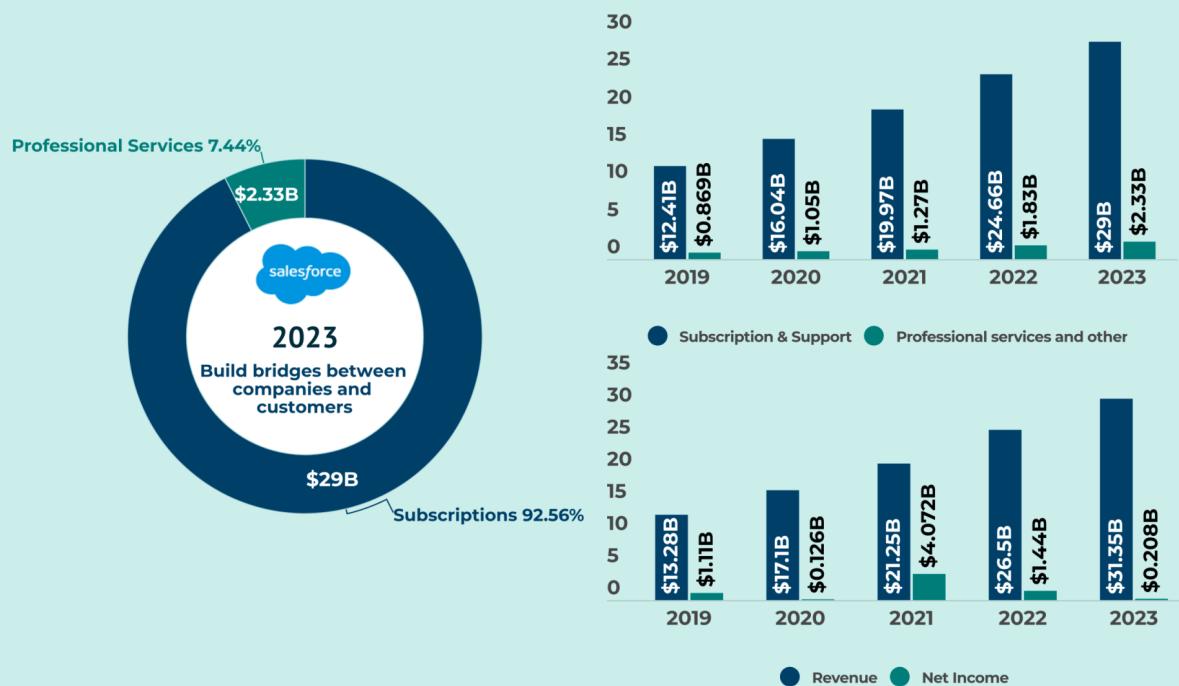




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Salesforce Business Model

Salesforce follows a SaaS business model, offering four main categories of cloud CRM (Customer Relationship Management) services spanning the sales cloud to the marketing cloud. Where subscriptions drive the primary revenue model. However, the company leverages professional assistance to push the adoption of the software and retention of paying subscribers. Indeed, in 2023 Salesforce generated \$29 billion from subscriptions and \$2.33 billion from professional services.



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Business / By Gennaro Cuofano / March 2, 2023

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The salesforce business model explained

Salesforce is a leading provider of enterprise software delivered through the cloud, focusing on customer relationship management, or CRM.

Salesforce introduced the first CRM solution in 2000.

The key to Salesforce value added is based on the fact that service offerings can be deployed rapidly, configured easily, and integrated with other platforms and enterprise applications or apps.

While this might seem trivial today, it wasn't back in the 2000s.

CRM services often require high upfront costs and expensive services that are hard to run and maintain. Salesforce changed all that.

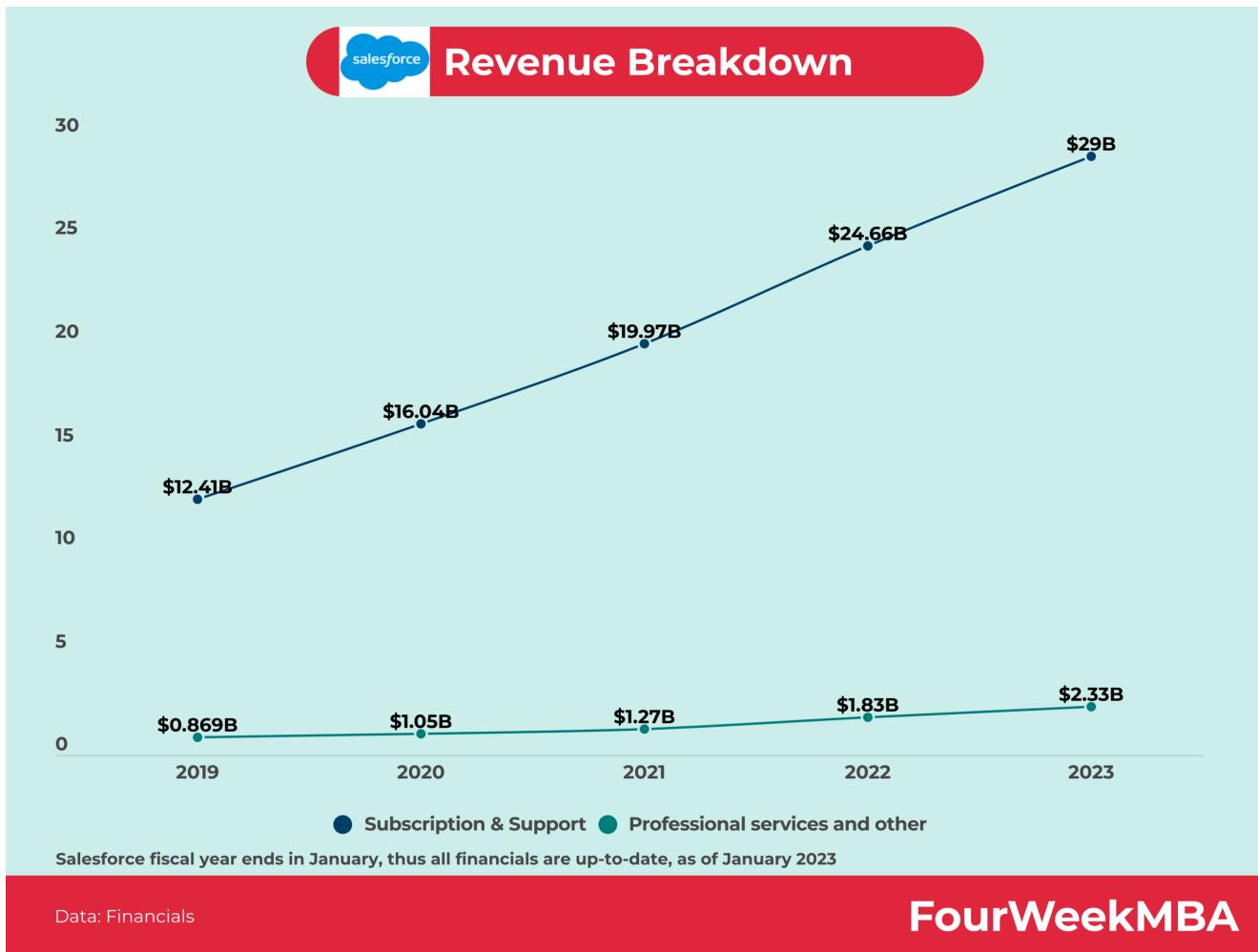
Those services are delivered in two ways:

- Via significant internet browsers and on leading mobile devices.
- Direct sales efforts and also indirectly through partners.

The revenue model Salesforce uses is the subscription-based business model.

Salesforce cloud sales offering explained

The strength of the company derives from its sales cloud offerings, based on subscription services.



Data: Financials

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In 2023 Salesforce generated \$29 billion from subscriptions and \$2.33 in professional services, compared to \$24.66 billion in subscriptions in 2022 and \$1.83 in professional services.

Those services can be broken down in:

- **Sales Cloud:** it was Salesforce's first offering and continues to be the largest contributor to total **subscription** and support revenues. This service enables companies to store data, monitor leads and progress, forecast opportunities, gain insights through relationship intelligence and collaborate around any sale on desktop and mobile devices.
- **Service Cloud** is the second largest contributor to total **subscription** and support revenues. It enables companies to deliver more innovative, faster, and more personalized customer service and support.
- **Marketing Cloud:** This service lets companies plan, personalize and optimize one-to-one customer interactions across email, mobile, social, web, and connected products.

- **Commerce Cloud** empowers brands to deliver a comprehensive digital commerce experience across the web, mobile, social, and store.
- **Community Cloud:** It enables companies to quickly create and manage trusted, branded digital destinations for customers, partners, and employees.
- **IoT Cloud** enables companies to harness the power behind billions of connected devices, products, sensors, and apps to derive entirely new levels of customer insights.
- **Analytics Cloud:** it enables any employee across an organization to quickly and easily explore business data, uncover new insights, make smarter decisions and take action from any device
- **Salesforce Quip:** it is a next-generation productivity solution designed for teams with a mobile-first **strategy**, empowering everyone to collaborate more effectively, work smarter and supercharge their productivity, all without email.
- **Salesforce Platform:** (formerly App Cloud) for building enterprise apps— powering Salesforce's CRM apps, with thousands of partner-built apps and millions of custom apps built by customers.

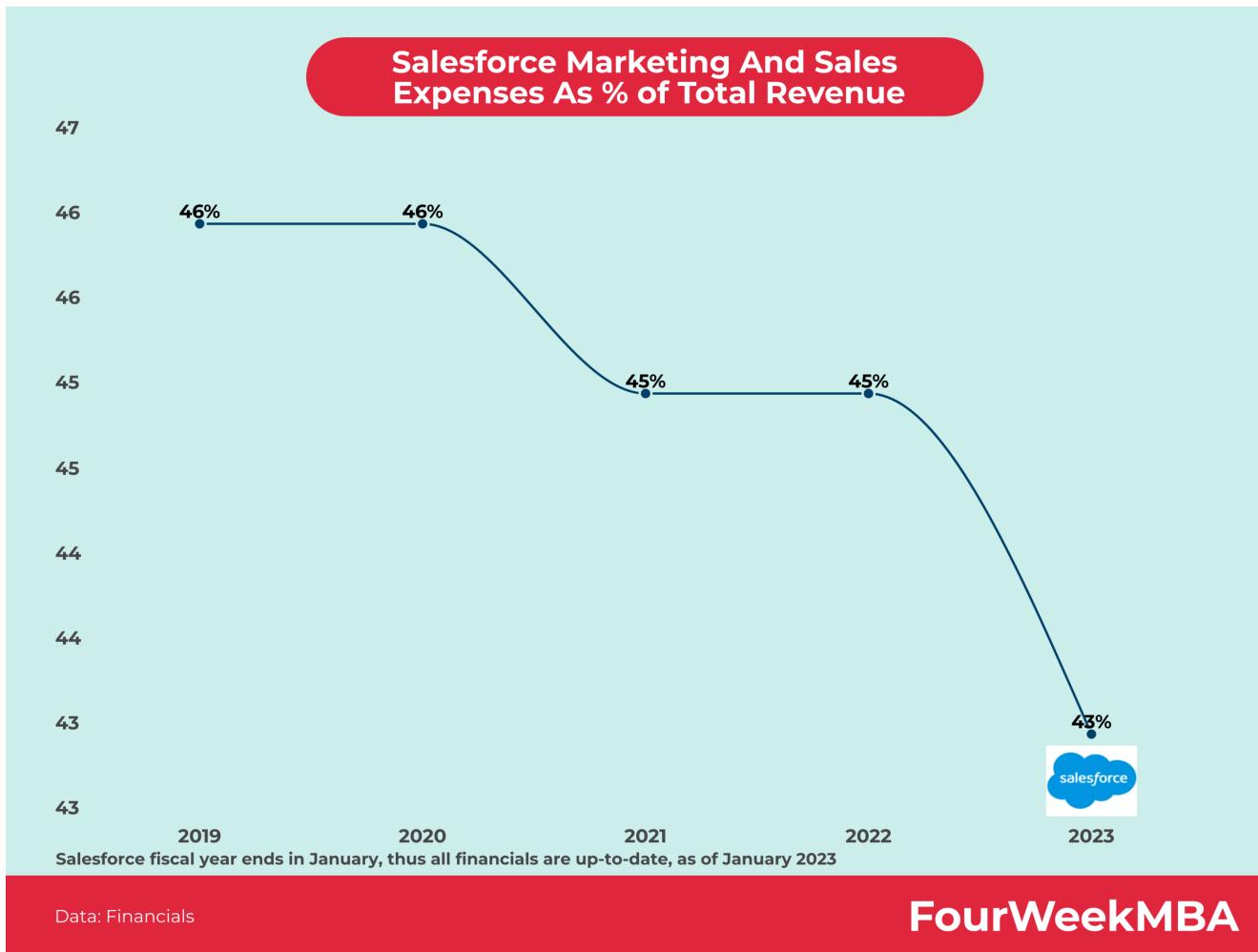
Salesforce operating structure

All of the cloud offerings that Salesforce offers to customers are grouped into four major core cloud service offerings:

- Sales Cloud
- Service Cloud
- Salesforce Platform and Other
- and Marketing Cloud

Those represented the majority of the company's revenues.

What distribution strategy does Salesforce tap into?



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In 2023, Salesforce spent 43% of its total revenue on [marketing](#) and sales expenses, compared to 45% in 2022, and 45% in 2021.

Salesforce taps mainly into four sales and [distribution](#) strategies:

- Direct sales
- Referral and indirect sales
- Strategic investments
- Marketing

Direct Sales

Salesforce sells its services primarily through their direct sales force, which is comprised of:

- telephone sales personnel based in regional hubs,
- and field sales personnel based in territories close to their customers.

Both telephone sales and field sales personnel are supported by sales representatives primarily responsible for generating qualified sales leads.

Referral and Indirect Sales

Salesforce has a network of partners who refer sales leads and who then assist in selling to these prospects.

This network includes:

- Global consulting firms,
- Systems integrators
- And other partners.

In return, Salesforce typically pays these partners a fee based on the first-year **subscription** revenue generated by the customers to whom they refer.

Strategic Investments

Since 2009, Salesforce has been investing in early-to-late-stage technology and professional cloud service companies across the globe to support key **business** initiatives to extend the capabilities of its **platform** and CRM offerings.

The primary objective is to increase the ecosystem of enterprise cloud companies and partners, accelerating the adoption of cloud technologies and creating the next generation of mobile applications and connected products.

Marketing

Salesforce's **marketing strategy** is to promote its **brand** and **generate demand** for its offerings.

With a variety of **marketing** programs across traditional and social channels to target its prospective and current customers, partners, and developers.

Multi-channel **marketing** campaigns span email, social, and web.

Other **marketing** activities refer to proprietary events of all sizes, ranging from Dreamforce to salon dinners and participation in trade shows and industry events.

Press and industry analyst relations to garner third-party validation and generate positive coverage for Salesforce.

Some of the **marketing** activities comprise:

- Content **marketing** and engagement on all of the major social channels;
- Search engine **marketing** and advertising to drive traffic to Salesforce Web properties;
- Partner co-marketing activities with global and regional implementation partners;
- Website development to engage and educate prospects and generate interest through product information and demonstrations, case studies, white papers, and **marketing** collateral;
- Customer testimonials;
- Tools that enable the sales organization to more effectively convert leads to customers;
- Event sponsorships and primary real estate signage.

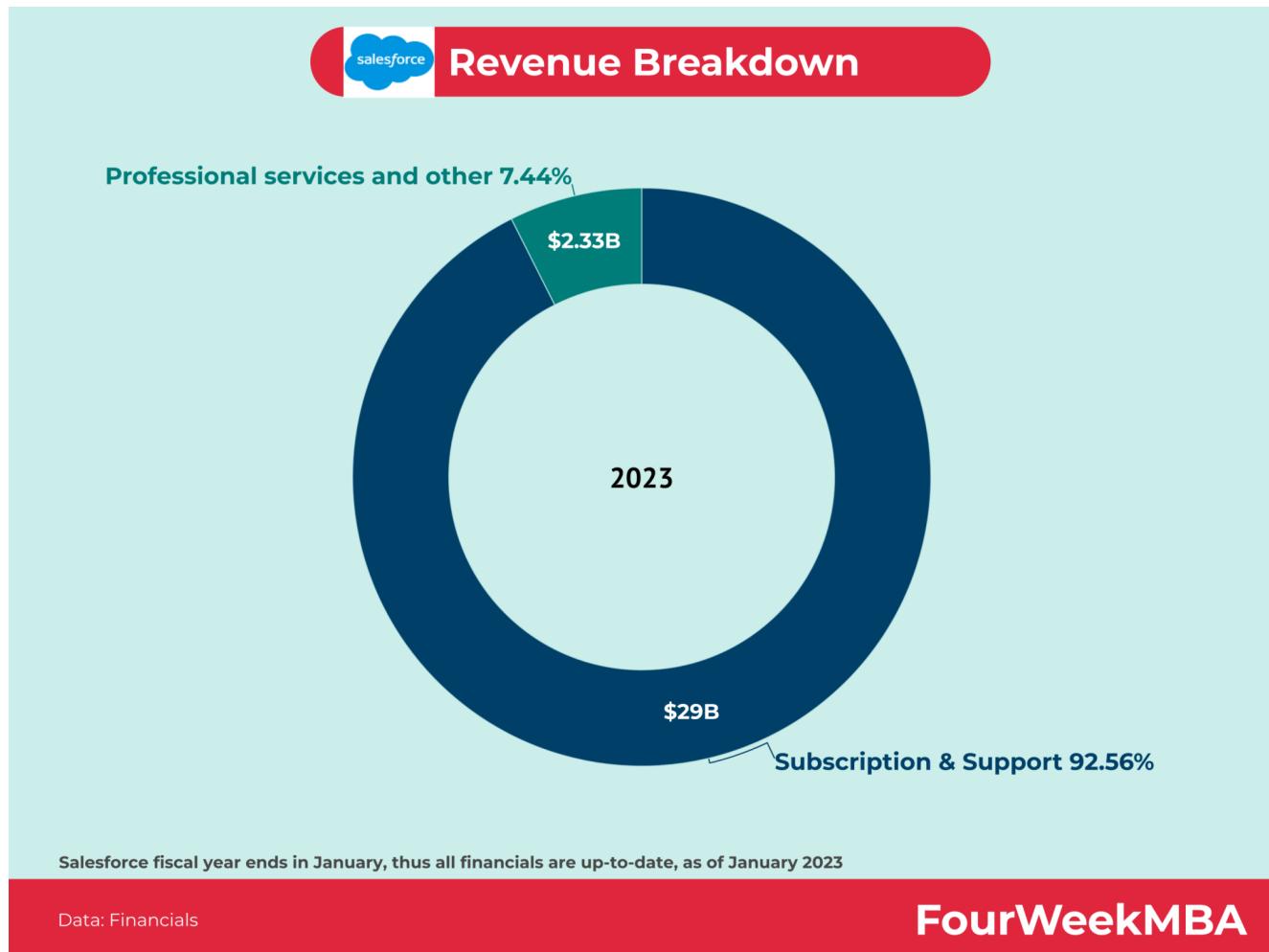
While primary revenues are generated via cloud services, the largest market for Salesforce is America, followed by Europe and the Asia Pacific.

Professional services and other revenues represent the remaining of its revenues. Those consist of fees associated with consulting and implementation services and training.

Salesforce also offers some training classes on implementing, using and administering service that is billed on a per person, per class basis.

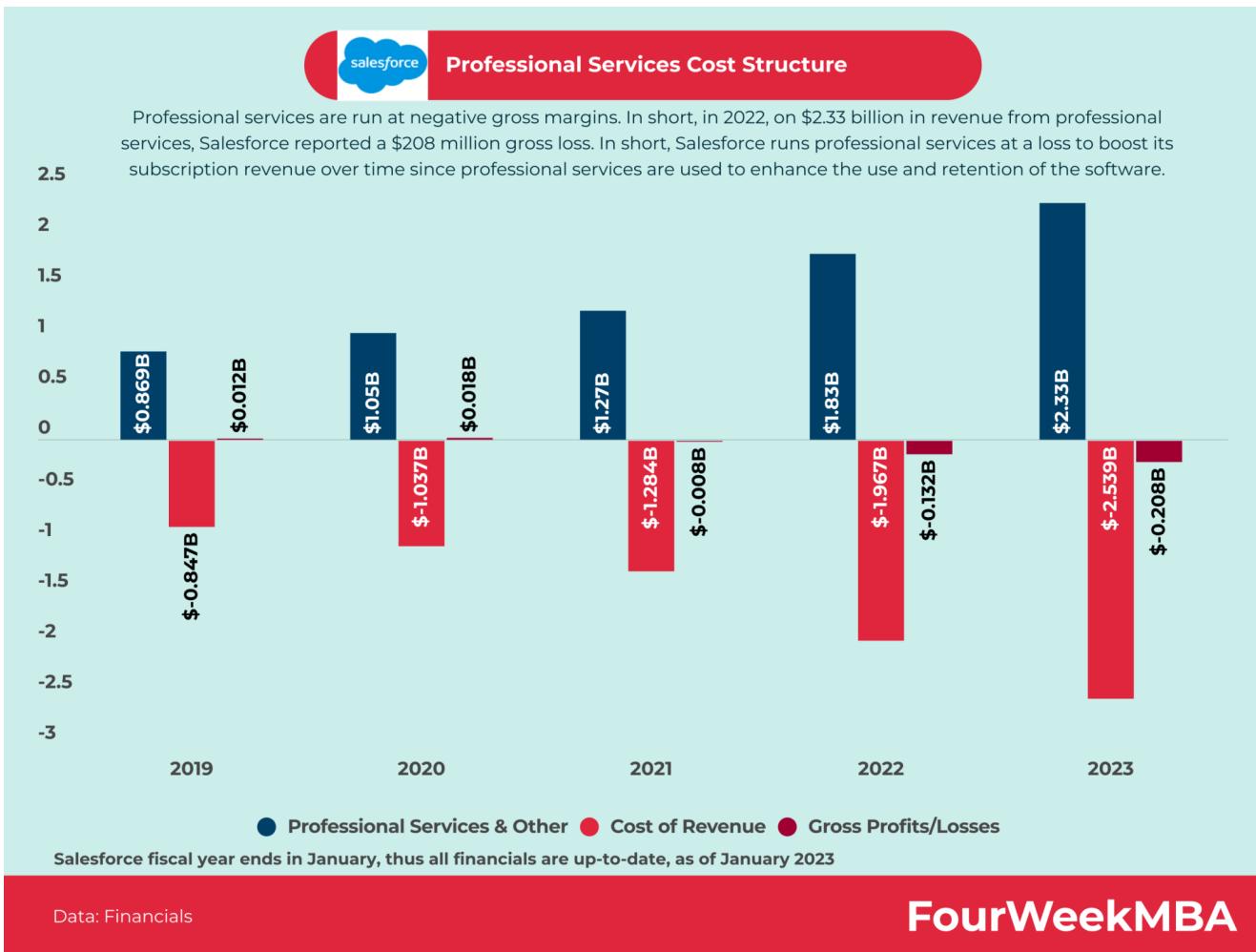
Summarizing Salesforce's business model and strategy

While Salesforce generates most of its revenue from subscriptions.



The company leverages professional services to build, maintain, and grow its subscriber base.

Indeed, the professional service **business** unit is primarily run at a very tight or negative margin as its primary purpose is to help the **subscription**-based **business**, which is the actual **cash cow** for the company.



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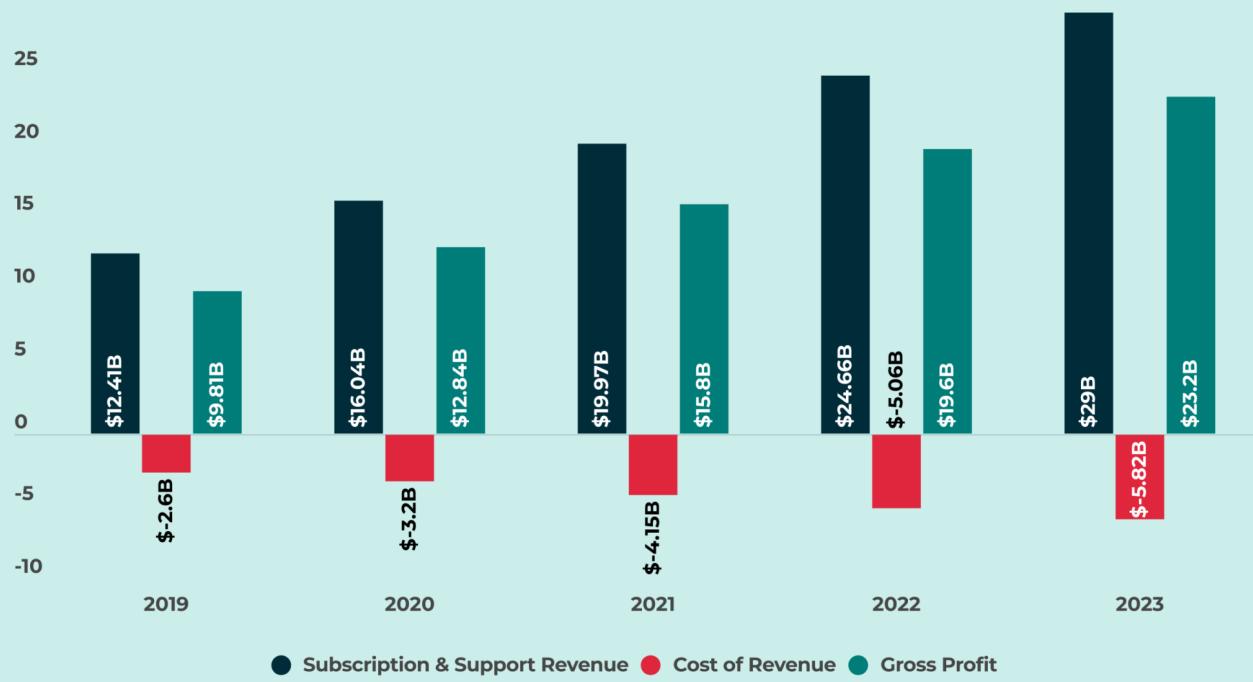
Professional services are run at negative gross margins. In short, in 2022, on \$2.33 billion in revenue from professional services, Salesforce reported a \$208 million gross loss. In short, Salesforce runs professional services at a loss to boost its **subscription** revenue over time since professional services are used to enhance the use and retention of the software.

Thus, from there the professional service unit is used to grow the **subscription business**.



Subscription Cost Structure

The subscription revenue cost structure is quite effective. In 2022 on a \$29 billion in subscription revenue, the company reported \$5.8B in cost of revenue (expenses related to delivering the service and providing support, including the costs of data center capacity), thus generating a \$23.2 billion in gross profits, in 2023.



Salesforce fiscal year ends in January, thus all financials are up-to-date, as of January 2023

Data: Financials

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The **subscription** revenue cost structure is quite effective. In 2022 on a \$29 billion in **subscription** revenue, the company reported \$5.82B in cost of revenue (expenses related to delivering the service and providing support, including the costs of data center capacity), thus generating a \$23.2 billion in gross profits, in 2023.

Salesforce's leverages on **marketing** and sales to create a flywheel to grow its **subscription business** and therefore enable its **business model**.

Related Visual Stories

Who Owns Salesforce



Who Owns Salesforce?

Shareholder	Shares	Ownership
Marc Benioff (Individual)	30,085,135	3.0%
Parker Harris (Individual)	2,802,974	
Bret Taylor (Individual)	1,552,624	
The Vanguard Group	76,162,895	7.7%
FMR LLC	66,966,695	6.8%
BlackRock,	66,756,973	6.7%

32 Revenue



Data: Financials

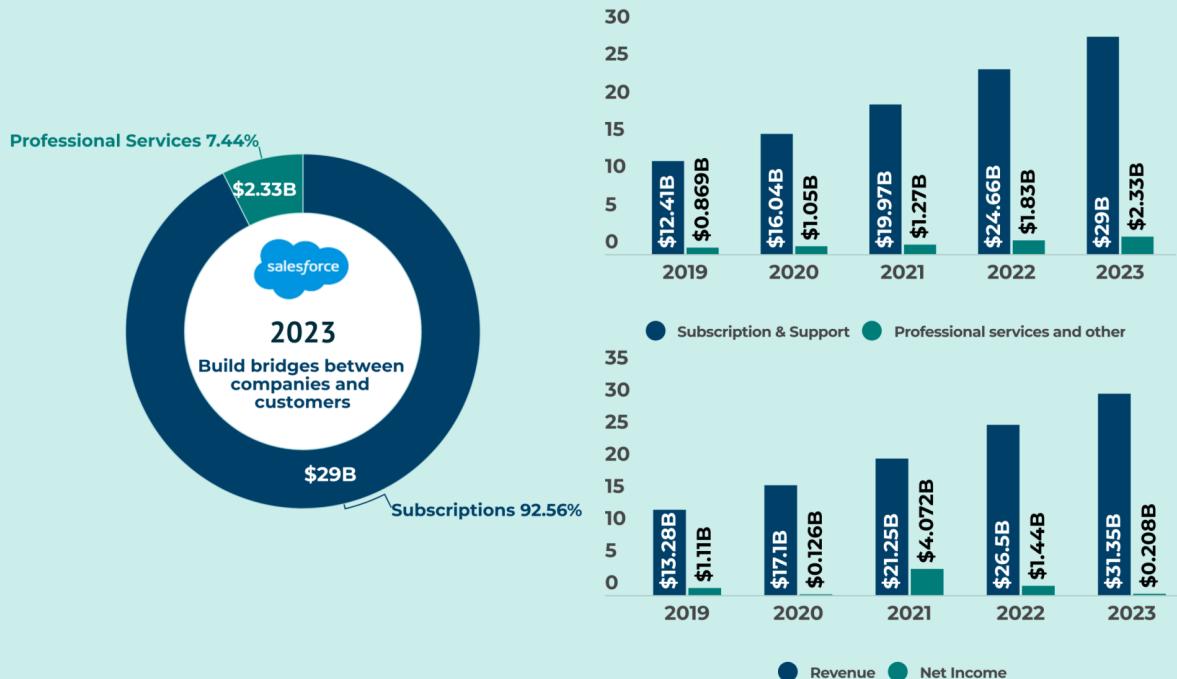
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Marc Benioff, Co-CEO of Salesforce is the main individual shareholder, with 3% of the company's stock. Other major individual shareholders comprise Parker Harris, Co-Founder, and Chief Technology Officer, and Bret Taylor, who is the company's CEO. Major institutional shareholders comprise The Vanguard Group, Fidelity, and BlackRock.

Salesforce Business Model

Salesforce Business Model

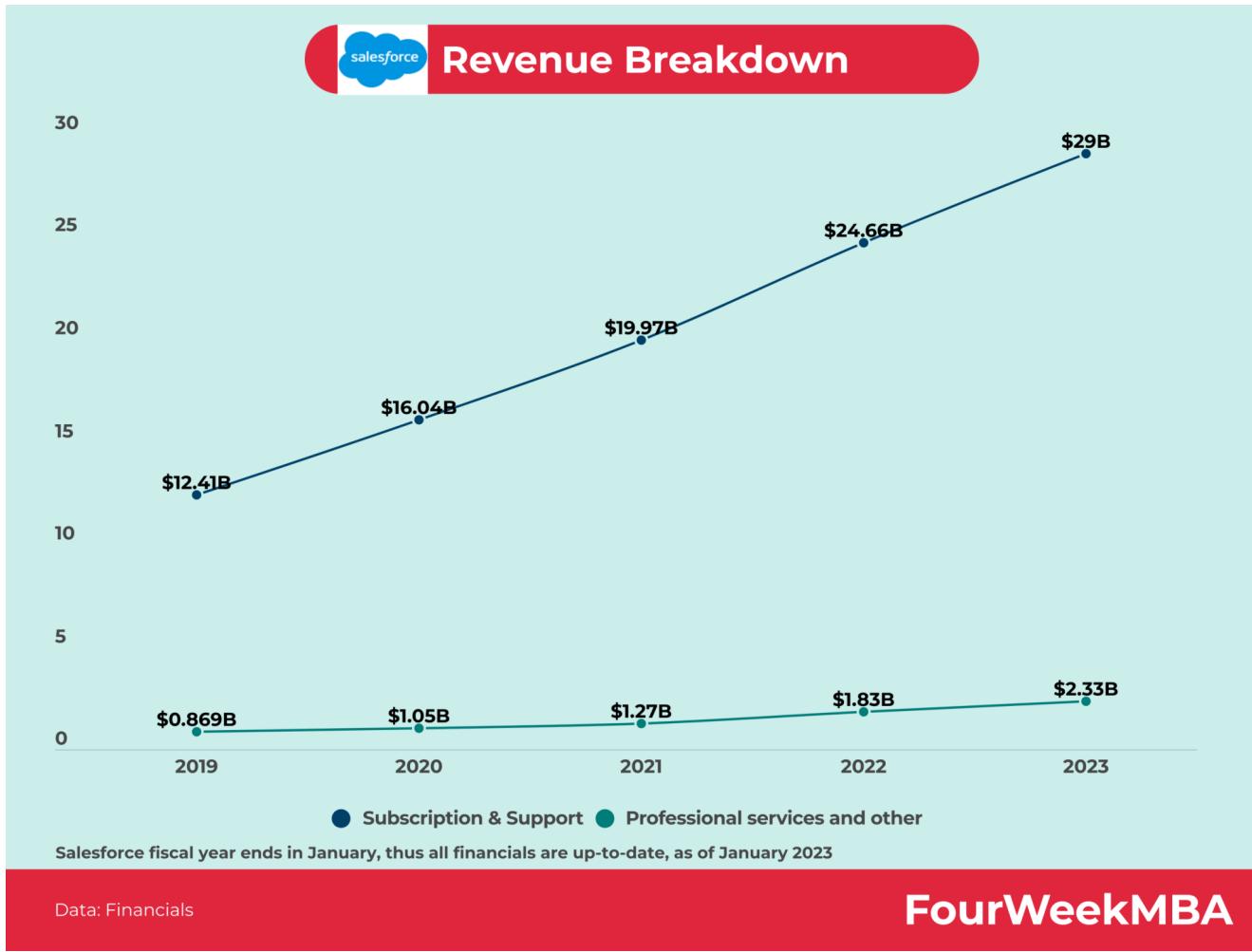
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Salesforce Revenue

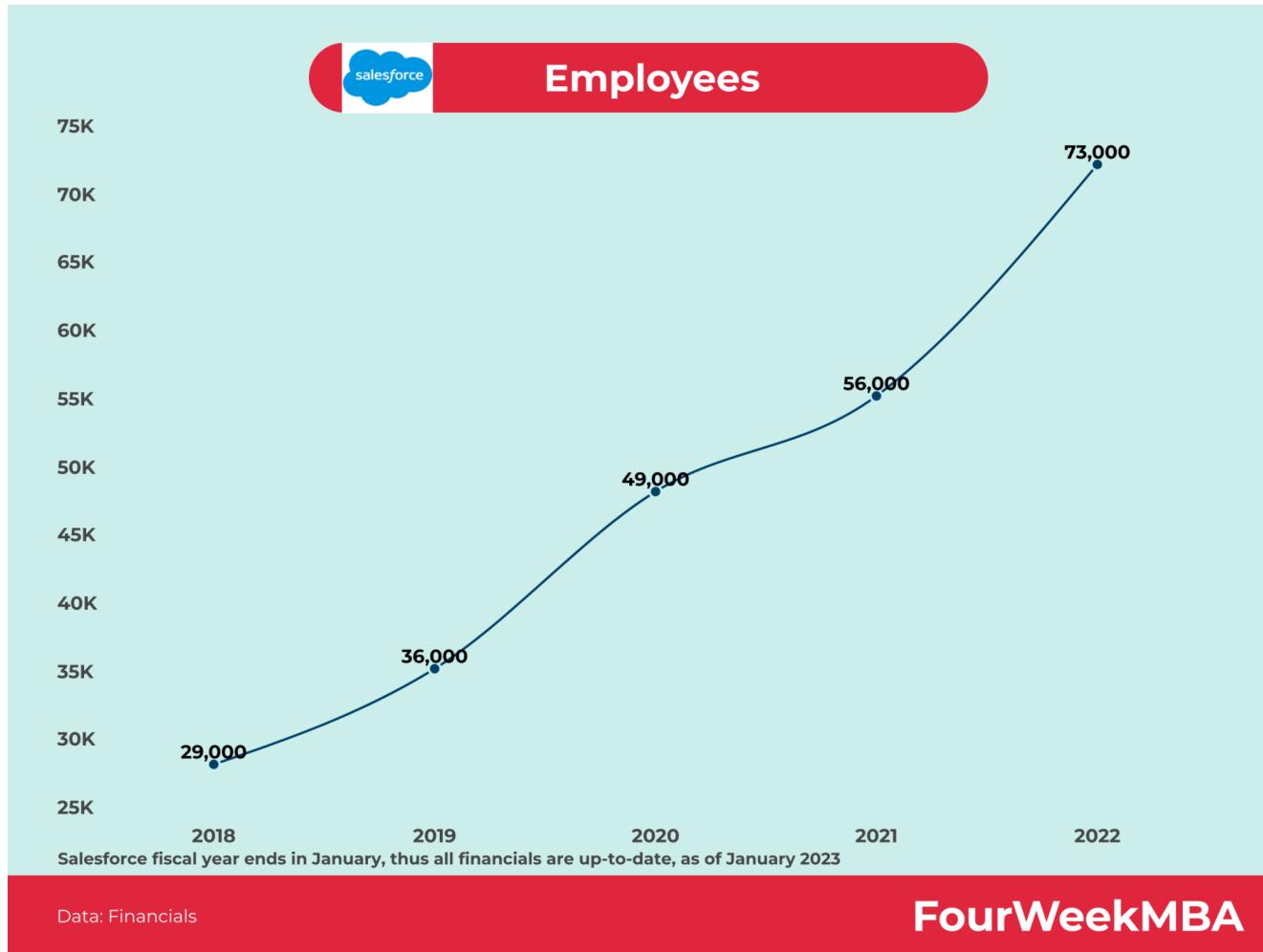


Data: Financials

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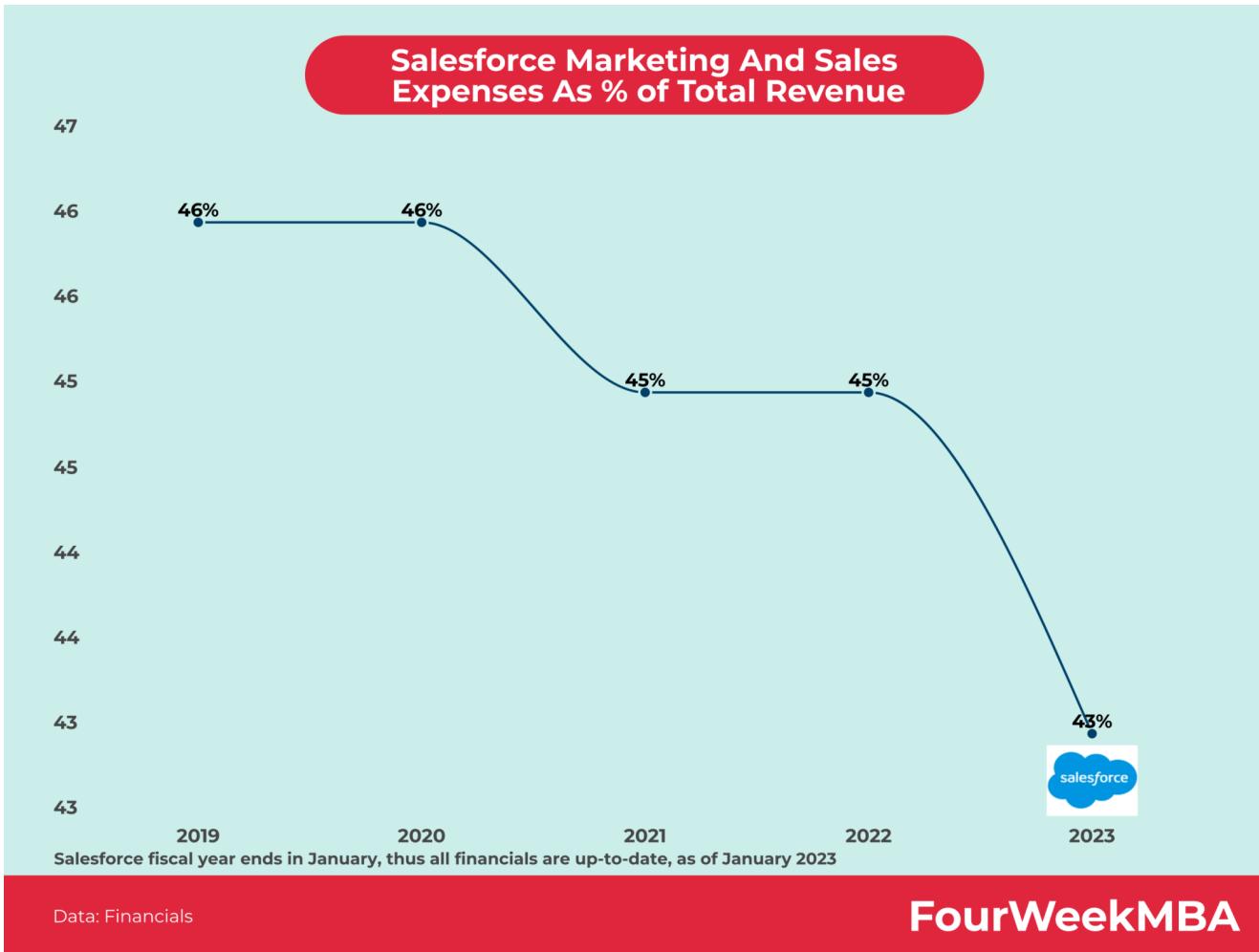
In 2023 Salesforce generated \$29 billion from subscriptions and \$2.33 in professional services, compared to \$24.66 billion in subscriptions in 2022 and \$1.83 in professional services.

Salesforce Employees



Salesforce had 73,000 employees in 2022, compared to 56,000 employees in 2021, and 49,000 employees in 2020.

Salesforce Marketing Expenses



In 2023, Salesforce spent 43% of its total revenue on [marketing](#) and sales expenses, compared to 45% in 2022, and 45% in 2021.

Salesforce Cost Structure



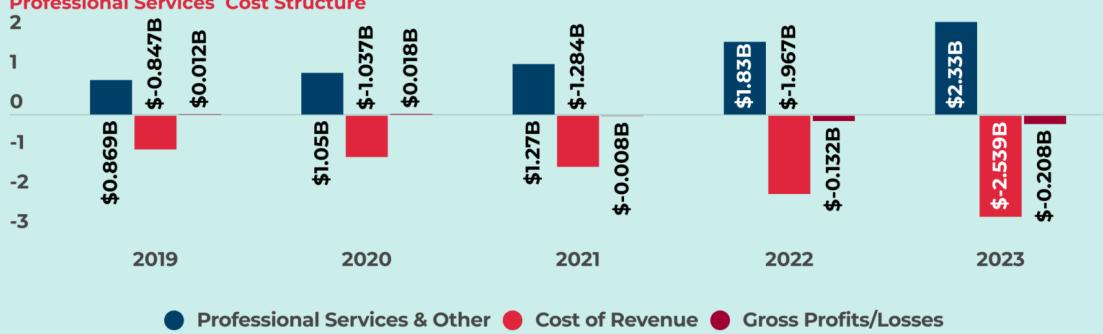
Cost Structure

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30 Subscription Cost Structure



Professional Services Cost Structure

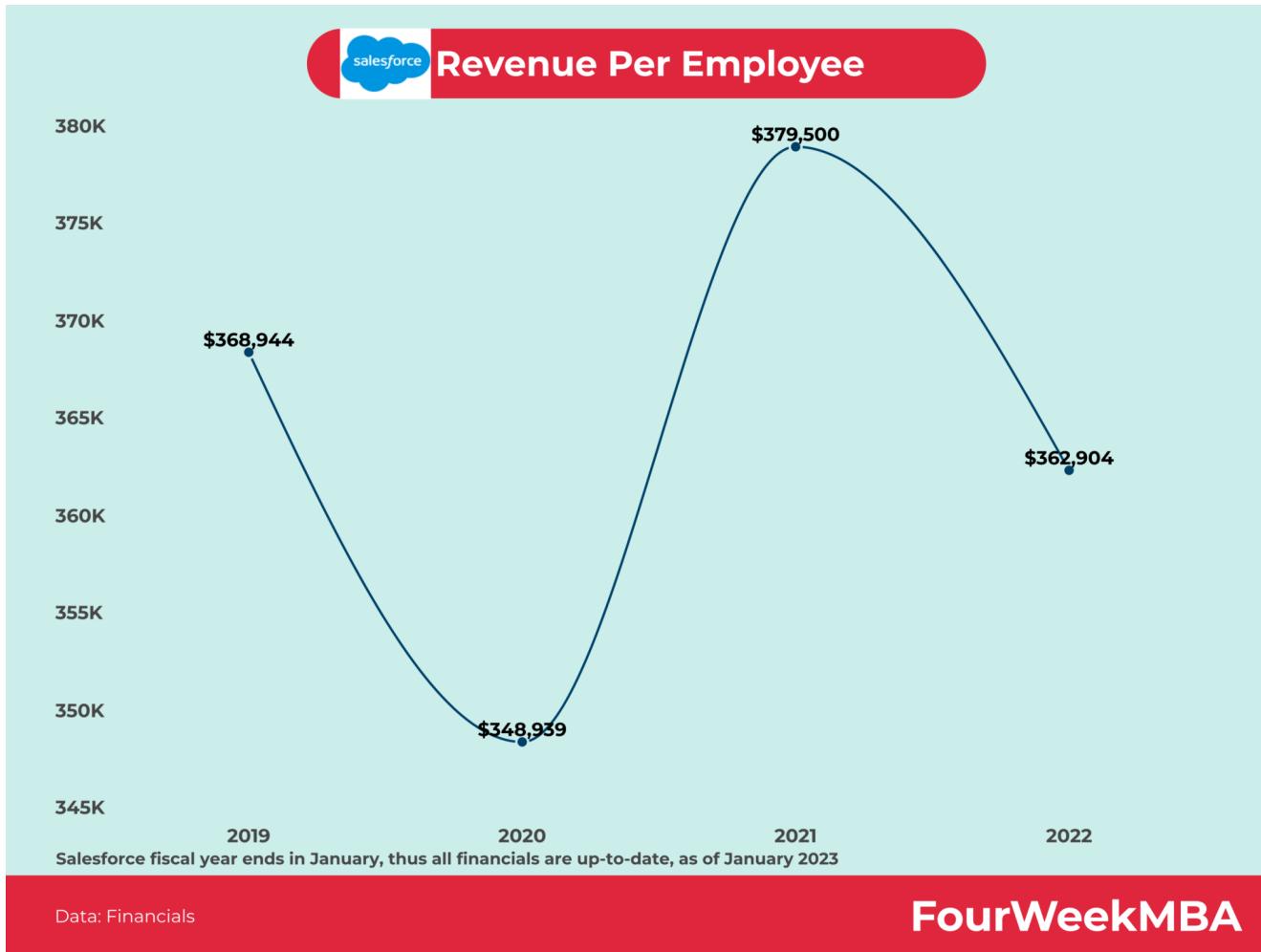


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Salesforce Revenue Per Employee

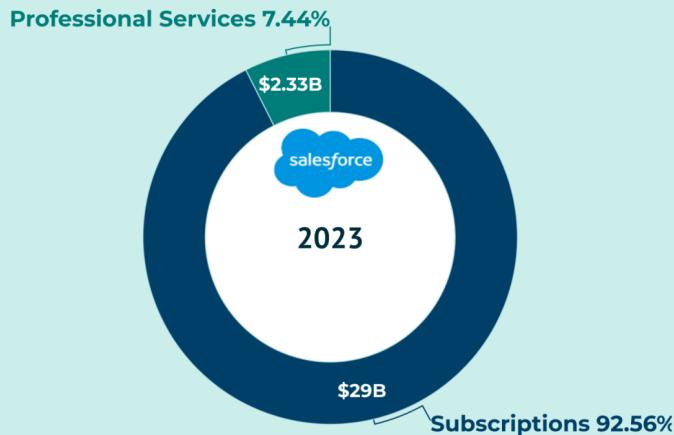


Salesforce generated \$208 million in profits in 2023, compared to \$1.44 billion in 2021, and over \$4 billion in profits in 2020.

Salesforce Competitors

Salesforce Competitors

Salesforce is a cloud-based customer relationship management (CRM) provider, allowing businesses to build meaningful and sustained relationships with their customers. With robust, customizable software that integrates with social media, Gmail, and Microsoft Outlook, the Salesforce CRM platform is rated highly among businesses of all shapes and sizes. Recent data has shown that the company has captured 19.5% of the global CRM market.



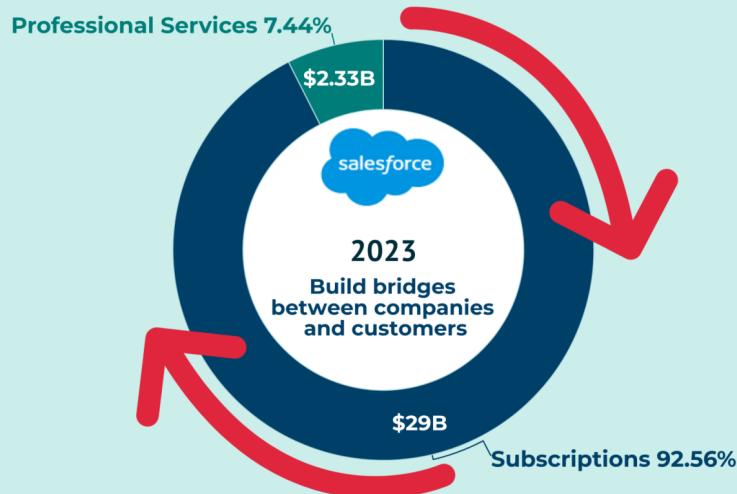
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Salesforce Mission Statement

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Salesforce's mission is to build bridges between companies and customers. Salesforce does that via a SaaS platform, which is enhanced via professional services offered on top of it.



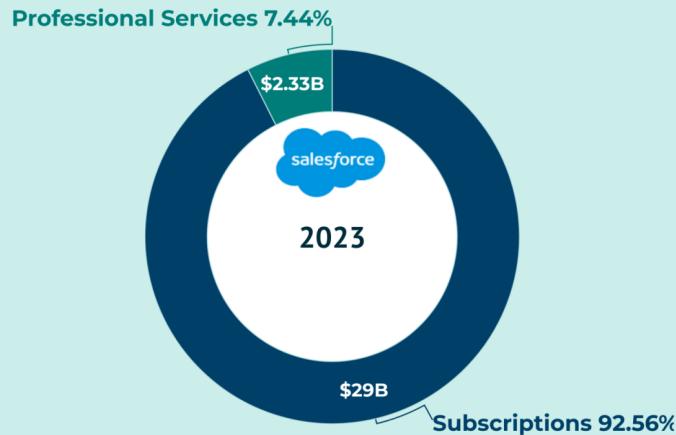
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Salesforce Acquisitions

Salesforce Acquisitions

Salesforce was founded in 1999 by Marc Benioff, Frank Dominguez, Dave Moellenhoff, and Parker Harris. In a relatively short time, the corporate powerhouse of enterprise software has made numerous acquisitions as part of its broader growth strategy to become a SaaS giant!



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More Resources

Salesforce Subscription Business Explained

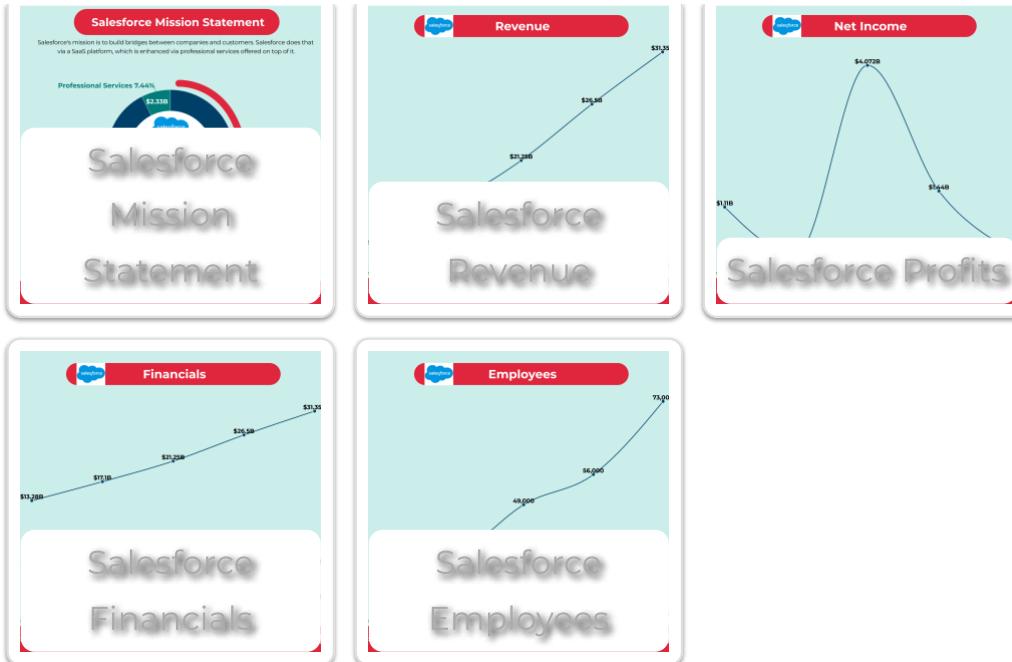
Subscription revenue cost structure is quite effective. In 2022 it's a \$29 billion in subscription revenue, the company has \$3.629 in cost of revenue (expenses related to delivering the service and providing support, including the data center capacity), thus generating a \$25.3 billion in gross profit. In 2023.

Salesforce Competitors

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Salesforce Acquisitions

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About The Author



Gennaro Cuofano

Gennaro is the creator of FourWeekMBA, which reached about four million business people, comprising C-level executives, investors, analysts, product managers, and aspiring digital entrepreneurs 2022 alone | He is also Director of Sales for a high-tech scaleup in the AI Industry | In 2012, Gennaro earned an International MBA with emphasis on Corporate Finance and Business Strategy.

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