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# SmartSpend™ Bulletin

## Is Salesforce's Rapid Growth Good for Customers?



Salesforce has set aggressive targets for growth in the years ahead. Its popularity and positive reception from Wall Street will only serve to further embolden Salesforce to extract more revenues from existing customers. Customers should be setting expectations, planning their renewals further in advance, and building internal alignment to produce the most favorable outcomes for their Salesforce contract renewals.

By all accounts, Salesforce is on a tear. Record FY 2022 results, including revenue and cash flow growth of 25% year over year, caused the company to raise guidance for FY 2023 to \$32 billion. This growth has been bolstered by a loyal and growing Salesforce Platform user base as well as a series of high-value acquisitions such as Tableau and Slack. And for anyone who has yet to see the vendor's recent ad campaign, the Salesforce brand is buoyed not only by its strong financial and technological performance, but also by its continuing commitment to social responsibility.

As part of his opening keynote at Dreamforce 2021 (which was held in September of 2021), CEO Marc Benioff shared an aggressive vision for growth with a target of reaching \$26 billion by the end of FY22, and \$50 billion by the end of FY26. That means Salesforce is planning to nearly double its revenue over the next four years.

Customers should expect that both the integrated product stack and **more aggressive sales tactics will have a significant impact** on their relationship with Salesforce.

## SALESFORCE'S VISION WILL BE REALIZED ON THE BACKS OF ITS MOST LOYAL CUSTOMERS

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NPI has analyzed how Salesforce will be able to achieve the goals it has set for itself in the years ahead. It will be focused on two key areas that will have an impact on enterprise customers:

1. **The Integrated Product Stack.** Over the last few years, Salesforce has been doing more to move towards a complete solution rather than focusing on individual product positioning. Customer 360, vertical market offerings such as Health Cloud and Financial Services Cloud, and moving to pricing models that are based on data store sizes or percentages of net spend, are all indicators of what's to come for Salesforce customers.

Product integration will mean Salesforce customers will be encouraged and driven to buy products such as Sales Cloud, Service Cloud, Marketing Cloud, Commerce Cloud, Tableau, and Slack in a bundled solution that has been tailored to the customer's industry and/or size. This will ultimately force customers to invest more in Salesforce products and make it more difficult for customers to mix and match their stack with products from different vendors.

2. **More Aggressive Selling.** NPI clients are all too familiar with Salesforce's aggressive, and sometimes heavy-handed, approach to sales. Salesforce customers dread contract renewals, and are tired of price escalations without clear justifications or being forced to buy "shelfware" to get more competitive pricing. As financial performance pressure increases, be prepared for Salesforce to use more aggressive approaches to drive larger contracts with existing customers. NPI research indicates that customers are already paying more, and buying more, from Salesforce.

## WHAT SHOULD SALESFORCE CUSTOMERS EXPECT?

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Customers should expect that both the integrated product stack and more aggressive sales tactics will have a significant impact on their relationship with Salesforce. Specifically, NPI is advising clients to be prepared for the following:

- **Pressure from Salesforce Account Reps to raise the total value of the contract.** NPI is already observing many clients being told directly by Salesforce salespeople they must raise prices to meet Wall Street expectations.
- **Cost escalations that are not connected to conversations about value.** Salesforce products are not expanding or delivering innovative new features, but the costs are still increasing.
- **Salesforce failing to take responsibility for problems that it creates.** NPI clients have grown increasingly frustrated with realities such as changing product SKUs that make it difficult to map prior purchases to new purchases, poor support outcomes, and revised terms and conditions without Salesforce making an effort to address issues, concerns and questions.
- **Greater pressure to pay for products and services that were previously bundled in the past but no longer needed, or new bundles containing products and services that customers do not need.**

NPI's overall guidance is that **rapid growth will change the dynamic** clients can expect from Salesforce in the years ahead.

- **Sales and negotiation tactics that will become even more aggressive and heavy-handed.** NPI is already observing the following tactics used by Salesforce:
  - Refusing to provide line-item pricing and details with the proposal and during negotiations.
  - Delaying the negotiation process and reducing the time customers have to make a decision as renewal dates loom.
  - Changing product names or SKUs without clearly detailing how this will impact the customer's implementation.

## SIX BEST PRACTICES TO MANAGE SALESFORCE'S AMBITIONS AND COSTS DURING YOUR NEXT RENEWAL

The following strategies and approaches have helped clients successfully manage their Salesforce relationship.

1. **Plan and Start the Renewal Process Early.** Begin formal planning six to nine months prior to the contract expiration date. The more time companies have to plan and gain alignment, the better the outcomes will be.
2. **Collaborate Internally.** Salesforce is good at taking advantage of companies that don't have strong, internal partnerships between IT, procurement and the business units using the products (marketing, support, etc.). The best outcomes are achieved by those companies that have regular working groups and tight collaboration across these stakeholder constituencies.
3. **Maintain Message Discipline.** Salesforce's playbook includes establishing relationships with individuals throughout an organization and using them to gather information and leverage. Being clear about who should have regular communication with Salesforce, what messages can and should be shared, along with what pitfalls to avoid, can reduce the amount of intelligence gathered by Salesforce in the lead-up to the negotiation.
4. **Engage Executives Internally.** For better or worse, Salesforce values titles. Having senior leaders and executives actively engaged in the relationship with Salesforce (and following scripted strategies and targeted outcomes) will almost always drive more favorable outcomes.
5. **Hold Salesforce Accountable.** The vast majority of NPI clients have long-standing issues with Salesforce that are pending, open without clear deadlines, or forgotten by Salesforce. Establishing a clear understanding of these issues, and holding Salesforce accountable to resolving them, will produce more favorable outcomes.
6. **Build Relationships Outside of Sales.** Salesforce's sales teams have a strong preference to operate with little to no collaboration with other Salesforce teams. Customers benefit from building relationships with Salesforce's Customer Success (the service and support organization), product teams, and executives. These relationships can greatly enhance a customer's ability to produce the most favorable outcomes when it comes to pricing, responsiveness, and request for greater partnership from Salesforce.

NPI's overall guidance is that rapid growth will change the dynamic clients can expect from Salesforce in the years ahead. This will have both positive and negative consequences for Salesforce customers. Companies that do their homework and are prepared will find opportunities to maximize value and be in a position to more effectively manage the Salesforce relationship. Those that don't risk buying too much, paying too much and leaving valuable support on the table.



## ABOUT NPI

NPI is an IT procurement advisory and intelligence company that helps businesses identify and eliminate overspending on IT purchases. We deliver transaction-level price benchmark analysis, license optimization advice and vendor-specific negotiation intel that enables IT buying teams to drive measurable savings. NPI analyzes billions of dollars in spend each year for clients spanning all industries that invest heavily in IT. NPI also offers software license audit and telecom carrier agreement optimization services. For more information, visit [www.npifinancial.com](http://www.npifinancial.com).

### NPI Headquarters

3340 Peachtree Road NE

Suite 1280

Atlanta GA 30326

T 404-591-7500

F 404-591-7501

E [info@npifinancial.com](mailto:info@npifinancial.com)

