

White Paper Addendum

The Salesforce Economy in South Africa: 5,240 Jobs, \$2.1 Billion in New Business Revenue from 2018 to 2024

Sponsored by: Salesforce

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IN THIS ADDENDUM

This White Paper Addendum forecasts the economic contribution of Salesforce and its ecosystem of partners and customers to the economy of South Africa. This document is an addendum to *The Salesforce Economic Impact: 4.2 Million New Jobs, \$1.2 Trillion of New Business Revenues from 2019 to 2024* (IDC white paper #US45537919, October 2019).¹

The forecasts shown account for the impact of the COVID-19 virus, relying on updated IDC forecasts of spending on IT and cloud software and updated country GDP forecasts.

Detailed descriptions of the derivation of the numbers are included in the Methodology section of the original study.

FINDINGS FOR SOUTH AFRICA

- Driving the economic benefits in South Africa is the growth of cloud computing, which will grow 29%, from \$370 million in 2018 to \$1.7 billion in 2024. Meanwhile, spending on noncloud software will decrease 4% over the same period.
- During this six-year period, Salesforce and its ecosystem are expected to enable the creation of 5,240 direct jobs among Salesforce customers in the country.
- Over the same period, the use of cloud computing by Salesforce customers will add a net \$2.1 billion in new business revenue to the local economy.
- Because organizations that spend on cloud computing subscriptions also spend on ancillary products and services, the Salesforce ecosystem in South Africa in 2019 was 4.8 times larger than Salesforce itself. By 2024, it will be more than 7 times as big.

CLOUD SOFTWARE: AN ENGINE FOR INNOVATION

For more than half a decade now, IDC has been forecasting the economic benefits of cloud computing under the premise that cloud computing frees up IT resources from routine tasks to be available to support business innovation.

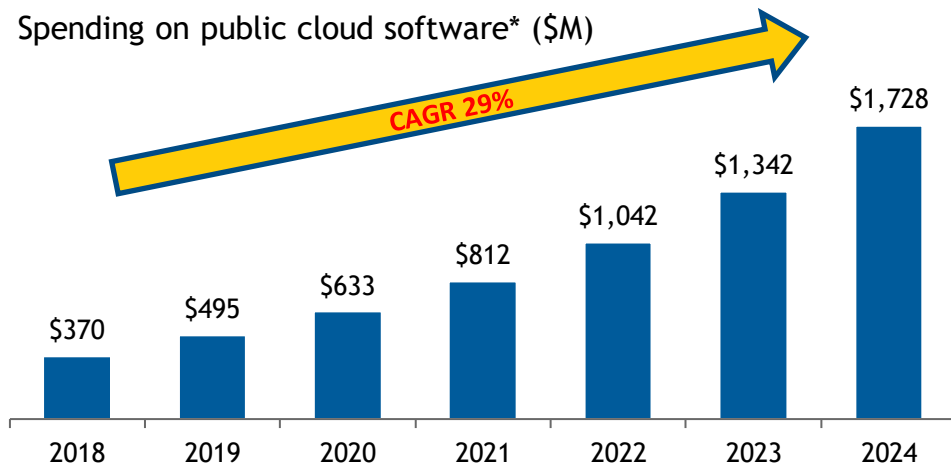
¹ https://www.salesforce.com/content/dam/web/en_us/www/documents/reports/idc-salesforce-economy-report.pdf

Hence the importance of the growth of cloud computing.

In South Africa, that growth will be substantial, as shown in Figure 1.

FIGURE 1

Growth of Cloud Software in South Africa



* Cloud software, as defined, includes software as a service (SaaS), both applications and infrastructure software, and platform as a service (PaaS), or application development software. Not included is infrastructure as a service, which is basically storage and server capacity sold as a service.

Source: IDC, 2020

Further, because cloud software in 2019 was 20% of overall software sales, the economic benefits can accrue for many years to come.

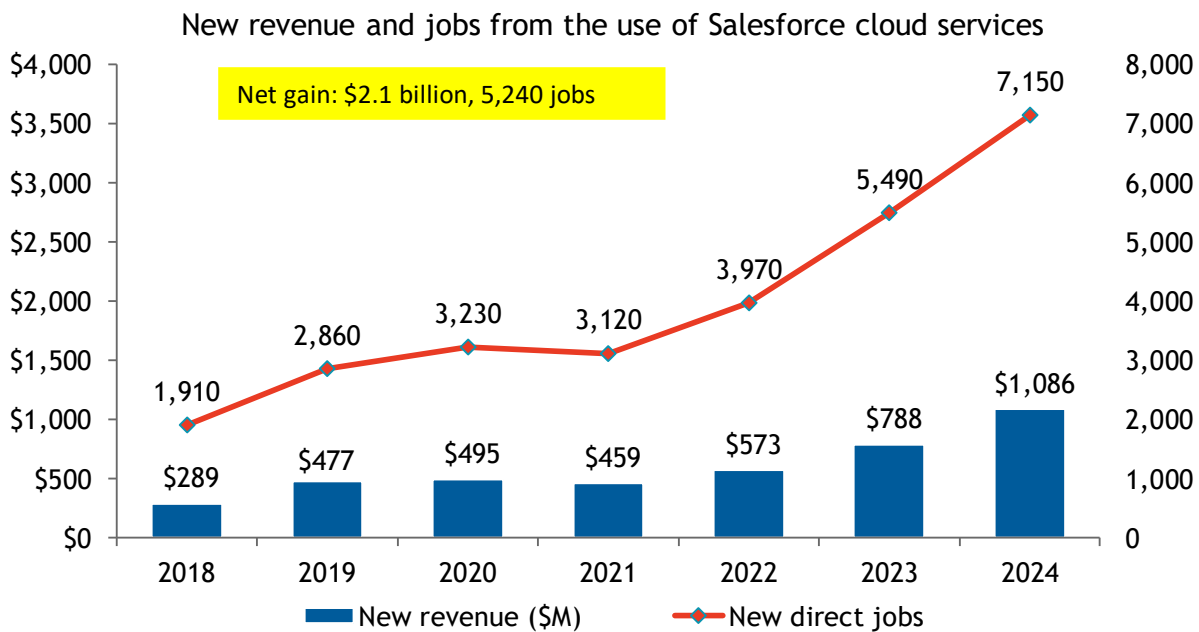
CLOUD BENEFITS FOR SALESFORCE CUSTOMERS

The business benefits generated by the innovation enabled by cloud computing manifest themselves as new revenues and new jobs. And, because Salesforce is a major supplier of cloud software, Salesforce customers will have a significant share of those benefits.

Figure 2 shows IDC's forecast of those benefits for Salesforce customers in South Africa.

FIGURE 2

The Salesforce Economy: Growth in South Africa, 2018–2024



Source: IDC, 2020

There are also, by the way, additional jobs created in the supply and distribution chains serving those Salesforce customers and from new company employees spending money in the general economy. Economists call these additional jobs *indirect* or induced jobs. IDC forecasts that the 5,240 direct jobs mentioned previously will create 6,900 of these other jobs.

THE SALESFORCE ECOSYSTEM: AN EXPANDING UNIVERSE

IDC research shows that every Salesforce cloud subscription sold is generally accompanied by other products and services provided by third parties and that ancillary spending will exceed the spending on the original subscription. Thus the Salesforce ecosystem is larger than Salesforce itself.

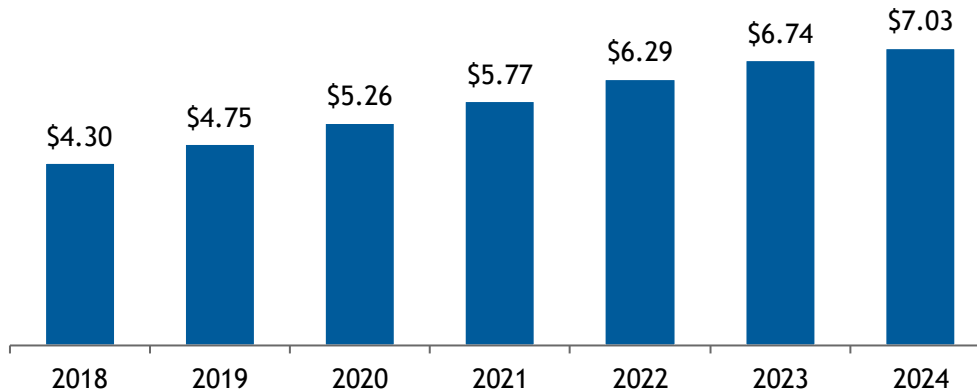
What's more, as customer implementations become more complex and mission critical, the ecosystem will also grow faster than Salesforce.

In fact, IDC estimates that for every dollar Salesforce made in South Africa in 2019, the ecosystem made \$4.75. By 2024, that figure is predicted to be \$7.03 (see Figure 3).

FIGURE 3

The Salesforce Ecosystem: Growth in South Africa, 2018–2024

Ecosystem revenue per \$1 of Salesforce revenue



Source: IDC, 2020

The products and services provided by the Salesforce ecosystem in South Africa are dominated by professional services (64%) but also include add-on cloud subscriptions (17%), as well as on-premises software, hardware, and networking (19%).

IN SUMMARY

Like the rest of the world, South Africa's enterprises are undergoing a digital transformation that started with the dot-com era and will extend years into the future. Cloud computing, growing at a much faster pace than general information technology, is a major factor in that transformation.

(In fact, according to IDC's global forecast of today's market for digital transformation-related technology, by 2024 nearly 50% of cloud software spending will be tied to digital transformation.)

At the same time, those enterprises are also reacting to the uncertainty of the new post-pandemic economic environment.

The messages in this study for organizations in South Africa using cloud software are:

- The current economic uncertainty is likely to accelerate the adoption of cloud computing – if only as a hedge against capital investment.
- The payoff to the wider organization – in business agility, shaping customer experiences, and bringing new products to new markets – is much greater than the impact on the IT organization.
- Successful implementations require concerted efforts on the part of the customer, cloud providers, and providers of ancillary services and products. Salesforce helps bring all three to the table.
- IDC's forecasts show a significant payback from investments in cloud computing out to 2024. But even by then, spending on public cloud computing in South Africa will be less than 11% of spending on total IT – meaning there is practically unlimited growth opportunity ahead.

Salesforce and its ecosystem are well positioned to help customers make the best of that growth.

Table 1 contains the details of the economic impact in South Africa.

TABLE 1

Economic Impact Details: South Africa, 2018–2024

	2018	2019	2020	2021	2022	2023	2024	Gain Since 2018
Direct jobs	1,910	2,860	3,230	3,120	3,970	5,490	7,150	5,240
Business revenue created (\$M)	289	477	495	459	573	788	1,086	2,142
Indirect/induced jobs	2,850	4,290	4,500	4,300	5,440	7,540	9,750	6,900
Ecosystem-to-Salesforce revenue ratio	4.30	4.75	5.26	5.77	6.29	6.74	7.03	

Source: IDC, 2020

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