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Alok Misra & Ian Gotts
Foreword by
Parker Harris
Cofounder, salesforce.com
SMART QUESTIONS

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Reviews

It's interesting that over the past 50 years, the software industry has not only gone through business cycles but also business model cycles. And even more interesting is that the critical issues in successful business models keep being forgotten, or assumed are being solved in the next newest iteration. What Gotts and Misra have done in their thinking here is to frame the problem well and clearly. Then by using the Q&A approach, they provide not only a great check list, but also a bite-sized chunks process to allow the reader to think about and understand the key issues at a engaged and detailed level. I'd recommend the book to any ISV or enterprise CIO thinking about what they might or could do in the Cloud space.

Ken Horner, Principal, Deloitte

www.deloitte.com

The Smart Questions approach makes the complicated simple. With its aptly labeled "Questions for Suits" and "Questions for Jeans", this is the book that an executive needs to read before making a go/no go decision about a Cloud Computing project. Author Alok Misra, who has helped us make that decision, lives and breathes this subject. He is an excellent guide.

Michelle Nunn, CEO, Points of Light Institute

www.pointsoflight.org

Thinking about building an app on Force.com? Well don't, at least not until you have read Alok and Ian's book. They'll guide you through the decisions you need to make to ensure you build a successful app, but more importantly lead you through the commercial questions you must address in order to make sure you can successfully monetize your development investment. Alok and Ian are well respected in the Force.com community and this book is a great place to start your journey with the Force.com platform.

Jeremy Roche, CEO, FinancialForce.com & Chairman, CODA

www.financialforce.com

This book, "Thinking of..." outlines the thinking and planning required to migrate a traditional software company to the "software as a service" model, using salesforce.com's Force.com platform. The book presents dozens of questions an ISV must ask itself before jumping into SaaS and many case study examples of companies that have failed and succeeded at their attempts to offer software as a service. It should serve as a useful guide to any company interested in making this shift.

Penny Crosman, Executive Editor, Techweb

www.techweb.com

Cloud computing has, of course, been around for decades – the challenge has always been how you make money on the stuff. Add Marc Benioff, Force.com, and stir, and a real Cloud ecosystem started wearing long pants in 2009. In the fall, Nucleus found Force.com developers could develop apps 4.9 times on Force.com than .NET or JAVA, and few believed they were "locked in" because they would be locked in with Microsoft or IBM using another language, and likely face a much longer time to market. But not everyone was successful in making their first million in the Cloud – largely because they hadn't worked out all the dumb stuff – such as their business model and development and support strategy. In Smart Questions, Alok and Ian lay out the key business and technical factors that developers enamored with (or puzzled by) Force.com should consider before they hit the sandbox. They highlight some of the inherent challenges traditional vendors face in adopting a Cloud strategy, both technical and financial. This is a good quick sanity check for new or existing companies considering a venture into the Cloud. The book highlights a lot of the business opportunities and realities facing salesforce.com partners today, and aspiring developers should take heed.

Rebecca Wetteman, Vice President, Nucleus Research

www.nucleusresearch.com

We started Salesforce.com and the Salesforce Foundation simultaneously as a new model for business. Make philanthropy a core part of the culture of the company and great things will happen. The 1-1-1 model (1 percent time; 1 percent equity; 1 percent product) has been helping nonprofits and making a difference from the very beginning. Force.com allows nonprofits to innovate in an unprecedented way. Not only have we seen them be able to become more efficient, but their innovation in areas such as social networking and campaign management is being adopted now by businesses too. Nonprofits such as Girls Inc and Points Of Light Institute have actually helped create commercial products such as volunteer and constituent management for nonprofits, that businesses are also interested in deploying. Who knew that ISV products would be coming from nonprofits? Navatar Group has been very successful in using Force.com to bring out the "entrepreneurial side" of nonprofits. Alok and Ian show us the path to bringing out the best in nonprofit innovation and entrepreneurial spirit, in this book. I strongly recommend this book to any nonprofit that seeks to save money and innovate in the Cloud.

Suzanne DiBianca, Executive Director, Salesforce.com Foundation

www.salesforcefoundation.org

We all have questions about Force.com, but Alok and Ian have answers, solid answers, answers to questions that I hadn't even thought of. Force.com can work well as a Cloud Computing platform, but only if you take into account all the issues that they cover with clarity and brevity.

David Dobrin, President, B2B Analysts

www.b2banalysts.com

It is tempting to dismiss Cloud Computing as another product of the well-oiled technology hype machine. However, Cloud reality is catching the hype as early adopters of the technology have demonstrated compelling business benefits include higher ROI and lowered TCO. Independent Software Vendors (ISV's) and Enterprise IT groups have many burning questions around if, how, and when they should transition from their on-premise solutions to Cloud-based offerings and whether they should consider a platform like Force.com to enable that transition. In their book, authors Alok and Ian explain not just the technology considerations - and common misconceptions -involved in building Cloud Computing applications on Force.com, but more importantly emphasize the need to understand the new business model and commercial viability of Cloud offerings. I found several insights and recommendations that at first glance appear to go against conventional wisdom but turned out to be very practical and relevant to the context. For example, the authors do not recommend an Agile Development Methodology to develop a multi-tenant Force.com application. They warn ISVs that they may not have a viable product business if 30% to 40% of their revenues come from consulting services. The book contains dozens of great questions to consider for the business and technology folks organized into separate sections for easy reference. A very timely book by well-respected veterans, Alok and Ian, who have practical experience with Cloud Computing and the Force.com platform. Highly recommended.

Kamesh Pemmaraju, Director of Cloud Research, The SandHill Group

www.sandhill.com

Authors

Alok Misra

Alok Misra is a Cofounder & Principal at *Navatar Group*, a global Cloud service provider. *Navatar's* long & varied association with *salesforce.com* –as Consulting Partner, OEM Partner, VAR and Vendor – has helped him shape the ideas presented in this book. Alok's market-centric perspective has driven Navatar's commercial success as a Force.com reseller in financial services. He has also been instrumental in creating Navatar's advisory services practice to help ISVs build, launch, sell and support commercial Cloud products.

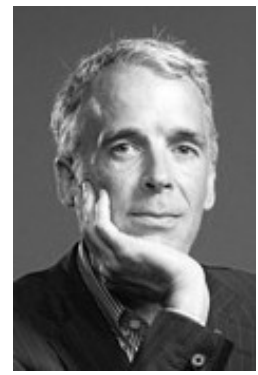
Alok spent his early career in senior roles at *Deloitte Consulting* and *PricewaterhouseCoopers*. In addition to driving the go-to-market strategy for Navatar and other ISV clients, he writes for several Cloud publications and blogs.

Ian Gotts

Founder and CEO of Nimbus, which has been offering their business process management solution as a Cloud Computing offering to major corporations including *Toyota*, *Chevron*, *Nestlé*, *HM Revenue & Customs* and *HSBC Bank* for the last 4 years.

They have been a proactive customer of salesforce.com for the last 7 years and have extended it using Force.com to support every area of Nimbus' global operation; sales, support, customer self service, HR, finance, service delivery and R&D. He is the author of 6 books including, *Common Approach, Uncommon Results, Why Killer Products Don't Sell* and two *Thinking of…* books on Cloud Computing. He is a prolific blogger with a rare ability to make the complex seem simple which makes him a sought after and entertaining conference speaker.

Foreword



Cloud computing is the white-hot topic in information technology and salesforce.com is the leader in enterprise cloud computing. It's incredible to consider, especially since when we started in 1999, the term cloud computing wasn't even used. We didn't have much in those early days: just a rented apartment as an office, a server stored in a closet, and a small group of developers (sleep deprived and living on beef jerky). What we did have, though, made up for what we lacked. We were motivated by a vision to change the software industry, and we had a simple idea about how to make it more democratic.

Businesses drastically needed more efficient and economical enterprise software, and once customers were experiencing success with our CRM application, we realized that we could achieve something even more significant. What if we made our platform available to let others build their own cloud apps? The idea to offer our platform as a service was also a way to resolve our own problem: customers were demanding more apps, and we couldn't build everything ourselves. But - more importantly, and something that as an engineer I could truly appreciate - it offered an opportunity to change the landscape for anyone who created applications.

There was so much that was arduous about software development. (If you haven't been there, trust me; I was one of those sleep-deprived developers.) There were the purchases: networking devices, storage systems, databases, app servers, data centers. Then we had to write the software and ensure it was fast, high quality, mobile and above all scaled for the Internet. There were technology issues to address, such as authentication and availability. It seemed as if the to-do list never ended.

Opening up our platform, Force.com, for others to build upon made development far less complex and less expensive. In fact, research by Nucleus demonstrates that developers using Force.com can achieve results five times faster and at half the cost of traditional platforms. Now with a browser and a Web connection, anyone can build applications and deploy them to users anywhere. People can use these services on whatever they want and all the intellectual property from the first click to the last line of code is stored, tested, deployed, and run in the cloud.

This revolution is generating enthusiasm from independent software vendors, consultants, and internal IT departments who appreciate how platforms remove barriers to innovation and enable them to allocate resources more efficiently. Force.com customers and partners have created more than 160,000 custom applications on our service. They are producing apps in areas of business we didn't even know existed. If you don't believe me take a look at the AppExchange.

Developers constantly have new expectations for how things should work - and they should. Force.com, which incorporates our new collaboration tool, Chatter, also evolves with the shifts underway in the industry. We understand that we in the midst of transitioning from Cloud 1 to Cloud 2 (to touch over click, video over chat, push over pull, tablet over desktop), and these changes don't allow the repurposing of old software, but require writing everything new. Force.com, the complete, collaborative and trusted cloud platform, allows developers to create Cloud 2 apps that are social, real-time, and available on mobile devices. Soon, a new generation of wildly innovative apps that improve productivity, communication, entertainment, and education, will be available on mobile devices and will change entire industries.

By putting the power of application development firmly in the hands of business users, Force.com has changed the application development environment. And it is the users - our customers and partners - who have inspired us most. We have been energized and directed by their passion, enthusiasm, and ingenuity. Companies like FinancialForce.com, with its cloud based accounting package, have recognized the business opportunity to use the Force.com platform.

Large established global ISVs like CA Technologies and BMC Software are using Force.com to launch their cloud computing offerings. Japan Post, the world's largest institution in terms of asset holdings, used the platform to write customer service and regulatory compliance software for more than 75,000 users. The Schumacher Group, a $300 million emergency department and hospital medicine management company in Lafayette, Louisiana, used our platform to build 90 percent of its operational applications and did so four times faster than conventional programs. It also saved resources: If they weren't using the Force.com platform, they would have had to hire an additional five full-time employees.

While there were a number of outspoken cloud critics in our early days, cloud computing is now at a tipping point. Today every major analyst firm sees cloud computing expanding its share of the overall IT market. Gartner Group predicts that cloud computing will continue to be the top strategic opportunity in technology this year, and it forecasts that cloud revenue will grow to $150 billion in 2013. The Software-as-a-Service market is growing twice as fast as the enterprise software market. And, the potential impact of this revolution is astounding. Nicholas Carr, author and one of the influential thinkers in the IT industry, has suggested that "utility-supplied" computing will have economic and social impacts as profound as the ones that took place one hundred years ago, when companies "stopped generating their own power with steam engines and dynamos and plugged into the newly built electric grid." [1]

In the coming decade, thanks to the proliferation of cloud services, ubiquitous, low-cost bandwidth, and cheaper access devices like smartphones and tablets, there will be fewer obstacles than ever. While the opportunity in the cloud is limitless as the Internet, it's difficult to succeed without the proper preparation. Market analysis, business planning, business and technical design, sales and delivery are still critical activities. This book is your key to unlocking success in the cloud as it provides all of the strategic guidance ISVs need.

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[1] Nicholas Carr, The Big Switch: Rewiring the World, from Edison to Google, New York: Norton, 2008.

The "Smart Questions" structure will help you to make well-informed choices. Nothing is left unexamined: Misra and Gotts explore the issues from both business and technical perspectives, but focus on the one intent that matters most: commercial success on Force.com.

We love the role we have had in evangelizing the industry and the part we play in defining its future direction. We're also aware that that comes with responsibility. We need to set and meet the highest standards of reliability, security and flexibility of any Cloud platform. We believe we are delivering on that promise.

When we started building Salesforce, we were guided by a simple mantra: "do it fast, simple, and right the first time." We knew that the initial prototype set the foundation for the entire product and would determine its ability to scale. These early days matter in your future success. Starting by reading this book and making a commitment to stay close to your customers will get you off to the right start. At salesforce.com, it was our relentless focus on our customers and their success that has shaped our company. It was responding to their needs that helped me make choices. It will be no different for you and I hope you also experience the success that comes in return.

We wish you luck, and we look forward to hearing from you. It's people like you - developing new innovation in the trenches - who inspire us, and who ultimately determine the next phase of this evolution.

Parker Harris

Co-founder, executive vice president, salesforce.com

Who should read this book?

People like you and me

People like you and me should read this book. Although covering a leading edge area of the IT industry this book is not a technical guide, nor was it ever intended to be.

This book is aimed squarely at the Independent Software Vendor (ISV) who is considering Force.com as a route to market their software offerings. Alternatively you could be part of a corporate IT department looking to deliver solutions more quickly for your business users. You have many of the same issues as the ISV, but from a slightly different perspective.

This book is intended to be a catalyst for action aimed at a range of people inside and outside your organization. Here are just a few, and why it is relevant to them:

Chief Executive Officer

As CEO you are responsible for the overall performance of the business. That means setting the business strategy. You are probably watching with interest the debate around Cloud Computing as a term, and in particular the growing interest in the Force.com platform.

If you are heading up an ISV you can bet that your customers are looking at it as an option to increase availability, increase flexibility or reduce cost.

Understanding the Smart Questions will allow you to formulate your strategy to migrate your solutions into the Cloud.

Chief Executive Officer of a start-up

You are probably looking at Force.com as a way of getting to market quickly and effectively. Is it the right long term strategy? What are the risks inherent in this strategy? Will it support or hamper your speed to market and your longer term growth?

This book will help you ask the Smart Questions, because if you don't it may cost you the company.

Chief Technical Officer

You have seen several technology fads come and go. You have already created a plan to move your products to the Cloud and have considered Force.com as a conduit. What is the best design to take advantage of Force.com? What are the issues with developing on a proprietary platform and how do you mitigate those risks?

Asking the Smart Questions will help you assess whether Force.com is the right platform.

Chief Information Officer / Chief Technical Officer of a corporation

You have formulated a strategy which sets out how IT supports the changing needs of your business organization. Does Force.com change that and make you tear it up and start over – or does it support it?

Although this book highlights all the issues that an ISV may face, several of them may still be relevant to you.

Head of Development

You deliver stable software as regular controlled releases. It's not always exciting. You are not paid to be exciting. You're paid to be calm and collected. Is Force.com going to change that, and how? What are the issues with developing on Force.com and how do you plan around them?

This book will help you understand what is required, and how you can benefit from Force.com.

Chief Financial Officer

Everyone claims that Force.com will reduce the cost of ownership of the products. Is that true or are there hidden costs? Are the risks of being tied to salesforce.com outweighed by the benefits? What are the cash flow and funding implications?

This book will give you a sound understanding of the areas to question.

Investor

So you've invested in an interesting company who is now embarking on a strategy based on Force.com. Is it a clever move or the beginning of the end? How do you evaluate their business plans and budgets? How can you offer the best advice and support?

This book offers the Smart Questions you need to ask to help you assess the impact of Force.com.

How to use this book

This book is intended to be the catalyst for action. We hope that the ideas and examples presented in this book will inspire you to act. So, do whatever you need to do to make this book useful. Use Post-it notes, write on it, rip it apart, or read it quickly in one sitting. Whatever works for you. We hope this becomes your most dog-eared book.

Clever clogs – skip to the questions

Some of you will have a deeper understanding of the background of salesforce.com, Force.com and Cloud Computing in general. We still recommend reading Chapters 1 through 3 to see if you can relate to some of the issues that we see companies struggling with. There is also some information on salesforce.com that will be useful, before you skip to the Smart Questions.

Getting Involved

The Smart Questions community

There may be questions that we should have asked, but, didn't. There may be specific questions that are relevant to your situation, but, not everyone in general. Go to the website for the book and post the questions. You never know, they may make it into the next edition of the book. This is a key part of the Smart Questions Philosophy.

Send us your feedback

We love feedback. We prefer great reviews, but, we'll accept anything that helps take the ideas further. We welcome your comments on this book.

We'd prefer email, as it's easy to answer and saves trees. If the ideas worked for you, we'd love to hear your success stories. Maybe we could turn them into a 'Talking Heads'-style video or audio interviews on our website, so others can learn from you. That's one of the reasons why we wrote this book. So talk to us.

feedback@Smart-Questions.com

You can also write to the authors at:

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Got a book you need to write?

Maybe you are a domain expert with knowledge locked up inside you. You'd love to share it and there are people out there desperate for your insights. But you don't think you are an author and don't know where to start. Making it easy for you to write a book is part of the Smart Questions Philosophy.

Let us know about your book idea, and let's see if we can help you get your name in print.

potentialauthor@Smart-Questions.com

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1

Seemed so easy

In the business world, the rearview mirror is always clearer than the windshield.

Warren Buffett (Investor, 1930 -)

LOOKING at the resignation letter on my desk, I don't understand how we got it so wrong. He was our top salesman and was the most vocal about offering a Cloud solution alongside our existing product. Now he's joining our biggest competitor, who hasn't even considered the Cloud. Why?

Execution was clearly the issue. The strategy was correct, but, our implementation was a disaster. New issues kept surprising us. We underestimated how this new offering would confuse customers. We thought they understood Cloud Computing. However, it simply stalled sales. They assumed they needed less consulting support and projects started to fail. The help desk was swamped and customer satisfaction scores went through the floor.

The worst was the sales cannibalization and changing salesmen's compensation to be tied into our annuity model. That, it seems, was the last straw for our salesmen. If they can't make money, they will go somewhere where they can.

Before we launched our Cloud Computing strategy, 12 months ago, we were at the top of our game. Now we are fighting for survival.

There are so many questions, with hindsight, we wish we'd asked.

Storm Clouds

A fundamental shift in computing has arrived with the Cloud. It is a reset, changing the dynamics of the industry; the business model, the market leaders, the customer/vendor relationship, and the customers' internal relationships between the line of business and IT. It brings, for once, a big opportunity for smaller vendors and start-ups to level the playing field and join the party. For the bigger players it presents a significant challenge since they need to protect their turf while not letting a great opportunity pass them by. That is the opportunity to enter markets that weren't accessible or even existed before.

Here's the big issue. Most ISVs, established and start-ups, find it extremely challenging to build a business in the Cloud. After spending all the effort and investors cash, many do not see the return on investment. Why?

Let's look at some of these case studies of ISVs that have struggled, to understand why. We have provided eight real cases:

Case 1: Unrealistic ROI expectations

Case 2: Building a consulting practice instead of a product

Case 3: Product development may not need to be agile

Case 4: Cloud - competitive advantage or a barrier to purchase?

Case 5: Unlikely competitors

Case 6: Blind-sided by the cost of upgrades

Case 7: A good Salesforce implementation isn't a viable commercial app

Case 8: Rapid deployment does not mean rapid implementation

So let's look at the gory details of these stories so that we can learn from their pain.

Case 1: Unrealistic ROI expectation

"We've estimated that we should be able to sell 50,000 to 70,000 subscribers in 3 years," asserted the CEO of a start-up that wanted to build a Force.com app for a vertical market. They assumed that, with 70,000 subscriptions at a price of $125 per month, they'd bring in over $100 million in revenue in their third year. Pretty aggressive!

Now let's look at the CEO's cost model. To build their product, they had hired a programmer with 5 years experience who had dabbled with Apex in a previous job. The programmer had convinced the CEO that he could launch the first version of the app if he received some help from a skilled company in developing the more complex pieces. Together, they estimated the total cost of launching the product at $150k. This included the programmer's salary. They assumed that once they had a basic version, the programmer would be able to continue enhancing it.

The overall estimated cost was $500k per year – against revenue of $100 million. Do you see a problem with this model?[2]

Case 2: Building a consulting practice instead of a product

"I hold you responsible for not telling me earlier that this would cost so much," yelled the EVP of Product Development at the consultants that were helping him launch a Cloud offering. He was right about the cost spinning out of control. However, he and his team never really paid attention to the advice they were given. As far as the EVP was concerned, his team had been in IT product development for years and had the business knowledge as well as the technical caliber to pull it off. He wanted complete internal ownership of the project - the consultants were just there to help with a few tricky items on the fringes, so their advice was largely ignored.

Things started heading south after the first two potential customers continued to demand more features in the product before they paid a cent. Then came the expectations related to performance and more advanced features. The expectations kept mounting. Within

[2] If it looks too good to be true – it probably is.

the next few months, a significant number of the product team members got involved in figuring out how to meet the rapidly escalating demands from the first set of buyers.

Mired in product features and attributes, the product team didn't realize that they were getting into a consulting role with their potential customers – but, that was also something they weren't trained to do. They didn't know how to manage the scope of work or customer expectations. They had no idea how to push back so they continued accepting all demands and suggestions, turning the product scope into a constantly moving target.

The EVP went to the CFO for more funding and the executive team was appalled. They had already spent upwards of $2 million and it seemed like a bottomless pit with no revenue in sight anywhere. The executives pulled the plug on the entire initiative.

Case 3: Product development may not need to be agile

The application was meant for employees to book their vacations. It seemed simple. Basically, you need an employee record and for each employee a vacation record with a start date and end date. Sound easy, right?

Now let's take a closer look at the problem. There are actually 12 types of leave. Some paid, some unpaid. What happens if you book leave and are not entitled to it? Or book it and don't take it? Or take it and need a salary sacrifice?

As you start digging deeper, you uncover more scenarios like these that require more thinking as well as consensus building. However, the common excuse (or claim) is that you don't need to be rigorous in understanding requirements in the Cloud model - you can use agile development approaches so that you can build as you go.

Now let's add another dimension to this problem - deployment. Your app is multi-tenant – it is being used by 100 companies (customers). Every time you discover and develop something new, you now have to roll it out to all of these customers. Think of all the issues involved – upgrading, testing, training, support for all of these customers. More importantly, a big assumption you may be making is that the design of your Cloud app permits you to roll out frequent changes and additions.

That is simply misguided. Your product must be multi-tenant in order for you to have a viable Cloud business. The concept of multi-tenancy is a bit similar to a condo building with multiple tenants. After a building is populated with tenants, it isn't easy to replace the core structure of the building on an ad hoc basis; similarly it is not easy to replace the application architecture of a Cloud product after it is rolled out to customers. However, you can expand on it, if the foundation is solid.

To build a solid foundation, you cannot ignore the core principles of custom software development when developing on Force.com – in fact, they become even more critical. The first activity is still to lock down as much of the requirements as possible, in process or operational terms. Once you have a good handle on your entire set of requirements and the end user processes, you will create the object model and architecture for your app. It is critical to get this right before you get anywhere near coding[3].

Case 4: Cloud - competitive advantage or a barrier to purchase?

Cloud is the next big thing. It is the future. Just look at salesforce.com's revenue growth. The business case looked cast iron. The product team worked hard to identify the new application space and the R&D team worked miracles and the new application was brought to market in record time.

In the customer user groups the new application got the thumbs up. When the sales team started to take it to their customers early sales took off. The business users loved the new functionality and the flexibility to access the data from anywhere. This is the power of the Cloud.

Initial pilots were sold, with a high cost of sale due to the support required to get customers onboard. The pilots were successful, but then the problems started. The profitable larger roll-outs did not come. "The only one with more pilots than us is South West Airlines," said an exasperated CEO. "We've invested heavily in the Cloud and I need to see a return."

[3] But the Force.com platform is so compelling and you just want to start building. Sit in a small windowless room until that feeling passes.

What were the reasons for the delays? There were questions about the location of the data, audits of the data center's security, back-up/restore and disaster recovery. The final straw was the difficulty integrating with each of the customer's existing infrastructure. Much of this was masking the emotional response from the customer's IT organization – "This is outsourcing by stealth."

It eventually became clear that the sector the application was aimed at was not ready for the Cloud. It wasn't 'No never' but 'No now.' Probably, given several years when Cloud offerings are more mature and ubiquitous, then the sector might be more open. That doesn't help the ISV that has invested time and money bringing a product to market. Worse, they had potentially cannibalized or stalled sales of the existing on-premise product having shown business users a glimpse of the future.

"Deep research into a paradigm shifting product's potential market is probably more valuable than anything else. These are expensive lessons," concluded the CEO at the annual investor's conference.

Case 5: Unlikely competitors

"Sorry this has taken a bit longer than we anticipated," said the Account Executive during his weekly call with the VP-Sales. He had been working on three deals for the past two months. All of these deals were related to the new Cloud version of their product, which had taken around 12 months and $700k to develop. The ISV had a solid technical team that had been through all the required trainings, certifications and researched all the technical options.

The technical team carved out a set of requirements using the product managers of the on-premise product, hired some Force.com developers and delivered the first version of the product in 12 months, slightly longer than the anticipated 8 months. The Business Development guys had signed an OEM Partner Agreement with salesforce.com, so the ISV could resell Force.com seats bundled with their Cloud product. Now the Cloud product was ready for primetime and all eyes were on the sales team to deliver.

The sales team had always been used to a 6-9 month sales cycle for their on-premise version of the product, which sold for half a million dollars. However, the projected combined first-year revenue from the sales of the Cloud version from these three deals

was only around $15,000. They also found that the effort required to make the sale was the same as the on-premise version, despite the extremely low revenue numbers. The Account Executive and the VP were both concerned about their commissions. They wondered about the long term viability of a model where the revenue numbers were very low whereas the effort required to close every deal was still the same.

There was something else that puzzled the VP-Sales. The Account Executive had just learned that their main competitor, on two of the three deals, was the salesforce.com direct sales rep who, in partnership with a salesforce.com implementation partner, was positioning a Force.com Enterprise License Agreement so the prospects could custom-build all of their apps they needed.

The ISV sales team was in a bind. Would they have to now figure out how to come up with a better value proposition and pricing to compete with their partner salesforce.com? Would they now have to unbundle the Force.com seats from their Cloud product, let the salesforce.com direct sales rep sell his deals first, and then sell their own product as a plug in? Would they now have to start thinking about building a consulting practice for implementation and customization of salesforce.com products? Would they have to build other relationships that they hadn't thought of before? It all seemed like too much work for too little revenue!

Case 6: Blind-sided by the cost of upgrades

The start-up had done really well in their first year. They started with $500k of seed money, and the talented technical team launched the first version of the workflow management product in 8 months. Their CEO, well connected in the technology world, brought in the first sales. They had 10 customers with around 120 subscribers in just 4 months. Although they were only collecting $20 per subscriber each month, things seemed upbeat. After all, they had the product already and all they needed were more customers. They projected adding 1500 subscribers in the next two years. They hired two more salespeople and began ramping up the back office team as well.

The trouble began when their customers started coming to them asking for more features. It seemed that another salesforce.com partner had also launched a competing offering. The start-up had

to act fast. Their technical team worked with the customers, compiled a list of all new features/functions required and came back to the CEO with the game plan. The underlying object model and design of the product would have to be changed to accommodate the new features. It would take around 6 months to develop and roll out, they estimated. However, the catch was that there was no way to roll out an upgrade to existing customers due to the changes in the object model. Each existing customer would have to be migrated to the new version. Each migration for a customer was expected to take 3-4 weeks and would cost around $20k. By the time the new release would be ready, they estimated they'd have 80 customers to migrate, and would therefore need a significant chunk of change to fund that.

Ever the salesman, the CEO assured the team he'd be able to get the customers to pay for the migration. He went and talked to two customers about the plan. They would be getting all the fabulous new features in 6 months – however, they'd have to shell out a one-time $20k fee for the new features. The CEO wasn't prepared for the response. "Why do we have to pay these fees for the new features? Doesn't Cloud Computing mean that we pay you a monthly fee and you figure out the rest?" was the response he received. It became clear to him, after the first few conversations, that the customers wouldn't pay anything for the upgrade. This was an unanticipated cost which threatened to completely destroy their business plan.

Case 7: A good Salesforce implementation isn't a viable commercial app

Their Salesforce deployment had been hugely successful. With the help of a consultant the financial services firm had spent 6 months creating a custom app, to manage customers and investments. They used Visualforce and Apex to create great looking custom screens and functionality, which everyone liked. The salesforce.com team was impressed enough to get the firm's CIO on stage at Dreamforce, salesforce.com's annual event, to demonstrate the app.

Several other financial firms attending, came up to the CIO to compliment him on his creation. The firm was beginning to realize that they had created something that everyone else needed. They thought they were sitting on a gold mine and had to figure out how

to sell it to other firms looking for a similar solution. The CIO convinced their management that there was a way to package and commercialize the app to sell to others and create a new revenue source. Everyone agreed that the idea had legs.

The CIO spent the next 3-4 months understanding Force.com's packaging technology and talking to several technical experts. He soon realized that they would need outside help and began discussions with several salesforce.com implementation partners. His idea was to pick a salesforce.com partner who would implement the app for others, make some money, and pay royalties to the financial firm. After all, 70% of the work was already done, which would make it easy, he reasoned. A consulting partner was picked and a partnership formed.

A year passed, but, not much happened. The consulting partner found two prospects. However, their needs were a bit different, requiring significant customization. The prospects weren't willing to spend $50k - $80k in customizations. "What's the point of buying a product if we're paying for consulting," they demanded.

It soon became clear that something would need to be done to the financial app to productize it[4], so it could be deployed without customers having to spend too much on customizations. What would that "something" be? How much would it cost? Who would pay for that exercise? Would there be "consulting" dollars for the consulting firm? Who would maintain and support that "something"?

Case 8: Rapid deployment does not mean rapid *implementation*

"The best thing about Cloud CRM applications is that they are available," says the sales manager. "We just roll it out by sending emails with people's log-on details. Hey presto, done. I don't understand why IT takes so long."

Bored and confused by Siebel, frustrated with inaccurate sales data it produces, the sales manager bought Salesforce CRM. This was under the radar so that their IT department was blissfully unaware.

[4] Remember a Cloud ISV still has a product. It is the customer who sees it as a service.

Sales people are dreadful at following process or filling out CRM data, so training was eliminated in the interest of speed. Besides, there was online training provided with the application.

It was bought on Tuesday, implemented on Wednesday. No disruption to the sales team. Brilliant!

So now they had a shiny new system straight out of the box, not tailored for their specific sales process, with no training. It was being used by people who didn't really care about the system apart from entering the minimum data required to get their commissions paid.[5]

A few months later they had a new system full of inaccurate sales data. It was just as useless for managing and forecasting as Siebel was. Why?

The new system did not fit the current sales process exactly so each sales person found workarounds. With no guidance on how to fill out the 'Commission % Due', 'Marketing required' and 'Value of customer' fields every sales person completed them differently, based on their perspective.

"Implementing a new system should have given us a massive opportunity to revisit processes, eliminate non-value added activities, get consistency across the teams, and choose the best practice from the teams. And then we could have implemented those and locked them in with a new system," agonized the sales manager. This required a process-led approach supported by a robust methodology and tools.

Why will the implementation of your Force.com application for your customers be any different? Did you build the flexibility needed to address the process issues for each of your potential customers?

Your success will be dependent on your customer's success.

So what are they missing?

The examples above are not fiction, they are painfully true. Now let's see what went wrong with each of them:

[5] Is that a light at the end of the tunnel or actually a train coming the other way?

Case 1 – Assumed that hiring a good technical skill-set was enough to bring success in the Cloud

Case 2 – Put their product organization into a consultative role of implementing a Cloud app for their customer

Case 3 – Thought that the Cloud stands for build as you go and removes the need for solid architecture and design

Case 4 – Didn't try to understand whether their customers and market were ready for the Cloud

Case 5 – Did not create a realistic sales strategy for the Cloud world

Case 6 – Paid no attention to anything beyond developing version one of their product

Case 7 – Assumed that their own implementation of Salesforce was so great that it could be sold to others

Case 8 – Did not think about what processes had to be supported by the application

The common theme in most of these cases was that they only paid attention to building their product. This is the overarching problem with most ISVs – they get influenced by all the hype. They view the Cloud as just another language or architecture to learn. They join the bandwagon expecting that the cash registers will start ringing once their product is built and launched.

Even when they do come to us for advice, they seldom ask the right questions. All they want to know is: a) *Is Force.com the right platform* and *b) How much would it cost to build our product*?

These questions are good; however, they are only related to product *development*, not *profitability*. It takes much more than just developing your app, if you're looking to build a successful Cloud business.

This book isn't the first one to point out that the Cloud isn't just a technology transition, but, a completely different commercial model. In fact, there are some differences that are so critical that they will actually dictate whether you will succeed or fail. In most of the cases that we highlighted, the companies did not understand these differences. For instance, the differences between:

- Selling a product versus delivering a service

- Creating a multi-tenant model versus a single tenant model
- Product revenue versus consulting revenue
- Implementing Salesforce versus developing a commercial Cloud product
- Building in a public Cloud versus an on premise platform

You will learn more about these differences, and how they can impact your business, in the later chapters.

You're right to get excited about the potential that Force.com offers. However, simply building an app on Force.com is not like winning the lottery. If you don't ask the right questions up front to understand the Cloud business model, you could be writing checks for years, without seeing any return.

Chapter

2

The future is here

When I stop learning something new and start talking about the past versus the future, I will go.

Jack Welch (Former Chairman, General Electric, 1935 –)

TEN years ago the only IT a person used was the one that their company gave them. Now the applications and tools, disguised as websites, that people access outside their work life are setting expectations for enterprise applications. They expect at work the look and feel, speed, location independence and, finally the range of devices that they can use at home.

Enterprise applications are often far more constrained and robust due to the need for scalability, security and the complex integrations with other parts of the infrastructure. To the business user this just seems like excuses for IT not delivering. More than ever, business users are willing to subscribe to Cloud services from outside vendors, bypassing their IT altogether.

Last year *Information Age* highlighted 10 Cloud Computing business success stories. What is interesting is they are all using the Cloud equivalent of packaged applications. You could argue that *Japan Post* is the exception as they are using a Cloud platform – Force.com – to extend the core CRM and build applications.

Information Age business success stories

Information Age listed its view of some of the business success stories, and here they are:

Japan Post: Using Force.com they developed a data consolidation system in 3 months and rolled it out to 65,000 users in 24,000 branches.

Santander Consumer Finance: Uses Service-Now.com IT Service Management at a fraction of the cost of their previous on-premise application.

Roche: Adopted a Cloud Computing talent management service from Taleo dramatically improving its reputation with potential graduate candidates.

GE: Managing 50,000 suppliers using multiple apps was a challenge, so when they wanted to consolidate they chose Aravo as it supported the scale GE needed.

ACAL Technology: While reorganizing their international sales operation decided to provide better tools for office and field team and chose NetSuite.

Osborne Clarke: The law firm's E-mail service was under attack, so they implemented Mimecast, which was significantly cheaper than an in-house alternative.

Abbot Medical Optics: To improve the visibility of its expense management they turned to Concur as they could cope with the multi-country tax complexity.

Chiquita: Its legacy HR could not cope with the scale of operation; 24,000 employees in 70 countries. Workday beat off the on-premise offerings.

Thomas Cook: RightNow's CRM system was so friendly, it was the choice for the single customer service bank, for their call centre and home-based agents.

THK-BP: Reducing contract approval from 12 hours to 6, and reducing admin overhead was a key benefit of implementing OILspace Energy Trade Risk app.

As you can see, the Cloud has opened up a huge opportunity for both ISVs and corporations. For a buyer (corporation), the "rental" opportunity to pay for monthly usage of a service through the internet instead of spending millions on buying software and hardware, and then maintaining it. For you, the seller (or ISV) it's a mechanism to establish a recurring revenue model, once you sell to a customer.

It seems like a win-win situation, so why not jump in with both feet, you're wondering. You have decades of technology experience already, as well as programmers who can be retrained on the Force.com platform. Build your app in the Cloud and begin to rock'n'roll.

That is not a given, as we pointed out in the previous chapter. It's ironic that even though the demand for Cloud-based apps is increasing, most established software companies have been unable to take advantage of it.

New type of business

Ultimately a shift from on premise solutions to Cloud-based solutions has far less to do with technology than with getting into an entirely different type of business.

From a technical point of view, a move towards Cloud Computing is a move towards commoditization and outsourcing of some aspects of IT. When something becomes well enough understood and capable of automation, humans can be removed from the process. Provisioning servers, installing software on them, setting up network addresses, routes and firewalls all now fall within this category. You now have the opportunity to replace all of this by Force.com's infrastructure, and let salesforce.com manage it for you. Sounds good, right?

From a business standpoint, however, it poses a new set of challenges. Cloud Computing will be attractive to your buyers *because they will be paying you much less and spreading payments over a longer period of time*.[6]

Therein lays the problem. It means that you will have to do everything to please your customers on an ongoing basis, but, they will pay you a tiny fraction of what you would have gotten as an on premise software vendor.

"But wait a minute - won't I have to do less in the Cloud since someone else maintains the infrastructure?" you're asking. Yes that's true. But then you will be spending your time doing things for your customers that you wouldn't have done in an on premise model, which will probably offset any gains from outsourcing your infrastructure. You will become like a landlord with your tenants expecting you to keep things in top shape in exchange for a low monthly rent.

The reality is that the cost of developing and maintaining your product, as well as managing your customers, will turn out to be

[6] HINT: This is the point where you get ***less*** excited

much higher than expected. Without the high one-time on premise product license sale, you will have to significantly ramp up sales of your Cloud product. It will be a different business model and a tough proposition.

Should you be your greatest competitor?

Now that you know it won't be a slam dunk, the big question is, "Will you obsolete your on-premise product with one developed on a Cloud platform, or will someone else?" It may be that you have no choice other than diving into the Cloud. On the other hand adopting a "watching brief" or building some new defensive partnerships could be the right approach. What you cannot do is have no position at all, bury your head in the sand and hope it all goes away.

It also depends on what is happening in your business and your market. There are so many unanswered questions that determine whether the Cloud is a "go" or a "no-go."

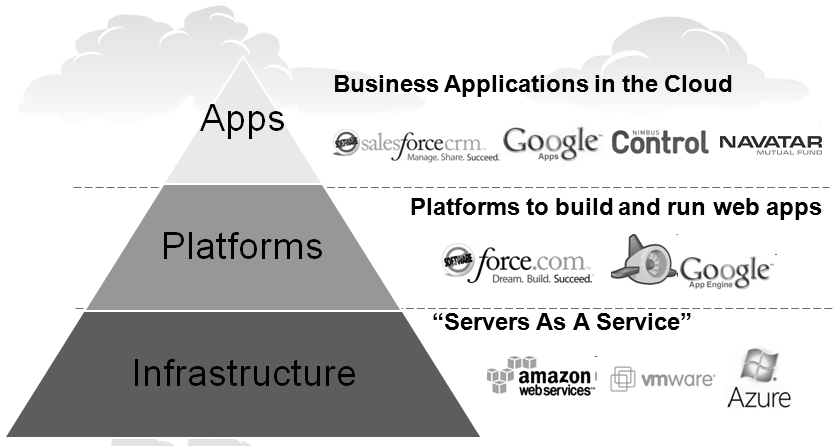
Let's begin with a basic understanding of the Cloud layers.

The Cloud Layers

Salesforce.com may have raised people's understanding of what is possible from the Cloud and themselves, but now there is no shortage of players now offering some variant of the Cloud to customers.

They are not all the same. This is only making it more complicated for potential ISVs, who are looking to leverage the investments of these Cloud players.

It is generally accepted that the vendors are stratifying into 3 layers: *Apps*, which sit on a *Platform*, which requires *Infrastructure*. The diagram on the next page is by no means exhaustive, but, it starts to show some of the players in each layer.



The confusion

Not everything in the Cloud world is as neatly stacked as the diagram above suggests. Since this is all so new, an apples-to-apples comparison between two Cloud platforms such as Force.com and Azure may also be extremely hard. This is because each of the vendors, in their quest for gaining market share, is also defining the value proposition of a Cloud platform. For instance, one platform may offer you embedded CRM features, while another may provide the ability to retain your existing programming talent. One vendor may be raving about multi-tenancy, while another may be listing the virtues of owning your Cloud.

What makes it even harder is that there are very few examples of companies that have been raking in money after building commercial apps on a third party public Cloud platform. There are very few role models to emulate. Consulting firms selling services in the Cloud are adding to the confusion, leading ISVs away from the product path towards a consultative model.

In most of the companies discussed in the cases in Chapter 1, there were no shortages of technical talent – they had a pretty good handle on the features, functions and widgets available through Force.com. They just didn't know how to *monetize* their investment.[7]

[7] Tom Cruise was right in the film Jerry Maguire when he said "Show me the money"

Chapter

3

Salesforce.com & Force.com

It's a lot easier just to write big checks than it is to innovate.

Marc Benioff (Chairman & CEO, salesforce.com, 1964 -)

SALESFORCE.COM has been at the vanguard of Cloud Computing. It was the poster child for Cloud CRM. However, it has evolved beyond that. It started with the ability to customize the name of a tab, such as changing 'Account' to 'Customer', then the ability to extend the CRM application. It is now an entire development platform in the Cloud called Force.com.

At a very basic level, salesforce.com has exposed the building blocks that they used to build the Salesforce CRM application and branded it Force.com. Simple, but inspired[8].

Where does Force.com fit?

Force.com has now proven to be the 'secret sauce' for salesforce.com. It has made the CRM application stickier by providing an enterprise the ability to build extensions for a closer fit with the business. This drives up adoption which in turn reduces churn.

But you can build entire applications which have nothing to do with CRM using Force.com.

[8] But then again the simple things often are.

After you have built them, you can sell them to other companies and make money from them. You can develop an entire software business without actually having to maintain infrastructure.

That is what this book is all about.

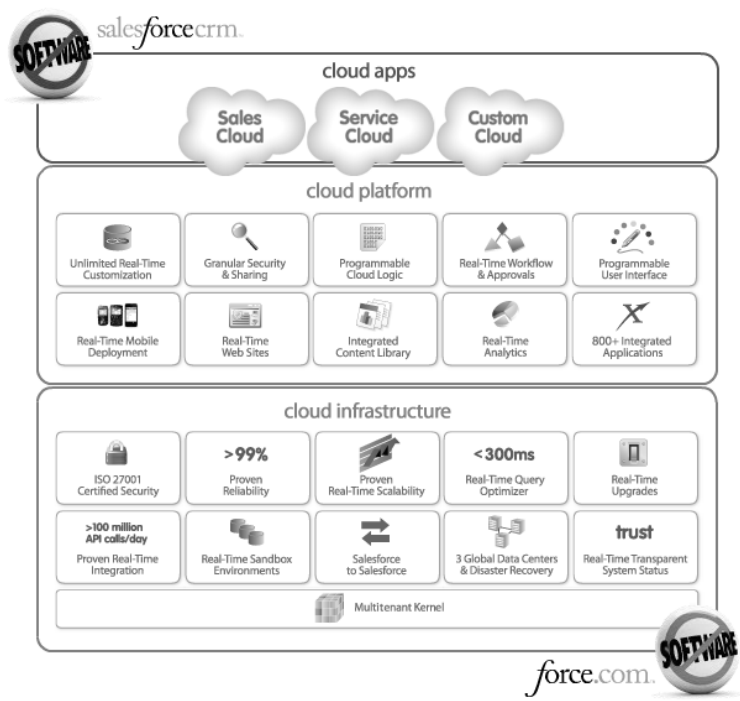
Putting it all together

The diagram on the below is a representation of the overall salesforce.com offering, and the core elements at each level.

At the top level, the *Applications* (Sales Cloud and Service Cloud from salesforce.com) sit alongside the applications (Custom Cloud) that anyone can build using Force.com.

These applications run on the *Cloud Platform* which provides the tools for application development using a proprietary programming language called Apex. A runtime engine loads metadata for these applications at execution time.

The Cloud platform requires a *Cloud Infrastructure* to run securely and scale – data centers, servers, operating system, database, internet connectivity and disaster recovery and so on.



Taking it apart

What differentiates a true Cloud Computing platform from other wannabes is the concept of multi-tenancy. A multi-tenant architecture is when customers share an app in the Cloud. A single-tenant Cloud app is similar, if not identical, to the old ASP model. Force.com provides the ability for your Cloud product to be multi-tenant – a necessary condition for you to survive and make money in this world as it allows you to service small customers at the same cost as enterprise customers[9].

It is worth understanding some of the key constituents required to develop Force.com applications. These are technical in nature, rather than relating to the core elements in the diagram in the previous section.

This book is not intended to provide detailed and up-to-date information on Force.com development. You can probably get into more depth on these constituents by visiting the site: *www.developer.force.com*. However, we mention them here for those of you that are completely new to the Force.com world.

Application Framework

The Application Framework lets you customize existing applications or build applications from scratch. It is a drag and drop application builder, or in marketing-techno speak "You can use the declarative power of the Application Framework to quickly create robust applications on Force.com."

The Application Framework Builder gives you easy-to-use tools to modify your data structure, as well as to specify the scope of applications or the layout of data on a page. You can also define workflows based on user interaction with data or create reports on the data. You can use buttons or custom links to extend the default capabilities of your Force.com application. You can create and modify tabs which can be associated with a Force.com object, Visualforce page, s-control or any web page. You can give users

[9] This is called the Long Tail, a term brought into mainstream awareness by Chris Anderson's book, The Long Tail.

access to tabs, and the users can customize the display of their own set of tabs within an application.[10]

Web Services API

The Force.com Web Services API provides access to your Force.com data and logic. You can call the Web Services API from a wide variety of client-side languages. All of the functionality built into the Force.com platform is automatically part of any application that uses the Web Services API. Data validation, workflow, Apex triggers and the Force.com security schema are just a few of the features that help you to integrate your external application with the Force.com platform.

Apex Code

Force.com Apex Code is a strongly-typed programming language that executes on the Force.com platform. Apex is used to add business logic to applications, to write database triggers, and to program controllers in the user interface layer. It is tightly integrated with the database and query language, provides good web services support, and includes features for execution in a multi-tenant environment.

Visualforce

At the front of any great business application is a great user interface; easy to use, powerful and suited exactly for the tasks, users and devices the application serves. Force.com's Visualforce provides a complete framework for building and deploying any kind of user experience, enabling any kind of interface design and interaction to be built and delivered entirely on demand. These user interfaces can extend the standard Force.com look and feel, or replace it with a completely unique style and set of sophisticated interactions, thus allowing the power of Platform-as-a-Service to be extended to virtually any requirement.

Database Services

Data is the foundation of all information systems and Database Services are the foundation for applications created on Force.com. Force.com Database Services allow you to create objects to store

[10] And a whole lot more in every new release of Force.com

all of your data, letting the enterprise power of the platform handle the difficult task of ensuring that your data is safe and continually available.

Database Services go far beyond simple storage of data. The entire functionality of Database Services is available to all applications running on Force.com, whether they are built with the declarative application framework, extended with Force.com Apex Code and Visualforce Pages, or simply accessing data through the Force.com Web Services API.

Packaging

Packages provide you with a powerful way to distribute your applications to your customers. Packages are like suitcases that can contain your components, code or apps. You can use a package to bundle something as small as an individual component or as large as a set of related apps.

Packages come in two forms, managed and unmanaged. Unmanaged packages can be used for a one time distribution to one or more customers, like a template. Managed packages are ideal when building an app with plans to upgrade. You can continue to upgrade the managed packages after they've been deployed.

Other capabilities

Salesforce.com has also recently launched Chatter, the collaboration Cloud, which has been getting a lot of attention. Depending on your target audience, Chatter may be a useful tool for your Force.com app, for Facebook type collaboration within the enterprise.

What gets little attention is something we have found to be very useful for many types of apps; the built-in reporting engine that comes with Force.com which is very powerful and easy to use.

Force.com Sites allows public web sites to be a part of your product. So users think that they are interacting with a website, but are actually populating your app with data. With everything hosted on salesforce.com's Cloud, this can be a very powerful feature.

These are capabilities that may or may not be useful depending on the customer segment you will be serving.

What about the company?

Like most successful Silicon Valley technology companies, salesforce.com had very humble beginnings. It was started in a small rented apartment in San Francisco. It's surely come a long way. As salesforce.com transitions from the hottest start-up with a cool product, to the industry leader that most companies want to partner or compete with, its internal culture assumes more significance.

Marc Benioff's long association with Oracle helped attract a lot of talent from the tech giant. While the strong focus on innovation helped build a motivated workforce, the deep Oracle roots defined how the company worked with its customers and partners. Salesforce.com built a partner ecosystem of companies that provided complementary products and services. However, the core offering continued to be sold directly by the salesforce.com sales teams.

For its next phase of growth, salesforce.com is looking to recruit OEM partners and Value Added Resellers (VARs) – companies that will build their products on the Force.com platform and sell a bundled offering. If you build your product on Force.com, you may have a choice to be a part of this indirect channel. Of course, you may also choose to sell your product separately as a plug-in and let the salesforce.com direct sales rep sell the Force.com seats.

In most cases, you will be dealing with various groups within salesforce.com. You are most likely to interact with the following:

ISV Alliance Manager – Part of the Channels organization, your Alliance Manager may become your overall point of contact at salesforce.com. Their role is to recruit ISV partners, help them through the process of developing the app, and manage the ongoing relationship.

Platform Evangelist – Also part of the Channels organization, the Platform Evangelist may be the lead technical resource that you can turn to at salesforce.com.

AppExchange Manager – Your AppExchange contact would be someone that you may interact with, if you decide to list your app on AppExchange.

Partner Marketing Manager – Although it sounds like someone who can help you market your products to your customers, the Partner Marketing Manager is really someone who is selling sponsorships of salesforce.com events to partners.

Account Executive – An Account Executive is a part of the salesforce.com direct sales team, selling to customers. You may run into an Account Executive during the sales process, sometimes in a competitive situation, when you are selling to your customers.

Where is salesforce.com headed?

After changing the landscape for sales force automation, salesforce.com has successfully opened up the world's eyes to the larger Cloud Computing opportunity. They are the innovator, the market leader, as well as the industry's blue-eyed boy in terms of potential. Since they have executed so well, there is every reason to believe that they will maintain their dominant position, and Force.com will evolve into the Platform as a Service (PaaS) of choice.

However, salesforce.com is still a relatively small company when stacked up against the larger Cloud Computing demand and opportunity. Larger players such as *Microsoft*, *Oracle*, *IBM* and a few others have the incumbent advantage, deeper pockets and wider partner/reseller networks. Salesforce.com has yet to clearly spell out if it wants to go deeper with Sales & Service Clouds using its current direct sales model or wider with the Force.com platform through an indirect sales channel. What happens to Force.com if salesforce.com is acquired?

It is true that Marc Benioff, in his quest for the "end of software", has been instrumental in starting a revolution. "He's shown he can topple an industry – but can he lead one," asks Joshua Weinberger, Managing Editor of CRM Magazine. It remains to be seen whether salesforce.com can maintain the leadership position that it currently enjoys.

As often with any new model, there are too many unanswered questions and risks. However, the opportunity is also too big and too real to ignore. Salesforce.com has helped us to see the opportunity, and forced us to have a discussion about the Cloud.

Despite the risks, doing nothing doesn't seem to be an option for you anymore because Force.com also significantly lowers the barrier to entry for your competition.

The common misconceptions

That partner ecosystem that salesforce.com built helped them sell Salesforce CRM and make it sticky. The partners were mostly either consultants providing implementation and support services, or ISVs selling add-ons to Salesforce CRM. This group of partners still forms the bulk of the partner ecosystem. For them, the focal point of each engagement is Salesforce CRM sold by the salesforce.com direct sales team in most situations. The sales and partner engagement model that evolved was based on a tight relationship between the partner and the salesforce.com sales and marketing teams.

As an ISV with a Cloud product, where you will be reselling Force.com, your success will be driven by you, not salesforce.com. Your product will have to become the focal point of each sale, with salesforce.com supporting you as your infrastructure provider. This model is different from the model that the earlier salesforce.com partners had been used to. However, the older model, being the dominant model, has created quite a few misconceptions which can threaten the viability of your Cloud business. Here are some of them:

Myth #1*: You can build your Force.com product business at a much lower cost than a product business on other on-premise platforms*. Maybe you can build Version one of your Force.com product at a much lower cost. Turning in a profit will be very challenging in the Cloud commercial model and if you don't get it right, it may empty your wallet fast.

Myth #2*: You should follow the example of a successful consulting partner*. You should, if you want to become a consulting firm in the Cloud. The revenue and go-to-market model of a salesforce.com consulting partner, with the bulk of their revenues coming from services, is very different from what you will need to build.

Myth #3*: Force.com makes your product multi-tenant, so you can manage costs*. Force.com is multi-tenant, but, it doesn't automatically make your product multi-tenant. There's significant thinking and work,

both business and technical, that will be required on *your* part to build multi-tenancy at the app level.

Myth #4*: It doesn't matter whether your revenues come from products or services, as long as you're in the Cloud.* If more than 30 - 40% of your revenues come from services, your product business won't be viable. You may then try to become a services company, but, you won't be able to provide the margins that your investors will be looking for.

Myth #5*: You'll need to find a good Force.com technical architect and write an RFP to pick a consultant*. If you had to switch from Java to .Net, maybe this strategy would have worked. Unfortunately, most companies today follow this approach and build a product, but, don't find more than five paying customers.

Myth #6*: Agile Development methodology is the way to develop a good Force.com app.* If you want a multi-tenant product, you will need a more structured approach, where you finalize your app design upfront and follow a tightly managed development process.

Myth #7*: You need to be closely aligned with the salesforce.com sales teams*. Salesforce.com sales teams may or may not be a sales channel for you. It's more important to be able to sell your product directly.

Myth #8*: You need to emulate the selling model and collateral that the salesforce.com sales team uses*. This would imply that your value proposition is the same as salesforce.com's. Why would anyone buy from you then?

Myth#9*: Everyone will buy your Force.com based product from the AppExchange*. If you're building an add-on to Salesforce CRM, they may. In most situations, your prospective customers will find you through forums and circles related to your industry. AppExchange may still be a good marketing tool alongside other approaches.

Myth#10*: The first thing to do is build a prototype of our product*. You have to ask yourself what the prototype will help you achieve. The very first thing to figure out may be whether your product will be commercially viable.

Should we just emulate salesforce.com?

Everyone wants to copy the sales, marketing and development model that salesforce.com adopted, and for good reason. "After all, if they became a billion-plus dollar company using that approach, why don't we just adopt the winning formula," reasoned the CEO of an enterprise software company that was considering building a product on Force.com.

In fact, there's a lot to be learned from salesforce.com's model. Their marketing team is, arguably, the best we have seen in the software world and their sales organization is top notch. Above all, Force.com is their creation so who else would know the ins and outs of the platform better. So go ahead and absorb what you can.

We wish it was all that easy. Emulating every aspect of salesforce.com also has strong disadvantages since your situation will be different from theirs in so many respects. For instance, salesforce.com never had to build and market on a third-party Cloud Computing platform. You will.

Chapter

4

Ask the Smart Questions

If I have seen further it is by standing on the shoulders of giants

Isaac Newton (Scientist, 1643 – 1727)

SMART Questions is about giving you valuable insights or "the Smarts". Normally these are only gained through years of painful and costly experience. Whether you already have a general understanding of the subject and need to take it to the next level or are starting from scratch, you need to make sure you ask the Smart Questions. We aim to short circuit that learning process, by providing the expertise of the 'giants' that Isaac Newton referred to.

Not all the questions will necessarily be new or staggeringly insightful. The value you get from the information will clearly vary. It depends on your job role and previous experience. We call this the 3Rs.

The 3 Rs

Some of the questions will be in areas where you know all the answers so they will be **Reinforced** in your mind.

You may have forgotten certain areas so the book will **Remind** you.

And other questions may be things you've never considered and will be **Revealed** to you.

How do you use Smart Questions?

The structure of the questions is set out in Chapter 5, and the questions are in Chapters 6 and 7. The questions are laid out in a series of structured and ordered tables with the questions in one column and the explanation of why it matters alongside. We've also provided a checkbox so that you can mark which questions are relevant to your particular situation.

A quick scan down the first column in the list of questions should give you a general feel of where you are for each question vs. the 3Rs.

At the highest level they are a sanity check or checklist of areas to consider. You can take them with you to meetings or use as the basis of your ITT. Just one question may save you a whole heap of cash or heartache.

In Chapter 8 we've tried to bring some of the questions to life with some real-life examples.

We trust that you will find real insights. There may be some 'aha' moments. Hopefully not too many sickening, 'head in the hands – what have we done' moments, where you've realized that your company is hopelessly exposed. If you are in that situation, then the questions may help you negotiate yourself back into control.

In this context, probably the most critical role of the questions is that they reveal risks that you hadn't considered. On the flip side they should also open up your thinking to opportunities that you hadn't necessarily considered. Balancing the opportunities and the risks, and then agreeing what is realistically achievable is the key to formulating strategy.

The questions could be used in your internal operational meetings to inform or at least prompt a debate. Alternatively they could shape the discussion you have with potential vendors of Cloud services.

Once that strategy is set, the questions should enable you to develop operational plans, budgets or determine your strategy.

How to dig deeper

Need more information? Not convinced by the examples, or want ones that are more relevant to you specific situation? You can contact the authors (their email addresses have been provided in the "Getting Involved" section at the beginning of the book). The Smart Questions micro-site for the book has a list of other supporting material. As this is a rapidly advancing subject many of the references are to websites or blogs.

And of course there is a community of people who've read the book and are all at different levels of maturity who have been brought together on the Smart Questions micro-site for the book.

And finally

Please remember that these questions are NOT intended to be a prescriptive list that must be followed slavishly from beginning to end. It is also inevitable that the list of questions is not exhaustive and we are confident that with the help of the community the list of Smart Questions will grow.

If you want to rephrase a question to improve its context or have identified a question we've missed, then let us know to add to the collective knowledge.

We also understand that not all of the questions will apply to all businesses. However we encourage you to read them all as there may be a nugget of truth that can be adapted to your circumstances.

Above all we do hope that it provides a guide or a pointer to the areas that may be valuable to you and helps with the "3 Rs".

Chapter

5

The known unknowns

There are known knowns. These are things we know that we know. There are known unknowns. That is to say, there are things that we now know we don't know. But there are also unknown unknowns. These are things we do not know we don't know[11].

Donald Rumsfeld (former US Defense Secretary, 1932 -)

BUILDING your cloud business using Force.com will require a very tight collaboration between your business and technical teams. In most organizations, one leads the other, making joint decision-making harder. In this situation it may be no different. At the minimum, you will need both business and technical executives to be engaged.

Since it's not uncommon for business and technical people to be thinking about very different sets of issues, the questions have been divided into these two sections.

Chapter 6: Questions for suits

1. Is Cloud Computing for me?
2. Is Force.com the right Cloud Computing platform?
3. Commercial considerations
4. What is your Go to Market strategy?
5. How your organization will need to change?
6. Migrating to the Cloud and Force.com

[11] So we are clear then? This statement, made at a press briefing by former US Defense Secretary Donald Rumsfeld, earned him the 2003 Foot in Mouth award from the Plain English Campaign.

Chapter 7: Questions for jeans

1. The big picture
2. Designing your product
3. Developing your product
4. Deploying your product

Many of the considerations in the business sections are to help you figure out the commercial viability of your Cloud initiative. However, if you are more technically focused, do not automatically skip to the questions for jeans. We do recommend taking a quick look at the questions asked of the business. It will help you understand the context for the technical questions.

Clearly there are technical questions around architecture, development, and support. These are intended to help you frame your thinking on creating the framework to build, distribute, and support your product so that it is profitable.

If you have more technical *How to* questions, they may be answered in the Force.com technical documentation or in Dummies books.

Chapter

6

Questions for suits

If I had eight hours to chop down a tree, I'd spend six hours sharpening my ax.

Abraham Lincoln (United States President, 1809 - 1865)

BEFORE you start questioning whether the application can be developed in Force.com you need to figure out if you will survive a move to the Cloud. The worst thing you can do is spend a year's worth of time and money and then dump the entire effort.

First, there are some basic questions to help you figure out if this is worth pursuing for your business. What are the real drivers behind your desire to develop a Cloud based app? Are you being forced into it by customers or by competitors? If so, are they unwittingly pushing you into a far less profitable business, where the transition costs from your on-premise business will kill you? Or is the Cloud inevitable and you are feeling the need to move now to stay ahead of the curve?

Then, there are questions to help you prepare for a service-oriented business model. Have you understood all the costs involved? Do you understand the implications of running a business that's dependent on salesforce.com's strategy & platform? What do you need to do to drive the drastic change required within your organization?

Chapter

7

Questions for jeans

It should be possible to explain the laws of physics to a barmaid.

Albert Einstein (Scientist, 1879 - 1955)

MOVING into the Cloud may appear very simple, if you believe all the hype. There are dozens of "Cloud converters" being peddled today that can supposedly get you there in days or weeks. They promise to enable you to migrate your idea or spreadsheet or an existing on-premise product into the Cloud with the click of a few buttons.

Is it really that straightforward? No, we're not there yet. If we're lucky, maybe in the next 5 – 10 years, this may become a simple "transportation" problem. Simple enough for American Airlines, UPS or even Two Men and A Truck to move you into the Cloud. Until then, you, the architect, will need to do some very heavy lifting.

Because it's a different way of running your business, Cloud Computing will require a fresh mindset as you start thinking about your product architecture, development methodology, customer deployment, maintenance, upgrades and support. And more importantly, you will also have to think about how to meet customer expectations when they will be "renting" from you as opposed to "buying".

Book available from

Thinking of... Force.com as your key to the Cloud Kingdom? Ask the Smart Questions

By Alok Misra & Ian Gotts

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