# Customer Relationship Management Software Industry Analysis

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Salesforce is a company operating in the cloud customer relationship management (CRM) industry. It is in the IT and technology sector and is categorized under IR programming and services. The company focuses on a segment of the market, which is enterprises seeking on-demand CRM products and cloud services. It provides enterprise software that focuses on CRM and is delivered through the cloud. Salesforce majors in Internet, social, mobile, and cloud items, as well as artificial intelligence technologies. The services are offered through mobile devices and internet browsers, and they include digital commerce, analytics, marketing automation, sales force automation, customer service and support, and collaborative productivity tools.

The CRM industry is the largest among the sub-segments in the software as a service (SaaS) market. The other sub-segments include Infrastructure as a Service (IaaS) and Platform as a Service (PaaS) (Kumar, V, and Werner J. Reinartz., p.19). SaaS is a common channel of delivery for business applications such as enterprise resource planning, customer relationship management, and human resource management, and it occupies more than 50 percent of the whole cloud computing industry. Salesforce has taken advantage of the SaaS sub-segment as it has a simple user interface, low cost of entry, ease of customization, low cost of entry, and multi-tenant framework. The firm's main competitors are Oracle, SAP, and Microsoft.

The $23.2 billion market value for 2014 and the forecast of $36 billion by 2017 are historical source-period figures whose forecast date has passed. They should not be presented as a current CRM market estimate. The broader point remains that cloud delivery, software-as-a-service and social CRM contributed to rapid industry expansion and intensified competition among major vendors.

The competition within the CRM market is global, and major vendors include Salesforce, Oracle, Adobe, SAP and Microsoft. The vendor-share percentages in the original paragraph describe an older market snapshot and should be dated rather than treated as current. Competitive strengths continue to include brand ecosystems, integration with enterprise-resource-planning systems, analytics and reporting, pricing, sales functionality and broader marketing suites.

The costs incurred in the CRM industry include ongoing system administration and governance, integrations, and system extensions. The cost range, however, depends on the specifications that a buyer has. The technology used in the industry is not constant as some use SaaS while some rely on PaaS. There are also different services offered in the industry that rely on different technologies as well as innovations; hence, there are differences in the technologies used. The firms have to invest in research and development. There needs to be uniqueness in a firm's products to attract more buyers and increase the market share. Therefore a firm has to have well-skilled personnel that is creative and ready to do research on the latest technologies that will offer the customers their needs as well as minimizes the costs of the firm. When making sales, a firm has to ensure the product or service meets the needs of the consumers, and the marketing process is done when there is a market gap in the industry to market it (Neises, p. 13). There are different legal regulations in different states and countries. Therefore, firms operating in the market are subject to different laws. However, a firm has to ensure that its operations comply with the regulations of the country it operates.

# Financial Performance

An analysis by Gartner in May 2016 shows the financial performance of the top vendors in the CRM industry. Oracle had revenue of $2119 million in 2014, which decreased to $2046.5 million in 2015. The market share decreased from 9.1% to 7.8%. Salesforce’s revenue increased from $4268.5 million in 2014 to $5170.9 million in 2015, when the market share increased from 18.2% to 19.7%. SAP’s revenue changed from $2669 million in 2014 to $2684.4 million in 2015, while the market share decreased from 13% to 10.2% in the respective years (Columbus, para 2). Adobe had revenue of $936.8 million in 2015, which was an increase from $738 million in 2014. Its market share was 3.2% in 214 and increased to 3.6% in 2015. Microsoft, on the other hand, increased its revenue from $951.1 million in 2014 to $ 1141.5 million in 2015. The market share of the firm increased from 4.1% in 2014 to 4.3% in 2015. The other firms in the market have taken a market share of 54.4% in 2015 which was a decrease from 55.4% in 2014. Their revenue, however, increased from $12658.3 million in 2014 to $14307.7 million in 2015. Gartner forecasted a growth of 14.8% in the CRM software market in 2017, and SaaS is predicted to grow at 22.6%.

# Structural Attractiveness

There is high competition among the firms in the CRM industry. Based on their financial performance, Salesforce is the best firm in the market; however, others, such as Microsoft, are performing well in the market. The profitability of a firm indicates how well a firm is performing in the market. Therefore, the best-performing firms in the CRM industry are perceived to have a better level in the market; hence, profitability influences the structure of the industry. Competitive rivalry is a force in the Porter Five Forces model. It has the biggest impact on profitability in the CRM industry. It is because each firm is offering almost similar products, however, on a competitive platform ((Neises, p. 13). To gain a bigger market share, each firm strives to have a competitive advantage over the other. Firms such as Salesforce have offered products and services with a huge range of benefits to the clients at a competitive price which draws more customers to use the product. Price competitiveness and offerings for the customers are the main issues firms have focused on, as it is what consumers look for when making purchases (Neises, p. 13). Therefore, competition has been a force that has affected the performance of the different firms in the industry, thus influencing their profitability.

# Success Factors

For a firm to succeed in the CRM industry, it has to have the right technology through coding, customization, and configuration. There has to be a right partner who matches one's personality and ideas to work together with. The person should be willing to assist in tasks as well as share their skills to help manage costs and time. There is a need for data as a success factor as one has to consider its selection, installation, and continuous maintenance. The implementation approach of a firm is also important because it should be a complete life cycle that leads to the success of the laid-out plan. If a firm has the above success factors, they are likely to be successful in the market.

# Future

The CRM industry has been growing each year and is set to expand more in the coming years. There will be more customer engagement as the customers will manage to initiate conversations in their preferred social channels and online platforms. CRM software will route, categorize and prioritize social content to services or sales so it can reach the desired person quickly, making actions to be taken on time. Protection of data will be an issue as people become more enlightened on technology, and if not stored properly, loss of data may increase in the future. The products and services will focus more on engaging the customer; hence, there will be an improved customer experience. There will be artificial intelligence as data gathered will be used to make real-time decisions based on the analysis taken by the software. CRM programs will also increase their accessibility as customers will be able to access them from multiple devices such as smartphones, desktops, laptops, and tablets. The forecast for the next five years indicates growth in the CRM industry. The software will be more efficient and effective for use, hence making operations easier. The customers will also have a bigger market of sellers to choose from, making the market competitive and innovative. Firms that will change with the changing technology have a likelihood of improvement within the next five years.

# Strategies

The industry is performing well. However, competition is affecting the profitability of the existing firms in the industry. The industry needs to have policies to regulate market entries that control the number of firms offering the services and hence reduce the competition in the market. The industry also needs to have policies on the technology levels the firms in it use. The use of the latest technologies ensures that the products and services offered are efficient for consumers.

# Works Cited

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