TRENDS

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The Forrester Wave™ 2005

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EXECUTIVE SUMMARY

For more than 20 years, Forrester has helped clients understand the technology landscape and rank technology suppliers. The Forrester Wave™ is an objective methodology to evaluate competing products, services, and suppliers, as well as a means of clearly presenting the findings of the evaluation.
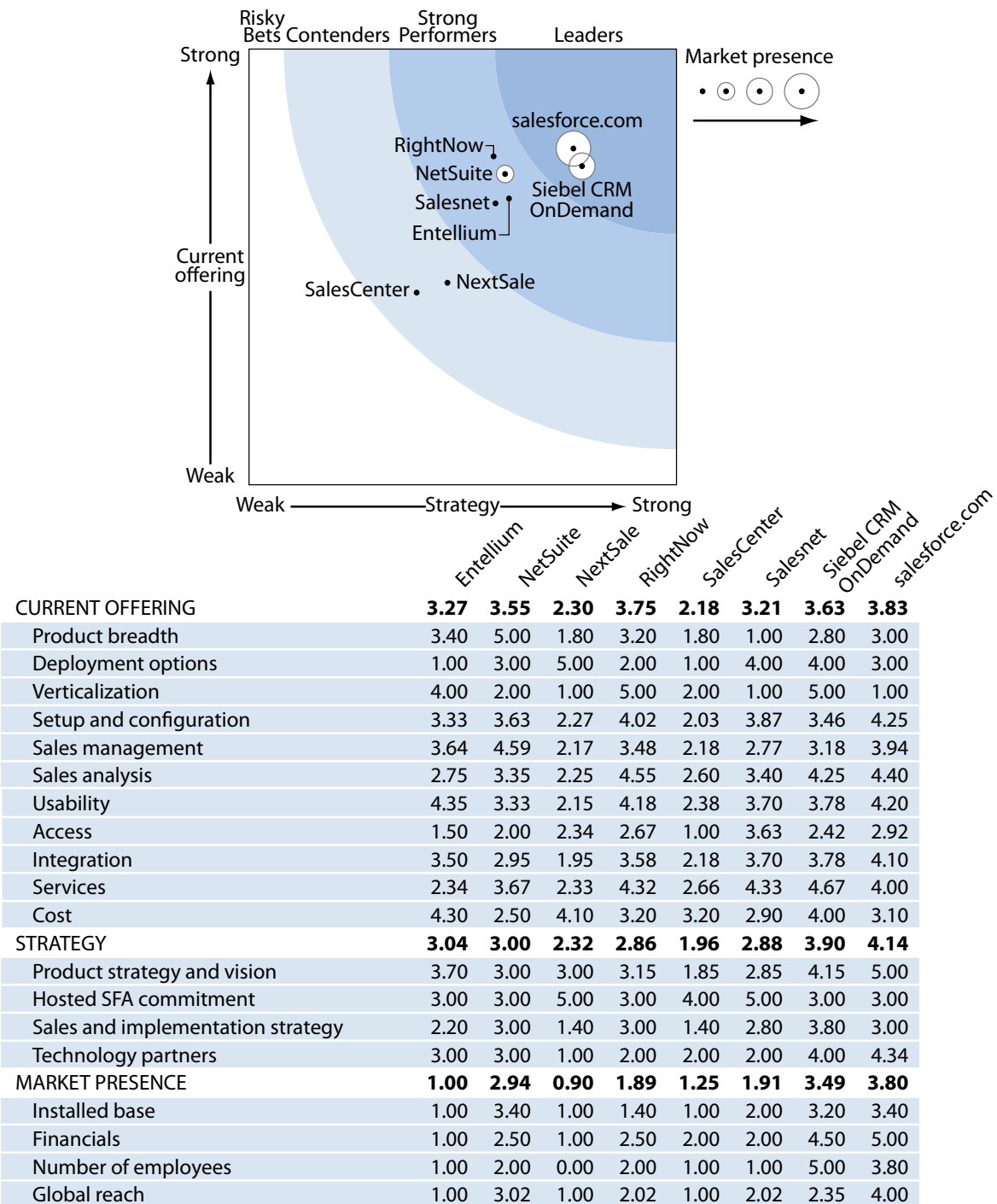
WHAT IS THE FORRESTER WAVE?

Selecting the right technology vendor is a huge challenge — not to mention a multimillion-dollar decision. To help companies make better technology decisions, we are upgrading the Forrester Wave methodology and deliverables (see Figure 1).[1] The Forrester Wave is:

- **A graphical representation of vendor market positions.** We use the Forrester Wave to evaluate technology products as well as service offerings ranging from CRM software to global WAN services. The Wave graphic displays Forrester's call on the relative strength of leading vendors' market position.

- **A transparent and objective evaluation methodology.** The analysis that creates placement in the Forrester Wave is completely open and transparent. It is based on data gathered from a number of sources including user interviews, lab evaluations, information from vendors, and analyst expertise. We then plot the Wave graphic using a detailed spreadsheet with criteria, scores, weightings, and comments. The spreadsheet tool permits technology buyers to adjust the criteria weightings based on their own priorities, and change the scores and relative positions of the vendors.

UNDERSTANDING THE FORRESTER WAVE

The Forrester Wave contains a great deal of objective data to help companies make good technology selection decisions. We evaluate products and services across three dimensions:

1. **Current offering.** This dimension (the x-axis of the graphic) analyzes the strength of a company's current solution, including product capabilities, ease of integration, service and support, and training.

2. **Strategy.** This dimension (the y-axis of the graphic) evaluates the strength of a firm's future product direction, including its ability to articulate strategy, commit resources to strategy, and forge technology partnerships for technology, channels, and the like.

Figure 1 Sample Forrester Wave™: Hosted Sales Force Automation, Q1 '05

	Entellium	NetSuite	NextSale	RightNow	SalesCenter	Salesnet	Siebel CRM OnDemand	salesforce.com
CURRENT OFFERING	**3.27**	**3.55**	**2.30**	**3.75**	**2.18**	**3.21**	**3.63**	**3.83**
Product breadth	3.40	5.00	1.80	3.20	1.80	1.00	2.80	3.00
Deployment options	1.00	3.00	5.00	2.00	1.00	4.00	4.00	3.00
Verticalization	4.00	2.00	1.00	5.00	2.00	1.00	5.00	1.00
Setup and configuration	3.33	3.63	2.27	4.02	2.03	3.87	3.46	4.25
Sales management	3.64	4.59	2.17	3.48	2.18	2.77	3.18	3.94
Sales analysis	2.75	3.35	2.25	4.55	2.60	3.40	4.25	4.40
Usability	4.35	3.33	2.15	4.18	2.38	3.70	3.78	4.20
Access	1.50	2.00	2.34	2.67	1.00	3.63	2.42	2.92
Integration	3.50	2.95	1.95	3.58	2.18	3.70	3.78	4.10
Services	2.34	3.67	2.33	4.32	2.66	4.33	4.67	4.00
Cost	4.30	2.50	4.10	3.20	3.20	2.90	4.00	3.10
STRATEGY	**3.04**	**3.00**	**2.32**	**2.86**	**1.96**	**2.88**	**3.90**	**4.14**
Product strategy and vision	3.70	3.00	3.00	3.15	1.85	2.85	4.15	5.00
Hosted SFA commitment	3.00	3.00	5.00	3.00	4.00	5.00	3.00	3.00
Sales and implementation strategy	2.20	3.00	1.40	3.00	1.40	2.80	3.80	3.00
Technology partners	3.00	3.00	1.00	2.00	2.00	2.00	4.00	4.34
MARKET PRESENCE	**1.00**	**2.94**	**0.90**	**1.89**	**1.25**	**1.91**	**3.49**	**3.80**
Installed base	1.00	3.40	1.00	1.40	1.00	2.00	3.20	3.40
Financials	1.00	2.50	1.00	2.50	2.00	2.00	4.50	5.00
Number of employees	1.00	2.00	0.00	2.00	1.00	1.00	5.00	3.80
Global reach	1.00	3.02	1.00	2.02	1.00	2.02	2.35	4.00

All scores are based on a scale of 0 (weak) to 5 (strong).
Source: April 1, 2005, Tech Choices "The Forrester Wave™: Hosted Sales Force Automation, Q1 2005"

Source: Forrester Research, Inc.

3. **Market presence.** This dimension (represented by the size of the vendor's circle) reviews a vendor's financial and market strength, including financials, installed base, average deal size, and distribution partnerships.

Interpreting The Forrester Wave

Using these dimensions, Forrester places suppliers into one of four categories:

1. **Leaders.** Leaders have both a strong product and strategy. Startups and established companies alike can be Leaders, distinguished by the market presence dimension.

2. **Strong Performers.** Strong Performers receive medium-high scores on both the current offering and strategy dimensions and are likely to appear on many users' shortlists. On at least one dimension, however, they fall behind Leaders.

3. **Contenders.** Contenders have products and strategies that, while credible, lag behind Strong Performers and Leaders.

4. **Risky Bets.** Risky Bets either are not particularly strong in any of the dimensions, or are strong in only one of the dimensions (e.g., a strong current offering but a weak strategy for the future, or a great strategy but without a product to match).

CREATING THE FORRESTER WAVE

Choosing Forrester Wave Topics

We will perform Forrester Wave evaluations in technology market segments where:

- **User uncertainty is high.** We will focus our resources on markets where buyers face tough decisions. These may be emerging technologies or highly competitive markets where vendor offerings are difficult to distinguish.

- **User interest is high.** We will use our spending forecasts, client inquiry volume, and survey results to determine high-interest markets.

- **Vendor activity is high.** We will include all the important vendors in a particular market, as determined by both client interest and analyst judgment.

Our schedule of upcoming Forrester Wave analysis is available at www.forrester.com/wave. We update Waves when market conditions warrant, typically on a 12- to 15-month cycle.

Building A Forrester Wave

To ensure accurate results, we employ a rigorous process to create a Forrester Wave. The highlights of this process include:

- **Generating a detailed list of product criteria.** Each Forrester Wave starts with the development of a set of important decision criteria across the three dimensions. We use these detailed criteria to evaluate each offering, and we give each criteria a weighting reflecting its importance to buyers and users of the product or service. The number of criteria per Wave varies from 50 to 200, depending on the maturity of the market or the number of criteria necessary to accurately distinguish among competing offerings.

- **Gathering and validating data.** We then assess each important vendor in a market against the weighted criteria. This effort may include lab evaluations, detailed surveys, product demonstrations, and customer interviews. We typically require written documentation to back up vendor claims.

- **Creating the Forrester Wave.** Plotting the Wave is a purely objective and mathematical exercise. We score each criterion on a scale of 0 (not offered or won't disclose) to 5 (best). We then weight the criteria appropriately and calculate overall scores based on the weighted average. The scale is absolute — meaning that not every Forrester Wave will have Leaders. Therefore, nascent markets may only be composed of Risky Bets and Contenders.

  Some Forrester Wave reports may include multiple Wave graphics, as the analyst may choose to weight the criteria differently to reflect the priorities of different user scenarios, for example B2B versus B2C applications or SMB versus enterprise-class user organizations.

- **Analyzing the results.** The Forrester Wave report is the final deliverable of an evaluation. It provides analysis on the evaluation and includes the Wave graphic as well as an interactive, Excel-based tool containing the detailed product evaluations and customizable scores. Along with the report, we also publish Scorecard Summary documents for each evaluated vendor, which highlight each vendor's strengths and weaknesses against the evaluation criteria. We add analysis to the technical facts to provide firms with concrete recommendations. Each Scorecard Summary is accompanied by an Excel spreadsheet that provides detailed scores and data.

USING THE FORRESTER WAVE

Using the Forrester Wave is easy, but to get the most from it, Forrester recommends that firms follow these four steps:

1. **Review the spreadsheet.** Drill down into the graphic by examining the detailed criteria, weightings, and comments in the spreadsheet. This information helps users understand what areas of a vendor's offering were evaluated and how Forrester scored them.

2. **Adjust the weightings.** No two companies are alike. Although the scores Forrester assigned are fixed, the weightings can be changed to suit your company's priorities. Take advantage of the interactive spreadsheet to run scenarios and sensitivity analyses.

3. **Create a shortlist.** Users must decide whether to consider only Leaders or vendors in other categories. Moreover, firms should think deeply about their tolerance for supplier risk, as measured by the market presence dimension.

4. **Discuss the Forrester Wave with your vendor shortlist.** Use the Forrester Wave to start discussions with vendors and to probe deeper. Ask companies to explain low scores and prove items that you see as being suspect. Finally, consider working with Forrester to extend and customize the Forrester Wave to your own situation if there are attributes unique to your firm.

ENDNOTES

[1] Hosted apps are changing the way firms think about software, providing a lower-risk, lower-upfront-cost alternative to on-premise apps. Software-as-a-service probably won't bring an end to the days of multimillion-dollar, big-bang app deployments, but it's stealing market share from licensed vendors, particularly in the midmarket. Sales force automation (SFA) is one of the areas taking off most quickly, as sales executives demand easy-to-use, flexible solutions that don't require IT support. Firms looking for hosted SFA should find the solution whose strengths best align with business processes and user needs. See the April 1, 2005, Tech Choices "The Forrester Wave™: Hosted Sales Force Automation, Q1 2005."