



## Microsoft and EDS Go After the Contact Center, Together

Friday, March 21, 2008

Chris Fletcher, Phil Fersht

Ron Rittenmeyer, president and CEO of **EDS**, and **Microsoft's** Steve Ballmer unveiled an expanded relationship between the two companies, at the recent Convergence conference. With such big guns taking the stage for the announcement, might this be a bigger deal than it appears on the surface? We think so. The partnership opens up client acquisition opportunities for both vendors in the burgeoning customer management and business process outsourcing (CM BPO) market.

In an extension to the strategic relationship the two companies have had in place for some time, EDS has now also become a Dynamics CRM partner and will focus specifically on providing consulting and services for application areas, such as contact centers and sales force automation (SFA).

Mr. Rittenmeyer noted that EDS is already managing 100,000 Microsoft Windows servers and more than 3 million desktops. He also highlighted the ability to provide services for the Dynamics CRM applications suite would provide both companies with significant global opportunities.

Is this big news, or just another high-profile partnership? What are the implications for technology executives responsible for getting the best value out of their company's customer-facing platforms?

### For EDS

From EDS's perspective, becoming a Dynamics CRM partner is a logical step, rounding out its Microsoft consulting and services capability. The company is a significant vendor in providing support for Microsoft infrastructure technologies and outsourced contact center services. The addition of Dynamics CRM to its product portfolio gives EDS another technology to sell and support. It also provides extended capabilities to its contact center services and outsourcing business.

We estimate the CM BPO market to be greater than \$50B. EDS expects its annual revenue to be in the region of \$1B for its global CM BPO business in 2008.

With growth at the enterprise end of CM BPO slowing, we see increased opportunities opening up in the midmarket tier (enterprises with less than \$1B in revenue), as well as within the divisions of enterprise firms, such as geographic and operating divisions that manage their own P&L.

We have already seen Microsoft Business Solutions (MBS) achieve some level of success in selling Dynamics CRM into operating units of enterprises in which the parent company has already implemented an enterprise CRM application. The maturing market for CM BPO is enabling midsize enterprises to adopt CM BPO products that take advantage of offshore cost arbitrage, based on a solid CRM software backbone. The additional Dynamics CRM capabilities give EDS further opportunity to infiltrate the midmarket by targeting existing Microsoft customers.

EDS now has the software it needs to consolidate the contact center desktop with a single set of integrated technologies. It is not uncommon to find contact centers with multiple levels of applications, tools, and desktop or server environments cobbled together to bridge multiple and disparate databases of information. Dynamics CRM integrates well with adjacent Microsoft desktop and server technologies. It's also beginning to deliver easier integration with other Dynamics applications, such as AX 2009 (see, "Highlights From Convergence 2008").

EDS may also add value in emerging but related technology areas for Dynamics CRM. Microsoft has been testing the waters for a new three-letter acronym, xRM. xRM is, if we understand the positioning, the application of Dynamics CRM technologies to non-CRM applications. It will likely focus on moving nonhuman assets in a BPO environment. EDS's experience in BPO may enable Microsoft to find new ways to use Dynamics CRM as a malleable and value-priced BPO framework.

### For Microsoft

The value to MBS lies in having another partner (and a fairly large one, at that) actively promoting Dynamics CRM to contact centers globally, as well as the resources to address sizable new opportunities. EDS was recently named Microsoft Partner of the Year for Advanced Infrastructure Solutions, and has proven its ability to deliver complex application environments. This means that Microsoft now has another resource in place in its efforts to challenge and displace some of the incumbent CRM players in large contact center implementations.

Given that a majority of CRM application investments go toward supporting customer support and service applications, as well as the fact that contact centers is one of MBS's fastest-growing segments within CRM, the contact center will continue to be a key focus.

## For the CIO

From the perspective of the CIO, this relationship is interesting, but probably not yet ground breaking. For the company evaluating outsourced contact center services, EDS is one of many alternatives available, and the addition of Dynamics CRM extends EDS's capabilities with a contact center application environment that integrates well into other Microsoft technologies.

EDS will first have to build out and train its people (EDS claims 3,600 Microsoft-certified professionals are on its staff) on Dynamics CRM—a training challenge (or opportunity, depending on your perspective) that both Mr. Ballmer and Mr. Rittenmeyer alluded to in the keynote address. EDS will have to build its reputation specifically with the Dynamics CRM product line.

In the long term, EDS is focusing on bringing value to its clients by simplifying the contact center environment and ultimately lowering the cost of service delivery, particularly key to its target midmarket customers. We believe its strategy will eventually focus on both lowering the total cost of ownership of providing customer service and raising the quality of the customer interaction, particularly for complex, high-value customers. It is likely that EDS will be making its case directly to the COO and CIO, with its value-based proposition focusing on both reducing costs and improving the quality of customer service.

CIOs need to be prepared to address these opportunities with the following:

- A metrics-driven and technology-based understanding of their companies' contact center operations, whether in house, outsourced, or both
- An understanding of what other executive stakeholders in the company, particularly in customer service, sales, and marketing, believe the priorities for the contact center are and should be
- Insight on where service and cost improvements need to be or could be made in the contact center, with an ROI justification based on service or efficiency improvements when additional investment is required
- An understanding of what competitive outsourced providers can offer in this segment

Given the current economic environment, a pitch that focuses on service for value is likely to get much executive attention in the coming months.