



STAMFORD, CONN., March 6, 2003 — Although lowering costs is the most common benefit cited by businesses for implementing CRM applications, a recent Gartner, Inc. (NYSE: IT and ITB) survey revealed that 41.9 percent of the total number of software licenses bought by businesses go unused.

"Buying more software licenses than needed may seem like a wise investment in the short term, but over time it costs more," said Beth Eisenfeld, research director for Gartner. "Through 2005, businesses that continue to buy more CRM software licenses than they need — and those that deploy less than they purchase — will incur a 20 percent to 30 percent increase in total cost of ownership compared to businesses that carefully plan their CRM software license purchases."

More often than not, businesses purchase more licenses than they need for one of three reasons, according to Gartner.

One reason is that the software vendor offers a larger discount if the business increases its initial purchase. Another reason is that the software vendor may want to position new modules in the market and offers a reduced license fee to businesses that take additional licenses, and may include free or heavily discounted modules.

"Although the business may not need additional licenses for its planned implementation, it may believe the modules could be used in the future, so it accepts the offer not understanding the costly result," said Eisenfeld.

The third reason is that the software vendor entices the buyer by stating that it is less expensive to buy now than to add on later when the business will need additional software.

"Assuming that a business will need more licenses in the future also assumes that the business will continue to grow and require the additional licenses," said Eisenfeld. "Unfortunately, that may be more of an optimistic rather than a realistic way of purchasing."

According to Gartner, all CRM applications do not produce the same level of benefits, so businesses pursuing the advantages of a customer relationship management (CRM) strategy should target specific CRM tools.

"Businesses that carefully select the most-appropriate CRM applications, match them to the benefits they are seeking, and purchase the correct number of licenses will experience a faster payback on their CRM investments than businesses that blindly implement CRM applications," said Eisenfeld.

Gartner conducted end-user reference checks for CRM software vendors and received responses from 631 companies worldwide. The survey was completed in December 2002. Respondents were asked about the number of licenses purchased, deployed and expansion plans for their implementations.

Gartner will provide additional analysis on the CRM market during Gartner Symposium/ITxpo 2003, to be held March 23-27 at the San Diego Convention Center in San Diego. Gartner Symposium/ITxpo is the IT industry's largest and most strategic conference, providing business leaders with a look today at the future of IT. For more details or to register for Gartner Symposium/ITxpo 2003, visit <http://symposium.gartner.com/section.php.id.2078.s.5.html> or call 1-800-778-1997. Members of the media can register for the event by contacting Maria DiMasi at 212-699-2734 or e-mailing GartnerEvents@middleberg.com.