

BRIEF

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RightNow Attacks The CRM Midmarket

RightNow Technologies' success in moving its hosted CRM offering into midsize call centers signals the death of standalone eService efforts.

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Forrester recently spoke with Greg Gianforte, CEO, chairman, and founder of RightNow Technologies, a customer service software vendor located in Bozeman, Mont. While this privately held firm won't disclose all of its Q2 financial information, it was willing to share that it had achieved: 1) 24% growth in revenue over Q1 2002; 2) its fourteenth consecutive quarter with revenue growth; and 3) a positive cash flow from operations. What's driving the firm's growth? According to Gianforte, it's the company's:

- **Call center expansion.** As a sign of things to come, RightNow points to Belgacom, the Belgian telco, whose app already supports 150 reps. While RightNow's typical installation supports tens of reps, this move into larger call centers has helped the vendor push its average selling price to between \$75,000 and \$100,000 -- twice its 2001 levels.
- **Cost-effective hosting.** RightNow charges the same price for hosted or nonhosted solutions. That's why 70% of its production customers and 90% of its new customers let the vendor host the app. Gianforte speaks proudly about the hosting economics, claiming to run 150 customers on a single physical server and to support all of its 750-plus hosted customers with just 10 employees.
- **Professional services growth.** RightNow has packaged three different consulting offerings: 1) RightStart Implementation helps customers with their initial deployments; 2) RightPractices Consulting offers product-independent business and process consulting; and 3) RightFit Integration and Customization Services focuses on technical integration with other applications. Gianforte expects these packages to expand RightNow's services from 5% of total revenues in Q4 2001 to 25% in Q4 2002.

- **International distribution.** The software firm expects healthy overseas growth from key partners. Mitsui has dedicated 19 people to selling the firm's platform in Asia. SNT Connect services, a Dutch subsidiary of SNT Group, assembled a 12-person team to sell the RightNow app as part of its own branded European call center service offering.

RIGHTNOW'S TIMING IS RIGHT FOR THE MIDMARKET

While RightNow has sustained its growth by offering a hosted eService solution that meets the needs of small customer service organizations, Forrester believes that the firm is now poised to win deals at bigger accounts. Why? Midsize organizations will:

- **Reject CRM mammoths.** Given the current economic downturn, firms are pulling back on large-scale, corporatewide technology efforts -- trimming investments into bite-sized chunks. While giants like Siebel Systems, SAP, and PeopleSoft continue to move into the midmarket, their consulting-heavy customization heritage will be a tough sell with these more frugal midsize prospects.
- **Warm up to hosted offerings.** Over the past 12 months, US companies have shed nearly 1.4 million jobs. In this downsized environment, firms will look more favorably upon solutions that don't require additional IT staff. Since RightNow can point to success with more than 750 hosted customers, midsize firms will increasingly embrace this sub-\$100,000 option.
- **Appreciate RightNow's eService strength.** In a recent survey of customer service groups with 50 to 200 reps, 88% said that self-service was very important or critical, and 70% expected to increase their spending on eService over the next two years (see the May 29, 2002 Forrester Brief "Firms Expand Online Self-Service Offerings" and see the May 29, 2002 Forrester Brief "Firms Boost Net Links Between Reps And Customers"). Given this high priority for online customer care, RightNow's Internet-centric customer service offering will attract many of these firms.

SOFTWARE BEHEMOTHS SHOULD TAKE NOTICE -- RIGHT NOW

As RightNow expands into the midmarket, Forrester suggests that:

- **Microsoft should acquire RightNow.** Redmond, meet Bozeman. Now that the introductions have been made, Microsoft should seriously consider acquiring this growing CRM midmarket force. Why? The product's eService strength and

1,100-plus customer base complements the giant's CRM thrust (see the March 22, 2002 Forrester Brief "Microsoft Tiptoes Into The Enterprise With MSCRM").

- **Oracle should acquire eGain Communications.** RightNow's product strength has been its self-service offering, but even this Net-centric CRM vendor sees the need to blend phone agents into the mix (see the July 2002 Forrester Report "Mastering Online Customer Service"). As firms outgrow standalone eService offerings, vendors should merge their strengths -- both on- and offline. A good pairing: Oracle and eGain. This combination would provide Oracle with much-needed eService capabilities and aligns eGain with a large battleship in the CRM wars.