



NUCLEUS
RESEARCH

Salesforce

Expectation relative to market segment

Outperform

Technology Segment
Enterprise Applications

Ticker Exchange Bloomberg
CRM NASD NH NUC <GO>

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Continued CRM dominance, increasing customer preference for suite-style application integration, and savvy long-term investments in low-code, analytics, and remote work-enablement leave Salesforce in a strong position in both the short- and long-term.

Price 2/22/2021 \$241.32
52-week range \$115.29 - \$284.50

COMPANY

Salesforce has been a longtime leader and innovator in the CRM space. Currently its portfolio includes applications that span sales, service, marketing, analytics, logistics planning, field service management, quoting, and more. By using Salesforce’s unified cloud platform and data model, Salesforce customers can rapidly integrate and configure each of the applications in the Salesforce ecosystem to address new business needs, break down data silos, and enable more holistic visibility to a company’s operations. Salesforce customers span all company sizes and industry verticals; it is a leader by market share in the enterprise. The Salesforce AppExchange and Lightning application development platform serve to further extend the ecosystem to address industry- and organization-specific tasks and workflows. Trailhead is one of the most-adopted digital learning platforms used to train users on the Salesforce platform and gain new technology-related skills; the platform serves as a funnel of talent (and thus, demand) for Salesforce solutions and contributes to the highly active user community that further helps evangelize the brand, its capabilities and use cases.

MARKET POSITION



RELATIVE SOLUTION COST

SAP	120%
Oracle	110%
Salesforce	100%
Microsoft	90%
Zoho	50%

Relative cost to a customer based on typical mid-sized deployments during the past 6 months.

MARKET

The customer relationship management (CRM) market has seen consolidation around the major platforms such as Salesforce. As a relatively mature market area, virtually all customers are familiar with CRM technology and true “green field” territory is rare, particularly at the enterprise level. Most business is won by migrating a customer from a competing solution, or with a “land and expand” strategy, where new Salesforce applications are added to fill gaps in the ecosystem or enable new lines of business. The Salesforce brand is successful in the market, being familiar to all customers and users of CRM technology. Salesforce has clearly demonstrated its value relative

CUSTOMER PERCEPTION

> 95 Positive

Analyst estimate based on feedback from customers and prospects during the past 6 months

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to competitors with clear evidence of customer success, shown with positive ROI on deployments.

COMPETITION

Nucleus positions Salesforce as a leader in the Customer Relationship Management (CRM) space. It competes with other solutions in the space including Microsoft Dynamics 365 (MSFT), Oracle CX (ORCL) Infor CloudSuite CRM, SAP Customer Experience (SAP); and Zoho in the SMB and mid-market segments. Leaders in the space continue to make frequent investments in automating data collection and analysis, forecasting capabilities, further integrating applications across the customer experience designation (sales, service, marketing, e-commerce) to enable cross-functional capabilities and workflows. All close competitors have a leading business intelligence and analytics solution in the respective portfolios; Microsoft with Power BI, Oracle with its Analytics Cloud, Infor with Birst, SAP Analytics Cloud, and Zoho with Zoho Analytics. Salesforce acquired Tableau, the leader in Nucleus' Analytics Technology Value Matrix, to bolster its own analytics' offering which also includes the Einstein AI platform. The acquisition enabled new dashboards, visualizations, and analytics-enabled workflows, and availed a new customer base for potential cross-sales with other Salesforce solutions. Since business was interrupted by the COVID-19 pandemic, Salesforce has been a clear leader in rapidly developing and offering solutions to address new challenges and processes that have come about as a result of the pandemic. It released Work.com to help customers manage a safe, healthy, and productive return to the office while remaining compliant with regulations. Also noteworthy, it released Salesforce Anywhere to enable team collaboration and visibility for new all-digital sales channels and customer journeys. Microsoft is among the fastest-growing peer competitors in the enterprise space with its Dynamics 365 Suite. Its growth trajectory was accelerated when the pandemic-induced work-from-home led to massive adoption of Microsoft Teams, its remote collaboration and communication solution. At the end of 2020, Salesforce announced its own acquisition of Slack, the widely adopted leader in enterprise collaboration/communication. This brings Salesforce to near-parity with Microsoft on the collaboration front which was among its only significant functionality gaps relative to competition. In core CRM functionality and innovation, it maintains its advantage in feature depth and customer perception.

OUTLOOK

Over the next six months, Nucleus expects Salesforce to perform strongly compared to the rest of the market. As organizations assess their CRM needs going forward, Salesforce is well-poised to take on new customers who are being driven to modernize their IT portfolios and deliver differentiated customer experiences in the now-digital business environment. We expect Salesforce to continue to expand aggressively in the Enterprise-sized customer and global space, where it benefits from the breadth and flexibility of its portfolio to address

unique needs across verticals and regions. As true “green field” territory in CRM adoption is becoming increasingly rare and Salesforce has built a behemoth of a balance sheet, it may be a challenge for Salesforce to show the 20-plus percent annual growth that investors have become accustomed to. That said, it has invested in longer-term plays with significant upside and forecasted upticks in adoption; those being Tableau for analytics, Slack for collaboration/communication, MuleSoft for data integration and ETL, and its own low-code application development platform. We expect it will leverage its existing positioning and relationships via CRM deployments for cross-sales into these other revenue-generating solutions. As more customers look for “platform plays” and backend application unification, Salesforce is positioned well in both the short- and long-term with its CRM dominance, growing platform adoption, and savvy complimentary tech investments.