



A Whitepaper for Corporate Decision-Makers

On-Demand Solutions Can Transform The Way Work Gets Done

*How Businesses Can Capitalize On
Integrated Web-Based Applications To
Achieve Their Corporate Objectives*

An Independent Analysis Published on Behalf of salesforce.com.

salesforce.com
Success On Demand.™

Executive Overview

The world of work is fundamentally changing.

Globalization and eCommerce are changing the competitive landscape. Mobility and technology are changing the nature of the workplace. And, a new generation of employees is changing the concept of workgroups. Customer loyalty is a thing of the past; as is the traditional, centralized office.

And, with recessionary pressures escalating, businesses of all sizes must find new ways of satisfying their customers, supporting their employees and competing in the market while reducing their operating costs.

While technology and applications were supposed to help businesses address these challenges, in most cases they only compounded the problems because of their exorbitant costs and complexities.

The inefficiencies of traditional, on-premise software can no longer be tolerated in today's intense competitive environment. This has driven a growing number of companies of all sizes to turn to a new generation of web-based, on-demand solutions that offer greater functionality specifically designed to address the needs of the new workplace and workforce.

This whitepaper will examine these trends, and will show how salesforce.com and Google are collaborating to transform the way work gets done.

Why should IT and business decision-makers be interested?

- *Escalating competition, intensifying economic pressures and rising customer expectations demand greater worker productivity and effectiveness.*
- *Deployment, training and technical support represent a significant cost of On-Premise office productivity applications.*
- *A significant percentage of On-Premise office productivity applications, especially Microsoft Office, are not utilized.*
- *Managing On-Premise office productivity applications is hampered by continuously reacting to bugs, hot-fixes, service packs, and other business continuity issues.*
- *Content from On-Premise applications is difficult to manage, back up, access, integrate and search.*
- *The web-based interface and availability of On-Demand solutions via the Internet makes them easier to deploy and use as more effective collaboration tools.*
- *Content in On-Demand productivity applications can be easily organized, shared and leveraged to meet the organization's business objectives.*
- *Integrating multiple On-Demand applications is easy with Application Program Interfaces (APIs) and Web Services, and building new applications is faster on proven On-Demand platforms.*

The Key Drivers of Today's On-Demand Software Revolution

A confluence of macro-trends is fueling the movement of software from on-premise products to on-demand solutions.

Globalization is opening new geographic markets for growth and providing access to lower cost resources. But, it is also creating more geographically dispersed businesses that need new forms of communications to win profitable customer and partner relationships across international boundaries. Businesses of all sizes must also contend with escalating competition from these emerging markets as the barriers to entry disappear.

Not only are companies expanding geographically, but they are also leveraging the web as a channel to market. Once again, while eCommerce can open vast new market opportunities for businesses of any size, the Internet has also had a tremendous leveling affect on many industries and helped to commoditize many markets.

As a consequence of these trends, customer loyalty has become more tenuous. Therefore, winning and retaining customers requires more effort. Yet, exerting more resources to capture greater customer loyalty is a growing challenge in a period of escalating recessionary concerns.

Companies not have to contend with greater competitive challenges and escalating customer expectations, they must find new ways to manage an increasingly dispersed workforce. They must adopt new methods to coordinate their remote and mobile workers, giving them new ways to access, share and act on information in order to perform their jobs and better serve their customers.

Many of today's employees, and a far greater proportion of the next generation of workers, are developing a new set of expectations about how business applications should satisfy their business needs based on their consumer experiences with on-demand services in personal lives such as Amazon.com, Apple iTunes and YouTube. These consumer services have set a new standard for how corporate end-users and executives expect business applications should be designed to meet their business needs.

Legacy on-premise, packaged software applications were not designed to satisfy the requirements of today's workplace. Instead, they were designed to sit behind a firewall where it would be extremely difficult for end-users to access them. 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, the Standish Group has found ***nearly a third (31.1%) of software projects have been cancelled before they are completed.*** And, of those software deployment projects which have been completed, ***over half (52.7%) have taken twice as long or cost twice as much as originally expected.***

AMR Research has also found that 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.

THINKstrategies recently teamed with TriActive, Inc., a pioneer in SaaS solutions for systems management, to conduct a study found that **many companies can save 50% or more on their Microsoft Office software licensing costs by better matching their purchases to actual usage levels.** The study included data collected from over 125,000 endpoints across 460 companies which revealed in many cases those Microsoft Office installations are underutilized or not used at all.

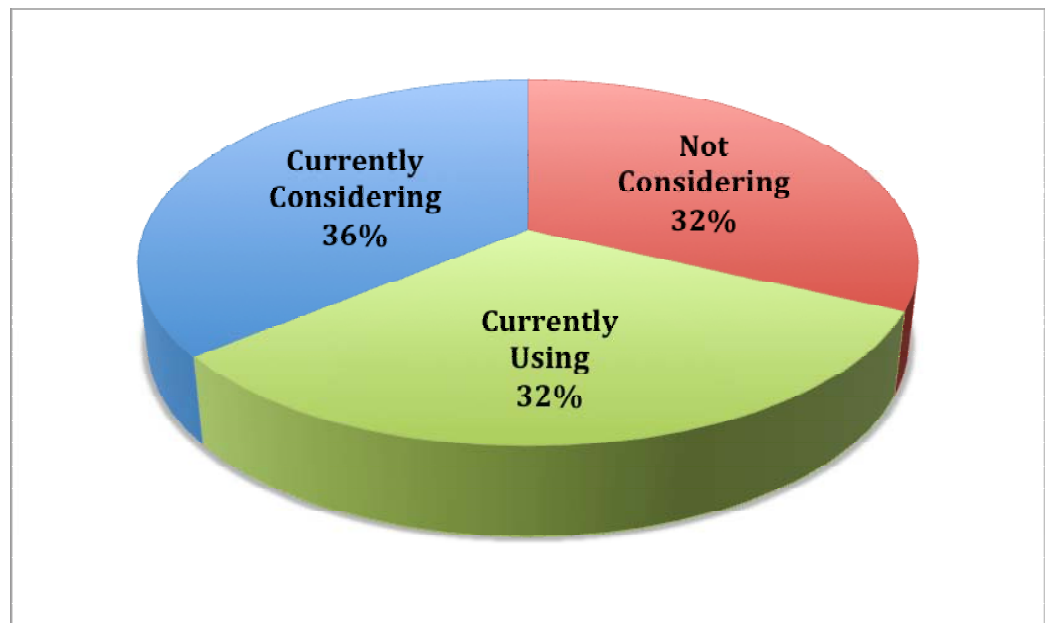
Gartner recently suggested that the fundamental flaws in the legacy application model even extend to the Windows operating system which Gartner believes is losing support among mainstream corporate customers. These same customers are increasingly refusing to accept the escalating costs of simple software maintenance agreements. Instead, they are willing to risk software failures which could result in disruptions to their business operations rather than continue to pay exorbitant fees.

In today's intensifying competitive environment and declining economic climate businesses must generate a greater return on investment (ROI) from their software applications and reduce the total cost of ownership (TCO) of maintaining them.

The new generation of employees entering the workforce have not only been raised on consumer services, such as iTunes and YouTube, but also live on social networking sites like FaceBook and MySpace. These experiences are shaping their expectations about how they leverage technology and interact with their peers.

These trends are driving companies to turn to on-demand alternatives. THINKstrategies, in conjunction with Cutter Consortium, was the find broad-based interest and adoption of Software-as-a-Service (SaaS) solutions. In 2007, our survey found nearly approximately a third of respondents are using SaaS. (Figure 1)

Figure 1
Percent of Companies Using or Considering SaaS



Source: THINKstrategies/Cutter Consortium 2007.

Equally important, **80% of those who said they are considering SaaS plan to adopt a SaaS solution in 2008!**

Not only are businesses adopting SaaS at a greater rate than the major market research firms recognize, but THINKstrategies and Cutter Consortium's surveys also found that **over 90% 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.** These are figures that no legacy software vendors can match.

Now that individual SaaS solutions are gaining acceptance, corporate decision-makers are seeking strategic SaaS relationships with vendors who can deliver a broad portfolio of solutions build on a powerful enablement platform and supported by a healthy ecosystem of strategic partners.

Integrating Salesforce.com's CRM and Google Apps Transforms Work

Salesforce.com has played a major role in defining the business value of SaaS and has been a pioneer in redefining the nature of enterprise applications. Google has done the same for web-based search and productivity applications.

Salesforce.com and Google recently announced that they are expanding their strategic alliance to make it easy for companies of all sizes to run their businesses *'in the cloud'* by combining the power of web-based enterprise applications with the ease of use of comparable productivity applications.

Salesforce for Google Apps™ combines the Google Apps™ suite of productivity applications and the salesforce.com' suite of Customer Relationship Management (CRM) applications to enable businesses to more effectively communicate and collaborate without the costs and hassles of additional hardware or software, as well as staff to keep them up and running.

Salesforce for Google Apps gives corporate workers easy access to the essential business productivity applications which are an integral part of their everyday lives--email, calendaring, word-processing, spreadsheets, presentations, and increasingly instant messaging.

By integrating Google Apps' simple and easy to use productivity tools into Salesforce.com's CRM solutions, businesspeople can now communicate with customers, collaborate with partners, and work together more effectively in real time via the Web at anytime, from anywhere.

Salesforce for Google Apps includes:

- *Salesforce and Gmail™* - Workers can now easily send, receive and store and record email to better manage communication.
- *Salesforce and Google Docs™* - Workers can now generate, share and manage documents, spreadsheets and presentations online..
- *Salesforce and Google Talk™* - Workers can now communicate with colleagues or customers instantly, and store these conversations in Salesforce.com CRM solution.

- *Salesforce and Google Calendar™* - Workers can now more easily coordinate their schedules by sharing online calendars based on a partner extension built by Appirio.

The calendaring feature is an example of one of the additional benefits of Salesforce for Google Apps. This integrated offering also leverages Salesforce.com's Force.com Platform and Google's open APIs, creating opportunities for developers and partners to add their own application capabilities to the Salesforce for Google Apps portfolio.

This means Salesforce for Google Apps can take advantage of a vast reservoir of third-party applications and tools which have already been built to integrate with Salesforce.com and Google Apps, as well as a growing population of developers and partners who are joining their respective 'ecosystems'.

The Business Value of Ecosystems and Platforms

Both Salesforce.com and Google recognized long ago that their web-based solutions were only as good as the quality of their third-party relationships and breadth of complementary solutions that can easily added to their own capabilities.

In 2005, Salesforce.com launched the AppExchange development and integration toolkit and third-party clearinghouse to encourage software developers to build solutions which can enhance and extend the functionality of Salesforce.com's CRM and SFA capabilities. Today, there are over 800 applications on the AppExchange, which have generated tens of thousands of customer downloads and hundreds of thousands of test drives.

Each of these applications, and many more custom objects, can be easily added to the Salesforce CRM and SFA applications without the typical deployment, integration and support issues associated with traditional, on-premise software.

In addition, Salesforce for Google Apps users can also leverage the Google Solutions Marketplace of third-party solutions that integrate and extend the functionality of Google's communication, collaboration and search products.

The vast assortment of third-party applications certified to interoperate with Salesforce for Google Apps gives corporate decision-makers added confidence that Salesforce.com and Google represent strong strategic sources for very powerful on-demand business applications.

Both companies have also built on the success of their third-party ecosystems to offer application development 'platforms' which give software developers, including those within businesses, the tools they need to create and host new applications within Salesforce.com and Google's computing environments.

Salesforce.com's *Force.com* platform-as-a-service (PaaS) leverages the company's Apex source code, APIs and web services, and service delivery infrastructure to permit developers to quickly and cost-effectively build on-demand applications that can easily integrate with one another.

Without the Force.com, developers would have to make significant investments in software development tools, systems and staff to create their on-demand applications. The inefficiencies of the traditional do-it-yourself (DIY) approach added

unnecessary costs and complexities to the development process, and extended the time-to-market cycles. These added costs and delays created a competitive disadvantage for the developer, and meant higher software prices and fewer choices for customers.

Google recently unveiled its own development platform, the Google App Engine. This application-hosting tool enables developers to build scalable web apps on Google's infrastructure. As in the case of Salesforce.com's Force.com platform, the goal of the Google App Engine is to make it easier for software developers to create applications without having to worry about system administration and maintenance. The benefit to businesses is more web-based, on-demand applications at reasonable prices.

A quarter of the respondents to THINKstrategies and Cutter Consortium's latest SaaS survey reported that they are using or considering platform alternatives, and another 35% said they are seeking SaaS providers who offer a combination of point solutions and platform capabilities.

Bringing the Value of Integrated On-Demand Web Applications Home

Until recently, many CIOs and IT professionals were apprehensive about SaaS solutions. They were concerned about their reliability, security and scalability. As popular SaaS solutions, such as Salesforce.com's CRM and Google's Apps, gained broad-based adoption in large-scale enterprises, the initial concerns of CIOs and IT professionals faded away.

However, as on-demand solutions began to proliferate and many needed to be integrated into a wide array of on-premise applications already in place, a new set of questions arose. Once again, the strength of today's SaaS solutions based on the scope of their ecosystems and the power of their platforms have answered these questions.

For example, Douglas Menefee is CIO of **The Schumacher Group (TSG)**, a Lafayette, Louisiana-based company that provides medical staffing for emergency departments. TSG manages approximately 2,500 independent contractors. The company uses Salesforce to manage its relationships with them, according to Menefee. Based on its success using Salesforce.com, TSG is now building a "Google framework" based on Google Apps. Menefee reported in an IDG publication, "It just creates a brilliant environment to deal with 2,500 individuals that aren't employees of ours, but whom we need to collaborate with."

In the joint announcement of Salesforce for Google Apps, Prasan Vyas of **UST Global** was even more passionate, "We love that we now have the freedom to run our office in the cloud."

THINKstrategies' survey research with Cutter Consortium has found that many more CIOs and IT managers are following the lead of Menefee and Vyas. In fact, ***over 25% of the IT decision-makers participating to our 2007 survey reported that they are adopting SaaS solutions to address their IT management needs.***

Growing acceptance of SaaS by IT departments will give them greater confidence that SaaS is also the right direction for their business users and executives. This will

help to accelerate broad-based adoption of on-demand solutions among companies of all sizes.

Making the Virtual Corporation a Reality

Back in 1993, William H. Davidow published a book entitled, *“The Virtual Corporation: Structuring and Revitalizing the Corporation for the 21st Century.”* While his book envisioned the transformation of the workplace, the technological enables were still not in place to make is vision a reality.

Today, technology is finally making the virtual workplace possible. But, more importantly, intensifying economic and social trends are making a new way of doing work essential.

On-demand SaaS solutions enable end-users to take advantage of the software functionality without having to worry about the hassles of deployment and maintenance.

Users can acquire this functionality on a pay-as-you-go basis which mitigates the financial risk and amortizes the costs at a time when fears of recession are forcing businesses of all sizes to cut back on unnecessary capital investments.

As a result of these business benefits, on-demand SaaS solutions have proven to be a more effective method of leveraging and even creating business applications to achieve a company’s corporate objectives.

Alliances like that between Salesforce.com and Google are producing new levels of business value, and lending greater momentum to the SaaS movement.

The net result will be a new flexibility and a new level of productivity within the rapidly changing business environment.

This independent analysis was sponsored by Salesforce.com.

About Salesforce.com

Salesforce.com is the market and technology leader in Software-as-a-Service (SaaS) and Platform-as-a-Service (PaaS). The company's portfolio of SaaS applications, including its award-winning CRM application, available at <http://www.salesforce.com/products/>, has revolutionized the ways that customers manage and share business information over the Internet. The company's Force.com PaaS enables customers, developers and partners to build powerful on-demand applications that deliver the benefits of multi-tenancy across the enterprise. Applications built on the Force.com platform, available at www.force.com, can be easily shared, exchanged and installed with a few simple clicks via salesforce.com's AppExchange marketplace available at www.salesforce.com/appexchange. For more information please visit www.salesforce.com, or call 1-800-NO-SOFTWARE.

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. THINKstrategies has also founded the Software-as-a-Service Showplace (www.saas-showplace.com), an easy-to-use, online directory and resource center of over 3000 SaaS solutions from over 650 companies worldwide, organized into over 80 Application, Industry and Enabling Technology categories. The Showplace also includes information and insights regarding industry best practices. For more information regarding our unique services, visit www.thinkstrategies.com, or contact us at info@thinkstrategies.com.