

AN INSIDE LOOK AT CRM SUPPLIER: SALESFORCE.COM

NET(net): Find, Get, and Keep more value in your technology supply chain.

Salesforce.com was one of the first companies to embrace the cloud for delivering Customer Relationship Management (CRM) solutions on demand. We have identified significant concerns with their standard commercial and contractual agreement, and have developed a comprehensive, proprietary approach to make sure clients are getting the very best from their Salesforce.com agreements, investments, and relationships.



NET (net) MARKET RESEARCH NOTE

Market Note

- Market Analysis: CRM Market
- Supplier Analysis: Salesforce.com
- Tags: CRM, Cloud, SaaS, Salesforce.com

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CRM MARKET OVERVIEW

Key Analysis

- Market Share Rank (rounded):
 - Salesforce 19.5%
 - SAP 4.8%
 - Oracle 4.8%
 - Microsoft 4.0%
 - Adobe 3.9%
 - All the others 63.4%
- Top Disruptors and Ones to Watch:
 - Sage – Still offers both on-premise and cloud hosted solutions. Particularly strong in the mid-size company range. Revenue continues to grow year over year at 4% to 5%.
 - Zoho – Continues to increase its functionality to include features to compete with Salesforce; mobile, social, customer feedback, and support ticket tracking.
 - SugarCRM – Offering a full suite of capabilities that caters to marketing (Sugar Market), sales (Sugar Sell) and service (Sugar Serve), positions them as a company to consider in any CRM transaction.
 - Hubspot – Adding to its offerings with Service Hub and Chat, along with its integrated web and marketing capabilities make them a strong player for years to come.
 - Pipedrive – named on Inc. list as the 14th fastest growing software company in the United States, and number 204 overall. Mostly targeting SMB (for now).
 - Zendesk – Extensive and integrated capabilities around ticketing, help desk, sales, and a lot of integration capability make them a strong fit for service-related companies.

Key Analysis(cont.)

- Freshworks – Probably more known for Freshdesk customer service software, they have recently launched Freshworks CRM which is powered by their 'Freddy AI'.
- Pipeliner – seemingly a sales first mentality and approach that is making them a popular choice for sales management and frontline users alike.
- Currently, Salesforce market share is triple that of its nearest competitor, SAP. In addition, the top five CRM providers account for nearly a third of the entire market, which is down in recent years as new players have entered the market and gained a foothold.
- Innovations to compare and contrast with providers:
 - **Mobile:** In recent years, CRM suites are extending broader and deeper to mobile environments as total share of website traffic has reached a tipping point toward mobile.
 - **Omnichannel:** Integrating all customer touchpoints in one place for a seamless view is and will continue to become the norm. Hubspot for example, last year introduced a service module that enables customer service to work off the same view as marketing and sales (and vice-versa).
 - **Customer Service:** While the customer service representatives in many companies are working off separate platforms like Jira, CRM providers are now integrating those offerings.
 - **Automation:** With workflows that trigger actions (emails, tasks) based on contact activity and AI enabled learning, CRM is powering near real- time communications at the exact time prospects and customers need help.
 - **Social:** The ability to access and interact with prospect and customer social media channels in one place, is just another piece in the centralized CRM experience.
 - **Artificial Intelligence:** As the volume of data pours into CRM platforms, the amount of information to consume, analyze, and action will be too much to manage without AI tools. The use of AI will take the complexity out of the information and help users translate the data into meaningful customer interactions.

CRM MARKET ANALYSIS

Key Considerations

- **Five of the foundational promises of SaaS and Cloud computing were supposed to be:**
 - Subscription based agreements
 - Turn it on one month, turn it off next month
 - Elastic consumption
 - Grow when you need more, and shrink when you need less
 - On Demand Provisioning
 - Add the services you need on the spot and on the fly
 - Metered Usage
 - Only pay for what you use
 - Self Service
 - All the people power you need with just self-service access
- **The standard agreements from Salesforce.com break all of those promises and then some.**
 - Subscription based agreement?
 - No, generally Salesforce.com requires a multi-year commitment
 - Elastic consumption?
 - No, the elastic only stretches when you go up, but breaks when you go down
 - On Demand Provisioning?
 - No, Provisioning service now mimics traditional software installs
 - Metered Usage?
 - No, it's pay for what you signed up for, not for what you use
 - Self Service?
 - No, generally requires you to train your own staff
- **First in the market dominance remains.**
 - Salesforce.com is seen as one of the pioneers of cloud-based CRM as a SaaS, and as such has seen a disproportionate share of growth as a result of this general industry trend. In the past year, Salesforce growth outpaced the next ten providers combined.
- **Usability is expected to remain a key differentiator for CRM suppliers.**
 - Salesforce.com ranks highly among competitive players when it comes to usability, especially in both its key, and advanced features – but also in core CRM.

Key Considerations(cont.)

- **Suppliers continue to invest heavily in AI, analytics, mobility and social capabilities to deliver more value and drive competitive differentiation.**
 - Salesforce.com is seen as a leader in mobility solutions for CRM.
 - Cutting-edge mobile technologies include browser-independent and tablet-optimized applications, as well as dedicated applications that leverage native device capabilities.
 - There exists some differentiation on the quality and quantity of mobile solutions offered by CRM suppliers, but mobile capabilities are now seen as table stakes from most of the major players in the market.
 - In comparison to other major players in this space, the lack of mobile and/or of social features creates some spread between how the suppliers are viewed by clients from a feature comparison basis, and Salesforce.com is still seen as the leader.
 - To compete for market share, CRM suppliers will continue to develop robust social capabilities or acquire standalone social management suppliers to continue to compete and/or to recapture lost ground.
 - Analytics are now a key consideration for any CRM software purchase, in fact a requirement by many in the C-Suite. Understanding the capabilities, interoperability with existing systems, and how they will be priced will be key factors to consider.
 - Omnichannel capability is important with the maturity of AI, that will enable companies to process greater amounts of customer data, across multiple outlets, to make targeted and meaningful connections, faster than ever before.

SALESFORCE.COM SUMMARY

Supplier Analysis

➤ **Salesforce by the numbers (fiscal 2020):**

- Revenue: \$21.2B
- Net Income: \$267M
- Employees: 56,000+

➤ **Pros:**

- Salesforce Einstein is more advanced than most CRM platforms, and enables users to gain actionable insights from huge amounts of unstructured data as demonstrated with releases of Einstein Search, Einstein Voice, and Einstein Reply Recommendations. These are all geared toward combining all the data into a cohesive message.
- Marketing Cloud's social features across sales, marketing, and service are generally viewed to have surpassed those of competitors but are still viewed by some as weak. Even with that potential vulnerability viewed by some, its Marketing Cloud growth has outpaced their competition.
- The strong service and knowledge management feature set includes a multi-media knowledge base that is KCS5 certified and Service Console, a universal desktop.
- Excellent collaboration features include integration with Chatter for internal collaboration, a partner portal and other tools.

➤ **Cons:**

- Customer Support reputation has taken a hit in recent years as being below expectations versus others in the CRM marketplace.
- Learning curve is high for end users, and with the constant release of new updates, many claim this curve never ends which can lead to high levels of user dissatisfaction.
- The lack of on-premise deployment option diminishes the otherwise strong architecture (which is particularly robust on integrations). Compliance-regulated markets are still concerned about privacy (storing data in the Cloud) and security.
- Pricing – more on that below.

Supplier Analysis(cont.)

➤ Pricing

- For enterprise clients, the TCO models show Salesforce.com to be an extremely expensive solution at scale. Due to Salesforce.com's subscription model and high unit costs (including a recent 20% increase to the unit costs of its highest subscription level of its sales cloud), effectively requires a re-purchasing of the underlying license year after year. At low volumes, the premium cost does not have much of an impact.
- Salesforce.com sells hard on value and systematically targets the business users likely to specifically avoid well managed centralized procurement organizations and is often successful in getting leadership bought in to the business value, making costs a secondary concern. Once the organization is hooked, it finds out how expensive a Salesforce.com solution can be once it gets to scale, at which time it is often too late for an organization to optimize the ongoing costs for a Salesforce.com solution
- There are Einstein features for every part of the Salesforce cloud, and some elements will be included as part of the overall license, but many others will only be available with Professional or Enterprise versions.

➤ Analysis

- Salesforce.com's core and advanced functions like mobile, social, and AI features are clearly in a market leadership position.
- For many large client enterprises, adding Marketing Cloud on top of Sales and Service Cloud licenses can be a reasonable marginal investment.

NET (net) ADVICE

The Agreement – Contractual Analysis

- We have identified 242 specific concerns in the Salesforce.com standard agreement, and have developed a comprehensive approach to analyzing and negotiating the contract for industry best terms and conditions that offer improved contractual provisions that deliver more business value, less risk and greater controls.
- We further have a proven SLA approach that results in industry best SLAs with full impact analysis, strong penalties, and meaningful remedies to make sure our clients are getting the very best service and support from Salesforce.com.

The Investment – Commercial Analysis

- We rarely see Salesforce.com offering market optimized deals, especially when clients have significant quantities of user licenses, and sophistication of access rights and privileges. In fact, 94% of the Salesforce.com deals we review are sub-optimized.
- When it comes to affordability on a total cost of ownership (TCO) basis, Salesforce.com ranks dead last in our detailed and comprehensive analysis of more than 20 leading CRM providers.
- Historical purchasing volumes and product and service mixes always need to be considered, but through the hundreds of Salesforce.com deals we have done over the years, we have found that effective pricing is not only non-linear, and widely varies by industry and geography, it also has a lot less to do with the aggregate and/or transactional value than clients may think. This makes it exceedingly difficult to be highly effective with traditional procurement techniques – even more difficult when purchasing.
- Having said that, however, there are advanced value optimization tactics and strategies that have proven highly successful in maximizing the business value of Salesforce.com deployments at significantly lower costs for both new purchases and existing deployments. Our results working with clients in these areas to harvest value have been outstanding.

The Investment – Commercial Analysis(cont.)

- Due many times to thoughtful ambitions, many clients project significant future growth in CRM applications and are therefore easily tempted to subscribe to those higher levels (primarily to get deeper discounts at the point of purchase), but often find that due to significant change management and other issues preventing wide scale adoption, they fall short of their objectives, forfeiting latent value in their agreements, investments and relationships. Moreover, some clients find that their needs for solutions like Salesforce.com diminish over time for whatever reason, and are surprised to learn that they are not generally “allowed” to also reduce their financial obligations even when they are not using substantial portions of their entitlements.
- To maximize the value of a Salesforce.com deployment, we’ve identified 43 critical business process that need to be optimized. Close examination of these business processes will help you determine the solution settings that will deliver the most value to your organization, but will do so at the lowest possible cost. Clients and Suppliers alike often overlook these business processes and wrongly reverse engineer the solution parameters to offer the business a strong capability – sometimes referred to as a hammer looking for a nail. After many failed attempts and much lost value by utilizing this approach, our clients have found that this is not only a pervasive problem in the industry, but also the absolute very worst way to go about addressing this challenge. Clients that deploy Salesforce.com looking for it to solve their sales process inefficiencies overwhelmingly fail.
- We use an objective, evidence-based approach, and a proprietary professional services methodology to align your CRM solution to your actual business needs by first determining your precise scoring and weighting of all the important factors that contribute to a successful deployment, and then by mapping those scores and weights to the nearly limitless potential deployment permutations that exist to get an exact and empirical score of sophistication of your requirements. Once we have that, we then translate your score to the appropriate Salesforce.com solution parameters that are required to satisfy your business need at its maximum value. Combined with our commercial and contractual negotiations assistance, we also ensure that you are paying the absolute lowest possible costs to achieve the level of value you need on a line item, unit price, and deal basis.

The Relationship – Supplier Performance

- Many clients with ongoing agreements with SLAs chose to have us provide ongoing strategic supplier performance management services to minimize ongoing costs and risks, and maximize the realization of value and benefit. In addition, we provide technology-enabled proactive supplier performance management for the agreement, the investment and the relationship via our WIN(win) Strategic Supplier Management tool on an ongoing monthly basis.

NET (net) RECOMMENDATIONS

Process Recommendation

1. Clients should ensure they have planned for the rapid provisioning of network capacity and resources for Salesforce.com, an intensely used SaaS application. Many clients fail to properly plan for this increased consumption, and find that it negatively affects application adoption, slowing time to value. Many times, the issues that may negatively affect the network do not become known until critical mass is achieved in the user adoption levels – the exact WRONG time to find out there is a problem. NET (net) can help with a quick network feasibility assessment based on the planned consumption levels. This will serve to lower the risk of potential latency problems in the deployment and adoption.
2. Many of our clients tell us that skilled Salesforce.com developers and administrators are costly, difficult to find, and hard to retain. There is increasingly high demand for these resources in the market so clients should consider how they plan to address this challenge. When client administrators and developers are trained as Salesforce.com administrators and developers, clients run the risk of either losing those newly trained employees to higher paying employers, and/or increasing their own costs to acquire and/or retain the more valuable resources. This has been identified by our client's time and again as a sneaky hidden cost. There is really nothing NET (net) can do to help you with this, but we feel it is important to advise of this potential hidden cost so that your TCO analysis appropriately accounts for this consideration.

Process Recommendation(cont.)

3. We recommend doing a needs assessment on the platform and user licensing levels and quantities. It's extremely unlikely that all users need the most sophisticated license level and access rights. With a concise work effort designed to understand your needs for integration around customization, external data sources, contact center integration, and integration with custom and/or external applications, we can determine how your integration requirements will drive platform licensing requirements. With a concise work effort designed to understand your resource requirements around mobility, individual user storage capacity, and support, we can determine how your resource requirements will drive user licensing requirements. Once we have this information, we can model scenarios that will demonstrate whether or not your organization may be able to improve the cost and value of your Salesforce.com deployment.
4. Once clients fully understand their options in terms of platform and user licensing optimization and create a subscription structure that meets their needs, delivering the highest value at the lowest costs, we also recommend clients engaging us to help secure non-standard supplier concessions in the pricing and the terms and conditions negotiation. Salesforce.com agreements are onerous, and with the type of commitments in this potential agreement (committed increased consumption, no true-down provision, enterprise-wide deployment of new products, a single access level and cost, etc.), significant contractual provisions would need to be reviewed to ensure clients are cognizant of the choices they are making and the potential long term risk and economic ramifications to which they may be exposed.
5. Many clients do not anticipate problems, but report problems making the Salesforce.com application work for them – especially when adding new functions and/or user demographics. This is because the application is data driven, not process driven. Therefore, we always recommend that our clients review their internal business processes and map those against the application to see where there may be misalignment and then decide on whether or not to make a business process change to work more effectively with the application, or to make an application change to work more effectively with the business process. NET (net) can help you do business process optimization if you are interested. There is a risk of workflow and process misalignment causing inconsistent data, resulting in bad reporting, and eventually resulting in process break-downs that jeopardize user acceptance and ultimately, the long-term value of the Salesforce.com solution.

Process Recommendation(cont.)

6. With an enterprise-wide deployment, it is extremely important to get the support needs right. The traditional tier-one support from Salesforce.com is routinely reported as difficult to navigate and of extremely low value. It is often reported by our clients that more sophisticated support options, while generally proffered by Salesforce.com as more costly, are actually more valuable. This is especially true for organizations with more than 500 users, for those who do heavy configuration changes, and for those who integrate third party apps and/or do custom development. We commonly help our clients establish non-standard escalation paths for issue management and resolution, which can be very beneficial in deployments like these. NET (net) offers ongoing strategic supplier management where we can perform these and other services (contract management, supplier performance management, et al).
7. We also recommend doing a thorough TCO study. There are several aspects of Salesforce.com deployments that drive substantial additional costs. Some needed features may only be available through custom development or Salesforce.com's AppExchange (Appforce) that offers third party add-ins. Integration to external systems and configuration may also require additional services costs with Salesforce.com, Salesforce.com partners, and also likely internal staff. In some instances, additional storage may be needed if your organization has a high customer-to-user storage capacity ratio or if you intend to use the solution for document management.
8. Proactive performance management of your Salesforce agreement is a must. Tracking KPIs, SLAs, and Watchlist items to ensure all the variables in your agreements are being optimized in your favor. In our experience, without these mechanisms by which to manage expectations, the expected ROI goes down as quickly as the TCO goes up. NET(net) has developed a platform, WIN(win), and preloaded many of these items already for Express Strategic Supplier Management (Express SSM) to ensure you keep all the value that's been negotiated.

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Conclusion

- Salesforce.com has the highest TCO in the market.
- Most proposals from Salesforce.com are highly sub-optimized from a cost to value perspective.
- A little upfront analysis work from NET (net) to review the above and other issues will likely result in a multiple of value to our clients seeking to maximize economic and strategic value from their Salesforce.com deployments.
- The best timing of your deal with Salesforce.com is at the end of January (Salesforce.com's fiscal year end). We are always busy with Salesforce.com deals near the end and beginning of the calendar years, and a disproportionate amount of industry best deals are done in late January. July is another good time (end of second fiscal quarter).

NET (net) Models Research

1. Find the value you want.
 - a. We are happy to help you find the value you are looking for with CRM for either new or existing deployments.
 - i. We can help you evaluate your existing deployment of Salesforce.com, find the hidden economic and strategic value, and likely offer meaningful and actionable recommendations on how you can dramatically improve the cost to value benefit of your deployment.
 - ii. We can help you evaluate CRM providers, including Salesforce.com for a new CRM deployment by using our proprietary evaluation methodology; an objective, evidence-based approach for aligning your business needs to the available supplier capabilities and helping you select the supplier that's right for you.

NET (net) Models Research(cont.)

2. Get the value you need.
 - a. We will also be happy to help you get the value you need in the commercial and contractual negotiation phases with Salesforce.com.
 - i. Solution costs vary greatly, and there are 43 critical business processes to understand carefully, as your business plans in these areas can drive your costs of a Salesforce.com up considerably.
 - ii. Contractual terms are heavily one-sided favoring Salesforce.com with 242 identified contractual deficiencies in the standard agreement. We can help you negotiate the contractual agreement for greater flexibility, better business protections, stronger SLAs, and more value.
3. Keep the value you deserve.
 - a. Whether you realize it or not, Salesforce.com is a strategic supplier, and the performance of your agreement, your investment, and your relationship will need to be actively managed in order to retain the value you worked so hard to achieve. If not, like many other cloud-based deals with SaaS providers, the value will hemorrhage quickly, and before you know it, you will be paying more than you expected and getting less than you need.
 - i. NET(net) offers strategic supplier management services to ensure key items are actively watched, SLAs are proactively managed, and KPIs are tracked and reported on.
 - ii. NET(net) also offers subscription access to its strategic supplier management tool WIN(win), so you can enter, track, and proactively manage the key watchlist items (issues, tasks, alerts, events, notices, deliverables, obligations, milestones, reporting requirements, etc.), SLAs, and KPIs.

For the best results, many clients engage us for our assistance in all three services. Clients who do, get better commercial arrangements, stronger contractual agreements, and more valuable deployments that deliver higher levels of performance and sustained business value for the long term.

Please let us know if there is anything, we can do to help you find more value, get more value, or keep more value with your Salesforce.com Agreement, Investment, and Relationship.

RESOURCES

NET (net) Resources and Articles for Further

- Article: Benchmark Salesforce and Stop Overpaying
 - <http://www.netnetweb.com/benchmarksalesforce>
- Tool: Salesforce Benchmark Tool
 - <http://optimize.netnetweb.com/salesforce-benchmark-tool>
- Article: Supplier Profits and Year End Sales Tactics They Use Against You
 - <https://www.netnetweb.com/content/blog/supplier-profits-and-fiscal-year-end-sales-tactics-they-use-against-you-updated-for-2019>
- Case Study
 - <https://optimize.netnetweb.com/strategic-supplier-case-study>

ABOUT NET(NET)

Founded in 2002, NET(net) is the world's leading IT Investment Optimization firm, helping clients find, get and keep more economic and strategic value. With over 2,500 clients around the world in nearly all industries and geographies, and with the experience of over 25,000 field engagements with over 250 technology suppliers in XaaS, Cloud, Hardware, Software, Services, Healthcare, Outsourcing, Infrastructure, Telecommunications, and other areas of IT spend, resulting in incremental client captured value in excess of \$250 billion since 2002. NET(net) has the expertise you need, the experience you want, and the performance you demand. Contact us today at info@netnetweb.com, visit us online at <https://www.netnetweb.com>, or call us at +1-866-2-NET-net to see if we can help you capture more value in your IT investments, agreements, and relationships.

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