



Sponsored by: **Salesforce**

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## Business Value Highlights

**478%**

five-year ROI

**7 month**

breakeven point

**\$242,272**

in business benefits per  
100 users per year

**50%**

faster application  
development life cycle

**59%**

less time to release new  
application or feature

**\$55,100**

of additional revenue per  
year per 100 users

**38%**

more efficient IT  
infrastructure management

**44%**

more new apps developed  
per year

# The ROI of Building Apps on Salesforce

## EXECUTIVE SUMMARY

Cloud-delivered services are accelerating the pace of change while disrupting traditional business models. Incumbents are striving to stay ahead of the curve and act before it is too late in their market. Understanding new customer expectations and managing digital disruption while maintaining the profitability of legacy revenue streams is challenging. The growth of customer connections through sensors and mobile devices is exploding along with demand for managing and analyzing large data sets to obtain a deeper understanding of their interactions. Customizable applications to accelerate the goal of enterprise digital transformation are in high demand fueled by changing business ecosystems.

IDC interviewed twelve organizations that are using Salesforce as a platform for developing and delivering business applications and services to their employees and customers. According to these Salesforce customers, they are achieving the levels of agility and scalability needed from their application development efforts to match demand from their business operations, which leads to better business outcomes and operational efficiencies. In other words, their organizations are deriving value from more timely, functional, and robust business applications. IDC projects that these organizations will realize business benefits worth an annual average of \$242,272 per 100 users over five years, which would result in a five-year return on investment (ROI) in Salesforce of 478% by:

- » **Generating more revenue** by addressing business opportunities with more tailored business applications in less time
- » **Driving higher user productivity** through earlier delivery of high-performing business applications that leverage business data
- » **Increasing the productivity of application development teams** by providing an easy-to-use, robust application development platform
- » **Optimizing the use of IT staff time and IT infrastructure** by using the cloud-based Salesforce platform-as-a-service solution

## Situation Overview

### Introduction

Systems of record are important for conducting day-to-day business with customers. Competitive differentiation increasingly requires organizations to drive decision making based on analyzing streams of data to target new interactions through mobile channels. Enterprises are empowering their business analysts as “citizen developers” to develop applications in new low/no-code environments to accelerate digital transformation and overcome the hurdle of a shortage in developer resources.

To enable digital transformation of its customers, Salesforce provides a portfolio of services to support and accelerate application development. Some services are meant for users with minimal technology experience (often in line of business) with a low/no-code approach, while others target professional developers offering complete control of application functionality and the choice of multiple languages. Data analytics can be used to understand customer interactions and trigger both desktop and mobile applications. Salesforce fully abstracts infrastructure, removing the traditional time lags and complexity of delivering these types of solutions.

### Business Challenges Today

Disruption through the use of efficient digital processes, typically brought by start-ups leveraging cloud-delivered services, is now common across all industries. The availability of inexpensive and efficient IT resources is accelerating the pace of change resulting in many CEOs making technology a cornerstone of enterprise strategy. At the same time a skills shortage is creating a backlog in solutions development to meet digital transformation goals, resulting in the urgent need for personnel and appropriate technology to meet objectives. Security for mission-critical applications in particular remains a hurdle, especially for those enterprises in regulated industries. IDC measures organizations maturity in their transformation journey from initially being resisters to becoming explorers and players and finally progressing into transformers and disrupters. Despite mounting demands, an IDC survey shows most organizations are just beginning their digital transformation journey, with 64% reporting that they are digital explorers or players versus 22% as digital transformers or disrupters.

Today, awareness of cloud solutions is widespread, and adoption has increased significantly over the past few years. Enterprises today are building centers of competency focused on leveraging cloud resources in parallel with their maintenance of existing on-premise IT resources. These centers of competency are well skilled in cloud technologies and are often building advanced

new solutions where the entire stack consists of cloud services. While initial deployments to the cloud a few years ago typically involved migrating workloads from on-premise or hosted environments, which often resulted in very significant changes to key application development metrics and clear-cut efficiencies, “born in the cloud” deployments can bring different types and scale of returns by comparison.

Depending on methods of adoption and how organizations use PaaS solutions such as the Salesforce platform, organizations will experience different types and levels of benefits. For example, “born in the cloud” organizations may be more likely to view cloud as a fundamental component of their business strategies, but organizations may lack perspective on an alternative environment with which they can compare their cloud platforms. IDC expects PaaS adoption and market size growth to outpace traditional application development approaches due to the pronounced business agility benefits cloud offers.

## The Salesforce Platform

Salesforce recognizes the need for enterprises to focus on technology and the importance of applications to drive digital transformation. Salesforce built the platform to deliver these business needs, and the platform services and components are shown in Figure 1. These cater to the needs of different types of application builders ranging from citizen to professional developers.

Salesforce offers a scalable, trusted platform that serves over 150,000 customers and processes over 4BN transactions per business day. The platform serves customers across all time zones with high performance resiliency and provides cutting-edge Virtual Private Cloud (VPC) capabilities to build hybrid apps with fine-grained network control. Specialized runtimes serve particular styles of computing: Heroku for scalable (or “elastic”) tasks; Force.com for business-data focused tasks; and Thunder for processing event-driven streams of data. Complete abstraction and automation of infrastructure lets developers focus on building apps instead of remaining mired in otherwise manual tasks like database management, workload configuration, security patches, and operating system upgrades.

FIGURE 1

# Salesforce Platform Components



Source: Salesforce, 2016

IDC's CloudView Survey shows that PaaS users tend to be from the application development organization and most choose PaaS due to high flexibility and support for multiple languages. Salesforce provides a wide range of languages along with a microservice architecture to bolster the arsenal available for developers. Salesforce provides strong support for managing the Application Lifecycle, including support for Agile Project Management, Continuous Integration / Continuous Delivery, and automated deployment using Heroku Flow and the Force.com Migration tool.

IDC's CIO prediction is that by the end of 2018, 90% of IT projects will be rooted in the principles of experimentation, speed, and quality. Salesforce helps developers build custom apps quickly with point-and-click tools that allow fast iterative development. Salesforce also provides a thriving app ecosystem, including the AppExchange (2900 apps), Lightning Component Store (50 ISVs) and Heroku Elements (190 add-ons). Here, ISVs bring certified, tested apps, tools, and components to enhance core capabilities.

IDC surveys point to security as one of the major objections to cloud adoption. Salesforce supports secure sharing of identity across users, profiles, and organizations. This security and sharing context reduces application development time and complexity. Shield provides protections including encryption-at-rest, event monitoring, field audit trail, and transaction security. Other than geographic recognition like FedRamp and TUV Rhineland, Force.com has earned certifications like ISO 27001/27018, SSAE 16/ISAE 3402 SOC-1, SOC 2/3, PCI-DSS, TRUSTe Certified Privacy Seal, and CSA STAR.

Integration with external business sources increases the business value of application portfolios. Salesforce provides multiple options for integration, including Salesforce Connect which exposes on-premises or cloud-based data through the industry-standard OData protocol, with no coding. Customers access their business data on a "by-reference" basis instead of through traditional integration techniques. AppExchange Connectors are products that can be directly added to Salesforce environments to connect to legacy data. Files Connect manages access to content stores (including SharePoint, Box, and Google Docs) and leverages federated search identity and access control. And APIs support a standard set of Web Service-based APIs, including SOAP, REST, Streaming, Bulk, and Metadata, all to reduce development effort and time.

With Salesforce services ranging from integration to Internet of Things (IoT) and mobile delivery, there is an increasing need for application development resources to be skilled in these competencies. Salesforce recognizes the need to expand the pool of developer talent and via Trailhead delivers a free self-service training platform to enable any motivated employee to develop and deliver applications. With tutorials broken up into small pieces, the time investment for training is reduced for individuals that are often already engaged in other important activities.

Salesforce is updated three times a year, helping enterprises keep on top of technology changes for transforming their business. These updates make it a platform that can constantly adapt to user needs and give enterprises a continuously increasing range of components available to meet their needs.

# The Business Value of Salesforce

## Study Demographics

IDC conducted interviews with twelve organizations in the first half of 2016 about their use of the Salesforce platform. Interviews were designed to obtain qualitative and quantitative information regarding Salesforce's impact on the effectiveness, efficiency, and timeliness of their application development efforts, as well as the impact on the staff and infrastructure cost of supporting these applications. The interviewed organizations were almost evenly divided between enterprise organizations, which mostly shifted application development efforts to Salesforce from on premise-based solutions, various tools, or other cloud-based platforms, and "born in the cloud" organizations, which have used Salesforce since beginning business operations as a foundational element of their business strategies and generally only considered cloud-based solutions such as Salesforce in choosing an application development platform.

These two main customer profiles have somewhat different operational characteristics. "Born in the cloud" organizations are generally smaller by employee count than enterprises, which is reflected in the difference between the average employee base for interviewed organizations of 7,169 and the median employee size of 101. However, both profiles of interviewed organizations are leveraging Salesforce for applications and services used by substantial numbers of external users and customers: interviewed organizations have an average of 1.3 million users and a median of 50,000 users (see Table 1).

**TABLE 1**

Demographics of Interviewed Organizations Using Salesforce			
	Average	Median	Range
Number of employees	7,169	101	10–52,000
Number of IT staff	382	11	2–2,000
Number of IT users	4,457	101	10–20,900
Number of external users	1.3 million	50,000	0–10 million
Number of business applications	248	15	3–1,000
Countries	United States and Israel		
Industries	eCommerce (food), high-tech manufacturing, financial services, IT service provider, healthcare, media/entertainment, and online/cloud-based technology service provider (legal, IP, sales, social media, health related, and financial services)		

*n* = 12

Source: IDC, 2016

Interviewed organizations are leveraging the Salesforce platform to support substantial parts of their overall application development efforts. At the time of interviews, these organizations had used the Salesforce platform to develop an average of 23 applications used by 1,667 users. Most applications developed with Salesforce were designed for internal users at these organizations, but 10 of the 12 organizations have used Salesforce to deliver customer-facing applications or Web sites on which their business prospects depend. These organizations are delivering an average of 2 new applications per year with the Salesforce platform but are also providing an average of 596 new features to existing applications per year.

In terms of services within the Salesforce platform, seven interviewed organizations reported using Heroku Enterprise and six were using the Force development platform. “Born in the cloud” customers were more likely to be using Heroku Enterprise, reflecting their primary focus on developing customer-facing Web sites and applications. In addition, most interviewed organizations reported using AppExchange, and several organizations were using Lightning (see Table 2).

**TABLE 2**

Salesforce Environments of Interviewed Organizations		
	Average	Median
Number of application developers	17	8
Number of users of Salesforce applications	1,667	40
Number of Salesforce applications	23	6
Number of new Salesforce applications per year	2	1
Number of new Salesforce application features per year	596	500

*n* = 12

Source: IDC, 2016

## Business Value Analysis

Interviewed organizations described similar drivers behind their decision to use the Salesforce platform: they either needed to make their application development efforts more scalable and agile to meet business demand while spending less time delivering and managing infrastructure, or they required a platform upon which they could build and grow their business operations. An enterprise customer commented: *“For us, it was really the speed to deliver, the lack of infrastructure, and the flexibility to develop in an interactive and agile manner that led us to Salesforce.”*

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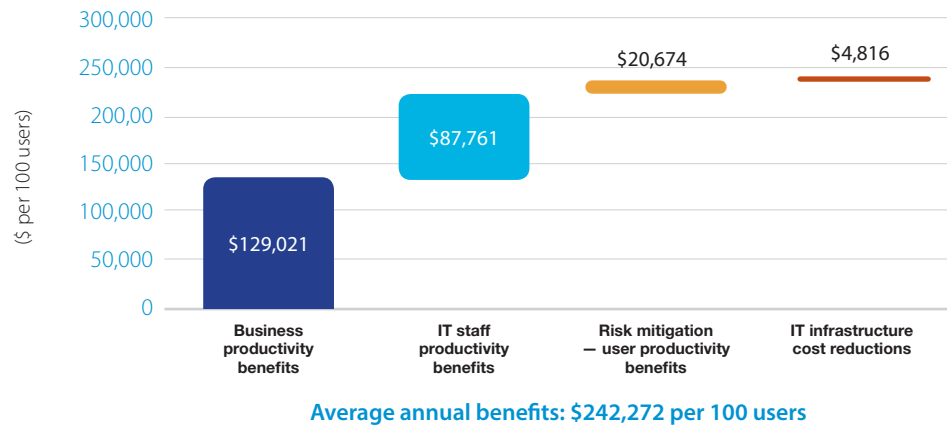
IDC's analysis of these organizations' experiences with the Salesforce platform shows that they are leveraging it to create more value for their organizations from business applications. In particular, these organizations are benefiting from making their application development efforts more flexible, efficient, and capable of matching the velocity of their business operations. As a result, IDC calculates that these organizations will realize value with the Salesforce platform worth an average of \$242,272 per 100 users (\$4.04 million per organization) in the following areas:

- » **Business productivity benefits.** Interviewed organizations are delivering timely, functional, and high-performing applications and new features to their users and customers. Consequently, they reported winning more business and making their employees more productive. IDC projects that interviewed organizations will realize benefits from increased revenue and higher user productivity worth an average of \$129,021 per 100 users (\$2.15 million per organization) per year over five years.
- » **IT staff productivity benefits.** Interviewed organizations' application development teams require much less time per new application and application feature, which increases their organizational value. Further, moving to a PaaS solution with Salesforce means that less IT staff time is needed to manage infrastructure supporting applications. IDC calculates that these organizations will achieve IT staff-related time savings and higher productivity worth an average of \$87,761 per 100 users (\$1.46 million per organization) per year over five years.
- » **Risk mitigation — user productivity benefits.** Applications developed on the Salesforce platform experience fewer unexpected outages, which limits productivity losses and potential business losses. IDC puts the value of limiting productive employee time and revenue losses due to unplanned downtime at an annual average of \$20,674 per 100 users (\$344,600 per organization) per year over five years.
- » **IT infrastructure cost reductions.** Interviewed organizations require fewer test and production servers with the cloud-based Salesforce platform, enabling them reduce costs associated with developing and delivering applications. IDC expects interviewed organizations to reduce IT infrastructure-related costs by an average of \$4,816 per 100 users (\$80,300 per organization) per year over five years (see Figure 2).



FIGURE 2

## Average Annual Benefits per 100 Users



Source: IDC, 2016

“We’ve gone from zero to marketplace with Salesforce; we went from having nothing to having an application with users very quickly without needing DevOps capabilities or anything like that.”

### Business Impact of Salesforce

Salesforce supports better business and operational outcomes for interviewed organizations by serving as a scalable and agile application development platform. Interviewed organizations reported making their application development efforts more timely and impactful and even being able to launch and maintain successful business operations based on applications and services delivered via the Salesforce platform. One born-in-the-cloud customer explained: “We’ve gone from zero to marketplace with Salesforce; we went from having nothing to having an application with users very quickly without needing DevOps capabilities or anything like that.”

### Accelerating the Application Development Process

Interviewed organizations have made their application development efforts more effective and efficient, which ultimately results in having business applications that generate more value for them. Interviewed IT managers mentioned numerous ways that the Salesforce platform makes application development more efficient, including the ease of pushing out changes and verifying data and changes, automating the application release process, the speed with which compute resources for testing can be provided, and the simplicity of coding language with the Force and Heroku platforms. Another customer mentioned being able to use the Salesforce AppExchange and the benefit of downloading an application rather than going through the development process, saying “there’s our solution right there.”

“It depends on the application, but it takes about three to four months on average to develop an application with Salesforce; if we were doing that kind of product in-house, it would be six to seven months ... If it’s a brand-new application, it would take less than a week to actually deploy on Salesforce; it might take two to three weeks with another approach for the first install.”

“Speed of iteration is a huge benefit with Salesforce, or agile development, because we are able to deliver faster and deliver new applications. You can do this with other providers, but Heroku simplifies it greatly ... it makes it really easy to update your application ... [and] simplifies the workflow for your developers to verify changes and stage them on a server.”

As a result of these efficiencies, organizations moving from other development platforms to the Salesforce platform have sped up their application development and delivery processes. Meanwhile, born-in-the-cloud organizations that are using Salesforce as a fundamental component of their operational strategies cited agile and fast development cycles as a core benefit. On average, across all interviewed organizations, application development life cycles take half as long with the Salesforce platform compared with legacy or alternative platforms, going from almost four months to two months. Further, organizations need less time to actually release applications into production, going from almost two days to less than a day on average. This means that less time is being spent moving applications into production, and new features reach users and customers faster.

Interviewed organizations confirmed the impact of Salesforce on their application development efforts:

- » An e-Retailer explained: *“It depends on the application, but it takes about three to four months on average to develop an application with Salesforce; if we were doing that kind of product in-house, it would be six to seven months ... If it’s a brand-new application, it would take less than a week to actually deploy on Salesforce; it might take two to three weeks with another approach for the first install.”*
- » A born-in-the cloud organization noted: *“Speed of iteration is a huge benefit with Salesforce, or agile development, because we are able to deliver faster and deliver new applications. You can do this with other providers, but Heroku simplifies it greatly ... it makes it really easy to update your application ... [and] simplifies the workflow for your developers to verify changes and stage them on a server.”*

As shown in Table 3, the Salesforce platform is enabling efficiencies and time savings in the application development process for all interviewed organizations, but the impact is especially significant for enterprise customers. These organizations have moved to Salesforce from a variety of development platforms and solutions but were unanimous in describing how Salesforce has enabled their application development efforts. An IT manager from a financial services company commented: “The speed with which we are able to adjust our workflow and processes is a big benefit with Salesforce, and making changes and deploying is really quick. Also, we can do this needing limited amounts of support internally, and the system is up and running 24 x 7 with little concern about infrastructure or other typical IT concerns.”

TABLE 3

Application Development KPIs: Salesforce				
	Before Salesforce	With Salesforce	Delta	Benefit (%)
<b>Weeks per application/major feature developed</b>				
All interviewed organizations	15.4	7.7	7.7	50
Interviewed enterprise organizations	20.9	8.7	12.2	59
<b>Days to release per new application or feature</b>				
All interviewed organizations	1.9	0.8	1.1	59
Interviewed enterprise organizations	3.5	1.1	2.4	69
<b>Number of new applications developed per year</b>				
All interviewed organizations	1.7	2.5	0.8	44
Interviewed enterprise organizations	2.5	4.0	1.5	60
<b>Number of application features released per year</b>				
All interviewed organizations	497	596	99	20
Interviewed enterprise organizations	207	334	127	61

*n = 12 (enterprise organizations = 7)*

*Source: IDC, 2016*

## Improving Business Outcomes

Interviewed organizations are leveraging the speed and agility with which they can support their business with new applications and features with Salesforce to achieve better business outcomes. Interviewed organizations reported that on average they are earning \$918,500 more revenue per year with the Salesforce platform by better addressing business opportunities with timely and high-quality applications and by beating competitors to the market. Several organizations attributed revenue increases of more than 10% of their total revenues to Salesforce. Most interviewed organizations either linked better business outcomes already being achieved to Salesforce or reported that they expect to see better business outcomes due to efficiencies surrounding their application development efforts.

“We’re definitely able to better leverage data with Salesforce. For example, we host all of our data on Heroku, and then we build applications on top of that and also integrate visualization tools on top of Heroku. We’re creating more value with that data — we can use it to upsell, to price more effectively, to drive more profit, and to optimize price. I’d say that’s \$1 million in revenue per year.”

“There’s big advantage with Salesforce in terms of agility and scalability. [It’s] very easy to just create a copy of our application that has the new version of the feature on it and then test it and move it into production ... If you extrapolate our growth curve, you accelerate it by two or three months ... which is a few million dollars if we’re pretty much the only one to market.”

Interviewed organizations set out the impact of the Salesforce platform on their business results (see Table 4):

- » According to an enterprise customer: “We’re definitely able to better leverage data with Salesforce. For example, we host all of our data on Heroku, and then we build applications on top of that and also integrate visualization tools on top of Heroku. We’re creating more value with that data — we can use it to upsell, to price more effectively, to drive more profit, and to optimize price. I’d say that’s \$1 million in revenue per year.”
- » A born-in-the-cloud organization commented: “There’s big advantage with Salesforce in terms of agility and scalability. [It’s] very easy to just create a copy of our application that has the new version of the feature on it and then test it and move it into production ... If you extrapolate our growth curve, you accelerate it by two or three months ... which is a few million dollars if we’re pretty much the only one to market.”

**TABLE 4**

Business Operations Impact Using Salesforce: Revenue (\$)		
	Per Organization	Per 100 Users
Additional revenue per year — better addressing business opportunities	815,400	48,900
Additional revenue per year — faster to market	103,100	6,200
Total additional revenue per year	918,500	55,100
Assumed operating margin (%)	15	15
Total operating margin impact per year	137,800	8,300

Source: IDC, 2016

### Better Supporting Internal Users

Salesforce has also helped interviewed organizations improve the productivity levels of their employees by enabling the delivery of timely, highly functional, and robust applications and features (see Table 5). In particular, their ability to push out new applications and features with the Salesforce platform in less time means that users can take advantage of new functionality to better do their jobs at an earlier time. In addition, employees benefit from having higher-

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quality and better-performing applications, with the ability to better incorporate data into business applications mentioned as a particular benefit of the Salesforce platform by a number of interviewed organizations. Further, interviewed organizations noted that the flexibility of the Salesforce platform brings the development process closer to line-of-business users and allows their input to be taken into account. The financial services organization commented: *“Line-of-business users are certainly more involved in the application development process because they now have a stronger voice that can be heard during the work. I think it’s because we can be more responsive, because we have more time with Salesforce, and because users have a kind of internal representation.”*

TABLE 5

Business Operations Impact Using Salesforce: User Productivity		
	Per Organization	Per 100 Users
<b>Faster time to delivery</b>		
Number of new applications per year	2.5	0.2
Time saved per new application (weeks)	6.4	6.4
Productivity gain from new application and impacted users (%)	14	14
Number of users impacted per year	763	46
Additional productive hours per year	44,000	2,637
<b>Improved application performance</b>		
Productivity gain from improved application performance (%)	10	10
Number of impacted users	190	11
Additional productive hours per year	16,100	965

Source: IDC, 2016

### IT Staff Productivity Benefits

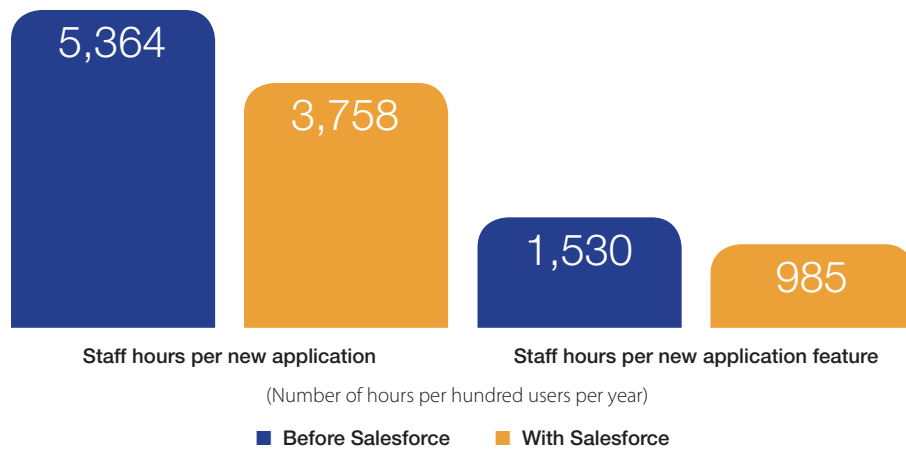
Salesforce also creates value by making core IT teams — most prominently application developers and IT infrastructure teams — more productive. Moving application development efforts to the cloud with the Salesforce platform and its capabilities saves time spent by both groups provisioning and supporting on-premise infrastructure, while the ability to develop and deliver more applications and features in less time means that application developers bring more value to their organizations.

## Application Developer Efficiencies

Application development teams benefit from the ease of use of the Salesforce platform, including efficiencies in terms of coding, provisioning infrastructure resources, and the ability to effectuate changes. Several organizations also mentioned leveraging the AppExchange community to create further efficiencies by taking advantage of the work of other organizations. As a result, interviewed organizations require less staff time devoted to development on a per application (30%) and application feature (36%) basis, meaning that each developer contributes more value to their business operations. Given the importance of developing new applications and providing more functionality to users and customers, making application developers more productive has substantial value. This means that interviewed organizations are better supporting users and business operations by delivering more applications and features in less time, while maintaining a resource-efficient application development organization (see Figure 3).

FIGURE 3

### Application Development Team Efficiencies Using Salesforce



Source: IDC, 2016

## IT Infrastructure Team Efficiencies

Interviewed organizations reported that they have reduced the amount of IT staff time required to support the deployment and management of infrastructure supporting business applications. With Salesforce, these organizations can access resources as needed for their application development efforts, and then run their applications more efficiently. One interviewed organization noted: *“Salesforce created less reliance on IT to bring applications to market — for example we didn’t have to rely on IT to set up servers.”* These IT staff efficiencies

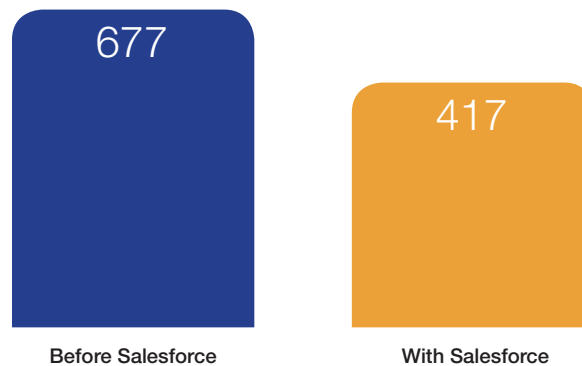
“Salesforce created less reliance on IT to bring applications to market — for example we didn’t have to rely on IT to set up servers.”

"We're a very small organization with a small development team, and we don't want to spend our time managing servers and dealing with those types of things, because it's just not worth our time, and it's not what we're good at. We want to focus our time on writing better software to use, and Salesforce enables this."

are especially impactful for born in the cloud organizations that have not developed internal expertise for deploying and managing infrastructure. One such organization commented: "We're a very small organization with a small development team, and we don't want to spend our time managing servers and dealing with those types of things, because it's just not worth our time, and it's not what we're good at. We want to focus our time on writing better software to use, and Salesforce enables this." On average, interviewed organizations reported that their IT infrastructure teams are 38% more efficient within their Salesforce environments (677 hours per 100 users per year to 417 hours per 100 users), time that they can reinvest in developing more applications and features that enable users and support better business outcomes (see Figure 4).

**FIGURE 4**

### Impact on IT Staff Managing Infrastructure Using Salesforce



(Number of hours per hundred users per year)

Source: IDC, 2016

### Risk Mitigation — Unplanned Downtime

Organizations using the Salesforce platform are benefiting from providing users and customers more reliable, robust applications. As a result, applications and features developed on Salesforce experience fewer unplanned outages and require less time to resolve. As a result, these interruptions have a less significant impact on business operations. IDC calculates that, on average, interviewed organizations are losing 54% less productive staff time due to application outages with applications developed on the Salesforce platform (see Table 6).

TABLE 6

Risk Mitigation and Unplanned Downtime Using Salesforce				
	Before Salesforce	With Salesforce	Difference	Change (%)
Number of instances per year	17	10	7	58
Mean time to repair (hours)	2.9	2.0	0.9	32
Number of productive hours lost per 100 users per year	1,092	504	588	54

Source: IDC, 2016

“Honestly, it’s much cheaper to develop on Salesforce ultimately than doing it with on-premise infrastructure.”

### Cost of Supporting Applications

Moving application development efforts to the Salesforce platform has enabled interviewed organizations to reduce infrastructure costs associated with providing business applications to users and customers. In particular, organizations reported substantially reducing the need for physical servers with Salesforce, moving from an average of six physical servers to fewer than one for their Salesforce application environments. In addition, the ease of using the Salesforce platform has allowed interviewed organizations to reduce or eliminate certain other costs related to developing applications, including tool and consulting costs. IDC calculates that interviewed organizations will reduce IT infrastructure–related costs by an average of \$4,816 per 100 users per year over five years, with savings in server infrastructure (\$1,683) and maintenance costs (\$842) and spending on power and facilities (\$676), as well as software (\$775), consulting (\$171), tools (\$625), and other SaaS costs (\$45). One enterprise customer commented: “Honestly, it’s much cheaper to develop on Salesforce ultimately than doing it with on-premise infrastructure.”

### ROI Analysis

IDC interviewed twelve organizations that have decided to use Salesforce as a platform of choice for their application development efforts. Based on results from these interviews, IDC has analyzed the benefits and costs these organizations attributed to their use of Salesforce. IDC used the following three-step method for conducting the ROI analysis:

- 1. Gathered quantitative benefit information during the interviews using a before-and-after assessment.** In this study, the benefits included higher user and IT staff productivity, higher revenue, and reduced infrastructure-related costs.



**2. Created a complete investment (five-year total cost analysis) profile based**

**on the interviews.** Investments go beyond the initial and annual costs of using Salesforce and can include additional costs related to IT staff time for deploying and managing the Salesforce platform and additional costs associated with migrating to Salesforce.

**3. Calculated the ROI and payback period.** IDC conducted a depreciated cash flow analysis of the benefits and investments for these organizations' use of the Salesforce platform over a five-year period. ROI is the ratio of the net present value (NPV) and the discounted investment. The payback period is the point at which cumulative benefits equal the initial investment.

Table 7 presents IDC's analysis of the average discounted benefits, discounted investment, and return on investment for interviewed organizations' investment in and use of Salesforce. Based on its analysis, IDC projects that these organizations will invest a discounted average of \$147,307 per 100 users (\$2.46 million per organization) in migrating to and using the Salesforce platform over five years. In return, IDC calculates that these organizations can expect to realize business benefits worth a discounted average of \$851,453 per 100 users (\$14.19 million per organization) over five years through the benefits discussed in this document. This level of investment costs and benefits would result in a five-year ROI of 478% with breakeven occurring in an average of seven months.

**TABLE 7**

Five-Year ROI Analysis		
	Per Organization	Per 100 Users
Benefit (discounted)	\$14.19 million	\$851,543
Investment (discounted)	\$2.46 million	\$147,307
Net present value (NPV)	\$11.73 million	\$704,236
Return on investment (ROI)	478%	478%
Payback period	7 months	7 months
Discount rate	12%	12%

Source: IDC, 2016

## Challenges and Opportunities

With the increasing shortage of developers, enterprises continue to struggle with finding, training, and retaining talent. The cost of hiring developers is high and getting staff up to speed on domain knowledge takes time. Salesforce Trailhead is a free offering that provides a path for current employees to gain skills and be able to deliver applications quickly. Training existing employees in development skills is highly valuable because the business process knowledge these workers already have is retained and leveraged, and this business process knowledge is essential to successful digital transformation.

Hybrid cloud is an emerging trend, and IDC predicts that more than 65% of enterprise IT organizations will commit to it by 2018. Hybrid cloud requires the capability of on-premise private clouds to be securely connected to public cloud environments as well as the ability to quickly deploy resources and applications in a secure manner. Salesforce provides Heroku Private Spaces, which is available in select regions around the world, to address private-public cloud highly-secure connectivity, as well as Salesforce Connect for secure data integration using the industry-standard OData protocol. Salesforce will have to continue to invest in these type of capabilities for them to have maximum impact.

Analytics and predictive intelligence are also key enablers of digital transformation, and enterprises are increasingly leveraging these capabilities to drive business advantage. Salesforce provides native analytics capabilities via Wave Analytics, allowing customers to dynamically explore any information to spot trends and visualize key performance indicators. Salesforce also delivers predictive intelligence capabilities in its Marketing Cloud, supporting real-time decisions at the point of interaction. Ongoing improvement by Salesforce of these capabilities will further improve return on investment of the Salesforce platform to customers going through digital transformation.

## Summary And Conclusion

Digital transformation is becoming a cornerstone of every organization's strategy for delivering new functionality at a much greater pace required to achieve business goals. Enterprises are engaging in modern app development to take advantage of abstracted cloud infrastructure enhanced by IT agility to deliver long-term benefits.

New opportunities can be quickly taken advantage of by leveraging skills that exist within an IT organization as well as the tech-savvy generation of new college hires. Return on investment varies depending on existing customer environments and skills available. Customers should choose platforms that best help deliver the next generation applications

in a timely manner. Interviews with customers for this document confirms that Salesforce provides a wide range of services essential in helping IT accelerate their digital transformation.

## Appendix

IDC's standard ROI methodology was utilized for this project. This methodology is based on gathering data from current users of Salesforce as the foundation for the model. Based on these interviews, IDC performs a three-step process to calculate the ROI and payback period:

- » Measure the savings and benefits from higher user and IT staff productivity, additional revenue, and lower costs attributable to Salesforce.
- » Ascertain the investment made in deploying and using Salesforce and the associated migration, training, and support costs.
- » Project the costs and savings over a five-year period and calculate the ROI and payback for Salesforce.

IDC bases the payback period and ROI calculations on a number of assumptions, which are summarized as follows:

- » Time values are multiplied by burdened salary (salary + 28% for benefits and overhead) to quantify efficiency and manager productivity savings.
- » Downtime values are a product of the number of hours of downtime multiplied by the number of users affected.
- » The impact of unplanned downtime is quantified in terms of impaired end-user productivity and lost revenue.
- » Lost productivity is a product of downtime multiplied by burdened salary.
- » Revenue gains are translated into net operating margin increases by applying an assumed 15% operating margin.
- » The net present value of the five-year savings is calculated by subtracting the amount that would have been realized by investing the original sum in an instrument yielding a 12% return to allow for the missed opportunity cost. This accounts for both the assumed cost of money and the assumed rate of return.

Because every hour of downtime does not equate to a lost hour of productivity or revenue generation, IDC attributes only a fraction of the result to savings. As part of our assessment,

we asked each company what fraction of downtime hours to use in calculating productivity savings and the reduction in lost revenue. IDC then taxes the revenue at that rate.

Further, because IT solutions require a deployment period, the full benefits of the solution are not available during deployment. To capture this reality, IDC prorates the benefits on a monthly basis and then subtracts the deployment time from the first-year savings.

*Note: All numbers in this document may not be exact due to rounding.*

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