FINAL REPORT

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1. OVERVIEW

The company was founded in March 1999 by former Oracle executive Marc Benioff, Parker Harris, Dave Moellenhoff, and Frank Dominguez specializing in software as a service (SaaS). The team wrote the initial sales automation software and launched to its first customers in the fall of 1999. In June 2004, the company went public on the New York Stock Exchange under the stock symbol CRM and raised US$110million.

Salesforce is the first mover in the web-based CRM service providing field. It has been operating since the past 25 years and is best known for its customer relationship management (CRM) product, composed of Sales Cloud, Service & Marketing Cloud, Health Cloud, Financial Services and Chatter.[2] It is headquartered in San Francisco, California and has Oracle and SAP as its major competitors.[3] The company has acquired many companies in the field of deep learning, business strategy, and advanced analytics including EdgeSpring, GoInstant, Buddy Media, Rypple, Twin Prime, Gravitytank, and Sequence.[4] The team wrote the initial sales automation software and launched to its first customers in the fall of 1999. In June 2004, the company went public on the New York Stock Exchange under the stock symbol CRM and raised US$110million.

2. VISION & MISSION

The vision of Salesforce is: "We are committed to a sustainable future for all". The company believes that the business of business is to improve the state of the world by being a platform for change, through serving the interests of all our stakeholders - employees, customers, partners, communities and the environment. In simple words, the company focuses on creating a sustainable, low-carbon future. As a cloud company, it focuses on sourcing clean, renewable energy and improving efficiency throughout its operations. In 2013, Salesforce became one of the first cloud companies to commit to powering all data center operations with renewable energy. Each year, the company works on improving renewable energy procurement practices, moving toward more locally sourced, impactful purchases.

The company believes its customer's success as its own success and is known to be Customer's Company. Its mission is to be more than just a software provider to its customers.

3. STATISTICS AT A GLANCE

The CRM System Providers industry is expected to continue surging in 2018, after experiencing several years of double-digit growth. Over the past five years many companies invested in software to improve their business processes and make them more efficient. High corporate profit and low-interest rates encourage capital investment by businesses, including items such as customer relationship management software, which caused the industry to experience strong revenue streams. Below graph shows that, CRM System provider industry is moderately concentrated, with the four largest companies accounting for 36% of industry revenue. Salesforce currently dominates the CRM industry with an 18.1% market share.
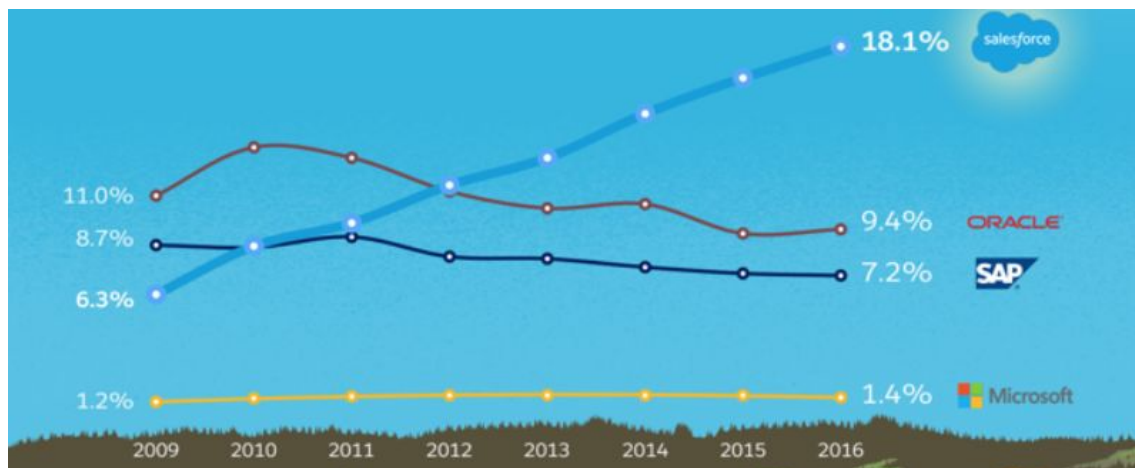

Source : Salesforce Investor Day Presentation 2017

As per below chart, it is clear that Salesforce views at producing greater returns than the S&P 500 and NASDAQ.

Comparison of Cumulative Total Return of salesforce.com, inc.
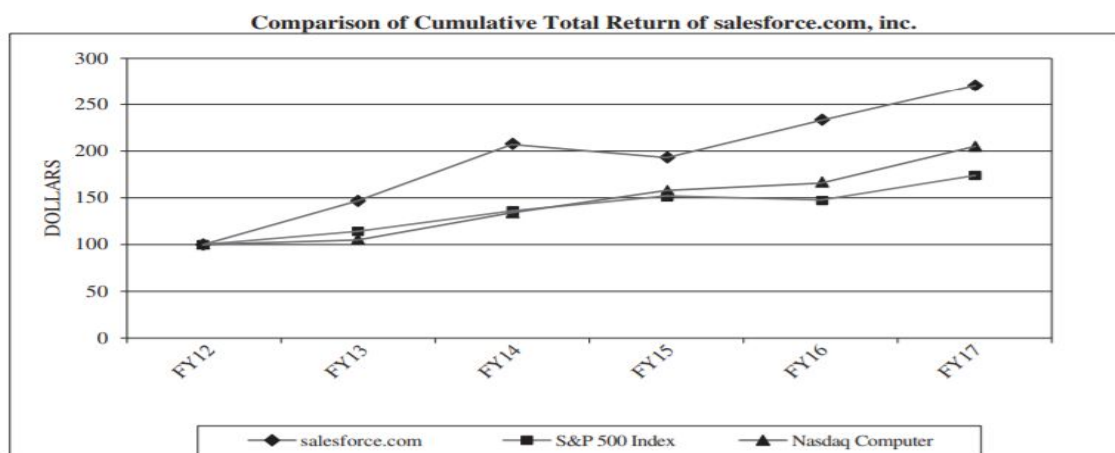
	1/31/2012	1/31/2013	1/31/2014	1/31/2015	1/31/2016	1/31/2017
salesforce.com	100.00	147.00	207.00	193.00	233.00	271.00
S&P 500 Index	100.00	114.00	136.00	152.00	148.00	174.00
Nasdaq Computer & Data Processing Index	100.00	105.00	134.00	158.00	166.00	205.00

Salesforce Revenue Growth (USD Millions)
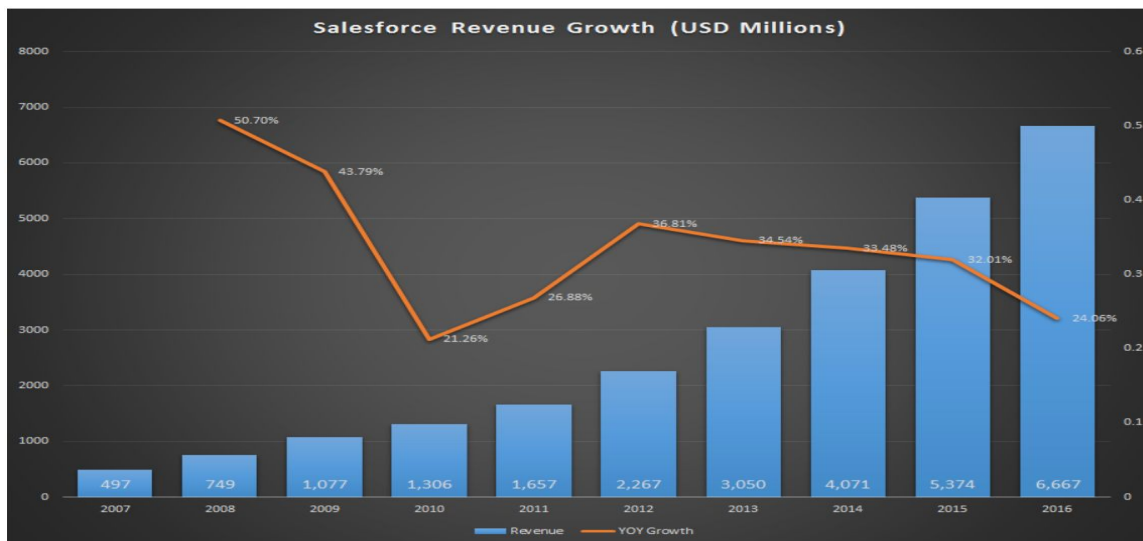
The company recorded revenues of $8.39 billion during the financial year 2017, an increase of 26% over FY2016. The operating income of the company was $64,228 in FY2017, as compared to an operating income of $114.9 million in FY 2016. The net earnings of the company were $179.63 million in FY 2017, as compared to a net loss of $47.43 million in FY 2016. Recently, 2017 fourth-quarter revenue came out to be $2.85 billion, which was 24% higher than the 2016 fourth-quarter revenue. Also, operating cash flow in the same quarter came to be 49% higher than the previous year.

4. MARKET ANALYSIS

CRM service Industry is currently moving through its growth phase in the life cycle. CRM industry's contribution rate towards overall US GDP is expected to increase at an annualized rate of 10.2% up year 2022. This rate is faster than the overall GDP growth rate which is 2.1% in the same period. Along with the positive growth rate, this industry is rapidly expanding. New companies are understanding the importance of CRM and getting entered into this industry. CRM service demand will continue increasing in next 5 year as well because companies are continuously working on innovating their services.

5. CORE PRODUCT & SERVICES

Salesforce has a wide variety of core products and services. Its CRM service is divided into several other broad categories like sales cloud, marketing cloud, service cloud, commerce cloud, analytics cloud, community cloud, health cloud, financial service cloud.

Sales cloud is used to store data, forecast opportunities, relationship intelligence, track leads on a mobile device as well as desktop. Service cloud enables companies to give personalized customer service solution and connects service agents with the customers on mobile or desktop. Marketing cloud helps in planning and optimizing one-to-one customer interactions. Community cloud creates an internal social network within an organization. Salesforce quip is a living document platform that merges spreadsheets, messages, and documents into a single chat-like thread. Additionally, the company offers some specific professional cloud services such as training and consulting.

6. RECENT STRONG/SUCCESSFUL LAUNCHES

➤ **Salesforce Einstein**

Salesforce launched Einstein, its artificial intelligence platform in fall of 2016. It delivers more than 475 million AI-driven predictions to its customers every day. Those predictions include sales and service forecasting. It was a major milestone for both Salesforce and Einstein, showing the potential of artificial intelligence's interaction with business users and the appetite for intelligent predictions based on business data. The product is sold as an additional service with a monthly subscription price of $75. The product has three key features that makes the product very popular.

- **Einstein Forecasting-** Analyzes key factors like seasonality, historical performance, and data to makes highly accurate sales forecasts. It is a unique mix of self-learning

algorithms learn individual and team forecasting behaviors and provides analysis for the sales leader so they know what to expect from the pipeline and why.

- **Einstein opportunity scoring-** Uses deep learning and predictive analysis with an opportunity score created by relevant CRM data - like deal size, level of executive engagement, length of time in various stages, email communications and more. This score helps company's sales rep stay focused on the right deals and not waste time on those that are unlikely to close.
- **Einstein email insights**- Identifies the most important emails and recommends the best action or response, enabling sales reps and leaders to prioritize their inbox and quickly address customer needs. Proactive action and response recommendations enable reps to keep deals moving, from scheduling a meeting to sending a quote.

Industry forecast suggests that AI and CRM will mature and increase global business revenues by 2022. AI and deep learning are the future of CRM and salesforce has targeted the right market.

7. RECENT WEAK/FAILED LAUNCHES

➤ **Salesforce Lightning**

Its new user experience, 'Salesforce Lightning' was announced to customers in 2014 and begun to be released in 2015, but it is still not widely used. Thousands of companies didn't migrate to Lightning as organizations determined they were not ready for prime time in large and small deployments. Most reviews suggest it is slow and not responsive to quick changes in the layout of information you are viewing and for getting to previous functionality requires switching to the classic interface. Plus not all of the entire suite of functionality from Salesforce has been upgraded to support this user experience, including the Console, Contracts, Data.com., Forecasts, Orders and even Getting Started. Salesforce is struggling to get its own new user experience software up and running on all of its own applications.

➤ **Marketing and Sales product integration**

According to Forrester Research, Salesforce isn't doing a good enough job integrating its marketing product and sales products. The report also claims that Salesforce is having trouble converting its biggest set of customers, who use its sales and customer service products, to its

newer marketing product, which came into the company through its $2.5 billion acquisition of ExactTarget in 2013. More than a quarter of Salesforce's sales come from its core products, Sales Cloud and Service Cloud, while Marketing Cloud makes up only about 10% of its sales. Part of the reason for the disparity is that Salesforce hasn't fully integrated its marketing and sales products, the report says. They have different user interfaces and customer databases, leading to higher levels of customer dissatisfaction. Almost half of the survey respondents (47%) said they plan to renegotiate their Marketing Cloud contracts when they expire (versus 43% for Salesforce overall) while 20% of the Marketing Cloud users say they will move to a different SaaS vendor (versus only 4% for Salesforce overall).

8. SWOT ANALYSIS

S	W	O	T
STRENGTHS	**WEAKNESSES**	**OPPORTUNITIES**	**THREATS**
• Established Market Presence • R&D • Huge Cash flow, providing them platform for growth in future	• Rising operating costs • Highly depended on US market • High product cost for the customer • CRM only approach	• Growing on demand CRM market • Cloud based analytics market • Expanding internationally • Strategic alliances • Vertical & horizontal integration • IoT and analytics	• Currency fluctuations • Less barrier to entry • Increasing Privacy concerns

➤ **STRENGTHS**

● **Established market presence**

The company is a leading provider of enterprise cloud computing solutions. According to industry estimates, Salesforce.com was the worldwide leader in CRM software, with a market share of over 19% in 2015. In addition, the company is the fastest growing enterprise software company in the world. It also achieved the highest revenue growth among the top 10 software vendors.
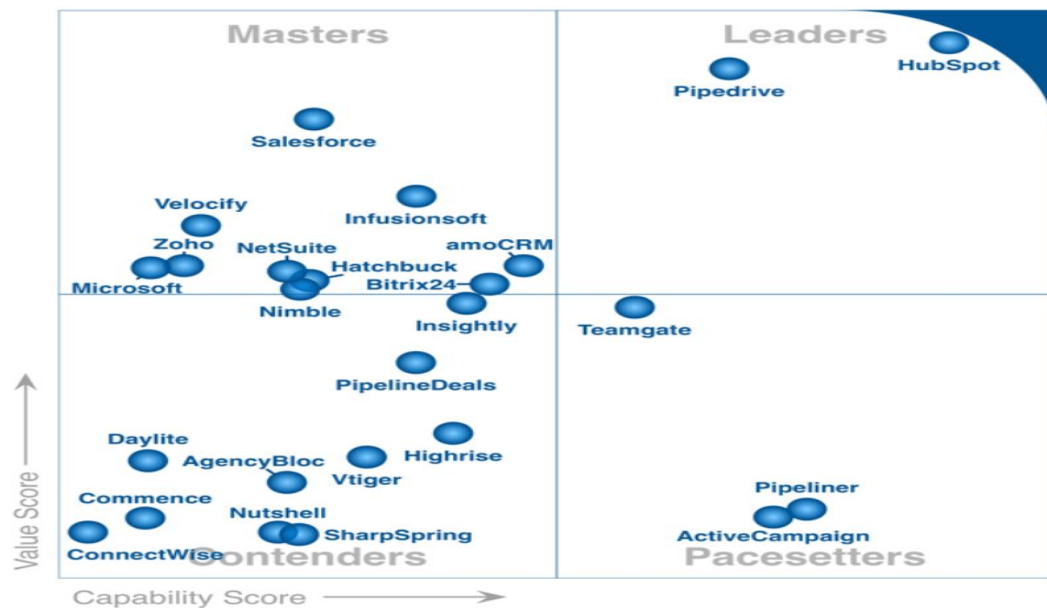
Source: Gartner 2016

- **R&D**

Increased focus on R&D helps the company to remain competitive in the marketplace with significant offerings. It has been investing a significant amount on technology development over the years. The R&D expenses of the company accounted for 15.3%, 14.8%, and 14.2% of the total revenues in FY2014, FY2015, and FY2016, respectively. In April 2016, the company launched Salesforce for Messenger Platform, as part of its partnership with Facebook. In September 2015, the company unveiled Salesforce Internet of Things (IoT) Cloud and Salesforce App Cloud. In July 2015, Salesforce launched Salesforce Shield, a new set of Salesforce Platform services that include field audit trail, platform encryption, data archive and event monitoring. In the same month, the company launched Desk.com Business Plus, an all-in-one customer support app that enables SMBs to meet evolving customer demands.

- **Strong Free Cash Flow**

Salesforce has strong free cash flows that provide resources in the hand of the company to expand into new projects. The company's balance sheet features significant cash and cash equivalents.

➢ **WEAKNESS**
- **CRM only approach**

Salesforce becomes less competitive when looking beyond CRM software as a point solution. For companies seeking broader business software suites, including back office

accounting or ERP systems, the inconsistency and relatively shallow integrations delivered with third party AppExchange vendors do not stand up well to single vendor cloud solutions from competitors such as Microsoft Dynamics, NetSuite and SAP Business ByDesign.

- **High Dependency on US market**

Salesforce is highly dependant on US market for its revenues. In FY 2017, 74% of its total revenue was from US market while Asia and Europe accounted for 9.5% and 16.5% only. This shows its geographical concentration, which increase its risk for being vulnerable to uncertainties and fluctuations in US market.

- **Rising operating costs**

To fight the growing competition and remain a market leader, Salesforce has been constantly investing in new product innovation, staffing and acquisitions. The company spends 50% of its revenue on sales and marketing. The company's rising costs impact its profitability thereby hindering its growth.

- **High Price of Products**

When reviewing features to features its apparent that Salesforce.com is the highest priced product in the cloud CRM industry. Salesforce operates on a subscription model - pay as you need. This model makes it very difficult for small and medium size businesses to continue using salesforce. It's new product Salesforce Wave subscription costs about $250/month for the basic features and additional $250/month for each new upgrade. This makes it unaffordable to SME companies. Below figure shows price comparison of CRM products.

➢ **OPPORTUNITY**

● **Strong demand for CRM services**

Globally CRM market is expected to receive strong pull in the near future. In 2017, CRM usage got increased from 56% to 74%. Also, it is estimated that 62% of all CRM software will be delivered via the cloud by 2018. Being the leader of this industry, Salesforce has a opportunity to get the maximum pie of this future growth.

● **Cloud based analytics market**

Salesforce has grown its portfolio from CRM to data analytics in past few years. Salesforce Wave analytics product is witnessing the rapid adoption in the market. This gives a signal that customer are interested in analytics based cloud solution. According to industry forecast, the global cloud analytics market will cross the $23 billion mark by 2020.This growing analytics market brings an attractive opportunity for salesforce.

➢ **THREAT**

● **Currency fluctuations**

Due to its growing global presence salesforce is exposed to foreign currency fluctuations. This exposure is the result of selling in multiple currencies, growth in the international investments, including data center expansion, additional headcount in foreign locations, and operating in countries where the functional currency is the local currency. The results of operations and cash flow are subject to the performance of USD with respect to the Euro, British Pound Sterling, Canadian Dollar, Australian Dollar and Japanese Yen.

● **Growing Competition**

The CRM market is rapidly highly competitive, fragmented and rapidly evolving The major competitors of the company include Callidus Software, Microsoft, NetSuite, Oracle, and SAP, among others. Also the company faces competition from fast growing companies like Sugar CRM and Zoho.

● **Increasing privacy concerns**

Salesforce.com's clients use its service to store contact and other personal or identifying information regarding their customers and contacts. Government bodies have been adding increased regulations and compliance measures for companies who store data. In wake of the recent General Data Protection Regulation in Europe many companies invested billions of dollars to abide by the regulation. Due to increasing cyber attacks and data breaches the

customers' resist providing the personal data necessary to allow them to use service effectively.

9. CORE COMPETENCY ANALYSIS

Salesforce believes disruption, innovation, evangelism and marketing prowess to be their major core competencies. We did a core competency analysis to differentiate Salesforce from its competition.

Brand Value & Innovation: Salesforce in its root has the culture of brand value that it has built over years through its technological advancement achieved through constant innovation. They have differentiated themselves from the competitions in industry by introducing cloud to the world and developing core products and services like marketing cloud, sales cloud, appexchange, marketing automation tool pardot, service cloud, commerce cloud digital.

Core Competency Analysis of Salesforce
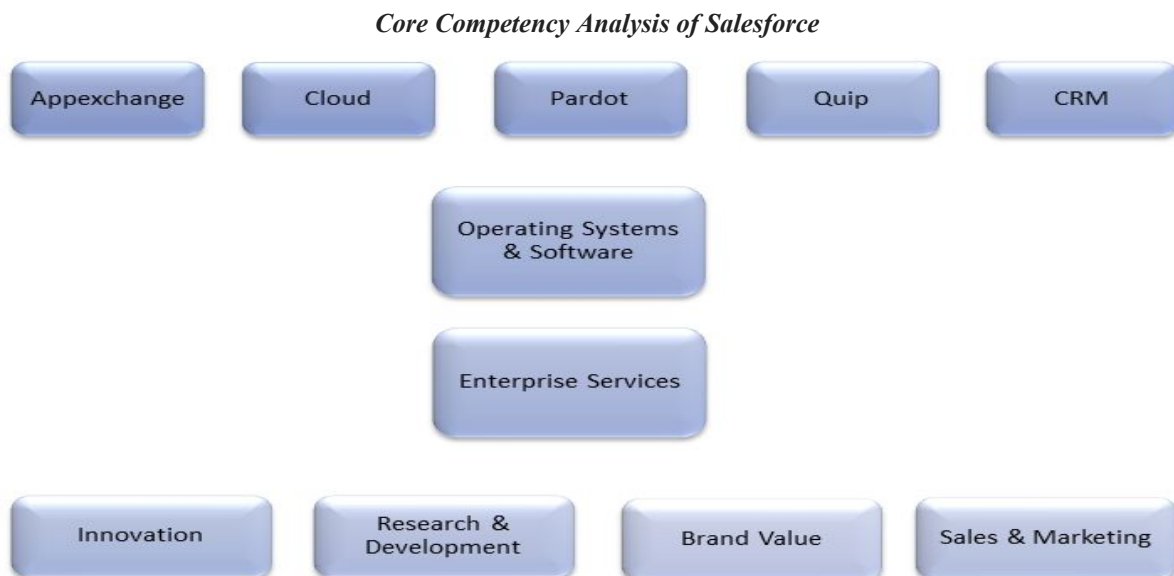
10. KEY CHALLENGES

Major challenge of Salesforce.com is to find promising market segments and business tactics to generate more revenues and develop a sustainable growth. Key issues faced by Salesforce.com to fulfill its objectives might be:

- **Reaching new customers:** Salesforce.com focuses its efforts on direct sales forces and indirect sales (through partners referrals). It needs to diversify its sales channel to convince new customers.

- **Generating more revenue from current customers:** It is critical for Salesforce.com to get its current customers renewing their subscription, and eventually adopting

premier service and higher-priced products as it becomes really expensive for customers.

- **Reducing complexity:** Salesforce.com is trying to make its products adaptable to diverse business groups, originally designed for sales departments, to other business units such as marketing and human resources and also trying to reduce its complex interface for easy use to customers.

- **Eliminating competition:** Salesforce.com is facing stiff competition from the existing and upcoming organisations working on cloud. Salesforce needs to come up with dynamic innovation strategy both pocket friendly and easy user interface.

11. STRATEGY CANVAS

Value Curve is a strategic tool that helps to track the performance of Salesforce's blue ocean strategy in relation to Industry performance. This curve is developed with an intent to assess how Salesforce is doing with respect to its competitors and which factors should be taken into account for formulating new strategies. The factors deriving value curve include Price per user (TCO), Infrastructure investment, Purchase cycle, Product Features, Usability, Subscription, Complexity and Training employees to implement this software. As shown in below graph, we see that Salesforce seems to have higher value in aspect like Price per user, Subscription Charges, Complexity level, and Training need. These factors leads to low adoption of salesforce products. However, there are some other factors which offers better value from customer's perspective such as infrastructure investment and purchase cycle.
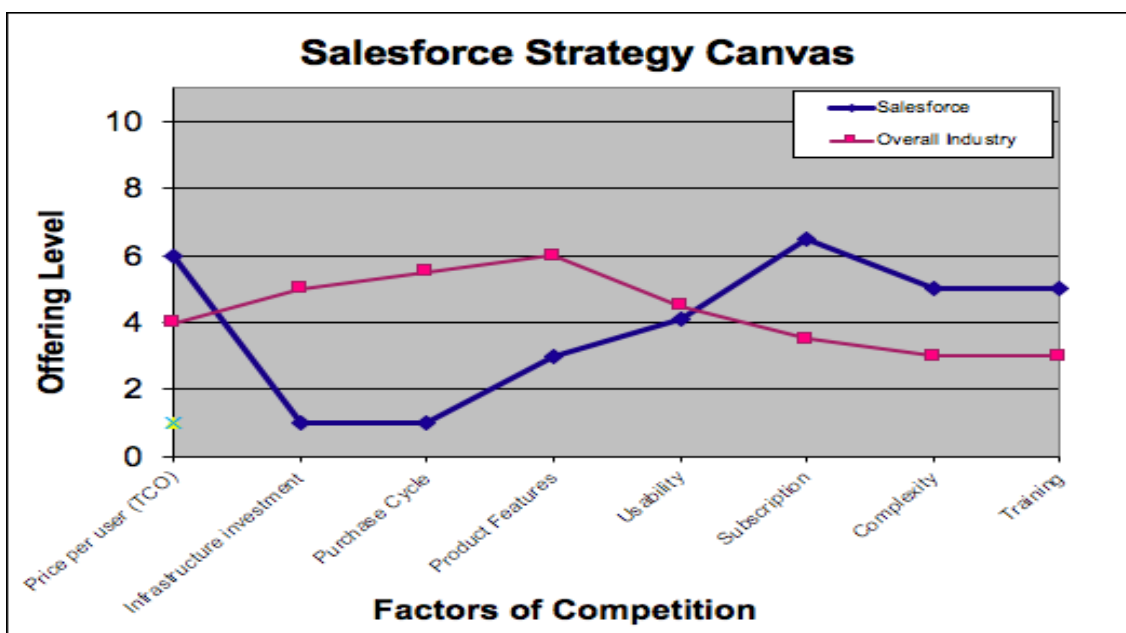
Traditional CRM vendors started offering hybrid on-demand solutions like SAP started on-demand, on-premise solution to existing customers, Oracle acquired Siebel and upgraded to on-demand CRM solutions and many new entrants like ZOHO, Salesnet quickly copied Salesforce model.

12. POSSIBLE STRATEGIES

Keeping in mind the usefulness of qualitative analysis, we surveyed the customers as well as small companies using Salesforce products through questionnaire and it helped in figuring out which factors we need to focus on to design our strategies.
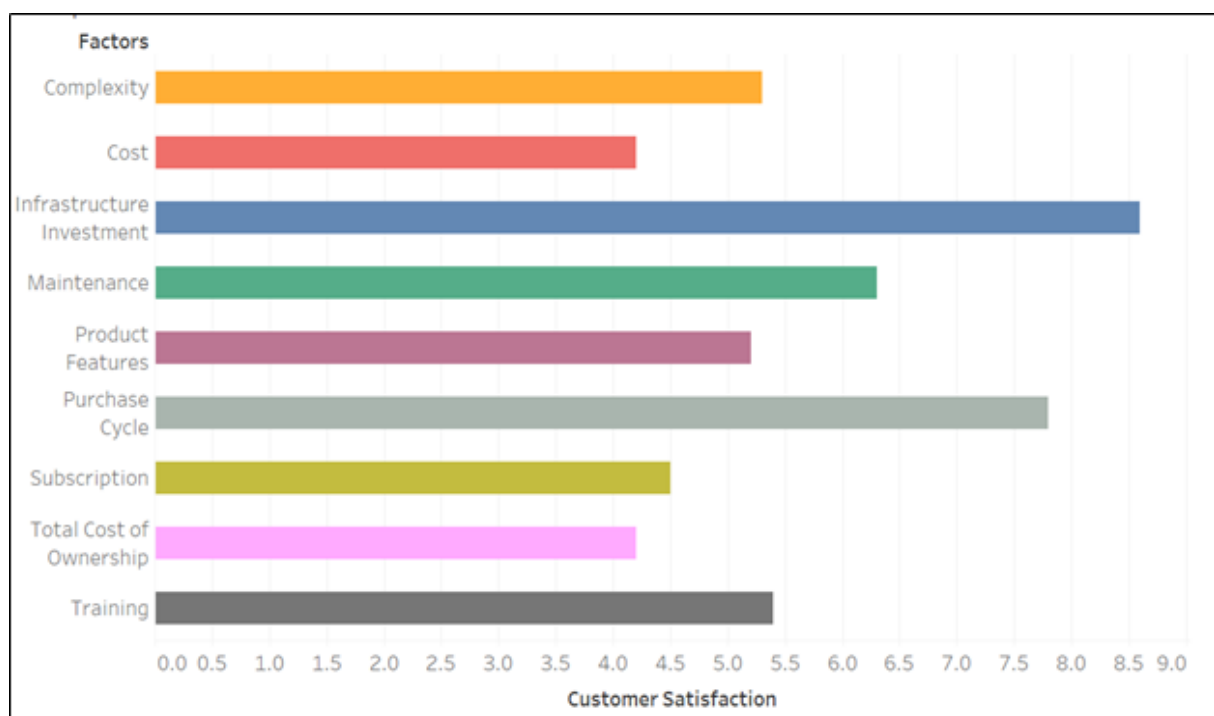
On the basis of our questionnaire, we observe that out of nine factors, cost, complexity, subscription, product features are the factors which have lower customer satisfaction and around which we should design our strategies.

➤ **STRATEGY 1 - LOWERING PRICES**

Salesforce is offering several products at different price levels. This table gives a brief idea about price strategy of Salesforce:

Salesforce Products	Prices as per service level ($/month)		
	Lightning Professional	Lightning Enterprise	Lightning Unlimited
Sales + Service Cloud Pricing	$100	$175	$325
Sales Cloud Pricing	$75	$150	$300
Service Cloud Pricing	$75	$150	$300
Salesforce Platform Pricing	$25	$100	$4,000
Quip	$10	$25	-
Health Cloud	-	$300	$450

Salesforce products and services are found to be costlier in comparison to its competitors. Oracle sales cloud price starts with $65 which is $10 cheaper than Salesforce. Top version of Oracle service cloud is $50 cheaper than Salesforce. Microsoft's sales cloud starts with offering $65/month plan and high end version of same is $135. Whereas Salesforce's high end Sales cloud is $165 costlier than Microsoft. Similarly, Salesforce's high end service cloud is $90 costlier than Microsoft's service cloud. Salesforce is pricey for the editions that are configurable. Customised products are charged on per user basis. This limits the user to give access to the limited number of people in the company. Also, Their order management service requires additional purchases and custom development cost. The proposed idea is to implement a strategy which lowers their product & service prices. The prices should be within +5% to -20% of industry standards. This strategy is difficult to implement because lowering the prices can affect their premium brand image.

Many Salesforce subscriptions fail to calculate the correct capacity in terms of storage, objects and tabs requirements, and end up either getting billed for exceeding capacity or overbuying capacity. For instance, if the required level of customer support is not done at the time of sign-up, it can cost as much as 15% to 25% to an Enterprise Edition subscription when added later. [6]

- **Qualitative Analysis**

When Salesforce first entered the cloud market, it was in the revolutionary stage of the adoption curve i.e. it had the first mover advantage which implies that it was in a position to create its own market and design the price according to their interests. Now after so many years it's not alone in the market. There are other competitors as well such as Oracle,

Microsoft and SAP. Its pricing strategy should be according to the prices offered by existing and upcoming competitors, who are offering similar products and services. They need to improve their pricing strategy in order to maintain their position.
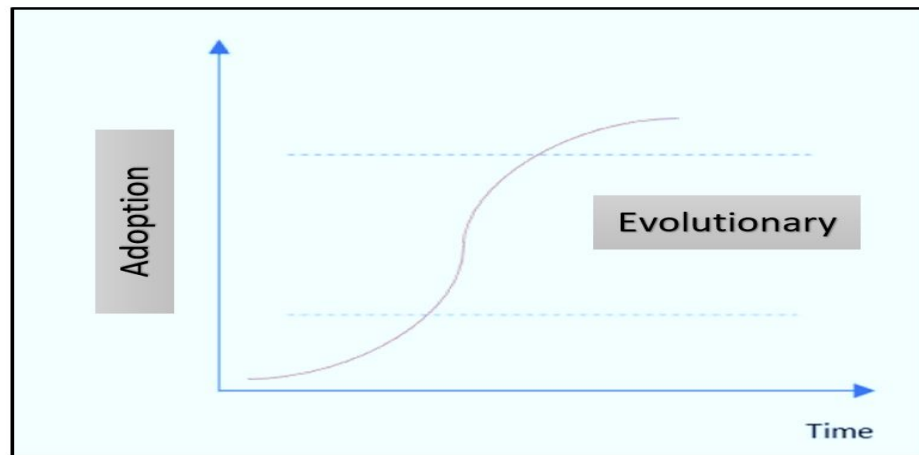
Lowering prices or upgrading its old pricing strategy in this case is a perfect example for taking the evolutionary position in the adoption curve.This will give Salesforce a chance to build up their budget and be in the top cloud based company as it used to be earlier.

- **Quantitative Analysis**

To calculate NPV and IRR of this strategy, we made some sensible estimates as mentioned below:

- Initial investment of this strategy will be: $1,500,000

- Discount rate: 8%

- Cash flow: in First year - $500,000 & in Second year - $600,000 & in Third year - $700,000

	Year				Totals
	Y0	1	2	3	
Net Capital Costs	$ (1,500,000)				$ (1,500,000)
Cash Flow	$ (1,500,000)	$ 500,000	$ 600,000	$ 700,000	$ 300,000
NPV	$ 33,049		Discount Rate		8.00%
IRR	9.2%				

Net Present Value (NPV) of this strategy comes out to be $33,049 with a IRR of 9.2%.

➢ **STRATEGY 2 - IMPROVE EASE OF USE**

Salesforce customers usually face difficulty using their products efficiently. Other important challenge for organizations during their initial ramp-up period is not knowing where to start. Organisations do realise that they are able to successfully implement salesforce if either they already have someone or hire someone with a deep understanding of its use or the interface is less complicated to be used efficiently. Thus, the major focus for a Salesforce project goes towards the technical side. Majority of the time gets consumed in achieving the right implementation of Salesforce. So, it's clear to everyone that this technical setup is necessary, but even when this technical side is done well, it can still be tough for the users to actually use the system.

References customers for Salesforce were less satisfied with application response times than references for other vendors. They either need to hire professionals proficient in using Salesforce products or provide training to their existing employees through third party vendors (statistics as seen in the graph below). Salesforce is aware of the problem and has made considerable progress in addressing the issue during 2017 but still the problem is huge and needs more consideration. [7]
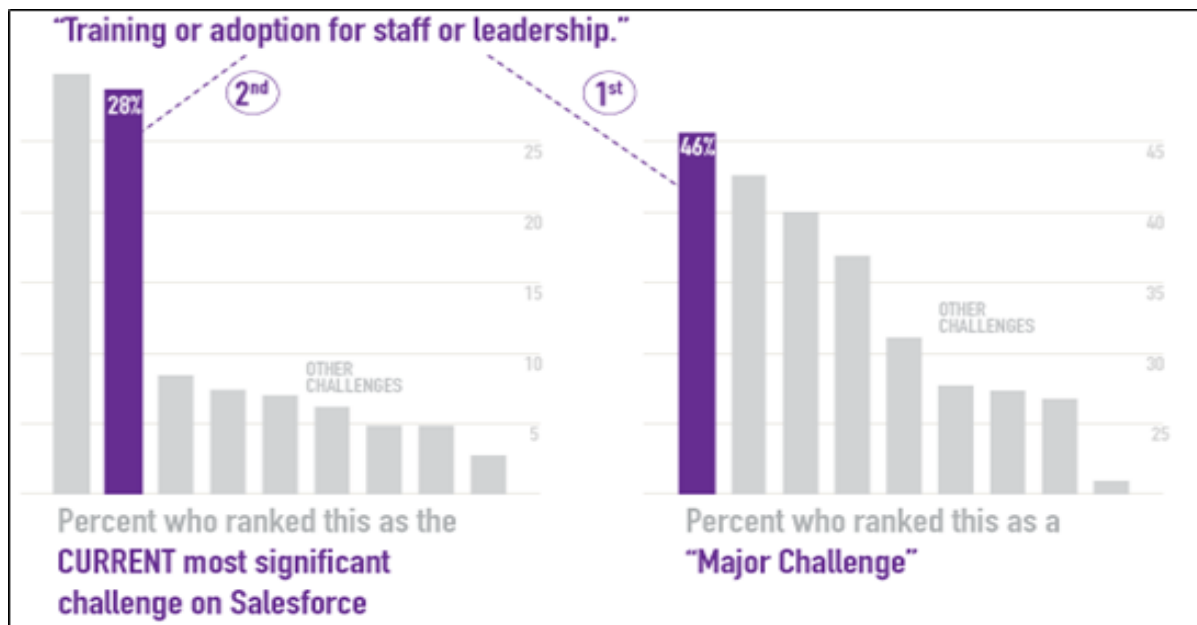

While Salesforce provides Optimizer to improve their customer's salesforce implementation, reduce complexity, clean up customizations and evaluate work efficiency. Optimizer starts off with generating reports and recommendations about how to improve the implementation

based on the personalised analysis and proceeding towards implementing those recommendation. But, this optimizer too has number of drawbacks and doesn't fall in consistency with the customer requirements as described below:

- Firstly, this Salesforce optimizer is available only in English language which makes it difficult to use and understand for the customers not convenient with English and who prefer their native language for work. Hence, the complexity can be reduced to a greater extent if this optimizer is available in more than one language.
- Secondly, its licensing is a bit complex. Many appExchange installations fail because of wrong user licenses. Also, this Optimizer evaluates users with these licenses only (Chatter Only (Chatter Plus), Company Community User, Lightning Platform App Subscription, Lightning Platform - One App, Knowledge Only User, Salesforce, Salesforce Platform). This becomes a bit more difficult for the customers having different license. Salesforce should try making Optimizer compatible with diverse user licenses to get more customers. [8]

Qualitative Analysis

This strategy will help Salesforce to be most desirable, feasible, and viable tool to be used. This strategy ultimately hits the complexity issue faced in Salesforce products. This strategy will be most effective to the customers who are convenient paying the present price but avoid using Salesforce products just because of its complexity.
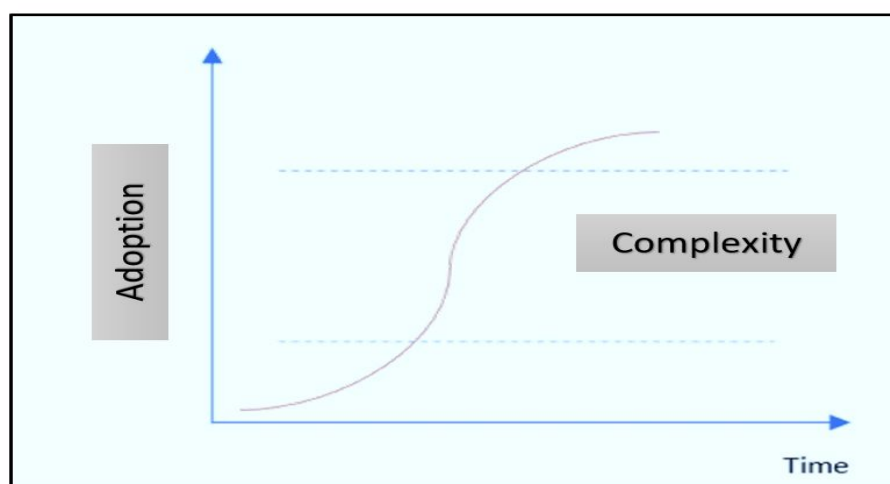
This strategy requires user friendly interface of the products or services, more options of products/services in different languages and allowance of customers with diverse licensing options to use the products efficiently. Thus, this strategy requires less time to be spent on

concept and plan stages and more on develop, test and launch stages as shown in figure below
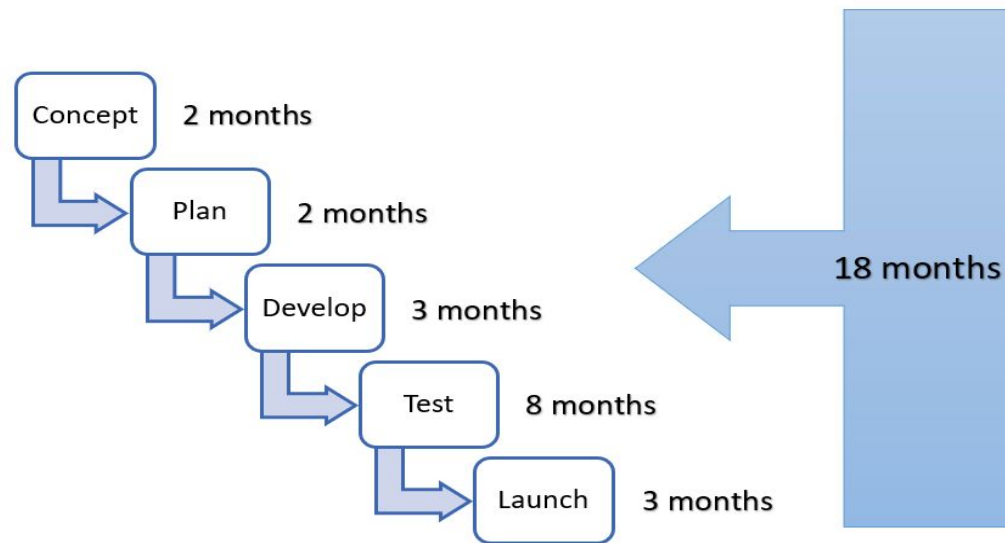
The most important aspect of this strategy is that it is all-around. Adopting this strategy turns into targeting two marks with the same stone. Customers face difficulty not only with their complex interface but this in turn result into more expenditure of customers. They need to hire professionals who are proficient in using Salesforce products and train their own employees in getting adapted to such complex interface.

Quantitative Analysis

To calculate NPV and IRR of this strategy, we made some sensible estimates as mentioned below:

- Initial investment of this strategy will be: $3,000,000
- Discount rate: 8%
- Cash flow: in First year - $1,000,00 & in Second year - $1,300,000 & in Third year - $1,690,000

	Year				Totals
	Y0	1	2	3	
Net Capital Costs	$ (3,000,000)				$ (3,000,000)
Cash Flow	$ (3,000,000)	$ 1,000,000	$ 1,300,000	$ 1,690,000	$ 990,000
NPV	$ 382,043		Discount Rate		8.00%
IRR	14.3%				

Net Present Value (NPV) of this strategy come out to be $382,043 with a IRR of 14.3%.

➢ STRATEGY 3 - INCREASE DATA CENTERS

Salesforce operates fewer international data centers as compared to its competitors. This can impact user's performance as well as pose regulatory concerns with regard to data privacy and compliance issues. This weakness pulls away the customers who wants to work outside the U.S. The proposed strategy is to create at least one data center in each country, starting with bigger economic countries such as China, India, Brazil, South Africa, Canada etc. Currently Salesforce have data centers only in US, UK, Japan, and France.

Quantitative Analysis

To calculate NPV and IRR of this strategy, we made some estimates as mentioned below:

- Initial investment of this strategy will be: $5,000,000

- Discount rate: 8%

- Cash flow: in First year - $1,500,00 & in Second year - $1,650,000 & in Third year - $1,815,000

	Year				Totals	
	Y0	1	2	3		
Net Capital Costs	$ (5,000,000)				$	(5,000,000)
Cash Flow	$ (5,000,000)	$ 1,500,000	$ 1,650,000	$ 1,815,000	$	(35,000)
NPV	$ (755,697)		Discount Rate			8.00%
IRR	-0.3%					

Based on above quantitative analysis only, it is clear that this strategy is worst among all three. Net Present Value (NPV) of this comes out to be -$755,697 with a IRR of -0.3%. Negative NPV means this idea will not be able to achieve its breakeven. Hence we can think of dropping the idea of using other framework on this strategy.

➢ STRATEGY 4 - IMPROVING FINANCIAL CLOUD SERVICES

Salesforce, is tackling slowing growth as it approaches a $7 billion annual revenue run rate. To be sure, the company is still managing to grow at over 20% year on year every quarter, but its track record of over 30% year on year growth rate may now be a thing of the past. Indeed, revenue growth of Salesforce's flagship Sales Cloud has fallen to single digits in the last few quarters. The company's revenues are now being driven by the newer Service Cloud and the Salesforce platform. Salesforce is the undisputed leader in the global CRM software

market with a 19.6% share in 2017. Yet the company currently does not have a strong presence in the industry verticals cloud computing space. Cloud computing for the financial services vertical is still a relatively unexplored segment. Consequently, the global banking and financial services is expected to grow by 2021.
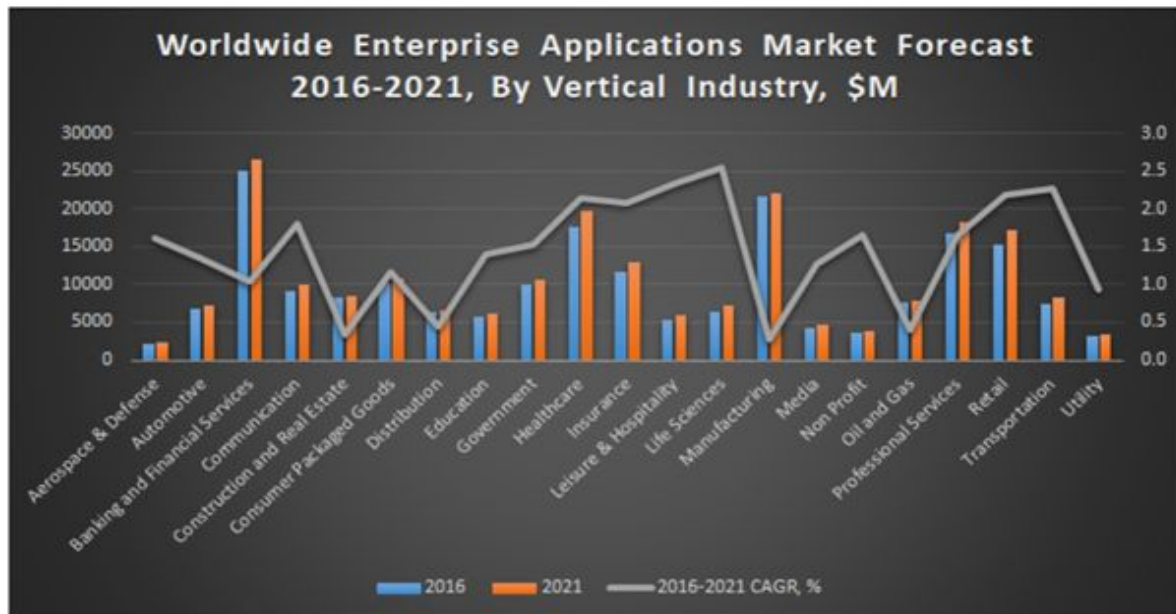
Worldwide Enterprise Applications Market Forecast 2016-2021, By Vertical Industry, $M, Apps Run The World, January 2018

COMPETITIVE ANALYSIS
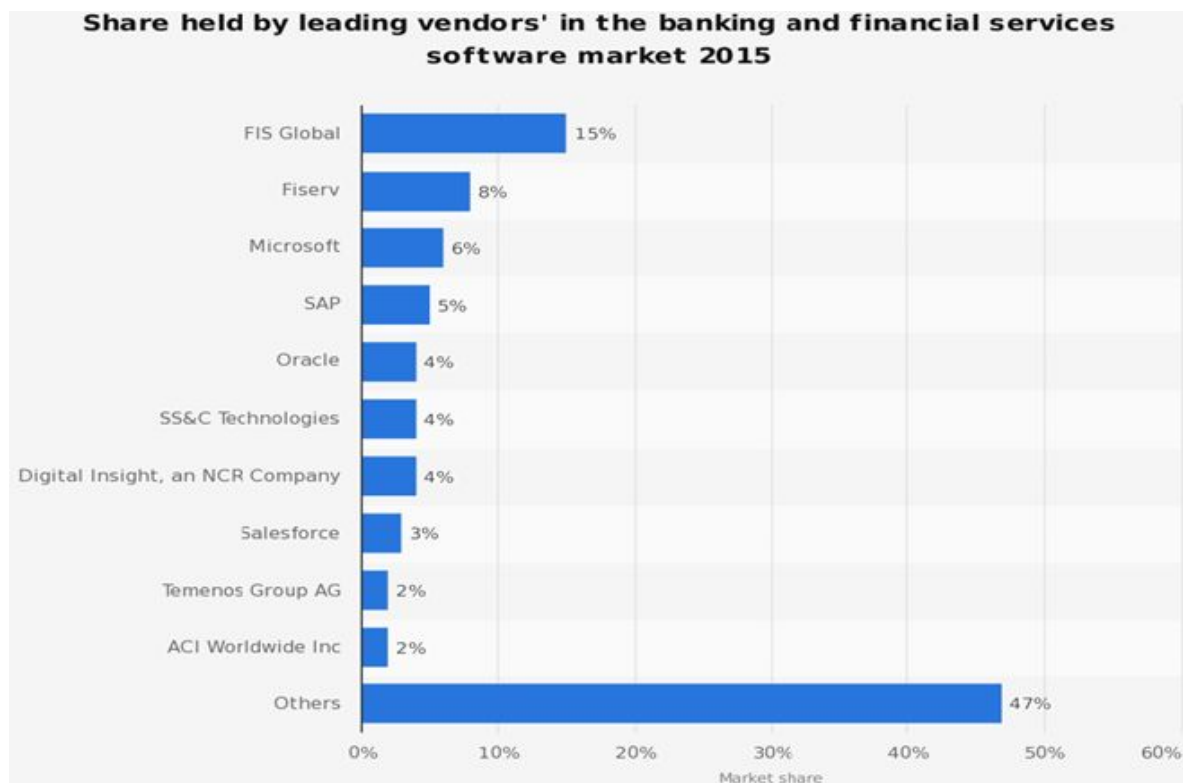
Salesforce's key rivals, including Oracle, have already been present in the segment for a while, which puts Salesforce at a competitive disadvantage. But looking at above chart it is clear that none of the salesforce's 'conventional' competitors (SAP, Microsoft, Oracle) are leading in the financial service segment. Although FIS global is leading this segment but they do not have strong R&D base as Salesforce have. Improvement in their financial service can put them ahead in the race.

VALUE PROPOSITION

Salesforce needs to bring to the market a cloud service that enables banks to leverage real-time banking capabilities. Such a model helps banks control costs through a Software-as-a-Service (SaaS) model and gives them a lot of leverage to use their finances over other important applications. The most important offering enables banks to run their core banking products on a hosted version of Salesforce Profile. Providing access to established product libraries, dramatically cuts the time required to launch new products to the market. The finance cloud will then be able to provide a holistic view of the customer's banking relationship, enabling banks to create better offerings tailored to individual customers.
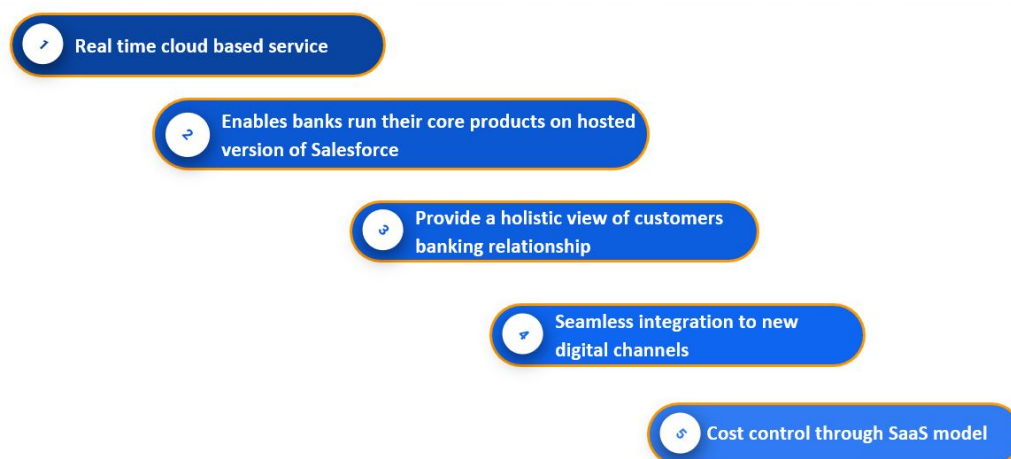

The strategy makes sense since it allows Salesforce to tailor its solutions to any number of industries, while leveraging the foothold gained from its flagship CRM products. The transition to the cloud is still at a nascent stage in certain industries with stringent security requirements and heavy regulatory oversight, and the financial services industry is a prime example.

SERVICE DESCRIPTION

Salesforce.com's solutions enable financial institutions to move beyond today's transactional relationships with customers and identify opportunities to build lasting trust through personalized engagement. Below chart shows the summary of this new service:
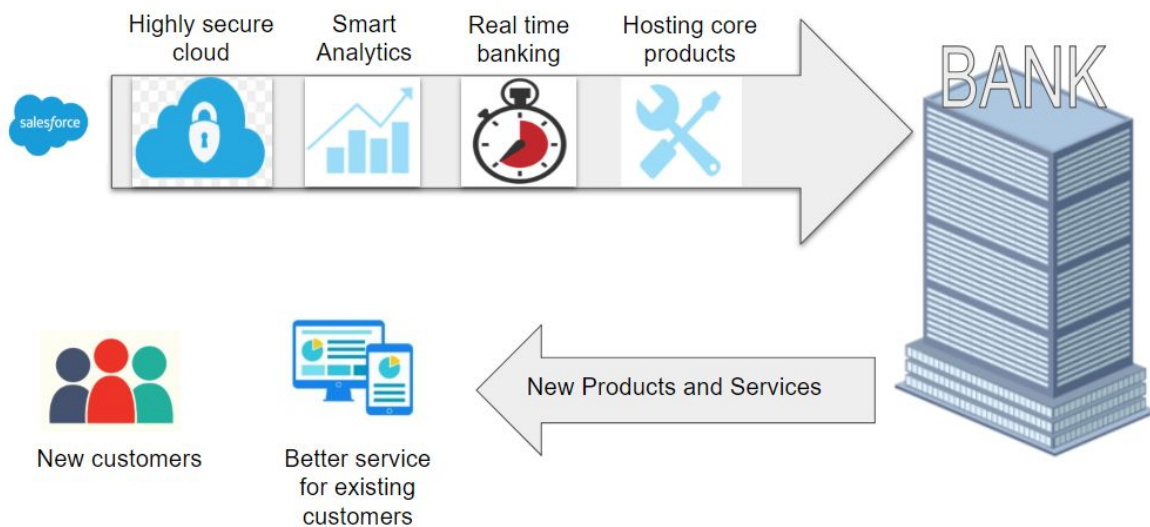

PROPOSED BUSINESS MODEL
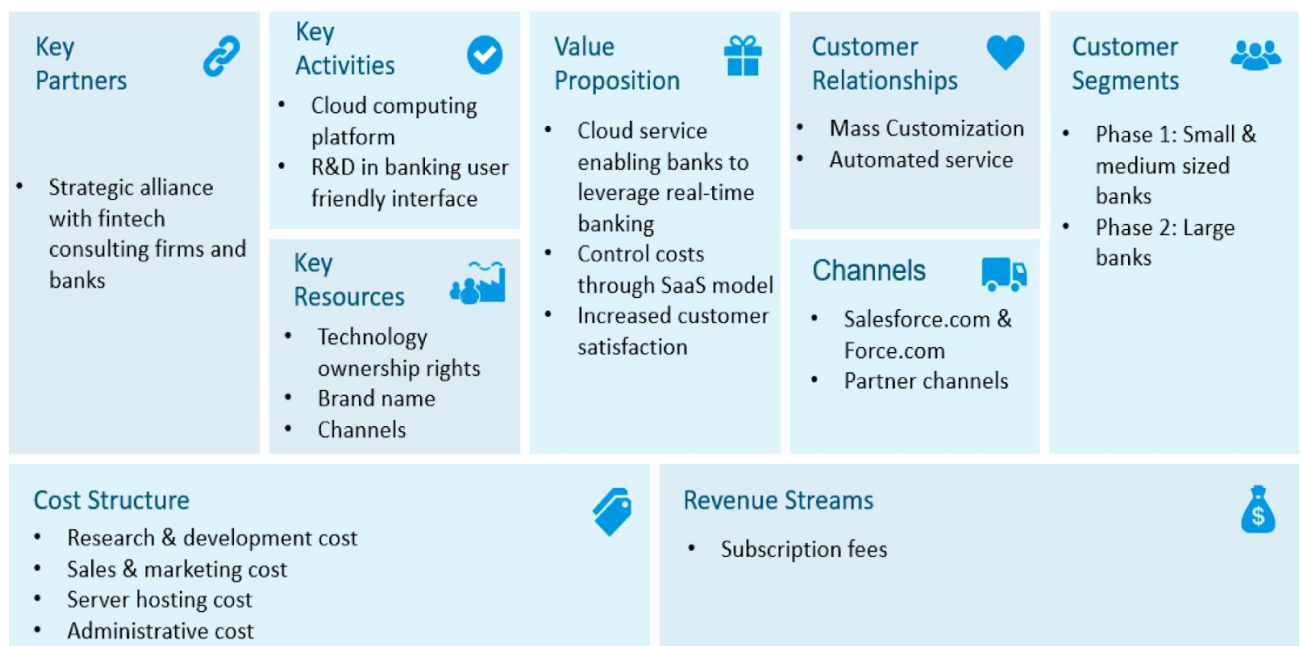
This is the proposed Business business model from our side. It is divided into nine blocks. A brief explanation about some of the important blocks:

- **Revenue Streams:** With this new service, Salesforce can generate its revenue from subscription fees (monthly/annually) and consulting services for user process optimization.
- **Key Resources:** Salesforce doesn't owns large fixed assets (plants, machinery etc.). They are heavily dependent on software developers & patents. For this new service there important resources could be there own Brand name & existing product distribution channels.
- **Customer Segments:** This new service will be first implemented at small & medium sized banks. In the next phase it will be expanded into larger banks.
- **Cost Structures:** Majority of the cost will be associated with R&D expense and Sales & Marketing cost. Detailed description about cost will be explained in the following section.

QUANTITATIVE ANALYSIS

Cost estimates are divided into two parts i.e. Fixed Cost & Variable Cost. Fixed Cost represent R&D expense and Infrastructure cost. R&D expense is assumed to be 0.8M & infrastructure cost as $165,000. Variable cost include Marketing, operations and Maintenance cost. Subscription fee is estimated as $290/month for 15 user in a bank. We are proposing to launch this service initially with 20 small banks so net revenue comes out to be 0.07M. On each subscription, Salesforce is spending $20 as variable cost and $52.7 as fixed cost. So net income per subscription comes out to be $217.2/month/subscription. Net income in the first year will be 0.05M. Projecting the sales plan from 20 to 200 banks and then 500, 800, 1000 banks in the following year we get below graphs:
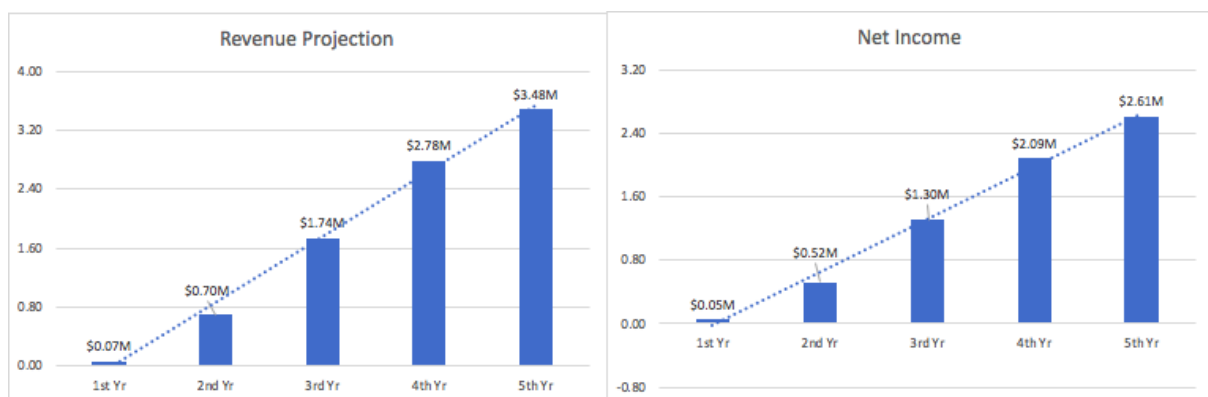
To calculate NPV and IRR of this strategy, we made some sensible estimates as mentioned below:

- Initial investment of this strategy will be: $9,65,000
- Discount rate: 8%
- Cash flow: in First year - $69,600 & in Second year - $696,000 & in Third year - $765,600

	Year				Totals	
	Y0	1	2	3		
Net Capital Costs	$ (965,000)				$	(965,000)
Cash Flow	$ (965,000)	$ 69,600	$ 696,000	$ 765,600	$	566,200
NPV	$ 303,910		Discount Rate			8.00%
IRR	21.0%					

Net Present Value (NPV) of this strategy come out to be $303,910 with a IRR of 21%.

USE OF FUNDS

First three months will be spent in collecting the needs and wants of banking services. In this effort, Deloitte consultants will be helping to Salesforce. After that Salesforce software development team will start working on making this new service. Based on the past development history of service cloud, we have assumed that this financial cloud is also going to take 6 months to develop. Assuming 8 software developers working on this project and there annual salary is $120K. There 6 month salary comes out to be $480K. From 10th month onwards salesforce team can start working on installing this new service at different different bank locations. We are proposing Salesforce to pilot this project with 20 small size banks. System engineers from Salesforce will personally visit at customer site. They will help users to understand its features and continuously collecting the feedback. Assuming 4 system engineers working on this project and there annual salary is $75K. There 5 month salary comes out to be $125K. In this 18 month strategy, the final stage is marketing this product to take this from 20 banks to 200 year before end of 2nd year.

Market Research	Development	Installation	Marketing	
3 Months	6 Months	5 Months	4 Months	18 Month $755,00
$100,000	$4,80,000	$1,25,000	$50,000	

PARTNERSHIPS

For this new financial service, we are proposing three key strategic partners to salesforce - Deloitte, Norton & Lattice. Deloitte will be acting as Fintech consulting partner. They will be providing the insides about routine banking operations & challenges. On the other hand, Norton will be providing the security services specifically customised for this new financial service. Third and important strategic partner Lattice, will prioritise banking effort, contextualize conversations and accelerate the call prep. It will bring the power of data & predictive analytics to banking services.

13. LATE MOVER ANALYSIS

Salesforce has been the first mover in the cloud industry and the strategies that we suggest incline more towards being a late mover in the industry rather than a first mover. But, to keep itself static in market, it needs to reformulate its strategies making itself the late mover in adopting them. Being a late mover in these strategies can benefit Salesforce in following ways:

- **Less Expenditure on R&D:** Salesforce will not need to invest a huge amount and time in research & development as it has already been done vigorously and has been put into action

- **Established Supply Chain Management:** Unlike the first mover, Salesforce will be at minimal risk of falling short of suppliers or having no suppliers at all. This is because it already has well established contacts and suppliers making it easier to build partnerships with them. Thus, they can easily rely on those established suppliers and distribution channels.

- **Uplifting Customer Satisfaction:** Salesforce is well aware of the reasons of the loopholes it faced. Learning from the previous experience, its main focus will be rectification of those loopholes. Making user friendly interface while keeping the prices normal and pocket friendly will be their top priority as an established firm. For late movers, it becomes easier to deal with the loopholes when the reasons are explicitly known.

14. FOUR ACTIONS FRAMEWORK

As per the above proposed strategies, Salesforce can work upon adopting a new value curve based on this four actions framework.
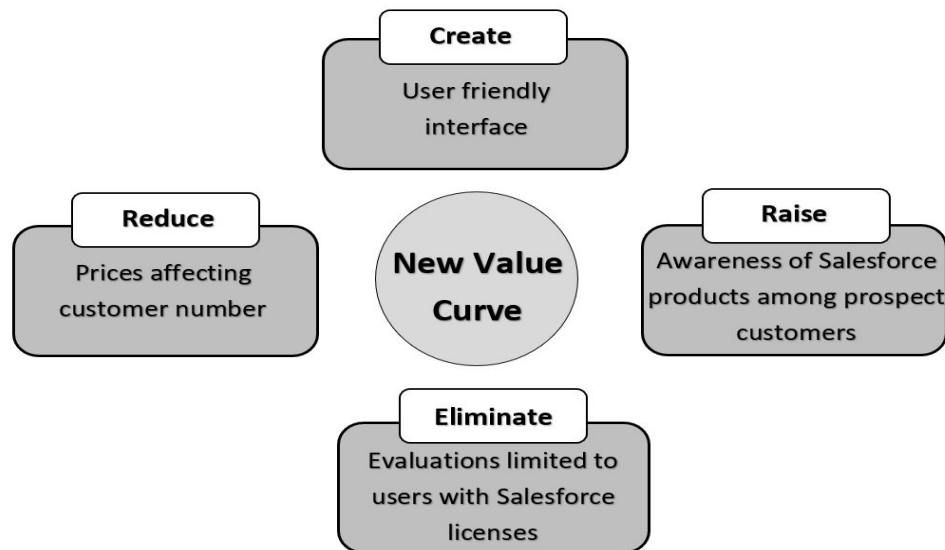
15. RECOMMENDATION

After proposing four new strategies substantiated by various frameworks and models, we would like to recommend strategy 4 i.e. improving the financial cloud services and adding analytics component with it. Although, initial investment in terms of money is heavy in implementing this strategy but NPV & IRR are higher as compared to other two strategies. This will ensure competitive advantage to Salesforce in capturing banking market. Also, we recommend this strategy as there are some banking customers who are not satisfied with FIS Global services and are looking to get better services in terms of advanced features. Based on these two reasons, we feel very confident about implementing improved financial cloud as one of the first strategy followed by improving user interface of Sales & Marketing cloud and believe that it will help to curb the current scenario Salesforce is facing. However, there are also risks involved in this strategy. One biggest concern is that since Salesforce already has established and implemented interfaces on which it spent a lot of money, this strategy will involve more money involvement. But, that will be worth to spend as new financial cloud service will boom up the customer number. The other three strategies are more efficient in the long run, and that could be the future moves of Salesforce. Despite of all the risks, implementing the strategy of launching new improved financial service followed by other strategies will yield beneficial results for Salesforce.

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