

KEY POINTS of HEWSON GROUP Q1 - 2002

GLOBAL CRM MARKET SIZE AND TRENDS

Growth in the Global CRM market in 2001 has stalled. In stark contrast to 100% growth in 2000, in 2001 the market was down by 2.8%.

The Global CRM market in 2001 was worth \$7.4bn, \$36.9bn when associated services are taken into account.

Q4 evidenced the robust return of demand we predicted (7.1% growth over Q3 achieved Vs 9.4% forecast), thus reversing the Q3:Q2 decline of 13%.

Our preliminary assessment of CRM growth in 2002 is around the 10% mark with a market value in excess of \$8.1bn, \$40.6bn including services. This is down from our (post Sept 11) predictions of 29%.

There is a significant difficulty in assessing the true revenues of certain vendors. For the majority (e.g. companies such as Siebel and Pivotal) it is straightforward as all revenues are CRM attributable. For vendors such as Peoplesoft and Oracle it is more complex as they do not separately break out CRM revenues. Conjecture in these cases is made more difficult by the significantly blurred boundaries between ERP and CRM functionality. SAP do break out CRM revenues but the same caveat remains.

To make matters even more complex there are two functional areas where there is an increasing and important CRM component. These areas are business intelligence, which can be seen to cover both analysis and data mining and the key domain of CTI. Thus suppliers such as NCR, IBM and SAS need to be considered as well as, say, Avaya, Siemens, Genesys and Aspect. The latter companies (and the others in this sector) are key enablers of the multi channel CRM model.

At the end of Q2 2001 the global CRM market was already on a downward curve with our forecast for growth downgraded to around 6%. Clearly the events of September 11th caused a significant shock in the 3rd quarter but while revenues were down they did not represent a completely catastrophic falling away. Aggregate revenues in Q3 were about 13% off Q2 and 16% off Q1 figures. We did not expect any significant recovery in Q4 and our expectation was confirmed. The quarter showed some very variable results with some companies performing better than expected but with many unable to break through the indecision in the end user market.

In October we forecast the CRM market in 2002 globally would be 25% with Europe growing slightly faster than this at about 35%. This is clearly now unlikely given the very poor start to the year and the public sector not kicking in yet.

We now doubt whether even substantial back ending in Qs 3 and 4 can result in growth of more than 10% in 2002. However, the European demand for sophisticated CRM projects continues to look potentially strong and we expect opportunities in the mid market - particularly in continental Europe - to start translating into substantive revenue.