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The Forrester Wave™: eService, Q1 2005

by John Ragsdale

TECH CHOICES



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Lab-Based Evaluation Of Top eService Vendors Across 117 Criteria

by John Ragsdale

with Andrew Bartels and Jessica Harrington

EXECUTIVE SUMMARY

Continued customer adoption of nonphone channels and a new focus by many consumer-facing companies on improving the customer experience are changing the requirements for eService projects. No longer seen as just a way to deflect live calls, eService vendors are expanding their appeal to address a larger array of issues and information requests, and targeting new industries and new titles (particularly marketing and customer experience executives). Picking the right product involves prioritizing a growing number of functional requirements, identifying the source of customer- and agent-facing content, and if and how deeply to integrate eService with existing CRM software. With CRM vendors upping the ante by developing their own eService suites, niche eService vendors are constantly redefining best of breed, making this designation a moving target.

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9 CRM Will Ultimately Own Part, But Not All, Of eService

NOTES & RESOURCES

Forrester interviewed more than a dozen vendor and user companies, including: eGain, InQuira, iPhrase, Kaidara, Kana, Kanisa, KnowledgeBase Solutions, Nahava, Pacific Whistle, Siebel, and ServiceWare.

Related Research Documents

"Siebel Extends CRM Footprint With edocs Purchase"

December 21, 2004, Quick Take

"Trends 2005: Customer Service And eService"

November 1, 2004, Trends

"Multichannel Remains Problematic"

October 5, 2004, Trends

eSERVICE MOVES BEYOND CALL DEFLECTION

Customer service has become a primary differentiator in more industries, particularly communications, technology, and financial services, helping leading companies to retain and attract customers. Companies wishing to improve service levels, particularly consumer-facing companies, are moving toward more sophisticated service using eService software to meet ever-increasing customer expectations. No longer seen just as a way to deflect live interactions from contact center agents, eService is being used to win the “hearts and minds” of customers to increase loyalty and reduce churn. Based on client RFIs and inquiry conversations, eService projects today have very different objectives than five years ago, including:

- **Improve the customer experience.** Marketing’s influence is not just in the contact center.¹ Marketing is increasingly involved, and sometimes driving, new eService initiatives, with a very different set of objectives than contact center management. A leading objective is to put each interaction in the context of the overall customer relationship, emphasizing usability, look and feel, and how well the eService capabilities fit into the corporate-branded Web site.
- **Increase revenue.** Contact center management is becoming more comfortable with leveraging inbound calls for upsell and cross-sell. The same concept applies to Web, email, and chat interactions. Prompting customers with relevant offers while answering the question asked or addressing the issue raised can increase both revenue and share of customer wallet. This applies to every channel, not just phone.
- **Provide company differentiation.** Companies in more industries are creating messaging and branding around high service levels and unique service options. Having stellar Web self-service and fast, accurate email response are valuable proof points toward these initiatives.

Multiple Vendor Categories Muddy The Water

Companies shopping for eService are often overwhelmed by the different types of vendors with similar messaging. eService has both hard ties (such as data integration) and soft ties (such as customer experience) to multiple applications and application areas. If only a single piece of eService functionality is desired, the number of choices can be very high, though companies with a strategic eService vision and a desire to buy preintegrated products will find fewer real options. There are four main categories of vendors selling eService products:

- **eService suite vendors.** These vendors sell all modules of knowledge base, email response, and Web collaboration, and have at least some capabilities for interaction tracking and customer history. Most grew from niche roots by acquisition and merger, and now offer a broad mix of modules and channel coverage with best-of-breed features. The majority of the vendors included in the eService Wave are in this category.

- **Niche vendors.** The vendors in this category specialize in one or more functional modules of eService, but do not offer a full eService suite. Examples include Kaidara, a specialist in case-based reasoning, and InQuira, a provider of intelligent search technology. These vendors typically have deeper functionality for specific industries or types of customer service, such as complex technical support or analytic-based content management. • Some eService vendors, such as KnowledgeBase Solutions, a vendor included in the Wave, are niche players but have expanded their functional footprint with strategic OEMs or packaged integrations to partner solutions in order to compete in suite deals.
- **CRM vendors.** All CRM vendors at the enterprise and midmarket level offer some capabilities for Web self-service, though it is often limited to online incident management and basic knowledge base tools. Search capabilities do not extend beyond full text search, unless a search technology has been OEMed. While today CRM vendors can't match eService specialists on a functional comparison, expect this to change during the next one to two years. Siebel's recent acquisition of edocs brings eService in-house.² In addition, Oracle has a growing number of references for iSupport and its email management tools, and SAP released a best-of-breed email response management system in 2004.³ None of the traditional enterprise CRM vendors (Siebel, Oracle, and SAP) are included in the eService Wave due to their limited eService coverage.
- **CTI vendors.** The experts at interaction routing, CTI vendors such as Aspect Communications, Cisco, and Genesys are capitalizing on the strong relationship they have with contact center management to upsell eService tools, such as email management and Web collaboration. While these often involve some OEM technology and are not as full featured as products from eService specialists, expect continued expansion in this area, with Genesys in particular gaining market share in eService during the next year. No CTI vendors are included in the eService Wave due to their limited eService coverage.

eSERVICE EVALUATION OVERVIEW

To assess the state of the eService market and see how the vendors stack up against each other, Forrester evaluated the strengths and weaknesses of top eService vendors.

Evaluation Criteria

After examining past research, user needs assessments, and vendor and expert interviews, we developed a comprehensive set of evaluation criteria. Vendors were evaluated against approximately 117 criteria that can be grouped into 15 high-level segments (see Figure 1 and see Figure 2). To rate eService suite vendors Forrester conducted an eService Wave to investigate the vendors' strength along three dimensions:

Figure 1 Evaluation Criteria**PRODUCT OFFERING**

Knowledge base	How strong is the product's authored content repository for agents and customer self-service? Do the capabilities and construction of the knowledge base provide a solid backbone for an eService implementation?
Agent collaboration tools	Does the product offer preintegrated collaboration tools that will not only cut implementation costs but also improve agent productivity by not requiring agents to use multiple desktop applications?
Email response management	How extensive is the product's ability to deflect emails from agents with auto-response? Does the product streamline the time that agents spend processing emails (auto-suggest) to allow more interactions to be processed effectively using existing staff?
Interaction tracking/customer history	How well does the product's interaction tracking capability (also known as case management) operate? How thorough is its ability to present a full history of all customer interactions?
Search technology	How powerful is the product's search technology? Does it let customers and agents of any skill level find the right piece of information quickly and easily?
Reporting and analysis	Will the offering's packaged reports for agent productivity and usage metrics help your company proactively identify ways to improve the user experience, deflect more live interactions, and further streamline problem resolution?
Technology/architecture	Are the product's enterprise application architecture and platforms aligned with the robust standards set by IT organizations?

STRATEGY

Product vision	What is the company's vision for the eService market and the product suite?
Sales and implementation strategy	SI partnerships were provided for the TechRankings. Expand on SI partnerships to discuss your approach to sales and implementation. Do sell mainly direct, or through partners? Is your professional services team seen as a key revenue generator, as it is for most CRM vendors?
Channel partnerships	OEM partnerships are a lucrative way to generate additional revenue. Describe your channel strategy and any key partnerships.

Source: Forrester Research, Inc.

Figure 2 Evaluation Criteria (cont.)

MARKET PRESENCE	
Financials	Although large revenue increases remain few and far between, vendors' financials should be evaluated to help ascertain viability.
Installed base	Understanding the size of the installed base, and what percentage of the installed base is eService, establishes eService market share and company eService focus.
Employee base	Total number of employees and resource allocation helps establish company strength and investment in R&D.
Systems integrators	As eService implementations tend to involve multiple integration points, having multiple partnerships with A-list systems integrators is an indicator of a vendor's influence and market share.
Cost	Cost is a major evaluation criterion for both the price of the software and the cost of implementation, but is it a differentiator between eService suite vendors?

Source: Forrester Research, Inc.

- **Functionality.** To measure their current capabilities, Forrester looked at both functional breadth and depth. Support for multiple channels was a key criterion. We evaluated how the solutions are able to leverage knowledge-base content across channels, as well as if and how the solution leverages external content, including real-time data retrieval from the back office for information like account balances, shipping dates, and inventory levels.
- **Strategy.** Here we evaluated the vendor's long-term vision for the products, including their vertical focus and planned enhancements. We evaluated their sales and implementation strategies, including channel and SI partnerships that extend their presence and ability to offer a more complete solution. We also looked at their ability to support clients globally.
- **Market presence.** In this category we focused on the vendor's paying client base as well as its reference clients. We looked at the vendor's viability in terms of revenue growth, employee base, and profitability. Additionally, we looked at their current international client base.

Ever-Broadening Functional Footprint Of eService

With companies placing new emphasis on increasing both revenue and the customer experience, best-of-breed eService vendors offer a lot more than knowledge bases and frequently asked question (FAQ) lists. Leading vendors are making integration to third-party systems and information sources a priority, providing integration connectors and more robust search engines. Channel support continues to expand as well, with a few players offering full Web collaboration (page push, page sharing, joint form fill, etc.). The main functional models evaluated for the eService Wave are highlighted (see Figure 3).

Figure 3 Functional Modules Evaluated For The eService Wave

Functional Module	Description
Web self-service	Capabilities for customers to access information stores and knowledge bases by a variety of search techniques, hopefully solving their own problems without requiring live agent assistance.
Desktop search tools	Tools for contact center agents to search a knowledge base and/or any existing content repositories to find the answers to customer questions.
Email response management	Automated acknowledgements, as well as both automated customer responses and automated suggestions to agents for inbound customer emails, based on content analysis of the inbound email and rule definition.
Web collaboration	Tools that allow customers and agents to communicate via a Web connection with no phone call. Web collaboration implies multiple features, including Web chat, page push, page sharing, and joint form fill.
Search technology	Search engines, generally based on a combination of key word searching and linguistic analysis, allow agents and customers to identify the one correct answer to a question, not just receive a laundry list of possible matches.
Knowledge base	An authored content repository with question/answer scenarios stored in some sort of structure (called an ontology by some vendors).
Customer history	A history of all customer interactions, whether phone, email, chat, Web browsing, etc.
Interaction tracking	Workflow-driven system to track customer issues, also call trouble ticketing or case management.
Cross-enterprise integration/business process management	Tools and technology to integrate searches to external libraries of information or even enabling real-time retrieval from back-office systems. When customer issues require a process to be initiated for resolution, definable workflow is required to initiate and monitor these processes until complete.

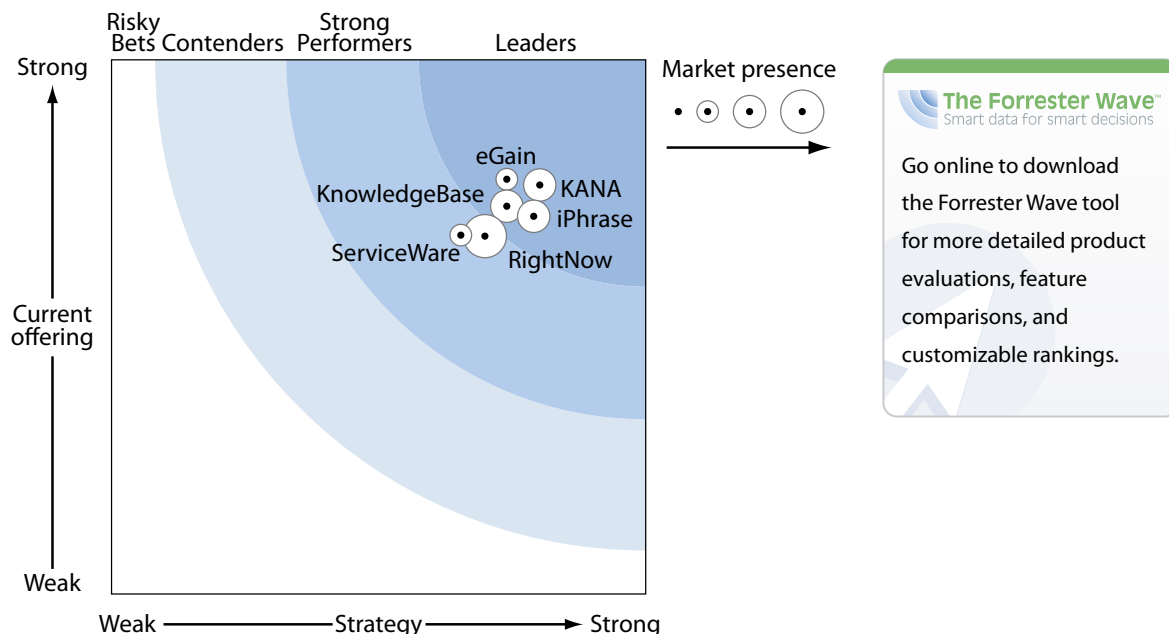
Source: Forrester Research, Inc.

EVALUATION ANALYSIS

The evaluation uncovered a market in which:

- **All vendors have multiple large customer references.** Companies with less-than-demanding requirements for eService (single knowledge base, basic email response tools, and Web self-service) will find that all vendors can adequately meet their needs and offer low risk. To move to a short list, evaluate based on your current and future functional needs, preferred architecture (.NET versus J2EE, for example), and the vendor's industry expertise.
- **Kana leads the pack for complex Web collaboration.** KANA's 2004 acquisition of Hipbone provided the vendor with the strongest Web collaboration tools of the eService suite vendors, including out-of-the-box transcription to capture complete audit trails of Web collaboration sessions in customer history (see Figure 4). A key area of differentiation among the vendors evaluated is verifying the source of all Web collaboration functionality, as some vendors partner or OEM for these capabilities. A list of vendor scores used to define the Forrester Wave is provided (see Figure 5).
- **RightNow offers fullest eService within a CRM suite.** Starting life as a provider of Web self-service, RightNow expanded first to offer a full customer service suite, and as of late 2004 offers sales force and marketing automation tools as well. While its reliance on internally developed technology and its emphasis on CPG companies means their products are not the deepest functionally in some categories, RightNow offers good one-stop shopping for embedded customer service and eService.

Figure 4 Forrester Wave™: eService, Q1 '05



Source: Forrester Research, Inc.

Figure 5 Vendor Scores Used To Define The Forrester Wave

	iPhrase	eGain	ServiceWare	RightNow	KnowledgeBase	KANA
CURRENT OFFERING	3.51	3.85	3.35	3.33	3.60	3.80
Knowledge base	4.34	4.13	4.44	3.24	3.80	3.53
Agent collaboration tools	2.35	3.81	2.10	2.93	2.43	4.23
Email response management	2.74	4.78	3.03	3.44	2.89	4.78
Interaction tracking/customer history	2.32	3.60	3.16	3.40	3.00	3.76
Search technology	4.95	4.40	3.53	3.73	4.60	3.55
Reporting and analysis	5.00	2.80	2.60	2.40	3.60	2.60
Technology/architecture	3.35	3.63	3.50	3.74	4.42	4.11
STRATEGY	3.95	3.70	3.30	3.50	3.70	4.00
Product vision	3.90	3.60	3.60	4.00	4.80	4.00
Sales and implementation strategy	4.00	4.00	3.00	3.00	2.00	4.00
Channel partnerships	4.00	3.00	3.00	3.00	5.00	4.00
MARKET PRESENCE	3.06	2.84	2.56	4.36	3.03	3.17
Financials	2.60	2.40	2.20	4.40	2.20	3.20
Installed base	3.00	3.30	2.30	5.00	3.30	3.00
Employee base	3.80	2.30	3.60	4.20	3.70	2.60
Systems integrators	3.00	3.00	2.00	3.00	2.00	4.00
Cost	3.20	3.80	3.00	5.00	5.00	3.40

Source: Forrester Research, Inc.

RECOMMENDATIONS

CALL DEFLECTION OR ENHANCING THE CUSTOMER EXPERIENCE: YOU DECIDE

Contact center and technical support management have long made a business case for eService projects by calculating the cost of deflected calls and increased agent productivity. While these factors do not go away, and still should be used to gain project funding, look beyond these tactical metrics to identify more strategic metrics that may lead to new project goals, and ultimately, a different list of vendors. Some strategic metrics to consider:

- **Competitive differentiation.** What do your competitors offer for Web self-service? What is the response time or service level for customer emails at your competitors? If your company attempts to differentiate based on customer service, your eService project should begin by benchmarking competitors.
- **Create true 360-degree view.** Include all customer emails and chats in customer history, as well as logging which solutions in a knowledge base customers have viewed online. Provide both customer service and sales with a more accurate picture of the customer experience and their channel preferences.
- **Capture more browsing time.** From a marketing standpoint, having customers come again and again to your self-service Web site provides opportunities to reinforce the company brand and to upsell/cross-sell customers while online.

WHAT IT MEANS

CRM WILL ULTIMATELY OWN PART, BUT NOT ALL, OF eSERVICE

Oracle, SAP, and Siebel all are close to providing fairly sophisticated eService suites, with Oracle the first to offer a full best-of-breed eService suite. This will fuel the continued consolidation of the market, as CRM vendors buy eService technology in order to offer preintegrated suites and keep the ever-expanding specialists from gaining a foothold in accounts.

But that does not mean eService is going away. The newer areas of eService differentiation, such as dynamic generation of upsell/cross-sell messages, robust search technology, and tools for complex problem diagnosis, are not likely to roll up into the CRM vendor's view of eService in the next two to five years. This gives niche specialists like InQuira, iPhrase, and Kaidara room to expand their customer base without competing with the likes of Siebel for eService deals.

ENDNOTES

- ¹ The declining effectiveness of traditional marketing tactics, consumer privacy legislation, and the desire to use every interaction to deepen the customer relationship are driving marketing and service together. See the April 9, 2004, Forrester Big Idea, “Why Marketing Should Own The Contact Center.”
- ² Siebel’s acquisition of edocs, announced in December 2004, raises the bar for eService and electronic billing and payment capabilities available from enterprise CRM vendors with a combined service offering not even SAP and Amdocs can claim today. See the December 21, 2004, Quick Take, “Siebel Extends CRM Footprint With edocs Purchase.”
- ³ While other CRM vendors struggle to articulate a cohesive eService vision and largely rely on partner technology for knowledge bases, search, and email classification, SAP has unveiled an internally developed email response management system that ups the ante on accurate auto-response and auto-suggest by including customer context in the classification of inbound emails. See the May 19, 2004, Quick Take, “SAP Brings Context Into Email Response Management.”

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