



A White Paper for Software Decision- Makers

Understanding the Business Benefits of Salesforce.com's Force.com Platform-as-a-Service

*How Software Companies Can Leverage
Salesforce.com's On-Demand Platform to
Build and Deliver Their Web-Based
Solutions*

An independent analysis published on behalf of salesforce.com.



Executive Overview

Rapidly changing customer requirements and accelerating technological advancements are fueling the growth of a new generation of on-demand, Software-as-a-Service (SaaS) solutions.

Faced with intensifying competition and tightening operating budgets, a growing number of companies can no longer tolerate the escalating costs and disappointing return on investment (ROI) of legacy applications. As a result, THINKstrategies has found that an increasing proportion of organizations of all sizes are considering and adopting on-demand alternatives to traditional, on-premise software applications.

Many of these organizations who are aggressively expanding their use of on-demand application are finding that traditional, rapid application development (RAD) and legacy architectures, such as .Net, are not well-suited to supporting their on-demand application needs. THINKstrategies continues to hear from customers that are frustrated with applications written in various RAD tools, such as Powerbuilder, older versions of Visual Basic and other tools that may have poor documentation or are no longer fully supported. In other cases, companies have had to deal with the inefficiencies of having different applications residing on separate servers.

These organizations are now seeking to standardize on an on-demand platform that can more easily and cost-effectively meet their business needs. They are also interested in thinking about the future and selecting the right development and delivery platform to support their future requirements.

This white paper will examine these trends and show how salesforce.com's new *Force.com Platform-as-a-Service (PaaS)* model can help aspiring organizations accelerate their application development efforts, reduce their time to market and open new opportunities to enhance their on-demand solutions.

The Key Drivers of Today's On-Demand and PaaS Solutions

A combination of macro-trends is fueling a fundamental shift in the software industry from on-premise to on-demand solutions.

The first macro-trend is globalization, which is opening new geographic markets for growth and lower-cost resources. More geographically dispersed businesses need new forms of communications to create and cultivate profitable customer and partner relationships across international boundaries. They must also contend with escalating competition from these emerging markets.

Not only are companies expanding geographically, but they are increasingly dependent on a highly dispersed workforce. This trend is forcing companies to adopt new methods to communicate and coordinate their remote and mobile workers. This means giving these workers new ways to access, share and act on information in order to perform their jobs and better serve their customers.

Many of these business users have become very comfortable using on-demand solutions in their personal lives using Amazon.com, Apple iTunes, YouTube and a myriad of other web-based email, storage, security, gaming and other online services. These consumer services have set a new standard for the type of user experiences that corporate end-users and executives now expect in their

companies. Traditional, on-premise, packaged software products were not designed to satisfy the on-demand, multi-user, remote access and anytime accessibility requirements of today's workplace. On the contrary, they were designed to create an inflexible, monolithic application that required cumbersome operating procedures.

Legacy applications also required a significant upfront capital investment, expensive consulting services, long deployment cycles and ongoing maintenance costs just to keep the applications up and running. Despite these investments, various research studies have found nearly a third (31.1%) of software projects have been cancelled before they are completed. And, of those software deployment projects that have been completed, over half (52.7%) have taken twice as long or cost twice as much as originally expected.

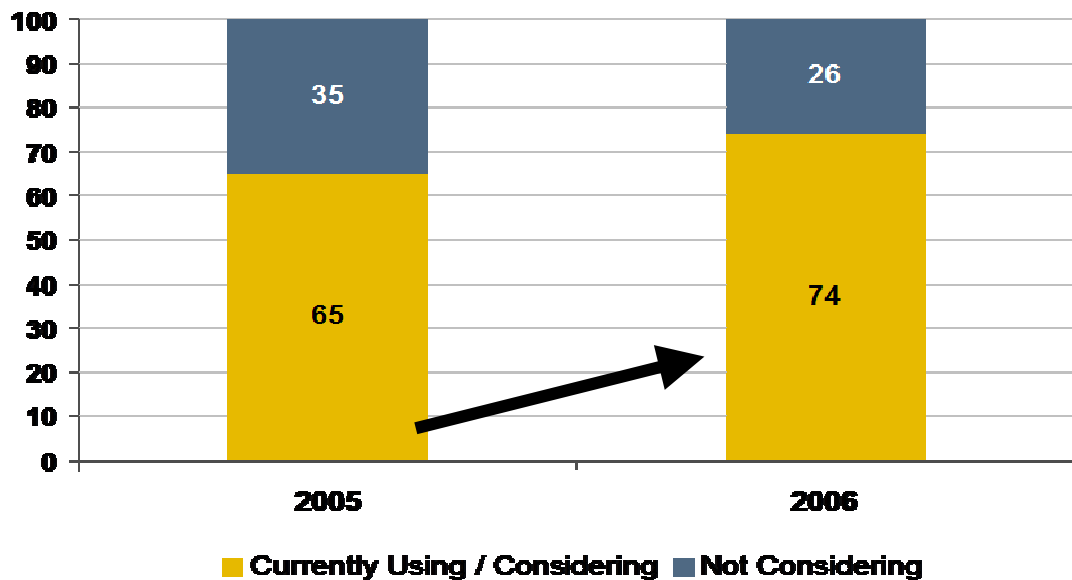
According to AMR Research, most organizations do not use all of their licensed 'seats' because they either had to over-provision their software or their end-users were dissatisfied with the applications. Nonetheless, they must still pay high maintenance fees and support costs for these under-utilized applications.

The bottom-line is that many companies are generating far less return on investment (ROI) from their legacy applications and find that the total cost of ownership (TCO) of these packaged products is far higher than they expected.

These ongoing issues are driving companies of all sizes to investigate and adopt on-demand alternatives. THINKstrategies, in conjunction with Cutter Consortium, has surveyed IT and business decision-makers worldwide and found the proportion of organizations that have adopted or are considering SaaS solutions has jumped from 65% in 2005 to 74% in 2006. (Figure 1)

Figure 1

Percent of Companies Using or Considering SaaS



Source: THINKstrategies/Cutter Consortium 2005 and 2006.

THINKstrategies and Cutter Consortium's surveys also found that over 80% of SaaS users are satisfied with their on-demand solutions, plan to expand their use of SaaS and would encourage their peers to consider SaaS solutions.

There are few legacy software vendors who can boast this level of customer satisfaction and referral rates.

The success of these SaaS deployments has convinced Gartner to predict that 25% of software sales will be via an on-demand model by 2010. IDC expects the SaaS market will grow at a 21% compound annual growth rate (CAGR) over the next two years and reach \$10.7B worldwide in 2009. On the other hand, Forrester Research believes traditional, on-premise enterprise application revenues will only grow 4% per year through 2008.

Now that individual SaaS solutions are gaining acceptance, what else is necessary? Historically, once an application has achieved success – such as Microsoft Word, which led to macro languages and ultimately to Visual Basic for Applications, for instance – the software vendor and user/developer community sought to extend the value of the application by transforming it into a platform. Because of the embryonic nature of SaaS, the market has been awaiting a similar set of platforms. The next section of this white paper will examine how salesforce.com's new Force.com intends to fill this void and satisfy users/developers' on-demand platform needs.

Salesforce.com's Force.com Platform-as-a-Service Solution

Salesforce.com's Force.com PaaS leverages the experience and expertise that has made the company's development and integration toolkit and third-party software clearinghouse a tremendous success. Since its inception in 2005, over 60,000 developers have added over 200,000 applications and custom objects to the AppExchange, resulting in over 40,000 customer downloads.

The scale of the AppExchange's success has also proven that salesforce.com's Apex source code, reliance on generally accepted application program interfaces (APIs) and web services, and service delivery platform are not only easy to use, but also scalable and secure. Although it is still in its infancy, the initial success of salesforce.com's platform has made it a viable alternative to established player's such as Microsoft's .Net.

By leveraging salesforce.com's proven, web-based SaaS development platform, the AppExchange has helped ISVs and developers more quickly and cost-effectively build on-demand applications that can easily integrate with one another. Without the AppExchange and salesforce.com's platform, these ISVs would have had to make significant investments in additional hardware, software development tools and staff to ensure that their on-demand applications were compatible with other on-demand, and on-premise applications at both the user interface and data integration levels.

The inefficiencies of the do-it-yourself (DIY) approach add unnecessary costs and complexities to the development process, and extend the time-to-market cycles. These added costs and delays could put an ISV at a competitive disadvantage in the rapidly changing market.

At the heart of salesforce.com's success has been its multi-tenant model. This software architecture approach is ideally suited for the on-demand market and supporting a multivendor integration and distribution environment.

Building on the success of Salesforce.com's AppExchange and Apex code, the company is now offering the Force.com Platform-as-a-Service as a new way for ISVs to create and deploy their on-demand applications.

For example:

- Force.com enables ISVs to build their applications more quickly by allowing them to focus on the features and functions, rather than worrying about the fundamental architecture and infrastructure the applications run on. This gives ISVs and developers a faster path to transform their application ideas into reality and get to market more quickly.
- Force.com provides an ISV or developer all the necessary ingredients to build and deliver scalable and secure on-demand business applications. The platform gives them the flexibility to serve some workgroups or large-scale enterprises, without the complexity and cost of software. It leverages a vast database of multi-tenant objects and applications, the Apex on-demand programming language and the proven salesforce.com user interface framework.
- Force.com also supports an ISV's service delivery requirements based on the track record of success of salesforce.com, which handles billions of requests each month, and often more than 100 million on any given day. It also includes salesforce.com's public reporting site, trust.salesforce.com, which provides real-time data regarding the status and performance of its service infrastructure.
- Force.com's database stores and manages the ISV's relational data models and schema for multiple use cases or business functions, with a rich set of data types including special types like URLs, email address, numbers and Excel-style formula language. The database makes it easy to design on-demand applications for common business scenarios. The multi-tenant database enables ISVs to leverage these on-demand resources without having to worry about backup, performance tuning, indexing or other database administration functions.
- Force.com leverages salesforce.com's Apex code. As part of the PaaS multi-tenant system, each instance of a program is housed separately in its own virtual machine. This unique architecture partitions each piece of code for security purposes and to ensure that individual elements can't adversely impact the overall platform.
- Force.com also includes an intuitive, page-based model user interface, called **Visualforce** that provides a framework for building and deploying user-friendly on-demand applications. The easy-to-use interface includes a standard Force.com schema, built on standard HTML and Web presentation technologies, and allows the ISV to design a unique style and set of interactions specific to business application needs. Visualforce also includes

a component library for implementing common user interface elements and a controller model for creating new interactions between those elements.

- Force.com's workflow engine enables an ISV to coordinate and manage common development workflow processes, such as task creation, record assignment, time-based actions and event-based system integration. The engine handles these processes as easy to assemble and re-usable components, in combination with record queues, formula expressions and the Apex code.
- Force.com has also been designed to address the unique needs of the mobile worker by including a write-once-run-anywhere approach. And, the AppExchange directory enables ISVs to access and share a rapidly growing repository of on-demand development components.

These features mitigate the risk of building an application that is not appropriate to meet an organization's on-demand business needs. The growing population of on-demand software developers leveraging the AppExchange and Apex also increases the value associated with an on-demand application built on the Force.com platform. It also allows developers and ISVs to leverage input from the AppExchange community to accelerate their deployments and continuously enhance their on-demand applications.

Why Today's Business Needs Require a True On-Demand Platform

A series of macro-trends is fundamentally changing the way businesses must operate. Globalization is changing the competitive landscape, and mobility is changing the way workers do their jobs.

An explosion of consumer-oriented, on-demand services, led by Amazon.com and Apple's iTunes, has taught people how easy it can be to access and share information or the goods and services they want.

These experiences, combined with the escalating competitive climate and challenges of managing an increasingly dispersed workforce, are forcing businesses of all sizes to re-think how they acquire and utilize software applications.

Unwilling to continue to tolerate the operating inefficiencies and ongoing costs of traditional on-premise software products, a growing number of businesses are now adopting on-demand solutions to meet their business needs.

This has opened the door to an exciting new era of opportunity for organizations to leverage and build their own on-demand applications and a Pandora's box of challenges for organizations trying to develop and deliver SaaS solutions in a cost-effective fashion.

In addition to designing a unique on-demand solution, they must build and deliver it in a scalable and secure fashion. For ISVs, this must be done without the benefit of the upfront revenues of a traditional, perpetual license model. Instead, the pay-as-you-go subscription pricing approach inherent in SaaS places significant financial constraints on aspiring SaaS vendors. Yet, they must still get to market quickly and scale their operations in order to keep pace with escalating competition and customer demands in the SaaS market.

Rather than withstand the burdens of a DIY approach, organizations now have the opportunity to leverage the proven platform developed by salesforce.com over the past decade. The company has made its platform available for developers and ISVs seeking to build and deliver reliable and secure on-demand business applications.

Salesforce.com's Force.com platform has been built on the success of its AppExchange community of third-party on-demand applications and components, and growing acceptance of its Apex code.

Force.com allows ISVs and developers to leverage salesforce.com's market-proven service delivery, database, code, workflow, user interface, mobile and directory capabilities to accelerate their on-demand application development and go-to-market cycles.

Force.com also enables the SaaS companies to take advantage of salesforce.com's vast community of Apex developers, AppExchange partners and business customers.

Unlike the development tools and architectures of the past, Force.com has evolved from the on-demand best practices of today.

This independent analysis was sponsored by salesforce.com.

About Salesforce.com

Salesforce.com is the market and technology leader in on-demand business services. The company's Salesforce suite of on-demand applications enables customers to manage and share all of their sales, support, marketing and partner information on-demand. Force.com, salesforce.com's on-demand platform, allows customers and partners to build powerful new applications quickly and easily, customize and integrate the Salesforce suite to meet their unique business needs, and distribute and sell on-demand apps at <http://www.appexchange.com>. Customers can also take advantage of Successforce, salesforce.com's world-class training, support, consulting and best practices offerings. For more information please visit www.salesforce.com, or call 1-800-NOSOFTWARE.

About THINKstrategies, Inc.

THINKstrategies is a strategic consulting services company formed specifically to address the unprecedented business challenges facing IT managers, solutions providers, and investors today as the technology industry shifts toward a services orientation. The company's mission is to help our clients re-THINK their corporate strategies, and refocus their limited resources to achieve their business objectives. For more information regarding our unique services, visit www.thinkstrategies.com, or contact us at info@thinkstrategies.com.