of CEM. EFM software is comprised of on-demand or locally hosted applications designed specifically to provide large organizations with a single survey/research platform for the entire organization. While based primarily on gathering research data via online surveys, EFM software typically includes tools for distributed administration and management of surveys so that departments can deploy their own surveys. Some platforms include advanced workflow tools such as survey design review and approval processes before surveys can be deployed, to ensure that quality and consistency standards for the organization are met.

Due to the wide range of vendor capabilities in the CEM and EFM industries, and lack of agreement on industry definitions, the line between them is further blurred. However, most do agree that EFM capabilities are a component of a broader CEM strategy, just as marketing automation and sales automation are components of a CRM application. LaBancz-Bleasdale (2007) quoted Esteban Kolsky, the former Gartner analyst who first coined the EFM term:

"EFM is an essential part of Customer Experience Management (CEM). By itself it is not a silver bullet per se, but it is the casing on the bullet. You won't become better by collecting and analyzing feedback, which is what the technology behind EFM does"

EFM vendors typically provide a robust tool for managing surveys but lack reporting and workflow tools that make it easy to distribute role-specific results across the organization. They also lack capabilities to follow up with customers to close issues and respond to queries and concerns, which are all key elements of a broader CEM platform. Finally, EFM excludes broader capabilities such as media monitoring and knowledge management which are CEM components.

The EFM industry definition and analysis has been led primarily by Gartner, which it has been covering for several years. Gartner estimates the current EFM market is worth

approximately $330M a year, and had estimated the 2009 market growth at a rate of about 15% (Davies, 2009). Because this is a relatively new market, the vendor landscape is quite varied in company size, vendor offerings, and technology maturity. In Davies (2009) report, he listed 35 firms that position themselves within, or are considered to be EFM vendors, most of which are small to medium sized businesses, many of which occupy niches within the market landscape. Of the EFM vendors, ResponseTek considers only a handful to be competitors, which are the larger firms serving enterprise firms in similar vertical markets as ResponseTek. More about these firms is described below.

3.3 Key Competitors

While Gartner's November 2009 report on the EFM industry referenced 35 vendors (Davies, 2009), the following are considered by ResponseTek to be the strongest competitors today. ResponseTek considers these competitors to have the most brand recognition, strongest product suites, and most overlap with ResponseTek's target markets. Also, ResponseTek has competed directly with each of these vendors on specific opportunities, further validating that these are the most appropriate firms to consider within the competitive assessment. It is important to note that all of these firms are privately-held, mostly backed by venture capital, and no single vendor dominates the industry although there are industry vertical strongholds in some cases.

3.3.1 Medallia

Medallia is a privately held firm headquartered in Menlo Park, California. It was founded in 2001 and established itself as the leading software vendor for hotel guest survey systems. Medallia has recently begun to expand its market focus, moving into retail, financial services, and B2B markets. It had its seventh straight year of growth in 2009, with revenue between $20 and $30 million and revenue growth of 38% over 2008 (Mitra, 2010). The company is profitable and has grown organically, and has used venture capital funding.

Medallia's EFM platform has a good range of functionality, including robust survey capabilities, online reporting and dashboards, alerting, and action management tools. However, Medallia lacks broader capabilities including closed-loop reply management functionality and

social media monitoring. Its most recent product innovation has focused on adding reporting capabilities for iPhones and Blackberry devices.

3.3.2   Confirmit

Headquartered in Norway and founded in 1996, Confirmit generating the most revenue from its EFM software today. The firm employs about 250 people. According to Wikipedia (2010), they reported about $45M in revenue in 2008. Based on industry growth rates it is likely they are going to generate $50 to 70 million in revenue in 2010.

Confirmit offers a robust platform for managing surveys across the business, and are favoured by market researchers due to their strong research pedigree. This is evidenced by their recent partnership with Harris Interactive to power their online panels and online data collection globally. Confirmit has shown strength in partnering, building a strong network of technology, consulting, and panel partners. They have also established a reseller program which has allowed them to enter new geographic markets with locally strong resellers. The company offers both a hosted and on-premise version of its applications.

3.3.3   MarketTools

MarketTools, founded in 1997, is headquartered in California and offers a range of products targeted at different levels of customer research needs. Its EFM product is called CustomerSat™, which it acquired in 2008 for an undisclosed sum, right after it raised $23 million in a round of venture financing. MarketTools also owns Zoomerang, one of the top self-serve online survey tools, and has its own customer panel consisting of over 2 million members. As a private company, revenue is not reported, although Marshall (2008) claimed it to be targeted around $100 million for 2008 and that to date the company has raised over $80 million.

3.3.4   Satmetrix

Satmetrix, founded in 2000, is headquartered in San Mateo, California and is best known for co-development of the Net Promoter Score (NPS)™ along with Fred Reichheld of Bain & Co. The firm has invested heavily in developing and marketing the NPS methodology over the last several years, helping to establish it as a growing standard in measuring customer loyalty. As such, Satmetrix appears to be more of a services-based firm today, although it does sell a

software platform as well. Satmetrix has raised a large amount of venture capital over the last 10 years, reported to include over $30M (Rickets, 2009), and most recently raised $1M in debt financing in late 2009. Satmetrix had a reported 2008 revenue of $22M (Yahoo Finance, 2010).

3.3.5   Allegiance

Allegiance is headquartered in Utah and was created in 2005 with a merger between SilentWhistle and Allegiance Technologies. According to Mitra (2010), the private venture-backed company had nearly $10M in revenue in 2009 and was ranked 58th on Inc. magazine's list of the 500 fastest growing private companies in the United States. It should also be noted that Allegiance has a member of the SAP management team on their Board of Directors. The company was initially focused on employee feedback and whistle-blowing solutions, and has grown into an EFM platform vendor focused on retail, financial services, call centers, and pharmaceutical markets. The company offers a reasonably broad range of capabilities, including multi-channel feedback collection, workflow and case management tools, text analytics and Twitter monitoring.

3.3.6   Empathica

Empathica, founded in 2002, is a Canadian company headquartered in Mississauga, Ontario. The company is very well established in the restaurant and retail industries, with customers throughout North America and the United Kingdom. Its research strategy is heavily dependent on its incentive program to customers, and to increase its access to customer data has created the GoRecommend™ Facebook application which incentivizes Facebook users to share feedback to be entered into a contest to win $1000 a day.   The company has grown quickly and was ranked 157th on the Profit 100 list of Canada's Fastest Growing Companies in 2009, with reported revenue of just over $13M and 92 employees (Profit Magazine, 2010).

3.4 Five Forces Analysis of the EFM Industry

The follow brief analysis using Michael Porter's "5 Forces" analysis is intended to provide some additional context for the competitiveness of the EFM industry.

3.4.1 Rivalry amongst competitors

The EFM industry is comprised of a set of small to medium sized firms, none of which have an overarching hold on the market, although some have vertical strongholds such as Medallia in the North American hotel industry. The industry concentration ratio is relatively low as the market is still quite fragmented across firms. The industry is growing, and firms are beginning to make strategic moves to establish themselves as the dominant player using a variety of strategies.

As an example to illustrate the shifting competitive landscape, Medallia has established a stranglehold on the hotel industry over the last 10 years, and the firm now works with almost all of the major hotel chains, with almost no growth left in that market. In order to expand, they must move into new target markets where competition already exists. Medallia has begun to compete for marquee clients in the financial services and telecom markets. Medallia is not alone in this situation – many of the firms covered here have established a strong core base of clients over the last five to ten years, have stabilized and proven their technology platforms, and are now beginning to complete more aggressively for growth and market share. Therefore, rivalry today is relatively low but increasing quickly.

3.4.2 Threat of Substitutes

The biggest threat is from low-cost "do it yourself" survey tools such as SurveyMonkey. These tools will not accomplish the same objectives as an EFM platform, but for companies with very limited budgets where cost prevails over functionality, they will likely select the low cost option. The other primary threat is Marketing Research agencies. While often more costly, their high level of client services can increase level of comfort with companies who are uncomfortable with technology-focused solutions.

3.4.3 Buyer Power

EFM buyers have relatively weak power. Each company buys independently so there are many distributed buyers and switching costs are high once a platform is integrated into the organization. However, one segment of buyers does have more power, which is the well-known global brands. This segment holds more power because vendor competitiveness makes these brands highly valuable. Therefore, the EFM firms are more likely to compete aggressively to win contracts with these clients and establish a foothold for long-term relationships.

3.4.4 Supplier Power

Suppliers in this industry are web application hosting facilities and technology vendors that are integrated into EFM platforms. Overall, suppliers have little power as they are providing alternative products and services that are widely available in the market.

3.4.5 Threat of Entry

The primary barrier to entry in the EFM industry is the specialized functionality required in the software to be able to compete, which for many firms would represent a very large investment. Related to this is the high degree of specialized knowledge that EFM vendors must have to be able to sell and implement their technology solutions successfully. While market research firms have the industry expertise, they lack software development and sales competencies and are not considered a threat (except through acquisition). The biggest threat of entry comes from CRM and customer service software firms. Generally speaking, these companies have the software development capabilities, sales channels, and financial tools to move into the EFM market if they desire.

3.4.6 Five Forces Summary

The Five Forces model reinforces that the EFM industry currently provides vendors with a strong position, with relatively low competitiveness and ability to maintain pricing power. However, competitiveness is increasing as firms move to expand into new markets already covered by other firms and attempt to establish themselves as the dominant vendor. Overall, the industry is growing rapidly, and all firms covered here are showing strong signs of growth and many have strong profitability based on the limited information released publicly.

Looking forward, it is expected that the smaller competitors who are unable to expand beyond their core markets will ultimately be "squeezed out" by larger firms who can bring leading technology and expertise from other target industries. Across the EFM space, there is generally little functionality that is truly specific to fulfilling a vertical market's needs, which means that the niche players will have little ability to defend themselves as other firms move in on their territory.

A second prediction is that the firms who currently lack enterprise clients and deployments and serve mid-tier or regional customers will also ultimately suffer in the competitive environment. Firms with Fortune 100 brand clients, and proven implementations, will enjoy brand equity, higher profitability, and pricing power when competing with less-proven mid-market firms.

3.5 Industry Trends

The following are current trends in the EFM software industry. These are important factors in the growth and direction of the industry and provide additional context to the industry and partnership analysis presented in this paper.

Integrated Text Analytics Functionality – As companies increasingly tap into customer feedback and social media data, the volume of "unstructured" data expands, which in turn is driving the need for text analytics technology. Text analytics can be used to "mine" large volumes of text-based data to determine key topics, sentiment, and other valuable insights. Over the last 12 months, several EFM vendors have added some form of text analytics capabilities into their platforms, either building it themselves or partnering with a 3rd party for this capability. It should be noted that the text analytics industry itself is experiencing rapid change and corporate adoption as it finally reaches a stage where its results are reliable and cheap enough for large organizations to invest in. Until recently, the technology had limited accuracy and required expensive hardware to analyse large volumes of data.

Social Media Integration – Social Media refers to a wide range of websites and tools where users "socialize" online, including sites like Facebook, MySpace, YouTube, Twitter, Bebo, and many others. As we will see throughout this research, all software categories that relate to customer and market insights are undergoing a major shift due to the emergence of social media. In the case of EFM, social media is a source of new insights, as well as a customer service

channel that cannot be ignored, as these sites provide consumers with the ability to easily influence a firm's reputation. As an example, consider the "United Breaks Guitar" video on YouTube, a song and video by Dave Carroll about how United Airlines broke his guitar and wouldn't pay for the repairs. The video has been viewed over 8.5 million times and covered by many news outlets, creating a massively viral negatively publicity campaign for United Airlines in the social media channel.

EFM vendors are adopting social media capabilities in varying ways, from media monitoring tools like ResponseTek's Media Monitoring solution, to Allegiance's Twitter-based feedback management tools, to Empathica's GoRecommend™ Facebook application. While all major vendors are actively expanding their products to tie into social media, it is not clear what set of functionality and product strategy will ultimately be the most successful. However, one thing is clear – social media is here to stay, and EFM firms must extend their functionality to help their clients monitor and manage this channel to avoid catastrophes likes those seen with United Airlines.

Mobile Data Collection – The rapid pace of development in mobile technologies opens huge opportunities for many industries, including EFM and others covered later in this paper. With Smartphone adoption accelerating, the mobile channel will enable EFM vendors to engage customers in new ways to improve data quality and improve the experience of providing feedback or completing short contextual surveys.   Several EFM vendors have started to provide some type of mobile data collection capabilities, from specialized iPhone™ surveys to SMS-based surveys. Also, as employees are increasingly mobile, vendors will need to provide access to important customer experience data to their mobile device. Medallia is leading this area, with mobile reports built specifically for the iPhone and Blackberry devices.

3.6   Overview of Complementary Industries

Customer Experience Management complements several existing major software and service industries, which are Customer Relationship Management, Business Intelligence, and Market Research. These industries provide complementary assets to CEM, and therefore represent important components of a competitive strategy to leverage those assets into market dominance as Teece (1988) has argued. CEM software integrates important capabilities of each into a platform that is designed to constantly mine customer insight from a broad range of

customer experience data and drive both operational improvements and business strategy. While there exists other software categories related to CEM, such as customer service applications and self-serve low-cost online survey tools, they are not considered to be important to ResponseTek's partnership strategies.

Figure 5 - Relationship of CEM to existing related software industries.
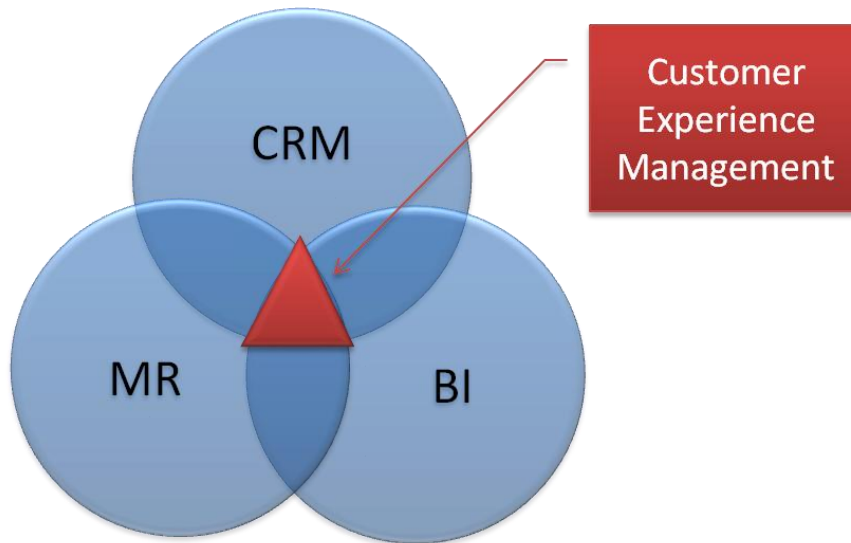
Source: Author

These three industries are considered strategically important to ResponseTek and the future of CEM for the following reasons:

- CRM software usually forms the core foundation for all customer-related data and processes within large and medium sized organizations. Firms have been investing heavily in CRM applications over the last ten years and these systems form the core of all customer-related operations. Since CEM is a specialized application relating to customer experience data, the two types of applications and vendors must cooperate to ensure that buyers can maximize value with integrated solutions. The CRM software industry generated $9.147B in revenue in 2008 (Gartner, 2009).

22

- BI software often powers all data-centric reporting across large organizations. Since BI is designed to mine large and disparate datasets to provide insight and monitoring for the business, all customer-related data is a very important type of data for these systems to analyze. The reporting and analytics side of a CEM application can be thought of as a specialized form of BI, therefore it will benefit a CEM vendor to ensure their data is accessible to other BI applications. In addition, they must ensure that typical BI functionality is available through their CEM platform to meet the needs and expectations of data analysts and statisticians who are charged with managing the data and reports in the business. The BI industry generated $8.97B in revenue in 2008 (Gartner, 2010).

- The market research industry is different from CRM and BI in that it is a services-based industry rather than software-based. The reason it is strategically important to CEM is that market researchers are facing increasing pressure to take ownership of CEM programs. They are being asked to deliver customer insights across the business on a day to day operational basis, which is the core benefit of CEM software and methodologies. Therefore, the market research industry is expected to increasingly become buyers, resellers, and heavy influencers for the CEM software industry. The market research industry was estimated to have generated $32.4B in revenue in 2008 (ESOMAR, 2009).

Each of these industries is examined in more detail in the following three chapters. The goal of these chapters is to understand who the key firms are in each industry, how the industry relates to CEM and ResponseTek, and important trends influencing the direction of each industry. Each chapter will end with a summary of important items that ResponseTek should consider when considering a partnership with each industry.

4: Market Research Industry Firm Analysis and Trends

4.1 Overview

The global market research industry generated $32B in revenue in 2008, with almost 80% of that generated in Europe and North America (ESOMAR, 2009). A more detailed breakdown of this information is included in the Appendix. The traditional market research industry is mature and dominated by a handful of large global firms such as Nielsen, Synovate, and the WPP Group. These firms are traditionally service-based, but are increasingly offering software solutions as well. These are often obtained through acquisitions. Some large firms, such as Synovate, offer a wide range of market research products and services globally, while others, such as Nielsen, focus on specific sectors such as consumer marketing, advertising, and media. There are also countless regional market research agencies filling mid-market needs.

4.2 Market Research and CEM

Market research and CEM are complementary disciplines since both are focused on gaining insight into customer needs and wants. It is possible that CEM is the future of market research – meaning that robust market research methodologies must evolve to provide firms with a constant pulse of customer opinion delivering continuous insight across every customer segment and customer touch point. Therefore, it is expected that this evolution will play an important role in ResponseTek's strategy as it must prepare to partner with key firms in this industry.

4.3 Overview of Key Marketing Research Firms

The key firms to be assessed have been selected as they represent the largest global firms, with a presence in ResponseTek's vertical and geographic markets. Note that some firms, despite being large, are focused on vertical markets that do not fit with ResponseTek's strategy therefore have been excluded from this analysis. These firms include IMS Health, a $2B a year

company focused on the pharmaceutical market, and Arbitron, a $500M a year firm focused on radio audience measurement.

4.3.1 WPP

WPP is a global market research conglomerate formed through an aggressive acquisition strategy. WPP's 2009 revenue was £8.68B and the firm employs 138,000 people worldwide (WPP, 2010). It operates many brands catering to different market segments and needs, covering a broad range of services from advertising and PR to consumer insights, branding, and communications. It is the consumer insights portion of the business that is relevant to this analysis. WPP operates this line of business through its Kantar subsidiary, which in turn operates globally under several brands, with the largest being Millward Brown, TNS, and Lightspeed Research.

4.3.2 Nielsen Company

Nielsen is a private company, headquartered in New York and with operations in over 100 countries. Revenue in 2008 was about USD$5 billion, and the company employs approximately 36,000 people (Wikipedia, 2010). It offers a wide range of products and services with a large portion of the business focused on media research such as TV ratings, and the other segment of services around marketing research such as consumer panels, and online research.

4.3.3 Ipsos

Ipsos employed about 8700 full-time people in 2009 and had revenue of €943M, and a 2009 operating margin of 10.3% (Ipsos, 2010). Ipsos operates in 64 different countries and offerings six major types of services ranging from loyalty research to advertising and public affairs.

4.3.4 Synovate

According to Wikipedia (2010), Synovate is the world's sixth largest market research firm, with revenue of USD$740M in 2009. Synovate was created in 2003 with the goal of creating a global product and service market research company. The company has growth heavily through acquisitions, allowing it to enter specific product and geographic markets as it

continually expands. Synovate boasts that it does not have a head office, and its 6000 employees are spread across 62 countries (Synovate, n.d).

4.3.5   Maritz

Maritz, in contrast, maintains a large campus in St. Louis, MO where the majority of its employees are situated. The company had revenue in 2009 of USD \$1.43B and was ranked at the 305th largest private companies in the US (Wikipedia, 2010).   Maritz has five lines of business: Maritz Research (market research), Maritz Motivation (employee compensation programs), Maritz Learning (employee training), Maritz Loyalty (customer loyalty programs), and Maritz Travel (corporate event and travel management).

4.3.6   Harris Interactive

Harris is the smallest of the firms covered here, with 2009 revenue of USD\$185M and 850 full-time employees (Harris Interactive, 2010). Harris is headquartered in New York, and has a history of acquiring key firms in various countries such as Decima in Canada. Harris offers panels, omnibus, and custom research services.

4.4   Trends in Market Research

The market research industry has come under considerable pressure over the last couple of years due to the rise of social media and other changes in online consumer behaviour. Other pressures include the decreasing costs and increasing acceptance of online channels as a cost-effective means to gather research intelligence. To combat this, market research agencies are finding ways to offer more current research tools, including online surveys and social media monitoring products. So far, this has been achieved primarily through partnerships and a few acquisitions such as Synovate's acquisition of Viewscast in 2003, which added a software-based capability to conduct automated telephone and online surveys. The following trends are considered to be relevant to this project:

Integration with Operational Data and Processes – Research studies that result in a silo of data are increasingly being challenged by methods that seek to tie the research data to operational data to provide a significantly richer set of insights. For example, consider an insurance company wanting to understand how satisfied customers are with the process of

completing an insurance claim. The traditional method would be to select a cross-section of claimants, and interview each to gain insight into their satisfaction levels. The output of this type of study would highlight the overall satisfaction level and specifics about what may factors determine satisfaction. Contrast this with the same study, but with respondent data tied to other organizational data, including which agency the customer uses, how the claim was filed (e.g.: phone or face to face), the size of the claim, the claims history of this customer, etc. With this much richer dataset, the insurance company has access to an entirely new set of insights not possible with the traditional approach.

Richer, Real-time Reporting – The market research industry historically gathers study data and publishes the results after an analyst has had time to collate and analyse the data, and format results into a summary report. Tracking studies (on-going research designed to track changes in opinion over time) often follow the same process, with reports being published regularly, often on a monthly basis. The industry is facing pressure to increase the pace of reporting, especially for tracking studies, as firms are realizing that access to customer insight improves day to day decision-making processes and can improve competitive advantage. Because most research agencies are designed to provide manually prepared reports, many agencies are attempting to buy, build, or partner with software firms to provide this competency.

The Social Media Shift – The rapid rise of social media websites and tools has disrupted many industries, and the market research industry is no different. Researchers are rapidly being forced to leverage these channels, both to access specific demographic audiences (there is no better place to reach young men and women), and to mine the market insights already available within these sites. The challenge, however, is that many market researchers themselves do not fit the typical demographic of a social media site user, and struggle to learn and adopt to these rapidly changing sites. At the recent Market Research Industry Association conference in Toronto, which the author attended, social media topics were by far the most prevalent. Discussions with researchers at the event highlighted that many are unsure how to effective utilize social media, but ignoring it is simply not an option.

Adjusting to the Mobile Research Channel – The mobile phone offers a major new opportunity and challenge for the market research industry. While researchers have historically relied on home-based phones to reach interviewees, an increasing number of homes are shifting

to only having mobile phones, choosing to eliminate their landline. Research agencies are struggling to shift to the mobile phone channel for several reasons such as mobile phone numbers being unpublished in many countries, and the fact that many consumers face fees for airtime used, resulting in very low response rates for mobile-based research calls. Similar challenges exist for using SMS (Short Text Messaging) to reach consumers. Clearly the industry is working hard to adjust to this channel, and ESOMAR, the global industry research watchdog, has recently published guidelines for their members regarding research conducted in the mobile channel.

Increasing Research Value / Cost Reduction Pressures - Traditional consumer data collection methodologies such as CATI (Computer Assisted Telephone Interviewing) are increasingly seen as too expensive, costing in the range of $10 per interview, compared with just a few cents for online surveys. With the recent economic challenges, research budgets have been tightened and researchers have been forced to shift to more cost-effective data collection methods over traditional more costly methods. This is expected to continue, even in a strengthening economy, as cost-effective online channels gain credibility and data quality improves.

New "Behavioural " Research Models – Traditional market research relies heavily on quantitative research – the direct interviewing of consumers, following a pre-defined script of questions and answer options. However, it has been recognized that what consumers say is not always reflected in what they do, and behavioural research is intended to improve research insights and predictions by gaining insight into consumers actual behaviour. There are many approaches to accomplishing this, but generally speaking this is pushing the industry towards more qualitative research – marrying information about consumer behaviour with qualitative data to provide much richer insights.

4.5   Considerations for a Partnership with a Market Research Firm

ResponseTek must consider the following risk factors and mitigation strategies when exploring a partnership with a market research firm. The risk factors are defined as follows:

- **Technology Appropriability** – this is the risk of the partner firm taking ResponseTek's technology capabilities and intellectual property and leveraging

it to their own advantage, such as building their own software or passing the information to a competing CEM partner.

- **Client Appropriability** – this is the risk of the partner firm taking direct control of ResponseTek's clients, resulting in a diminished value of the ResponseTek brand.

- **Distraction from core business functions** – this is the risk that ResponseTek, as a much smaller firm than the partner firm, diverts too much attention and resources away from its core business operations and direct sales while trying to make the partnership successful.

Table 2 - Risks to ResponseTek when partnering with a market research firm (Source: Author)

Risk Area	Degree of Risk	Negative impact on ResponseTek	Notes
Technology Appropriability	Low	High	ResponseTek does not hold any patents on its software; therefore its ability to protect its intellectual property is limited. However, market research firms are typically not focused on in-house software development and are far more likely to acquire than build their own software. Therefore, it is unlikely that a market research partner will appropriate ResponseTek's technology, but if it were to happen it could be severely detrimental to ResponseTek
Client Appropriability	Medium	High	It is expected that the partner firm will form the primary client relationship for all deals it brings to the partnership, so the main risk is with ResponseTek's direct customers. In these situations, if ResponseTek introduces the market research partner they must ensure they retain the strategic relationship with the client.
Distraction from core business functions	Medium	High	Being significantly smaller that the partner target firms, it is possible that ResponseTek could focus too much of its resources on the partnership success and risk its core business. Therefore, a balanced focus must be put in place to ensure this doesn't happen.

As can be seen in the assessment, the biggest risk may be in the much larger research firm gaining control of the relationship in join customers, reducing ResponseTek's participation to a technology provider only.   However, the risk of technology appropriation is relatively low because the market research firms are generally not strong in software development and are unlikely to build a CEM solution based on knowledge gained from a ResponseTek partnership.

5: Customer Relationship Management Industry Firm Analysis and Trends

5.1 Overview

The Customer Relationship Management (CRM) industry is mature and well known. It is dominated by with a handful of large enterprise software vendors such as Oracle, SAP, Microsoft, and Salesforce.com. CRM is a set of business processes and systems which is typically powered by complex software. Full CRM applications are generally comprised of capabilities that range from sales and market automation, customer service and support tools, and analytics and reporting modules.   The global CRM software market has been growing strongly and was valued at $9.15B in 2008, which was 12.5% larger than the prior year (Gartner, 2009). More details about the market breakdown are included in the Appendix.

An important shift that is well underway in the industry is the rapid growth of Software as a Service (SaaS) offerings as an alternative to applications installed and hosted on a client's premises. This trend was started by Salesforce.com about 10 years ago, and over the last five years this software model has rapidly matured, spurring other vendors to enter the space and existing vendors to invest heavily in SaaS versions of their applications to meet market demand.

5.2 CRM and CEM

CRM software is focused on helping companies identify and manage prospective customers, manage the sales and billing processes, support the customer after acquisition, and offer new products and services. CRM applications are designed to align sales, marketing, and customer service departments to create a more cohesive view of the customer and establish a standard set of processes related to customer engagement. Where CRM focuses on tracking "what happened" with customer interactions, CEM focuses on measuring "what the customer thinks" about those interactions. CEM methodologies seek to measure how the customer felt about speaking with a call center agent, or determining why they abandoned their website visit,

while CRM attempts to build a customer profile based on interactions, purchases, and other sales and service-focused attributes.

Clearly, CRM and CEM are closely related and complement each other. Together, they paint a complete picture of customer activity, behaviour, and perception. They provide the internal company perspective (CRM) and the external customer perspective (CEM). Some CRM vendors have added basic survey tools, but none currently have embraced CEM methods to gather customer opinion from across every interaction in the business.

5.3 Overview of Key CRM Firms

The top five enterprise CRM software firms to be considered in this assessment are Microsoft, Oracle, SAP, Salesforce.com, and CDC Software. These leaders have been selected from nearly 20 firms as they are identified as the largest and leading vendors focused on enterprise organizations as shown in the Appendix (Band, 2010). Many firms focus on mid-market clients but because ResponseTek has a large enterprise focus these vendors are not being considered. However, it should be noted that some of these vendors may provide industry-specific partnerships to help ResponseTek access certain industries.

5.3.1 SAP

SAP is the largest CRM software vendor with a market share in 2008 of about 22% and revenue of just over $2B from its CRM applications (Gartner, 2009). The public company employs over 47,000 employees and provides a wide range of enterprise business applications. SAP CRM is the top choice for firms running their ERP applications due to their ease of integration, but is considered to be costly and slow to deploy. It does offer an on-demand version, but it does not offer the range of functionality available in the on-premise version. SAP lacks standard survey functionality, and does not appear to have any integrated partnerships with external vendors for this functionality.

5.3.2 Oracle

Oracle has the second largest share of the CRM software market, at 16.1% in 2008 with $1.475B of revenue from its CRM software (Gartner, 2009). Its Oracle Siebel CRM application is considered to be 'best of breed' across many standard CRM functions according to Band (2010).

However, the Siebel products are slow and costly to implement which is considered to be its primary weakness. Oracle offers several different CRM products, including its CRM On-Demand product, Siebel, and Peoplesoft products which it acquired. It should also be noted that Larry Ellison, CEO of Oracle, owns a portion of both Salesforce.com and Netsuite, two on-demand CRM vendors who have seen major growth over the last several years. Oracle does offer basic integrated customer survey functionality in its Oracle On-Demand product, and ClickTools is an official partner that offers integrated survey functionality.

5.3.3 Microsoft

Microsoft Dynamics is growing its market share rapidly, from under 3% in 2006 to about 7% in 2009 (Trefis Team, 2010). Its strength is its integration with Microsoft's desktop application such as Outlook, which many corporate clients and end users prefer to use. Microsoft offers many deployment options, including on-demand, partner-hosted, and on-premise versions to suit any client's needs. According to Forrester, it is aggressively priced compared to similar solutions, and is relatively quick and easy to deploy (Band, 2010). Microsoft also leverages a strong and growing partner network to provide end users with a strong implementation and support network. In terms of survey functionality, Microsoft lacks any capabilities as standard features, leaving customers with the option of customization or using third-party applications (Kurtev, 2009).

5.3.4 Salesforce.com

Salesforce.com is considered an innovator in the CRM software market, pioneering the Software as a Service (SaaS) on demand model. In just over 10 years, Salesforce.com has grown their revenue to about $1B and have 10% of the CRM software market share (Gartner, 2009). Its primary focus is the SME market, with only a handful of large enterprise customers and claims over 68,000 customers and over 2 million users (Band, 2010). Its strength is its ability to deploy quickly and cost-effectively, but is considered weak in many functional areas compared with the more established on premise competitive versions. Salesforce.com's strategy to quickly enable it to offer customers a wide range of functionality is its AppExchange platform, which is a directory of partners which are integrated into Saleforce.com, making it easy for customers to add functionality from partners with little hassle. Currently, Salesforce.com has nine different firms listed in AppExchange that provide customer survey functionality (Salesforce.com).

5.3.5 CDC Software

CDC offers the Pivotal CRM solution, which has been recognized by Forrester as one of the leaders for large enterprise CRM. CDC is privately held and reported revenue in 2008 of $240M, with over 6,000 customers using its applications, which include CRM, ERP, SCM, and complaint management solutions (CDC Software, 2010). Historically the Pivotal CRM solution has been targeted at small to medium sized organizations, but as it matures it is being considered in larger companies as well. CDC includes integrated survey functionality within its MarketFirst application, which provides marketing automation functionality. It should also be noted that CDC offers another product called CDC Respond that is used for complaints management and enterprise feedback management.

5.4 Trends in CRM

The following trends are occurring or expected to occur in the CRM software industry:

Social CRM – The CRM industry, like many others, is challenged with adapting to new social channels and resulting customer behaviour. CRM vendors have already started to respond – for example Salesforce.com launched customer service tools integrated with social networks in 2009 and other vendors are following suit. Overall, the expectation that various CRM "pillars" will integrate social tools in different ways, but the customer service component of CRM is expected to lead the shift according to industry analyst Paul Greenberg (2009).

Mobile CRM – Both customers and employees have increasingly powerful smartphones in their pockets, and CRM applications are extending their reach into this channel. On the customer facing side, CRM tools are expected to become more mobile friendly and become better at providing customer service, sales support, and marketing content targeted at mobile functionality. On the employee side, CRM functionality is being adapted to offer field personnel increasing functionality on their mobile device. (Greenberg, Three long-term CRM trends to watch, 2008)

Partnering with Complementary Vendors – Partly due to the rapid shift in social CRM, and partly due to the maturity of core CRM applications, vendors are expected to continue to build out key partnerships with other niche technology vendors that allow them to broaden their offering quickly. For example, Salesforce.com has recently partnered with GetSatisfaction

to extend Salesforce.com's functional offering in the area of community-based customer service capabilities.

Increasing Customer Involvement – CRM vendors are adding "community" type functionality that allows firms to increase dialogue with and between customers. This trend is expected to continue as companies seek to leverage important customer groups in providing feedback, assisting other customers with needs, and generally participating in valuable dialogue in more controlled forums. For example, RightNow Technology offers a community module, as does Salesforce.com as part of its Service Cloud 2™ offering.

Increasing Pressure on Integration Capabilities – According to Band (2010), one trend that is expected to continue is the pressure on CRM application to easily integrate with other enterprise applications to improve sharing of customer data and related functionality. With Salesforce.com's apparent success with its AppExchange™ integration platform, the competitive pressure on other vendors to easily enable third parties to "plug in" to their platforms is accelerating.

5.5   Considerations for a Partnership with a CRM Firm

As with market research firm partnerships, ResponseTek must consider the following risks when exploring a partnership with a CRM software vendor. The same frame is used here that was used and defined in Section 4.5:

Table 3 - CRM vendor partnership risks (Source: Author)

Risk Area	Degree of Risk	Negative impact on ResponseTek	Notes
Technology Appropriability	High	High	ResponseTek does not hold any patents on its software and CRM software firms have large software development resources. Therefore there is a high risk that they partner with a CEM firm and eventually build their own functionality within their own platform and no longer require the partner's technology
Client Appropriability	High	High	If the CRM partner adds functionality into their own platform and eventually does not require a CEM partnership they are likely to 'steal' the client due to their brand recognition and pricing power over ResponseTek.
Distraction from core business	Medium	High	Being significantly smaller that the partner target firms, it is possible that ResponseTek could focus too much of its resources on the partnership success and risk its core business.

6: Business Intelligence Industry Firm Analysis and Trends

6.1 Overview

Business intelligence is a general concept referring to mining data within an organization to find insights and help drive business decisions. Over the last two decades, as organizations have faced larger and larger amounts of data stored across an increasing number of applications, the need for BI software has risen dramatically. BI refers to a wide range of functionality, from data warehousing (centralizing data from disparate systems), to analysis, score-carding, dashboards, and historical and predictive trend analytics.

The global BI software industry generated $9.3B in revenue in 2009, with growth of over 4% over 2008 (Gartner, 2010). The industry is forecasted to have a compounded annual growth rate (CAGR) of 6.3% through 2013 (Fieman & MacDonald, 2010). The industry is dominated by a handful of large firms, with a 4-firm concentration ratio of 63%. More details about the market breakdown are included in the Appendix.

6.2 BI and CEM

Customer Experience Management can be considered in some ways to be a highly specialized form of business intelligence. It is concerned with the centralization and analysis of customer experience information with the goal of helping the business make better decisions and improve competitiveness. While BI platforms are designed for any type of data, CEM is designed for customer experience data. Therefore, the two systems can complement each other – CEM can increase the scope and availability of real-time customer data that a BI platform can leverage in broader data warehousing and analysis, and the BI platform offers the CEM platform new deeper functionality to mine insights from the customer data.

One of the BI trends identified is the shift to industry and application-specific versions of BI platforms, designed to focus on specific business needs and be sold to specific functionally buyers in the organization. This is in contrast to the traditional BI platform model, which is sold as a enterprise-level technology solution, which, once deployed, can be used in many different

ways throughout the business but takes significant effort to customize to those needs. CEM platforms may offer the large BI vendors a solution to one of those targeted solutions, because it is usually sold to a senior executive or a high level functional buyer, and it ready to solve a specific business problem out of the box. While there is some risk that a BI vendor can customize their platform to provide some CEM capabilities as standard functionality, they will struggle with the shift in sales and deployment model, and customer research expertise that an established CEM vendor can bring to the table.

For ResponseTek (and possibly other CEM vendors), integration of BI reporting and analysis tools into its platform provides the opportunity to dramatically improve the reporting and analytics tools available to end users, particularly data analysts and researchers who seek more powerful analytics on large datasets.   While ResponseTek's propriety online reports and dashboards will remain the core for common business users, an extended BI toolkit can address some of the objections being voiced by users that are more sophisticated.

6.3   Overview of Key BI Firms

The BI market is dominated by the large enterprise software vendors, which are covered in more detail below. According to Gartner (2010) and illustrated in the Appendix, these six firms are considered to be the leading BI vendors for large enterprise organizations and are: IBM, Microsoft, Oracle, SAP, SAS, and Microstrategy.

6.3.1   SAP

SAP is the largest BI software vendor with about 22% of the global market share in 2009 with $2.08B in revenue generated from its BI products (Gartner, 2010). SAP's primary BI product is its NetWeaver Business Warehouse application, and it also offers Business Objects tools from its 2008 acquisition. SAP's strengths include its global network of partners, resellers and OEM's, its base of over 46,000 customers, and the functionality of the Business Objects platform, while its weaknesses include some poor customer support and a complex product that is difficult for customers to effectively use (Fieman & MacDonald, 2010).

6.3.2 Oracle

Oracle owns the second largest share of the BI software market at 14.5% with $1.35B in BI-related revenue in 2009 (Gartner, 2010). Oracle offers a suite of applications for business intelligence and "enterprise performance management", some of which are the result of its acquisition of Hyperion in 2007. The company has invested heavily in integrating its BI platform with its wide range of enterprise products, but customers do feel the company currently lacks innovative new features in its BI tools (Fieman & MacDonald, 2010). Overall, Oracle is considered to be a serious leader with its BI platform functionality.

6.3.3 SAS

SAS is the world's largest privately-held software company and was founded in 1976. It had $1.3B of BI-related revenue in 2009, which accounted for just over half of the company's $2.31B in total revenue. The company claims that 92 of the top 100 of the FORTUNE Global 500 list of companies are SAS customers (SAS, 2010). The company has a culture of organic growth and prefers to build functionality and market access in-house rather than through acquisition, although it has made a handful of key acquisitions in the past. Its BI software is considered to be the leader in data mining and predictive analytics, and it invests heavily in R&D within its product line to maintain its leadership. However, it is now faced with challengers in these areas as other vendors invest in similar capabilities (Fieman & MacDonald, 2010).   SAS has also developed industry-specific versions of its application to further penetrate key markets.

6.3.4 IBM

IBM's BI offering includes Cognos and SPSS software, both of which it acquired. In 2009 it had $1.1B in BI-related revenue for about 12.2% market share and have grown market share fastest of the top six vendors from 2008 (Gartner, 2010). IBM considers acquisitions to be a key part of its growth strategy. In fact, they have spent about $12B in BI-related acquisitions over the last three years, including Cognos, SPSS, and others (Jacobs, 2010).

The IBM Cognos 8 application is currently its core BI platform, and is well established in the market for reporting and dashboards, ad hoc querying, and OLAP. The statistically powerful SPSS software is expected to be integrated in so its capabilities become part of the IBM suite (currently the SPSS products remain under the SPSS brand).

6.3.5 Microsoft

Gartner (2010) attributes about $740M of Microsoft's 2009 revenue to its BI tools, however it is difficult to know how they arrived at this number considering its BI platform consists of various tools that can be purchased for other purposes such as SQL Server and SharePoint. Regardless, Microsoft is considered to have a respectable set of BI capabilities. It leverages SQL Server for its data warehousing and OLAP needs, and has extended Excel to power its data mining functionality, and SharePoint for report and scorecard publishing and report sharing.

Microsoft's strength, as with its CRM platform, is that it leverages its nearly ubiquitous Office tools to drive user adoption through familiarity and comfort. However, its weakness is that it focuses on developer solutions and is considered to be less accessible to the market, and lacks a strong BI platform vision as compared to other vendors (Fieman & MacDonald, 2010). While several other vendors are focusing on extending their platforms into industry-specific versions, Microsoft does not appear to have any plans to do so.

6.3.6 Microstrategy

Microstrategy is the smallest of the large platform BI vendors with $295M of revenue and a 3.2% market share in 2009 (Gartner, 2010). The company is purely focused on its BI software, as opposed to the bulk of "mega vendors" covered here who provide a broad range of enterprise software. According to the research done by Fieman & MacDonald (2010), Microstrategy enjoys a high customer satisfaction rating, and one of the lowest total cost of ownership ratings of all major BI vendors. In addition, its focus on a core platform and organic growth has helped it innovate faster than its larger rivals who have focused signficant resources on integrating technology from acquisitions. Microstrategy also has a well established OEM partner program in place which allows other software vendors to embed Microstrategy products into their offerings.

6.4   Trends in Business Intelligence Software

The following summarizes some of the key trends underway or expected within the BI software industry.

Predictive analytics and forecasting – A big trend in BI over the last couple of years, which is expected to continue, is functionality that enables data-based forecasting and analysis. These capabilities were a major factor in IBM's decision to acquire SPSS in 2009 (IBM, 2009). Fieman & MacDonald (2010) believes that this trend will continue as firms focus on extending usability of these new features to help users throughout the organization leverage these tools.

Increase in departmental buyers and users – According to Fieman & MacDonald (2010), several factors are helping push BI tools further into organizations.   The first is the shift from centralized reporting platforms, which traditionally saw BI reports defined and published centrally before being pushed out to departmental users. However, many vendors are adding new tools for end users to be able to explore data themselves, increasing departmental insights. To assist with this trend, many vendors are investing in new user interfaces and data visualization tools to make it easy for any user to be able to use these complex applications, which is helping to move deep functionality beyond the traditional statistician user. Finally, because departments are realizing that BI platforms can help them improve their operations, the traditional BI buyer is shifting from what has typically been a centralized enterprise technology purchase by a CIO or CTO, to departments purchasing their own software for specific needs they have.

More data from more places and real-time analysis – As BI platforms shift from reporting systems to real-time analytics engines, it is expected that they will continue to tie into broader data sources throughout the organziation, ideally accessing data in real-time or near real-time, and become more effective at analysing disparate sources of information and providing powerful performance tracking and decision-making tools at the operational level. Kobielus (2010) predicts that to support these complex needs, in-database analytics will emerge as a new best practice and new frameworks for interoperability will emerge, such as MapReduce, first developed by Google and now open source.

Social network analysis – As with all major software categories that are related to customer and business insight, social media cannot be ignored as an emerging trend. In the

case of BI platforms, the obvious pressure is to incorporate social network data into the platforms. The nature of unstructured data is also increasing the pressure for text analysis and language processing functionality in the platforms to be able to mine insights from online conversations.

Focus on performance management – As predictive analytics take hold, leveraging BI platforms for performance management within an organization will become an important competitive advantage, enabling businesses that adopt performance management processes and tools to outperform those who don't by 30% at least through 2011 (Fieman & MacDonald, 2010).

Shift to SaaS options – Traditional BI tools are intalled on premise or on local user computers, but new startups are beginning to prove the on demand model that is expected to see a similar transition that the CRM space has undertaken. According to Fieman & MacDonald (2010), the majority of deployments are still on premise but the recent recessionary pricing pressures helped to accelerate SaaS vendors due to their lower up-front investment and overall lower total cost of ownership.

Open source platform growth – While certainly not a threat to the major BI platforms, especially for the largest customers, open source BI is establishing a place for itself and growing well. One provider, JasperSoft, was identified as the fastest growing BI vendor in 2009 (Gartner, 2010).

6.5   Considerations for a Partnership with a BI Firm

As with the other potential partnering areas, ResponseTek must consider the following when exploring a partnership with a BI software vendor.   The same attributes are used here that were used and defined in Section 4.5:

Table 4 - Business intelligence firm partnership risks (Source: Author)

Risk Area	Degree of Risk	Negative impact on ResponseTek	Notes
Technology Appropriability	High	High	ResponseTek does not hold any patents on its software and BI software firms have large software development resources. There is a high risk that they partner with a CEM firm and eventually build their own functionality within their own platform.
Client Appropriability	High	High	If the BI partner adds functionality into their own platform and eventually does not require a CEM partnership they are likely to 'steal' the client due to their brand recognition and pricing power over ResponseTek.
Distraction from core business	Medium	High	Being significantly smaller that the partner target firms, it is possible that ResponseTek could focus too much of its resources on the partnership success and risk its core business.

Similar to CRM, the primary risks of a BI partnership are in the areas of technology and client appropriation. ResponseTek must ensure it protects its core assets as it seeks partnerships in this area.

7: Analysis and Recommendations

This chapter brings the preceding research together into a cohesive set of recommendations for ResponseTek and its partnering strategy. It begins with a description of the firm's goals and objectives, and then analyses and recommends specific actions for partnerships within each of the three industries considered. Key success factors for ResponseTek are then presented that will increase the likelihood of success of the partnership strategy. Finally, the recommendations are summarized into a tactical framework.

7.1 Strategic Objectives

The following summarizes ResponseTek's strategic objectives as it relates to this analysis. The objectives are based on ResponseTek's core operating principles. The first four objectives are a focus over the next 2 years, while the final objective (acquisition) has an expected timeline of 3-5 years.

1. **Growth via new channels** –Any strategic partnership in the industries considered are intended to offer ResponseTek a new channel into its markets by potentially having much larger proven brands resell ResponseTek products as extensions to the partner products. As a small company, ResponseTek's sales and marketing resources are limited, and in a rapidly growing and competitive market this is the firms largest limitation to rapid growth. Strategic partnerships are key to addressing this limitation.

2. **Build brand equity** – Due to its size, ResponseTek is not yet a well-known brand in its markets, and is one of the smaller firms. Strategic partnerships with globally respected brands provide increased brand credibility to other future partners and customers, which in turn will help to accelerate ResponseTek's direct sales channel growth. Increased brand equity via strategic alliances will also be valuable should the company wish to seek additional financing.

3. **Build intellectual capital** – ResponseTek's core competency is in developing, selling, and managing hosted software. To increase our ability to meet customer objectives, the company must expand its competencies to include strong data analysis and market research methodologies and knowledge. This will enable the company to offer a wider range of services beyond the core software platform, as well as drive technology innovation based on these core market needs.

4. **Expand the application network** – Enterprise-level CEM applications must be able to integrate with a wide range of other applications to maximize data value and operational impact. Strategic partnerships with major enterprise application vendors will assist both with ResponseTek's ability to deliver integrated solutions to clients, and with its brand equity by being associated with a major enterprise software vendor.

5. **Future acquisition** – As the CEM market continues to grow and become a standard business tool, it is expected that the large enterprise vendors will begin to purchase the strongest CEM vendors. From the acquirer perspective, this allows them to enter a high-growth market with a technology platform that is complementary to those already offered. ResponseTek intends to position itself as a strong candidate for acquisition to maximize shareholder returns and help drive the proprietary technology further into the markets.

7.2 Evaluation of Partner Industries and Firms

The three target partner industries are evaluated below as they relate to the potential value a partnership with a firm in each industry could have on ResponseTek's objectives. Each attribute is defined as follows:

Growth via channel – this is the potential for partnerships in each of the industries to provide market share and revenue growth for ResponseTek.

Build brand equity – this is the potential of a partnership within each industry to positively impact ResponseTek's brand equity.

Intellectual capital added - this is the new knowledge and competencies that can be acquired by ResponseTek from a partnership in each of the industries.

Expand technology network – this is the impact on the size of ResponseTek's technology network. This is the number of other applications and systems which ResponseTek can integrate its platform, building additional value in the software and reducing potential selling objections.

Acquisition potential – this is the potential of a partnership within each industry resulting in the partner or one of their competitors acquiring ResponseTek.

Each attribute is assessed in the table below on a relative scale of Low to High, where high is considered more positive. It is important for the reader to note that the goal of this evaluation is not to determine priority of one industry over another, but to instead understand how a partnership in each industry can influence ResponseTek's achievement of its objectives. This is explored further in the subsequent sections.

Table 5 - Potential impact of industry-level partnership on strategic objectives (Source: Author)

	MR	CRM	BI
Growth via channel	High	High	Low
Build brand equity	High	High	High
Intellectual capital added	High	Low	High
Expand technology network	Low	High	High
Acquisition potential	High	High	Low

The information in the above table highlights that both market research and CRM partners would fulfil ResponseTek's objectives for growth by adding a major new sales channel. Both industries also have strong acquisition potential. Business intelligence, on the other hand, offers ResponseTek value in extending its technology capabilities intellectual capital in this

domain. The analysis summarized in Table 6 above is described in more detail for each industry in the following sub-sections.

7.2.1   Market Research Agency Partnerships

A market research partner offers ResponseTek direct access to a massive global market of market research buyers along with instant brand recognition in all of ResponseTek's markets. A market research partner can provide ResponseTek with a huge source of intellectual capital, as the firm can learn first-hand the intricacies of the market research industry and learn best practices in data collection, analysis, reporting, and services. If a partner was successful in deploying ResponseTek technology to its clients, an acquisition is quite possible as the partner will want to establish control of the platform as a differentiator from its competitors. One thing that a market research partner will not offer ResponseTek is technology advancement. However, this can be viewed as a positive from the perspective that the partnership marries together ResponseTek's software development competencies with the partner's research services competencies with little overlap.

The following list of items is used to assess each of the specific firms to determine potential fit as a ResponseTek partner. These attributes are used in the assessment of the CRM and BI industries as well in the following sections.

- **Financial strength** – this is a measure of the overall fiscal position of the firm. The assessment generally considers the magnitude of revenue and profitability of each firm.

- **Geographic compatibility** – this compares the geographic presence that the partner firm has compared to ResponseTek's geographic markets. The more alignment of geographic situation the stronger the assessment. For example, Maritz is considered to be relatively weak because they lack European operations.

- **Vertical market compatibility** – this assesses the vertical markets the firm has strengths in as compared to ResponseTek's vertical markets. Strong overlap is considered to be a strong fit because it allows both partners to "up sell" the other's products and services within a proven sector while differing vertical

markets is considered a weak fit as the partner will have limited expertise in the other's industry markets.

- **History of technology partnering & acquisition** – this assesses the historical tendency of the partner firm for successful partnering and acquisition of smaller technology firms.

Each firm is assessed on a scale of 1 (weak fit) to 5 (strong fit) based on a relative comparison of the firms.

Table 6 - Evaluation of market research firms as potential partners (Source: Author)

Attribute	Synovate	Maritz	WPP	Nielsen	Ipsos	Harris
Financial Strength	3	4	4	5	4	2
Geographic Compatibility	5	2	5	5	4	3
Vertical Market Compatibility	5	4	5	3	3	3
History of Technology Partnering & Acquisition	5	3	4	3	2	2
Overall Fit	**18/20**	**13/20**	**18/20**	**16/20**	**13/20**	**10/20**

Based on this analysis, Synovate and WPP are the strongest candidates for ResponseTek to establish a relationship. Because WPP operates several different divisions such as TNS and Millward Brown, a specific analysis of that firm is needed to determine where the most appropriate partnership should occur. Note that Harris Interactive should not be considered due to their recent partnership announcement with Confirmit, which means a ResponseTek partnership would require displacement of the incumbent and be more difficult to achieve.

To increase its success with a potential market research partner, ResponseTek should consider the following actions in various aspects of its business:

1. **Product Actions**

   a. **Make the software more "market research friendly"** – ResponseTek's software, website, and other marketing material does not currently use standard research terminology and report types. To improve the appearance of a good research tool, the firm must make an effort to modify its language to become research-centric.

   b. **Add ad hoc data querying and statistical analysis capabilities** – Market research firms are grounded on their capabilities to analyze data to extract insights. While ResponseTek's software is designed for automatic analysis, a research agency will not be able to utilize it or be able to leverage their services organization without a robust set of ad hoc querying and reporting building tools that are standard in any BI application.

   c. **Consider a 'White Label' product option** – ResponseTek must be prepared to enhance its products to be "white labelled" (i.e.: hide ResponseTek's brand so it looks like an agency-branded tool). While this work should not be undertaken until necessary, ResponseTek may have more success with this approach within this industry since its brand is relatively unknown in the space.

2. **Marketing Actions**

   a. **Increase visibility in the research market** – ResponseTek is virtually unknown within the market research industry as this has not been a historical focus for the company. To increase awareness, the company should become listed members of common research associations such as ESOMAR, MRIA, and others, and become an active participant in local market research events.

   b. **Create a market research agency focused marketing campaign** – As part of the effort to increase awareness, an agency-focused marketing campaign can effectively communicate and explain why a partnership with

ResponseTek can improve the agency's competitive advantage and offer them a new tool to increase profit margins.

    c. **Define distinctive competencies** – ResponseTek must define the core competencies which set it apart from competitors such as Confirmit who are already working with market research agencies.

3. **Business Model Actions**

    a. **Formalize a "reseller" program** – ResponseTek must outline the partnership structure it expects market research agencies to work within. This must include a framework for services and SLA's as well as a pricing and contracting arrangement. To increase the chances of success, the firm must consider the necessary level of governance to match the motive's of the partner firms and the goals of the alliance (Nielsen, 2009; Ring & van de Ven, 1992).

    b. **Establish a network of smaller 'local' research partners** - ResponseTek should also consider building a network of smaller research agencies across its main geographic markets. As more successful partnerships are established within the market research industry, the global vendors will be increasingly compelled to seek a partnership to assist in their growth and market dominance. In addition, if successful partnerships cannot be established at this level, it is very unlikely there will be any success with a larger global partner.

7.2.2   CRM Vendor Partnerships

A strategic partnership with a CRM vendor offers ResponseTek a major channel into existing and new markets. As CRM applications continue to mature and expand to cover as many aspects of customer interactions as possible, it is inevitable that more and more CEM-type functionality will find its way into CRM applications. By partnering early, ResponseTek offers its potential partner the ability to offer best-in-class CEM functionality to its customers. In turn, the partner can offer the ResponseTek platform as an up-sell option, and ResponseTek can also target companies already running the partner's CRM application to sell directly as a specific market to pursue. ResponseTek must pursue this partnership carefully, as the risk of technology

appropriation is high with a CRM firm. However, the CRM industry is currently focused on other strategic functionality, such as competing with ever-stronger on demand versions and building 'social CRM' functionality, which means that partnering with a leading CEM vendor can provide them with a competitive advantage over their peers.

The following summarizes how each of the CRM software firms fit as potential partners for ResponseTek. The attributes of financial strength, vertical market compatibility, and history of technology partnering are assessed in the same way as in the earlier market research assessment. The attribute "Current CEM Capabilities" is an evaluation attribute specific to this section, and considers whether each vendor has existing CEM functionality already available within their software (either their own functionality or provided by an existing partner). If existing CEM capabilities are already in place, the potential value of a ResponseTek partnership is diminished. For example, Salesforce.com has several vendors selling basic CEM functionality through their AppExchange portal.   Each attribute is assessed on a relative scale of 1 (weak fit) to 5 (strong fit).

Table 7: Evaluation of CRM firms as potential partners (Source: Author)

Attribute	SAP	Oracle	Microsoft	Salesforce	CDC
Financial Strength	5	5	5	4	3
Vertical Market Compatibility	3	4	3	3	2
History of Technology Partnering & Acquisition	3	5	5	5	4
Current CEM Capabilities (lower score means current capabilities are stronger so less fit with RT)	4	3	3	2	2
Overall Fit	**15/20**	**17/20**	**16/20**	**14/20**	**11/20**

ResponseTek must seek a partner that fits best with its target clients and markets, currently has a lack of core CEM functionality, and has a proven history of successful partnerships with smaller vendors. Based this research and analysis, the most suitable potential partners are Oracle, and Microsoft. Salesforce.com and CDC are less suitable due to their focus on medium-sized enterprises as well as an existing set of feedback management functionality

and/or partners in this area. Microsoft may also be challenging to establish a direct relationship with due to its reliance on its broad partner and reseller network.

To prepare for a potential CRM vendor partnership, ResponseTek should consider the following actions:

1. **Seek mechanisms of IP and software protection** – To address the risk of technology and intellectual property appropriation, ResponseTek should seek to establish patent protection on key IP. However, since ResponseTek's core software is already in the public domain, the firm may need to more actively seek new patentable software components within its R&D pipeline. In forming a partnership, it must also ensure that the relationship is contractually protective of ResponseTek's core competencies.

2. **Standardize and document an integration architecture** – Because a CRM partnership will require tight application integration, ResponseTek should become familiar with the integration methods and architectures such as REST of potential partner firms and align the R&D pipeline with these methods. This will help to minimize technological barriers to the partnership.

3. **Survey current customers** – To help identify the most suitable target partner, ResponseTek should survey its current customers to determine which CRM applications and versions are most used.

7.2.3   BI Vendor Partnerships

A BI partnership offers ResponseTek the opportunity to expand its technology platform and gain new competencies in data analysis algorithms and data structures. However, a partner in this domain is not going to provide ResponseTek with a new channel to the market. Therefore, this partnership is far more technology focused than the others covered in this analysis.

The following summarizes how each of the BI software firms fit as potential partners for ResponseTek. The attributes of financial strength and history of technology partnering are assessed in the same way as in earlier sections.   The attribute "Technology Alignment with

ResponseTek" is specific to the BI partner analysis because of the nature of this partnership is expected to focus on technology integration and not reselling ResponseTek. This attribute considers how well the BI vendor's technology platform aligns with ResponseTek's. Each attribute below is assessed on a relative scale of 1 (weak fit) to 5 (strong fit).

Table 8: Evaluation of BI firms as potential partners (Source: Author)

Attribute	SAP	Oracle	SAS	IBM	Microsoft	Micro-strategy
Financial Strength	5	5	4	5	5	3
History of Technology Partnering & Acquisition	3	4	2	4	5	5
Technology Alignment with ResponseTek	3	3	2	3	5	4
Overall Fit	**11/15**	**12/15**	**8/15**	**12/15**	**15/15**	**12/15**

ResponseTek must seek a partner who has a strong technical fit, has a history of technology partnering, and can provide the most suitable set of BI functionality to complement the ResponseTek platform. Based on this evaluation, Microsoft is the strongest BI vendor to consider, with Oracle, IBM, and Microstrategy in a secondary position. SAS has a culture of developing its functionality in-house instead partnering, and would have a high risk of appropriating ResponseTek's intellectual property. Microstrategy's weakness is that it doesn't offer an integrated CRM platform which ResponseTek can also work with, but otherwise should be considered due to its strong BI capabilities and well established partnership/OEM model.

To prepare for a potential BI vendor partnership, ResponseTek should consider the following actions, several of which are similar to what is needed for a CRM partnership:

1. **Seek mechanisms of IP and software protection** – As with a CRM partnership, to address the risk of technology and IP appropriation, ResponseTek should seek to establish IP protection to mitigate this risk.

2. **Seek a partner that offers enterprise CRM** – By aligning with a vendor that offers both CRM and BI applications, ResponseTek can leverage one side to get referenced into the other line of business. In addition, if master agreement is put in place, ResponseTek will be a "preferred" partner over other competitors who may also be seeking partnerships. Finally, should ResponseTek be able to partner and integrate with a single firms BI and CRM applications, the chances of the firm being acquired by the partner would increase substantially.

3. **Standardize and document an integration architecture** – Because a BI partnership will require tight application integration, ResponseTek should become familiar with the integration methods and architectures of potential partner firms and align the R&D pipeline with these methods. This will help to minimize technological barriers to the partnership.

4. **Add data analytics knowledge and competencies** – To improve ResponseTek's understanding of the BI space, it should seek to improve its knowledge and skills both technically in terms of data analytics and architecture, and analytically in terms of best practices in statistically analysis, predictive analytics, and other leading BI methodologies that will benefit CEM.

5. **Survey current customers** – To help identify the most suitable target partner, ResponseTek should survey its current customers to determine which BI applications and versions are most used.

6. **Seek a vendor with broad BI capabilities** – ResponseTek will see the most value from a BI application that offers functionality that ResponseTek is unlikely to build itself and customers are most interested in having. This includes predictive analytics, ad hoc report building and scheduling tools, and in-depth statistical analysis functionality.

7.3 Key Success Factors for ResponseTek

Regardless of its success with strategic partnerships, ResponseTek must maintain a focus on its core capabilities to remain competitive and grow the business. Based on the analysis of the firm and its competitors presented in Chapters 2 and 3, as well as the experience of the

author as a manager in the firm for over 10 years, the following summarizes the key success factors that will help ResponseTek defend its current markets and grow market share over competitors. Any failure in execution in any of these areas may also be detrimental to forming the strategic partnerships recommended in this research.

- **Client retention** - With several competitors focus on the largest global firms in specific verticals, client retention and strong references are critical to selling to other firms in those industries. This importance is amplified for ResponseTek as a relatively small firm. The loss of a client can affect a significant proportion of the firms revenue, causing severe setbacks in growth and resources.

- **Brand awareness** - As a small company with limited marketing budget, growth success will depend heavily on the firm's ability to find the right buyers in the large target firms and make them aware of ResponseTek's capabilities. As shown in Chapter 2, ResponseTek is relatively weak in this area so must find cost-effective and aggressive ways to improve market awareness amongst larger, more capitalized competitors.

- **Alliance-focused resources and capabilities** – The probabilities of success of a firm's partnership activities improve with a dedicated alliance function in the business (Kale, Dyer, & Singh, 2002). Therefore, as ResponseTek moves forward and begins to establish partnerships, investment in dedicated and experience personnel to manage the partner program is recommended.

- **Technology leadership** - To maintain competitive advantage and create a high willingness to pay, continuous technology innovation and leadership is key. This will play a role both in client acquisition and partnering, where proven technology leadership are major influencers in buying and partnering decisions. It is also expected that when industry consolidation begins, firms with the strongest technology will receive the highest valuations.

- **Service/consulting capabilities** - ResponseTek must be able to provide consulting services to clients, either through in-house capabilities or a network of consulting partners. This will assist in increasing the ROI of the software and help to maintain strong customer satisfaction. Finally, this is a new revenue generation opportunity to help grow the firm and generate profits.

- **Data security and privacy** - Data protection is a critical concern of global organizations. To be successful in the CEM market, data security and protection is paramount. A major failure in this area for any of the top competitors will likely damage the brand reputation significantly and harm the firm's ability to see into the affected market.

- **Technology integration capabilities** - As the CEM market evolves, it is clear that large firms require their customer-related software applications easily interface with other applications to ensure customer insight is maximized and aligned. Therefore, ResponseTek must ensure that its platform is able to easily integrate with a wide range of applications such as CRM, business intelligence, and other technologies.

7.4 Industry Trend Considerations

As part of the strategic analysis, it is important to step back and consider how the industries reviewed here are evolving and how it may affect CEM and ResponseTek moving forward. All of these industries face shifting trends due to broad consumer changes like social media and mobile adoption, and each is responding with functionality and processes specific to the application. More interesting is to consider the broader industry trends covered throughout this research, the following observations and recommendations can be made for ResponseTek:

Market Research Industry – The industry is faced with increasing volumes of real-time internal and external data, and a desire for more qualitative research models stemming from social media and behaviour research. There is little doubt that the industry must respond to these needs with software and technology solutions. If the large agencies manage this well, these new technologies will complement their service model and enable them to continue to grow and serve the market. If done poorly, it is likely that smaller technology-driven firms will fulfil these new market needs and pose a threat to the growth rates of the larger firms. ResponseTek's opportunity is to position itself as a technology enabler for the agencies and help them address many of the trends and pressures they are facing.

CRM Industry – As a maturing industry, the large vendors are now supporting large, complex applications installed across a wide customer-base. To address market needs and increase market access, the industry is more aggressively opening up their platforms to 3rd party vendors to extend the functional scope of their applications. It is safe to assume that the CRM industry is here to stay, so ResponseTek must work to integrate its application with CRM

systems and processes. The more CRM data and processes that ResponseTek can access and integrate with, the more value the solution will have for its clients.

BI Industry – The most relevant trend here is the shift from a technology sell to a business solution sell. BI tools were historically purchased by IT, but vendors are increasing looking to package their solutions to solve specific functional business needs. The other important shift here is the improvements the vendors are making to their applications so they are better at qualitative analysis and forecasting, finally moving beyond structured quantitative analysis capabilities. As BI tools build capabilities in these new areas, they will become increasingly important to CEM as it faces increasing pressure to provide these capabilities as well.

Overall, it is recommended that ResponseTek adopt a strategy that positions it to connect the capabilities of these three major industries, delivering to the market a unique and highly valuable business solution. By building a network of partnerships, ResponseTek will create barriers to other competitors attempting a similar strategy. The industry relationships and ResponseTek positioning strategy are illustrated below.

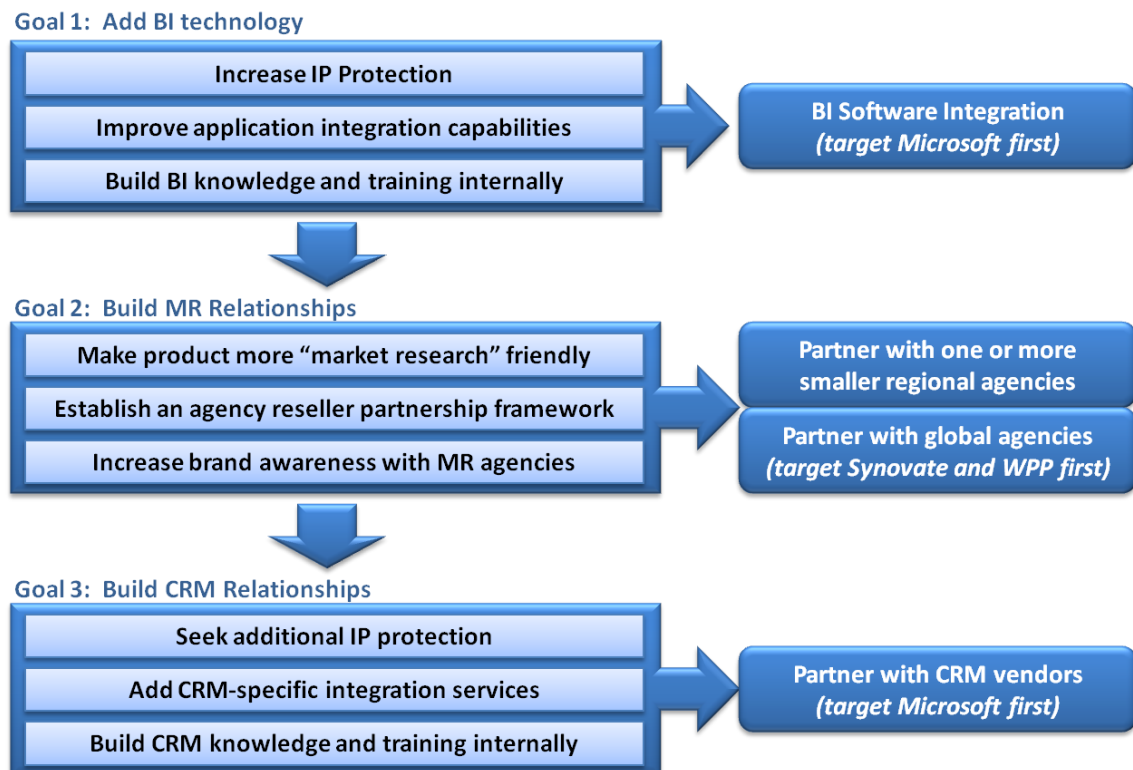*Figure 6 - ResponseTek's positioning strategy with complementary industries*
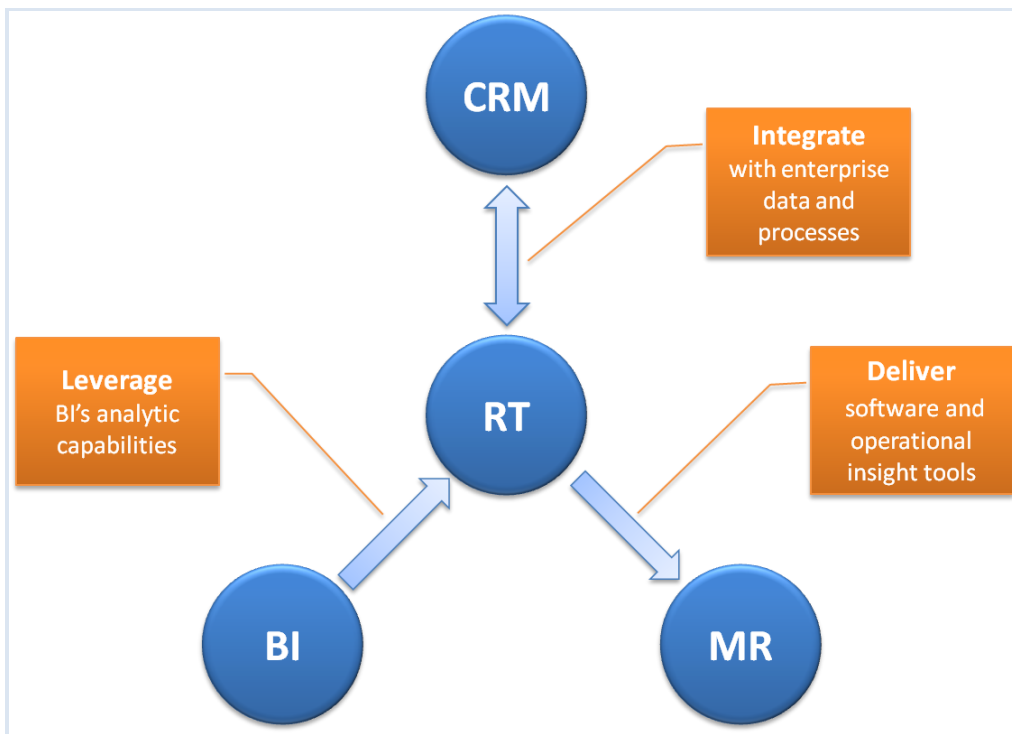
Source: Author

7.5 Summary of Recommendations

ResponseTek must move forward on a cohesive set of actions that will enable the firm to build a network of strategic partners and accelerate its market penetration in order to accomplish its goals. These actions and the resulting partnership outcomes as they relate to BI, CRM, and market research is illustrated below. The firm must focus first on foundational activities and adding BI capabilities into its platform, ideally within the next 6 to 12 months. Once accomplished, the focus should turn to the market research industry as a partner in this area will require the BI capabilities to be in place first. While relationships can begin to be established now, a partnership should be targeted in the next 12 to 18 months. Finally, the firm can move to establish a CRM partnership with a horizon of 2 years expected.

Figure 7 - Illustration of tactical actions and strategic partnership outcomes

Goal 1: Add BI technology

- Increase IP Protection
- Improve application integration capabilities
- Build BI knowledge and training internally

→ **BI Software Integration** *(target Microsoft first)*

Goal 2: Build MR Relationships

- Make product more "market research" friendly
- Establish an agency reseller partnership framework
- Increase brand awareness with MR agencies

→ **Partner with one or more smaller regional agencies**

Partner with global agencies *(target Synovate and WPP first)*

Goal 3: Build CRM Relationships

- Seek additional IP protection
- Add CRM-specific integration services
- Build CRM knowledge and training internally

→ **Partner with CRM vendors** *(target Microsoft first)*

Source: Author

8: Conclusion

The CEM industry is a rapidly growing software industry, currently served by a large number of vendors who are mostly small firms. There are a handful of firms who are most recognized as leaders, including ResponseTek. As the market adoption rate continues to accelerate, firms who can leverage partners' complementary assets to grow sales and extend their technology network will have competitive advantage and have the best chance to dominate the market.

Because CEM methodology and technology encompasses aspects of market research, CRM, and BI, these three related industries are the natural places to consider strategic partnerships. Each industry is massive, and collectively generates over $40B a year in revenue. Partnerships in each industry provide ResponseTek with unique risks and benefits. A market research partner can serve as a channel into a large and competitive market, providing ResponseTek with market access it will never achieve on its own. A CRM partner will validate the importance of CEM and provide access to a large set of enterprise buyers, and a BI partner will add important software capabilities and competence to the ResponseTek platform.

ResponseTek should proceed with a BI technology partnership first, as these capabilities fulfil important needs for a subsequent market research partner. Once a BI solution is established, the firm should then proceed to build a network of mid-size local market research agency partners and several shared customer successes, and build credibility in the market research industry while seeking a partnership with a large agency. Subsequently, a CRM partnership can be pursued. While there is not a specific need to move in a sequential order, it is likely that the firm's limited resources to will constrain ResponseTek to focusing on one related industry at a time.

In summary, it is in ResponseTek's best interest to build a network of strategic sales and technology partners in complementary industries as quickly as possible. This will strengthen ResponseTek's brand credibility and awareness, accelerate access to markets, increase technology capabilities, and serve as a competitive barrier to other firms attempting a similar strategy.
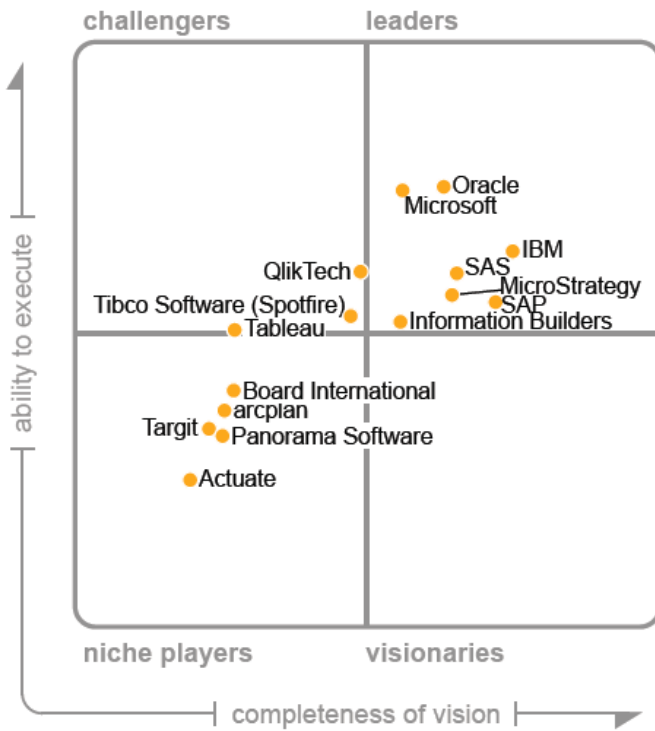
Appendix

Forrester Wave™: CRM Suites for Large Organizations, Q2 '10
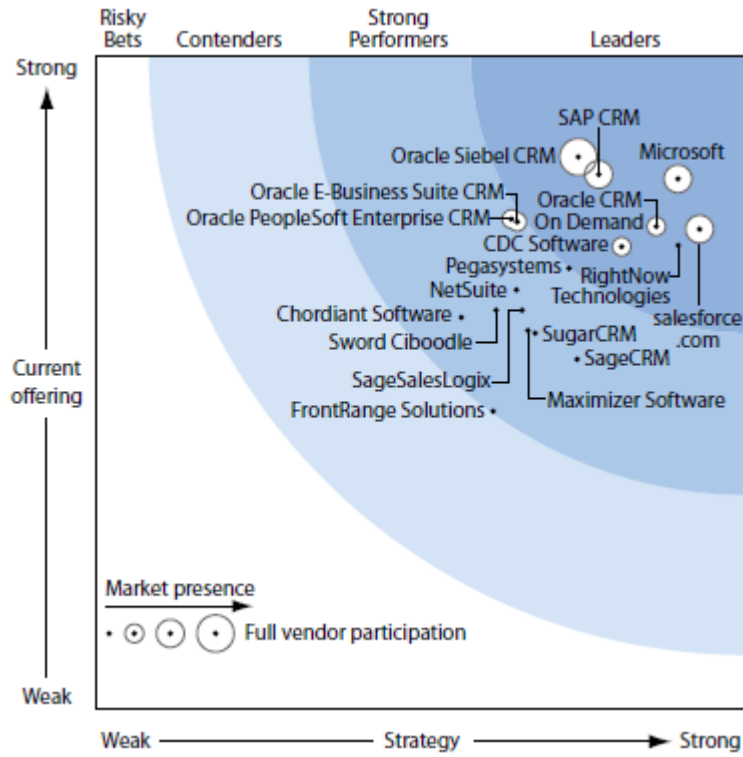
Source: Band, 2010

Magic Quadrant™ for Business Intelligence Platforms, January 2010

Source: Fieman & MacDonald, 2010

Market Research Industry Revenues by Region   (Source: ESOMAR, 2009)
(all figures are in millions of U.S. dollars)

Region	Revenues (US$m)					Absolute growth (%)	Net growth (%)
	2004	**2005**	**2006**	**2007**	**2008**	**2007/08**	**2007/08**
Europe	11168	11663	11781	14380	16066	4.7	0.9
North America	7824	8306	8890	9458	9629	1.5	-2.1
Asia Pacific	2970	3337	3605	4006	4538	6.3	2.1
Latin America	863	1018	1259	1418	1700	13.4	5.6
Middle East & Africa	308	353	399	487	529	12	1.1
World	**23133**	**24678**	**25934**	**29749**	**32462**	**4.5**	**0.4**

ESOMAR estimates. Rounded figures presented. Growth rates calculated in local currencies.
Exchange rates fluctuations eliminated.

Business Intelligence Software Industry Revenues (Source: Gartner, 2010)
(all financial figures are in millions of U.S. dollars)

Company	2009	2009 Market Share	2008	2008 Market Share	2009-2008 Growth
SAP	$2,084.1	22.4%	$2,096.1	23.4%	-0.6%
Oracle	$1,351.1	14.5%	$1,284.0	14.4%	5.2%
SAS Institute	$1,324.6	14.2%	$1,286.6	14.4%	3.0%
IBM	$1,135.6	12.2%	$996.5	11.1%	14.0%
Microsoft	$739.1	7.9%	$681.5	7.6%	8.5%
MicroStrategy	$295.0	3.2%	$280.0	3.1%	5.4%
Other Vendors	$2,392.4	25.7%	$2,322.3	26.0%	3.0%
Total	**$9,321.9**	**100.0%**	**8,946.9**	**100.0%**	**4.2%**

CRM Software Industry Revenues (Source: Gartner, 2009)
(all financial figures are in millions of U.S. dollars)

Company	2008 Revenue	2008 Market Share (%)	2007 Revenue	2007 Share (%)	2007-2008 Growth (%)
SAP	$2,055	22.5%	$2,072	25.5%	-0.8%
Oracle	$1,475	16.1%	$1,320	16.2%	11.8%
Salesforce.com	$965	10.6%	$676	8.3%	42.7%
Microsoft	$581	6.4%	$332	4.1%	75.0%
Amdocs	$451	4.9%	$419	5.2%	7.6%
Others	$3,620	39.6%	$3,311	40.7%	9.3%
Total	**$9,147**	**100.0%**	**$8,130**	**100.0%**	**12.5%**

Reference List

Band, W. (2010). *The Forrester Wave™: CRM Suites For Large Organizations, Q2 2010*. Cambridge: Forrester Research Inc.

Buckley, P. J., Glaister, K. W., Klijn, E., & Tan, H. (2009). Knowledge Accession and Knowledge Acquisition in Strategic Alliances: The Impact of Supplementary and Complementary Dimensions. *British Journal of Management* , 20 (4), 598-609.

CDC Software. (2010, June 20). *Company Fact Sheet.* Retrieved June 20, 2010, from CDC Respond: http://www.cdcsoftware.com/en/Company/Company-Fact-Sheet.aspx

Confirmit. (2010, April 29). *Confirmit Announces Record Quarter for Multi-Year Customer Contracts*. Retrieved June 23, 2010, from Confirmit Website: http://www.confirmit.com/company/news-and-events/Press-Releases/Confirmit-Announces-Record-Quarter-for-Multi-Year-.aspx

Davies, J. (2009). *Enterprise Feedback Management: Market Overview*. Stamford: Gartner Inc.

ESOMAR. (2009, September 8). *ESOMAR Global Market Research Report - Slowdown in Market Research Revenues Confirmed*. Retrieved June 20, 2010, from ESOMAR: http://www.esomar.org/index.php?mact=News,cntnt01,detail,0&cntnt01articleid=211&cntnt01returnid=1894

Fieman, J., & MacDonald, N. (2010). Magic Quadrant for Business Intelligence Platforms. Unknown: Gartner, Inc.

Gartner. (2010, April 22). *Gartner Says Worldwide Business Intelligence, Analytics and Performance Management Software Market Grew 4 Percent in 2009*. Retrieved June 20, 2010, from Gartner.com: http://www.gartner.com/it/page.jsp?id=1357514

Gartner. (2009, July 15). *Gartner Says Worldwide CRM Market Grew 12.5 Percent in 2008*. Retrieved June 18, 2010, from Gartner Web site: http://www.gartner.com/it/page.jsp?id=1074615

Gartner. (2010, April 29). *Leading Analyst Firm Names Jaspersoft the Highest Growth Vendor in the Business Intelligence Software Market for 2009*. Retrieved June 20, 2010, from Jaspersoft Website: http://www.jaspersoft.com/press/leading-analyst-firm-names-jaspersoft-highest-growth-vendor-business-intelligence-software-mar

Greenberg, P. (2009, December 21). *Okay Here Goes - CRM Forecast 2010 - Part I*. Retrieved June 18, 2010, from ZDNET: http://www.zdnet.com/blog/crm/okay-here-goes-crm-forecast-2010-part-i/1302

Greenberg, P. (2008, Q3). *Three long-term CRM trends to watch*. SAS COM Magazine .

Harris Interactive. (2010). About Us. Retrieved May 8, 2010, from Harris Website: http://www.harrisinteractive.com/AboutUs.aspx

IBM. (2009, July 28). *IBM to Acquire SPSS Inc. to Provide Clients Predictive Analytics Capabilities*. Retrieved June 20, 2010, from IBM: http://www-03.ibm.com/press/us/en/pressrelease/27936.wss

Ipsos. (2010). *Key figures*. Retrieved May 8, 2010, from Ipsos Website: http://www.ipsos.com/investors/key_figures

Jacobs, J. (2010, May 13). *We are going 20 percent cheaper than Oracle*. Retrieved June 21, 2010, from DQChannels.com: http://dqchannels.ciol.com/content/channelchief/110051301.asp

Kale, P., Dyer, J. H., & Singh, H. (2002). Alliance Capability, Stock Market Response, and Long Term Alliance Success: The Role of the Alliance Function. *Strategic Management Journal* , 23 (8), 747-767.

Kobielus, J. G. (2010, January 5). *Business intelligence market trends and expert forecasts for 2010*. Retrieved June 20, 2010, from SearchBusinessAnalytics.com: http://searchbusinessanalytics.techtarget.com/news/1507016/Business-intelligence-market-trends-and-expert-forecasts-for-2010

Kurtev, I. (2009, July 27). *Three options for creating Microsoft CRM surveys*. Retrieved June 20, 2010, from SearchCRM.com: http://searchcrm.techtarget.com/answer/Three-options-for-creating-Microsoft-CRM-surveys?ShortReg=1&mboxConv=searchCRM_RegActivate_Submit&

Leung, D. (2010, June 14). Controller. (G. Elder, Interviewer)

Marshall, M. (2008, April 4). *MarketTools, marketing company, raises $23M amid competition*. Retrieved June 23, 2010, from VentureBeat: http://deals.venturebeat.com/2008/04/04/markettools-marekting-company-raises-23m-amid-competition/

Mascarenhas, B., Kumaraswamy, A., Day, D., & Baveja, A. (2002). Five Strategies for Rapid Firm Growth and How to Implement Them. *Managerical and Decision Economics* , 23 (4/5), 317-330.

Mitra, S. (2010, March 16). *Deal Radar 2010: Medallia*. Retrieved June 22, 2010, from Sramana Mitra Website: http://www.sramanamitra.com/2010/03/16/deal-radar-2010-medallia/

Mitra, S. (2010, February 10). *Deal Radar 2010: Allegiance, Inc*. Retrieved June 23, 2010, from Sramana Mitra Website: http://www.sramanamitra.com/2010/02/10/deal-radar-2010-allegiance-inc/

Nalebuff, B. J., & Brandenburger, A. M. (1997, Nov/Dec). Co-opetition: Competitive and cooperative business strategies for the digital economy. *Strategy and Leadership* , pp. 28-35.

Nielsen, B. B. (2009). Strategic fit, contractual, and procedural governance in alliances. *Journal of Business Research*, 63 (7), 682-689.

Ring, P. S., & van de Ven, A. H. (1992). Structuring Cooperative Relationships Between Organizations. *Strategic Management Journal*, 13 (7), 483-498.

Salesforce.com. (2010, June 20). *Service & Support > Surveys*. Retrieved June 20, 2010, from Salesforce AppExchange: http://sites.force.com/appexchange/results?type=Apps&filter=a0L30000001Qp8iEAC&sort=6&skip=true

SAS. (2010, June). *SAS Website*. Retrieved June 20, 2010, from SAS.com: http://www.sas.com/presscenter/bgndr_statistics.html#cust

Sen, P. K., Das, S., & Sengupta, S. (1998). Impact Of Strategic Alliances On Firm Valuation. *Academy of Management Journal*, 41 (1), 27-41.

Teece, D. J. (1988). Capturing Value from Technological Innovation: Integration, Strategic

   Partnering, and Licensing Decisions. *Interfaces*, 18 (3), 46-61.

Trefis. (2010, April 8). *Microsoft Dynamics Software Will Continue to Gain Share in Customer

   Relationship Market*. Retrieved June 19, 2010, from Trefis:

   http://www.trefis.com/articles/14822/microsoft-dynamics-software-will-continue-to-

   gain-share-in-customer-relationship-market/2010-04-08

Wikipedia. (2010, May 16). *Confirmit*. Retrieved June 23, 2010, from Wikipedia:

   http://en.wikipedia.org/wiki/Confirmit

Wikipedia. (2010, May 4). *Maritz, LLC*. Retrieved May 8, 2010, from Wikipedia:

   http://en.wikipedia.org/wiki/Maritz,_LLC

Wikipedia. (2010, April 19). *Nielsen Company*. Retrieved May 8, 2010, from Wikipedia:

   http://en.wikipedia.org/wiki/Nielsen_Company

WPP. (2010, May). *WPP at a glance*. Retrieved May 8, 2010, from WPP website:

   http://www.wpp.com/wpp/about/wppataglance/