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Challenger Index

Edition 1: B2B Products 2023

Customer Relationship Management

MYRIOUS GROUP

Category: Customer Relationship Management

Customer Relationship Management: A forward-looking analysis

A convergence of technologies

The customer relationship management (CRM) industry is experiencing a pivotal transformation, shaped by the convergence of analytics, automation and data management. This evolution extends beyond traditional sales and marketing functions, encompassing comprehensive customer experience management. Emerging technologies are not just add-ons, but are becoming integral—redefining CRM's role in business strategy.

Adapting to evolving dynamics

Salesforce, Adobe and Oracle represent the incumbent powerhouses in the CRM landscape. Salesforce leads with a robust B2B ecosystem, while Adobe struggles to maintain its leadership post-Marketo acquisition. Oracle's CRM, part of the broader NetSuite OneWorld, faces challenges in retaining its top-tier status. These incumbents are navigating a complex market, balancing expansion with the need to innovate and remain relevant. Their strategies indicate a shift toward more integrated and comprehensive enterprise solutions, reflecting a broader trend in the industry.

Disrupting the status quo

Challengers such as Microsoft Dynamics 365 and HubSpot are reshaping the CRM market. Dynamics 365, with its significant revenue growth and integration within Microsoft's ecosystem, presents itself as a formidable competitor, especially in medium to large enterprise segments. HubSpot, with its strong brand momentum and focus on inbound marketing, appeals to a different market segment, emphasizing customer service and value for money. These challengers are redefining market expectations, offering alternatives that contrast with the traditional approaches of incumbents.

Competition and market trends

The CRM market is increasingly competitive, with brands vying for differentiation. The trend is moving toward offering comprehensive, integrated solutions that cater to diverse business needs. There's a shift happening from standalone CRM systems to platforms that offer a blend of CRM, enterprise resource planning (ERP) and analytics. This change is driven by the need for deeper customer insights and more streamlined, efficient business processes.

Technology and product trends

The integration of AI and machine learning is becoming a standard expectation in CRM solutions. These technologies enable predictive analytics, automated customer interactions and more personalized customer experiences. Cloud-based solutions continue to dominate, offering scalability and accessibility. There's also an increasing emphasis on mobile CRM solutions, reflecting the need for on-the-go access to customer data and analytics.

Brand perception and momentum

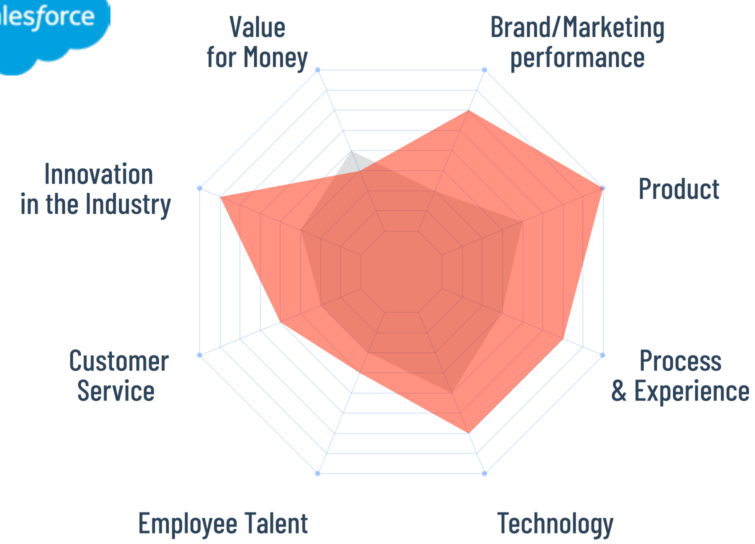
Brand perception is playing a crucial role in the CRM market. Salesforce continues to enjoy strong brand recognition, but challengers like Microsoft Dynamics 365 and HubSpot are gaining ground. The market is noticing a shift in brand momentum, with smaller players like Agile CRM and Pipedrive making significant strides.

Future outlook

The future of the CRM industry seems poised for further convergence of CRM, analytics and automation technologies. The market is likely to witness more strategic acquisitions, most likely outside of traditional CRM, and partnerships as companies strive to offer more comprehensive and integrated solutions. The growing importance of data privacy and security will also shape CRM development, as businesses need to balance customer insights with regulatory compliance.

CRM's transformative journey

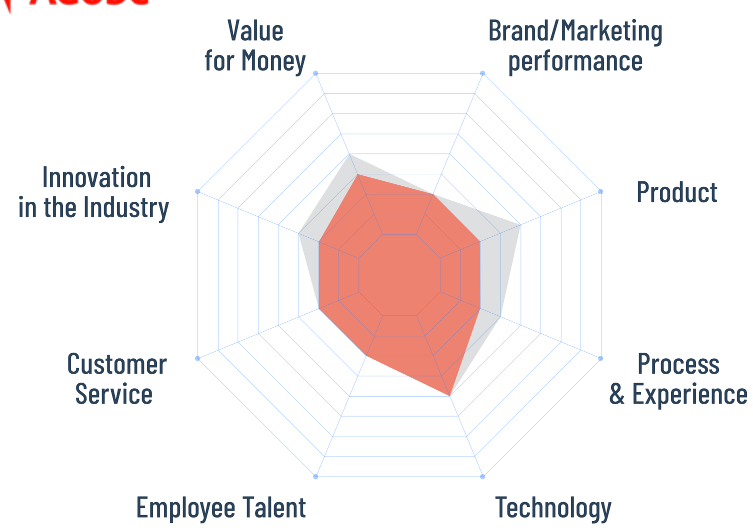
As the CRM industry evolves, the lines between different business functions are blurring, leading to more integrated and sophisticated solutions. Incumbents and challengers alike are adapting to these changes, each bringing unique strengths to the table. The industry's future will likely be characterized by more personalized, data-driven customer experiences, powered by advanced technologies like AI and machine learning. Companies that can adapt to these changing dynamics, prioritize customer experience and leverage new technologies will likely emerge as leaders in the transformed CRM landscape.



Salesforce: Expanding B2B ecosystem leader

Salesforce, still a dominant force in the CRM sector, leads the category with unparalleled strength. Its deep organizational entrenchment allows Salesforce to efficiently cross-sell and scale acquisitions across various product categories, transforming it into a comprehensive B2B ecosystem. While Salesforce remains a top player, it strategically focuses on larger clients, leaving smaller market segments open to competitors. This approach solidifies Salesforce as more than just a platform—it's evolving into a critical enterprise business platform akin to Azure or AWS.

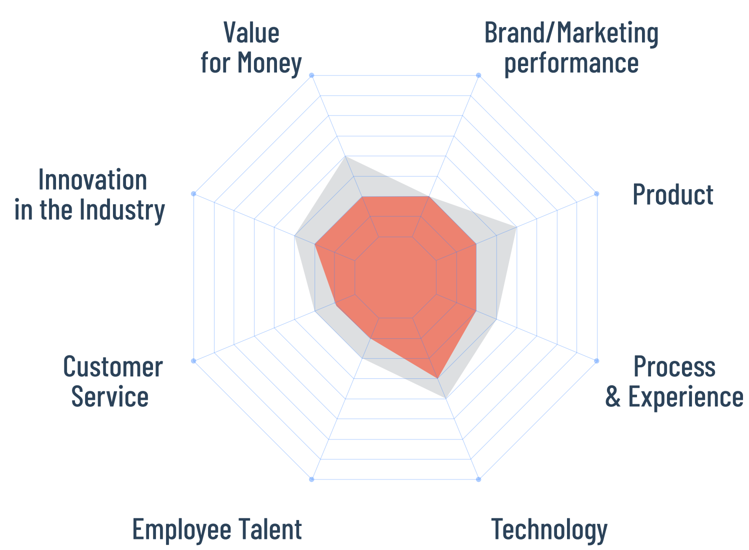
TTM Total Revenue	$33.07B (+12.79% YoY)
Market Cap	$218.72B (+42.63% YoY)
Target Price	255.00
Entity Type	Public
Employee Size	79,390
HQ	San Francisco, CA, USA



Adobe: CRM leadership position wanes

Adobe, an incumbent in both the CRM and marketing automation sectors, is facing potential challenges. After the acquisition of Marketo (a former challenger brand), Adobe's position appears to be waning in terms of future purchase intent. While it's unlikely to be completely dethroned, current data suggests a decline in its market share, potentially placing it outside the top three for future CRM purchases. This shift highlights the evolving competitive landscape and the need for Adobe to bolster its strategy in these areas.

TTM Total Revenue	$18.89B (+9.86% YoY)
Market Cap	$281.95B (+81.42% YoY)
Target Price	625.00
Entity Type	Public
Employee Size	29,239
HQ	San Jose, CA, USA

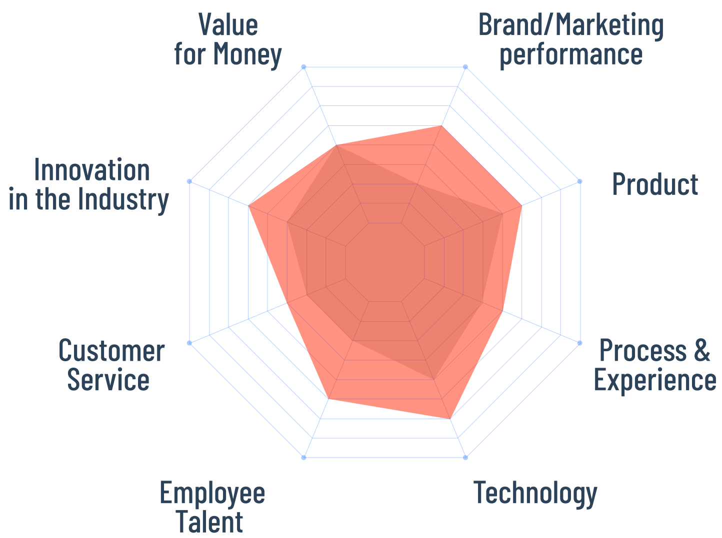


Oracle: Top CRM status threatened

Oracle NetSuite, while still an incumbent leader in CRM, faces the risk of losing its top-tier status. With over a quarter of respondents anticipating its fall from the top three by market share, Oracle's CRM capabilities are considered basic and lacking standout features. While the broader functionalities of Oracle NetSuite OneWorld compensate for the CRM's mediocrity, this balancing act may not be enough to maintain its incumbent position in the fiercely competitive CRM market.

TTM Total Revenue	$50.96B (+15.41% YoY)
Market Cap	$319.06B (+43.06% YoY)
Target Price	135.00
Entity Type	Public
Employee Size	210,322
HQ	Austin, TX, USA

Dynamics 365



Summary:

Founded in 1975, Microsoft is one of the largest and most recognizable brands in the world across all industries. Best known for its operating systems and productivity suite, for both personal and business use, Microsoft occupies a strong position in many enterprise software niches—including database management.

TTM Total Revenue	$218.31B (+7.5% YoY)
Market Cap	$2.81Tn (+52.52% YoY)
Target Price	413.00
Entity Type	Public
Employee Size	221,000
HQ	Redmond, WA, USA

Emerging powerhouse in CRM

Rapid growth and integration synergy

Microsoft Dynamics 365, a crucial component of Microsoft's portfolio, has recently surpassed $5B in revenue. This distinct entity within Microsoft, evolving since its 2003 inception from iCommunicate. NET, now challenges CRM leaders like Adobe and Oracle based on purchase intent. Its growth, mirroring Azure's independent operational model, demonstrates Dynamics 365's potential to reshape the CRM landscape.

Comprehensive evolution from Dynamics CRM to 365

The transformation from Dynamics CRM to Dynamics 365 in 2016 marked a strategic shift in Microsoft's approach to CRM. It integrated CRM and ERP applications, catering to a diverse range of business needs. This shift from a standalone CRM to a comprehensive, integrated business solution aligns with evolving market trends, positioning Dynamics 365 as a significant player in the CRM space.

Competition and differentiation

In the competitive CRM market, Dynamics 365 positions itself as a formidable rival to Salesforce. While Salesforce is renowned for its extensive customization and user-friendly interface, Dynamics 365 distinguishes itself with seamless integration into Microsoft's ecosystem, appealing to mid-sized and large enterprises already using Microsoft products. This strategic differentiation highlights the varied business needs in CRM solutions.

Integration within Microsoft's ecosystem

Dynamics 365's deep integration with Microsoft's suite, including Outlook and Power BI, offers unique benefits, especially for users familiar with Microsoft's ecosystem. Its modular design and cloud accessibility are advantageous, though its complexity may pose challenges for SMBs.

Future trajectory and market positioning

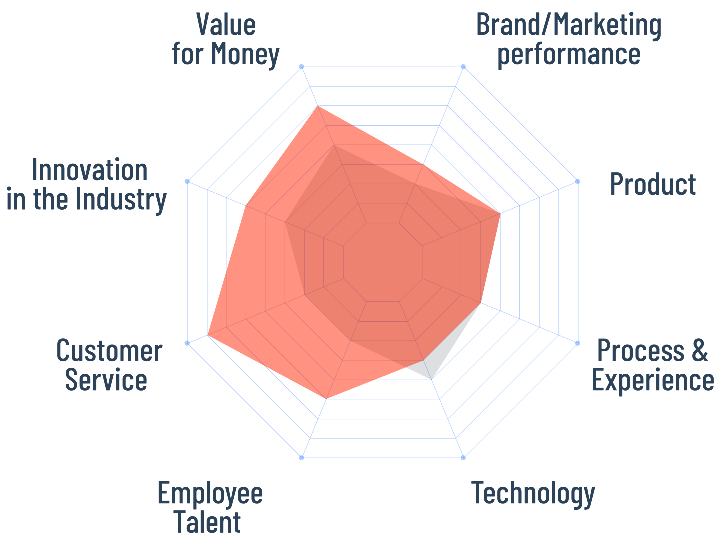
Dynamics 365's evolution reflects Microsoft's responsiveness to market demands and technological trends. Its comprehensive features for sales, customer service and analytics, combined with a familiar interface, enhance its appeal. Dynamics 365's trajectory suggests continued growth and potential to unseat an established CRM player.

Conclusion: Microsoft's strategic CRM vision

Microsoft Dynamics 365's strategic growth and integration within Microsoft's broader ecosystem position it as a rapidly emerging contender in the CRM market. With its legacy of innovation and independent operation, Dynamics 365 is uniquely positioned to potentially redefine CRM, offering integrated, user-centric solutions.

CRM Challenger Profile: HubSpot

HubSpot



Summary:

Founded in 2006 and public since 2014, HubSpot is a developer and distributor of enterprise and personal marketing, sales and CRM platforms, along with other software. HubSpot's workforce includes over 7,100 employees across 11 global offices that serve its 184,000+ strong customer base in over 120 countries.

TTM Total Revenue	$2.06B (+26.21% YoY)
Market Cap	$23.42B (+66.18% YoY)
Target Price	550.00
Entity Type	Public
Employee Size	7,136
HQ	Cambridge, MA, USA

Progressive CRM marketer

HubSpot's enduring challenge against legacy incumbents

HubSpot, recognized as a formidable challenger to established CRM giants, continues to make significant strides. With its strong brand momentum score, HubSpot has carved out a niche as a viable alternative to the larger incumbents. Despite its smaller size, it differentiates itself through exceptional customer service and superior value for money, appealing to a diverse range of users.

The rise from MIT to marketing prominence

Emerging from an innovative idea at MIT, HubSpot has transformed into a marketing powerhouse, boasting $1.7B in revenue by 2022. Its inception marked the beginning of a journey that challenged traditional marketing norms with an inbound marketing strategy. Initially tailored for small businesses, HubSpot expanded its offerings to larger enterprises, incorporating tools like SEO and social media engagement. This expansion, coupled with significant achievements and venture capital, underscored its revolutionary impact on marketing and customer service.

Innovative growth in the SaaS market

HubSpot's success in the SMB SaaS market is driven by its robust online marketing and inbound marketing prowess. Using multiple websites like HubSpot.com and Inbound.org, their strategy hinges on organic search and targeted paid ads, offering diverse lead generation incentives. Their product range, from CRM to AI solutions, demonstrates a comprehensive approach to inbound marketing, fostering significant growth and community engagement.

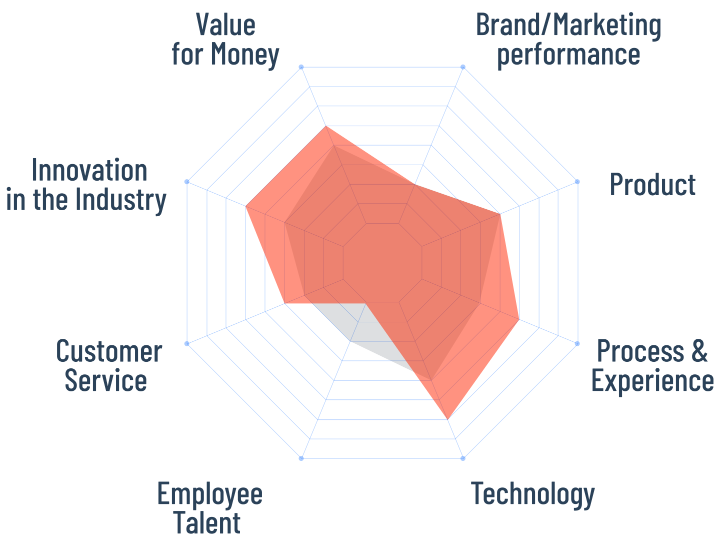
Mastering content marketing

HubSpot's expertise in content marketing has made it a dominant force in SaaS marketing. Their diverse content strategy, spanning blogs, newsletters and social media, targets various audience segments with educational and value-driven materials. As thought leaders, they employ content repurposing and regular updates, maintaining relevance and authority in the field. This approach has cemented HubSpot's status as a trusted source in content marketing.

Conclusion: HubSpot's strategic vision in CRM

HubSpot, through its targeted growth strategies and innovative content marketing, has successfully established itself as a leader in the CRM space. With a distinct brand identity and a focus on user-friendly, value-driven solutions, HubSpot continues to challenge established players, proving that a strong customer-centric approach and thought leadership can effectively reshape the CRM industry. Their commitment to adapting and evolving in response to market demands positions HubSpot not just as a challenger but as a visionary in CRM solutions.

CRM Challenger Profile: Zoho



Summary:

Zoho is a multinational information technology company founded in 1996 and dual-headquartered in India and the US. Among the 55 unique products it's launched since its inception are several widely-used enterprise management products and services, most notably the Zoho Office Suite. Zoho has over 100M active users worldwide.

TTM Total Revenue	$1B+ (2023)
Market Cap	N/A
Target Price	N/A
Entity Type	Private
Employee Size	15,000
HQ	Chennai, India

The diverse and independent CRM challenger

Zoho's unique market position

Zoho, a scrappy multi-platform contender, uniquely intersects CRM, sales analytics and marketing automation, reflecting the growing convergence in these domains. Standing out as a significant SaaS player, Zoho garners strong brand opinion second only to Salesforce. This positive reception among users highlights its distinct approach in the market.

Zoho's evolution and philosophy

Originally branded as AdventNet, a network management company founded in 1996, Zoho transformed into a diverse business software provider in 2009. Its success is deeply rooted in a people-first philosophy, promoting long-term staff retention and a democratized approach to product development. Staying debt-free and private, Zoho prioritizes long-term growth and innovation over immediate investor demands. This strategic autonomy allows constant reinvestment in product development, ensuring competitive pricing and continual improvement of its offerings.

Challenges and size constraints

Despite its strong brand opinion, Zoho faces challenges due to its relatively smaller size compared to industry leaders. With limited resources compared to the market giants, Zoho's journey to the top will involve strategic maneuvering, stronger capitalization and leveraging its unique strengths.

Customer perspectives on Zoho CRM

Zoho CRM has been well received, with strong ratings on TrustRadius and earning accolades in 2023 for its relationship management and feature set. However, customer opinions vary regarding its ease of use and third-party integrations, with some users finding challenges in setting up CRM integrations. It's worth noting that while most reviews of Zoho CRM are positive, many customers aren't satisfied with Zoho's customer support.

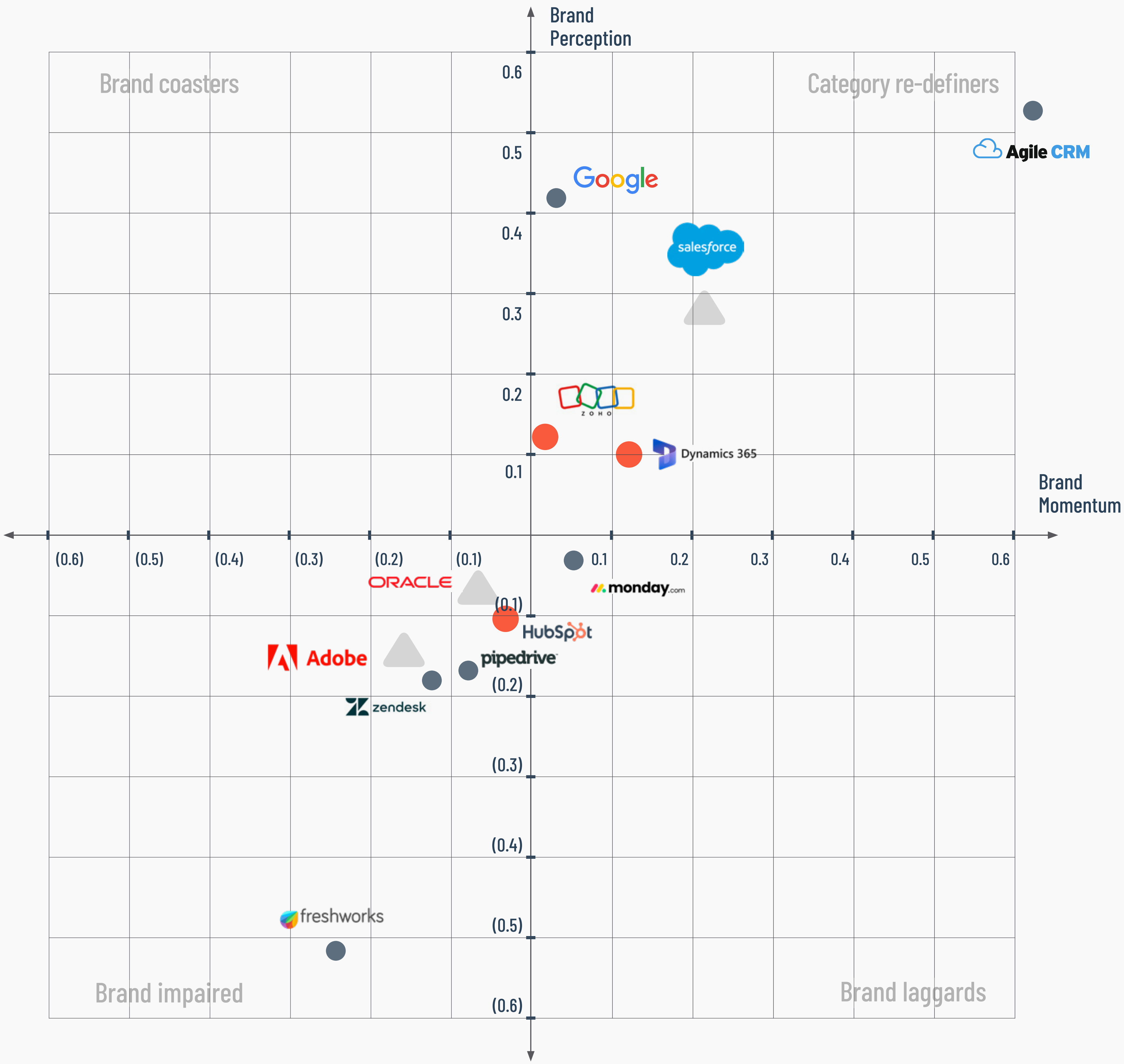
Conclusion: Zoho's path forward

Zoho's journey as a leading CRM challenger brand is marked by its innovative and independent stance in a competitive market. Its commitment to affordable, diverse products and a people-centric approach sets it apart, promising sustained growth and enduring customer relationships. As it navigates challenges, Zoho's focus on long-term development and customer advocacy will be key to its continued success.

CRM Challengers: Honorable mentions

Agile CRM	**Opportunity:** Agile CRM has the highest brand momentum score among CRM brands, appealing to small businesses with its free base platform. This strategy fosters customer loyalty and growth alongside these businesses.	**Risk:** Agile CRM's lack of an enterprise offering and limited public awareness restrict its market impact.
freshworks	**Opportunity:** Freshworks has the potential to consolidate its various "Fresh-XXX" product brands, enhancing its multi-product SaaS identity and gaining market traction.	**Risk:** The challenge lies in distinguishing its product brands in a market dominated by larger master brands.
Google	**Opportunity:** Google Workspace, while not a dedicated CRM, serves CRM functions for some companies, presenting an opportunity to expand its offerings for users of Google's suite of products.	**Risk:** Google's focus on ad revenue overshadows organic usage growth, and its CRM capabilities are limited to integrations like Streak CRM.
monday.com	**Opportunity:** With a strong brand momentum and above-average brand score, Monday.com is gaining recognition beyond its core offerings, potentially enhancing its CRM capabilities.	**Risk:** To become a comprehensive multi-product platform, Monday.com needs to significantly improve its CRM features.
pipedrive	**Opportunity:** Pipedrive displays positive brand momentum but still trails behind industry leaders and challengers.	**Risk:** Pipedrive risks remaining a niche brand unless it can find a way to differentiate itself significantly in the market.
zendesk	**Opportunity:** Zendesk is carving out a niche with positive brand momentum scores, surpassing Adobe and Oracle in various aspects, indicating potential growth and market penetration.	**Risk:** Despite the momentum, Zendesk is still perceived as having a weak brand, which could hinder its progress across the CRM market threshold.

Customer Relationship Management: Future performance



Category re-definers
Long term will win share: the brand and market demand are in sync; brand is supporting purchase intent.

Brand coasters
Long term has permission to correct for shortfalls in drivers of category demand: the brand has a positive reputation but declining share of future demand.

Brand impaired
Long term will lose share: brand is declining in reputation and company is increasingly declining in growth and retention.

Brand laggards
Long term will miss out on maximum potential share: the brand is not effective at conveying the competitive advantages that meet future demand.

Incumbent
Challenger
Honorable Mentions

Table of contents

Liquid x Avasta Challenger Index: Assessing brand dynamics

The Challenger Index stands as an essential instrument for both B2B and B2C sectors, offering a strategic perspective to evaluate brand strength, market alignment and potential for growth. With its neutral, outside-in assessment approach, the Challenger Index highlights the multi-dimensional nature of brand dynamics—financial, technological and behavioral—to inform and shape robust business strategies.

About the study authors

Liquid Agency
www.liquidagency.com
Liquid Agency is a brand consulting and activation company that orchestrates brand, employee and customer experiences to fuel a company's growth. For over 21 years, Liquid Agency has shaped powerful B2B and B2C brands such as: GE, Hitachi, HP, Intel, Nike, Nordstrom and Walmart. Liquid Agency helps organizations build belief in who they are, what they do and where they're going. The results are lasting bonds with employees and customers that power organizational performance, create value and capture ROI.

Avasta
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Avasta is the Profitable Growth Company. We work at the intersection of management consulting, end-customer insights, and financial data analytics. We provide an impartial, outside-in market understanding that enables executives and boards to have robust, financially validated strategies that are applied concurrently across their internal functions in strategy, sales, marketing and product. Portfolio companies from half the 10 largest PE firms have benefitted from our expertise as numerous public and privately held companies.

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Interested in learning more? Book a call here.

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