



SALESFORCE – THE LIGHTNING TRANSFORMATION AND BEYOND

PART 2

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As indicated before, Lightning was only one item in the mix of things that Salesforce delivered to keep it the world's leading CRM solution. In this part, I am discussing some of those aspects that keeps Salesforce cruising ahead of the time, including its conversion rate of acquisitions to Platformized solutions

AI

When Salesforce released 'Orders' as a standard object, it was believed that it will expand towards ERP solutions. This has not yet come to fruition while AI was given a higher priority. This is an interesting choice that comes shortly after lightning. SFDC already offered the automated alerts on Kanban, Assistant was available to help users identify what they were missing, and Einstein on top of this was a surprise to many. It also helped with opportunity insights to highlight deals in trouble or needed follow up, thereby helping sales teams to be on top of their game.

One could argue that the market was not yet ready for an AI bot on Salesforce. In what faucets it intended to help the regular user, was to be proved. However, Salesforce has never been shy of disruptive changes in the market.

It may be also worth noting that the heavyweight corporations are eagerly snapping up AI startups and then rolling out proprietary AI solutions. Wise.io was expected to democratize AI and was acquired by GE. Salesforce is another corporation that regularly rolls out Platformized solutions after acquiring niche companies. MetaMind and Prediction I/O were AI companies acquired by Salesforce and MetaMind was also supposed to build machine learning tools that others can freely utilize. We now have Einstein that is Platformized and licensed.

Was there indeed a market for Einstein?

SFDC provided multiple solutions including lead scoring that works on pre-configured algorithms. The problems that we see with

any tool currently available is that, it cannot be individualized. For example, a lead scoring algorithm cannot be a one-size-fits-all solution. If the tool can rank the leads for a specific sales user based on revenue ranking instead of timeframes or decision maker points that rest of the Sales team uses, it achieves the personalized experience that was noted earlier in this article. The resources that would be required for each one to have their own algorithm to handle their data, cannot be supplied by any tool. The only solution will be for the machine to learn the style of the person and suggest the next actions accordingly. Einstein is expected to address that aspect and the leading data mining tools are still searching for those skills, whereas Salesforce has run the race out and have come up with a solution already.

A typical issue that could occur for a new machine learning tool is that it has limited data to start with. Machine learning needs to pit different models that it creates against each other and propose the best model. When a new machine learning solution starts by itself, it will take time to acquire such information to be native without having to exchange its own customer specific confidential data. SFDC has rightly partnered with IBM's Watson which could address that problem. This makes tons of weather, finance, healthcare and retail data among others available to Einstein directly in Salesforce.

There is an estimated \$153 Billion market by 2020 for AI based Solutions. When Salesforce also announced that there is a \$100 Million platform fund available for AI driven solutions, we have a clear indication of the roadmap on this front.

The Bad and The Ugly

Developer Peeves

Let's call a spade a spade. A platform this innovative in making end users' life easy has not been kind to the developers. They needed a variety of third party tools to track and control what they did with the code and metadata in SFDC.

Ability to collaborate development, Source Control and Deployment has been lacking modern tools on the platform. Developers depending on a host of third party applications has created an ecosystem that did not get supported well by Salesforce.

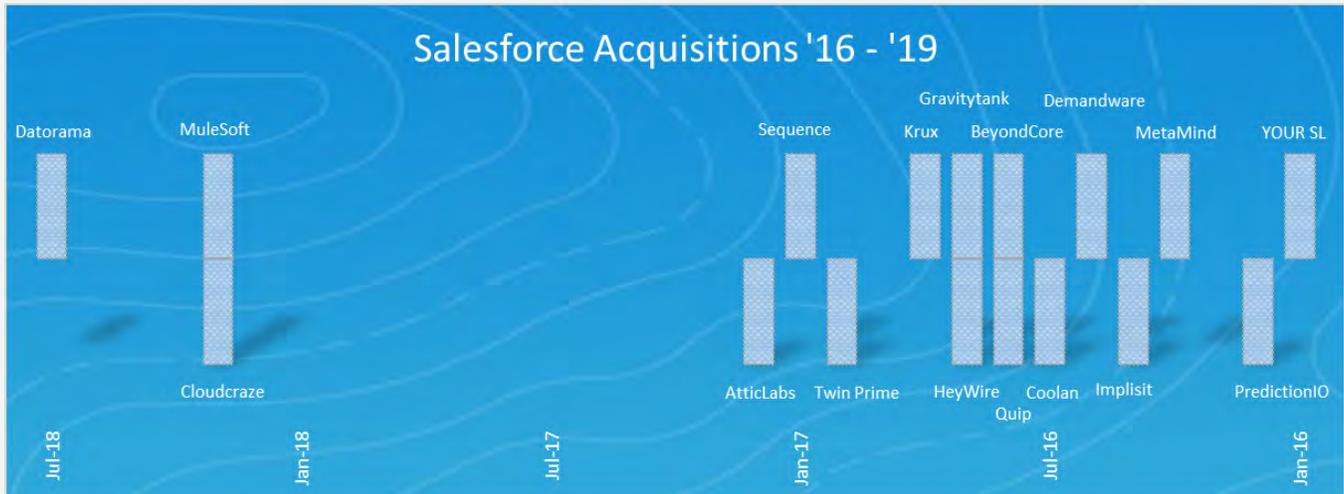
Despite being late, Salesforce has finally acted on being called the worst platform to work on in 2015 in a StackOverflow survey and promised Salesforce DX. Now we have Blue Canvas, but how best it addresses the black eye received from developers is yet to be seen.

UI Chafes

While Lightning has been around for a while, many customers have felt minor annoyances about the UI and the poor caching. Some had even pushed the decision to move to Lightning to a later date due to such user feedback. The unflattering amount of whitespace in the UI, lack of importance given to the important headings by way of font color or size, lack of contrast on screen to differentiate sections of data based on its importance, lack of resizing of fields on some screens, lack of wrapping of text etc. have been some of the issues Lightning had and were addressed to some level in Winter '18. The field density issue is now addressed in Winter '19.

Acquisitions and Subsequent Platform Solutions

Salesforce has aggressively acquired companies to ensure that their growth does not remain organic. Below is a timeline of Salesforce's acquisitions since 2016.



The impact of the new product offerings and improvements is directly visible in the market share. All new acquisitions are on the Digital commerce, marketing arena and Integration, and there is significant growth in those cloud offerings. Einstein is offered as an add-on across clouds and hence its growth is spread evenly across. It is also too early to reap the benefits of the AI offering from the market.



There are very few acquisitions that have not turned fruitful into a fully developed product offering. We also saw the acquisitions directly turning into product offering such as Steelbrick into Salesforce CPQ. There were some aberrations as well such as partnering with ClickSoftware to rollout Field Service Lightning without

even going into a beta mode.

Salesforce has since buttonholed one of the top IT challenges named integration with acquisition of MuleSoft. MuleSoft's Anypoint platform will now form a part of Salesforce's Integration Cloud product offering. It is exciting to note that Salesforce uses "Intelligence" as a key word

in describing what it will be delivering as part of the Integration Cloud.

The recent Datorama acquisition strengthens its positioning in the Marketing Cloud and Salesforce nicely rounds all of these off into calling itself the 'Only Complete Cloud CRM Platform'.



Product Offerings and Partner Disruption

When Salesforce acquired Steelbrick, it was a big surprise since there were very strong AppExchange solutions such as APTTUS which offered advanced CPQ native to the platform. This was a new precedence as it was directly competing with a partner. Salesforce said that there is place for healthy competition in the market. SFDC CPQ always has had the advantage, not only that you are buying licenses directly from SFDC and there are possible price benefits but one does not have to depend on another company for the support of the licenses. That indicated a new trend in the way Salesforce was treating the market. Until then, they were giving enough space to the AppExchange solutions who were filling whitespaces in the platform's product offerings. Salesforce has started to look at those whitespaces and if they were big enough to be accommodating a native product offering, Salesforce was going to take it. Apttus was only identified as a visionary in the CPQ magic quadrant whereas April 2017 saw Salesforce CPQ marked as a leader. 2018 saw both Apttus

and Salesforce termed as leaders, but the gap is narrow. They not just want to be a niche player in the Gartner magic quadrant in such markets, but be the leader and take the lion's share of the market being a leader. That was evident when Salesforce partnered with ClickSoftware while they already had a cloud based solution in Field Service Edge.

Field Service Lightning

ServiceMax was offering a solution but was cumbersome to have the versioning and upgrades done on instances with mature or complex service architectures. It resulted in several clients staying with older versions of the solutions not making use of the latest features, culprit being the fear of efforts and impacts of an upgrade. When Field Service Lightning was announced in partnership with Clicksoftware, the strategy formed a definite shape. Even without acquiring a developed solution or freshly developing a new solution, the decision was to grow inorganically while partnering with ClickSoftware and rolling out Field

Service Lightning - A significant shortcut in time to market. It is worth noting that ClickSoftware had just launched their own cloud solution - Field Service Edge, just before announcing this partnership with Salesforce. ClickSoftware stated that it is a natural bifurcation for customers; when clients had complex environments that needed a lot of customization, they could choose Field Service Edge but for customers already on Service cloud, Field Service Lightning was a natural choice for being rapid and simple.

The Partner ISV ecosystem was a solid benefit of choosing Salesforce as a platform for new customers. This advance now brings in serious disruption to a market where AppExchange solutions were marked as niche players or visionaries, but were gobbling the market share whereas Salesforce could do a much better job making themselves a leader. Surveys is another area where Salesforce is now directly competing with its partner AppExchange products. We can anticipate much more of these whitespaces painted sky-blue by Salesforce products.



SI service model disruption

Walmart spent 10.5 Billion on its IT budget in 2015. They also acquired Kosmix to form Walmart Labs which now builds and maintains websites and apps for Walmart and several subsidiaries, which took away a huge share of what the Software service vendors were getting from Walmart. ServiceNow, WorkDay and Salesforce are completely cloud based that took away infrastructure maintenance share from the Infrastructure maintenance vendors. Automation in almost all leading technologies had already disrupted the service model of Software service providers. These were the some of the starting points of the disruptions occurring in the software Service Vendor market which resulted in those companies' revenue and profit drop

sharply in the last few years.

Salesforce was always enticing automating the business processes and had always made templates available for fast-track Salesforce implementations. With the platform moving more and more towards point-and-click configurations and more and more coding options getting converted into clickable configurations, it is disrupting the models, System Integrator Partners of Salesforce were following so far. They were able to employ the less experienced resources to implement the base version of the cloud offerings and its customizations and generate billable revenue. With the latest advents in the platform, along with the growing ecosystem of solutions addressing same whitespaces, much more experienced resources are required

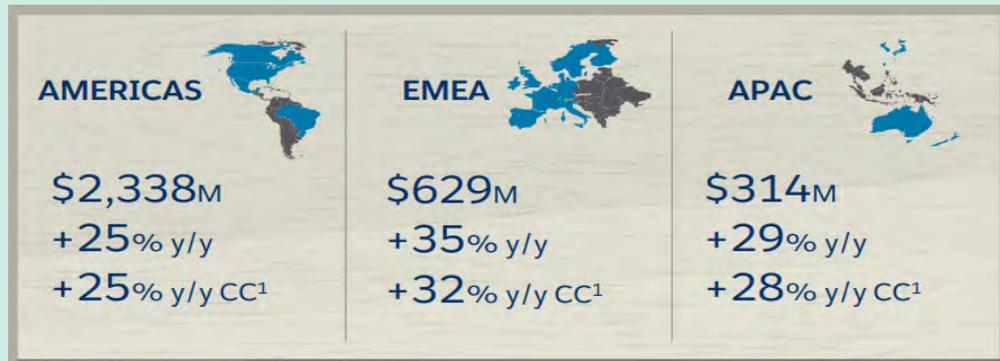
to address the need of customers when implementing a cloud offering from Salesforce and its customizations. System Integrators should welcome this disruption and engage more and more consulting offerings based on SFDC platform as Ignite is an aggressive step towards not only the 20 Billion target, but is also selling a vision and the value of the vision. SFDC strengthened their consulting presence by acquiring YOUR SL and Gravitytank in 2016. This may need to be read in conjunction with the FutureForce that Salesforce is building.

The disruption Salesforce brought in for its ISV partner ecosystem in introducing its own solutions can be anticipated in the SI partner ecosystem as well. SIs should brace for the impact by selling visions and producing more think-tank offerings rather than implementation offerings.

Market Share and Future

This goes without saying, Salesforce knows where to focus for the 20 billion dream and it is evident in the growth in the APAC versus the growth in the rest.

Q2 FY19 Revenue by Region



It can perhaps be perceived that Europe had issues with the SFDC data centers not residing within the country of implementation in several cases. But Europe is a market that generally cold shoulders new advancements and slow

to adapt. The privacy laws of the region are also not helping much. The growth in Europe was lower than other regions until FY2018 but has boosted itself to the first place in FY2019. In APAC, Salesforce has introduced data centers that could largely

alleviate any such concerns and the privacy and data residency clauses are generally not very rigid. We can anticipate continuing its focused growth in the APAC region especially based out of Australia while Europe may continue to see linear growth.



Digital Transformation, Wealth/Commerce Cloud & Analytics

SFDC was already considered a leader in 2017 Forrester B2C commerce report as well as Gartner magic quadrant for Digital commerce. The recent acquisitions including Datorama point towards upgrades and new innovations in the Marketing or commerce cloud arena.

Managing Wealth on the cloud could be an interesting aspect of Financial Services on Salesforce Platform. There could be some advances in this vertical as well based on the acquisitions and the huge potential it may see in the Financial Services Market. Analytics is the only arena where Salesforce is not in the leader quadrant, thus showing its inability levels in handling complex data analytics. SFDC bringing in Big Objects Generally Available in Winter '18 could couple with Einstein analytics for several customers where their Business Intelligence strategy could have been lacking, due to their data residing in another platform where Salesforce Analytics may not be the right choice. Combining Big Objects with analytics could be a nice urge in rethinking those strategies. However, Salesforce rebranded Wave Analytics as Einstein Analytics and

restricted itself by suggesting to use 80% of data to be used in that model to belong within the platform. It has not delivered in the data analytics area so far despite attempts much unlike itself.

The Future - ERP Solution Offerings on Cloud

For many customers, there are major gaps between Sales and Finance, and between their CRM and financial systems. This could be an interesting arena for Salesforce to focus now as the 20 Billion dream would require it to innovate and disrupt in many other markets than where it is already present. I believe that its financial and billing solutions had to be much stronger for it to launch a strong all-encompassing solution. As indicated before, Salesforce does not seem to believe in being a niche player and grow slowly in any arena. However, I believe instead of offering an Enterprise Application suite license, it works on modular solutions by making new offerings in verticals rather than horizontals. This could work well for customers devising a modular operating strategy by plugging and playing the components that are tailor made for them with the standard offerings starting at

CRM, till its Finances drawing the bottom-line.

This is an advent where I expect SFDC to deliver in the coming months and years. It has been in the right direction in terms of CRM, Business Intelligence and AI. It should be able to provide their complete Enterprise Application Suite to be available in the platform but purely modular in form. From the current perception of being a CRM and Sales/Service cloud application, it has to grow to a Customer Experience based Enterprise Application Suite offering. We can anticipate SFDC to be able to color its orbital whitespaces with native platform solutions than the current AppExchange solutions, which are sundry.

Clouds, Lightning and Thunder have been there for a while now and have had their impact in making Salesforce garner 19.6% of CRM Market share by 2017. The next best is Oracle with 7.1% and the gap is widening by the year. 20 Billion is no longer a dream. It is a realizable target with the way Salesforce is going at the market share in all arenas possible.

A drizzle influenced by recent acquisitions followed by heavy rains are on the cards.

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