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## Software

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## Epoch Partners Issues CRM Industry Report

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- We believe investments in the leading CRM software vendors will provide above market returns for investors over the short and long term because the current growth rate of the CRM software industry reflects just the tip of the iceberg of business demand for these products.
  - The rapid pace of globalization has created a competitive environment that dictates business adoption of more customer-centric strategies. Businesses need CRM software to execute this shift in competitive strategy effectively.
  - We believe leading CRM vendors can deliver solutions that produce a meaningful ROI and we have developed a proprietary framework that illustrates this assertion.
  - The purpose of this report is to communicate our comprehensive and over-arching view of the CRM software industry. In conjunction, we will also be profiling key public and private companies in the industry.
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### Industry Description

Since its birth in the 1980s, the CRM software industry has evolved around the three basic business-to-customer interactions: Marketing, Sales, and Service. Historically, CRM solutions focused on automating and streamlining the manual processes employed to fulfill these three functions. For example, CRM software is key to helping businesses manage large call centers and sales contacts. New, more sophisticated CRM products leveraging technological innovation and the Internet have allowed the industry to grow well beyond its automation roots.

### Industry Thesis

We believe investments in the leading CRM software vendors will provide above market returns for investors over the short and long term because the current growth rate of the CRM software industry reflects just the tip of the iceberg of business demand for these products. The rapid pace of globalization has created a competitive environment that dictates business adoption of more customer-centric strategies. CRM software is the critical enabler of this shift in competitive strategy. We believe leading CRM vendors can deliver solutions that produce a meaningful ROI and we have developed a proprietary framework that illustrates this assertion. Accordingly, numerous companies have rushed to capture a share of this emerging industry, which we expect to enjoy robust growth over the near and long term.

- The shifting forces of business competition in the increasingly global economy require businesses to focus more on personalizing products and services for their customers.
- CRM software provides the tools businesses need to implement scalable mass-customization strategies that also deliver consistent customer experiences across multiple touchpoints.
- The macro-economic shift toward a more service-oriented society is already increasing demand for CRM software. This demand will accelerate as businesses utilize CRM software to drive higher productivity from a limited pool of knowledge workers.
- The accelerated pace of innovation is manifested in highly sophisticated CRM software that allows businesses to deliver more sophisticated services while lowering costs.
- Our proprietary model quantifies the meaningful ROI that CRM solutions can provide and highlights the importance of customer loyalty.
- We will also be profiling key public and private companies in the industry.

## Investment Framework

The purpose of this report is to communicate our comprehensive and over-arching view of the CRM software industry. Separate initiation reports on specific CRM vendors will highlight our favorite stocks and companies. Below, we briefly highlight the basic types of CRM vendors that are best positioned to exploit the growth we expect from this industry. The body of this report provides more specific descriptions of these types.

- **Current industry leaders.** With proven products, these vendors have more reliable revenue streams from a captive customer base, which they can cross- and up-sell. They include vendors with either sophisticated point solutions or a broad product footprint.
- **Multi-Touchpoint Integrators.** These vendors provide solutions that help businesses integrate and simultaneously manage all customer touchpoints. We include ERP (Enterprise Resource Planning) companies and CRM vendors with broad product offerings in this category.
- **Mass-Personalization providers.** These vendors help businesses build deeper customer relationships to increase the loyalty and, thus, profitability of their customer base.
- **Partner Relationship Management software providers.** Businesses need tools to help manage the distribution of increasingly complex products and bundled service offerings.

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