Executive Study

How to Reconnect Your Salesforce Strategy Back to the Business

A PAC WHITE PAPER

PAC

INTRODUCTION

European organizations are taking a more strategic approach to harnessing technology and data in order to enable their future growth and transformation.

After several years of tactical investments in software and IT services in the post-pandemic years, a new era of economic volatility and disruption is forcing strategy leaders to drive more fundamental changes to their core business models and ways of working.

European businesses have used Salesforce as their preferred sales and marketing platform for close to two decades. But as a result of these market shifts, many are bringing it much closer to the heart of their organization. Salesforce now makes annual revenue in the EMEA region in excess of €4bn and its recent growth has been driven by customers increasingly using its products to transform and enhance more diverse and mission-critical processes and workloads.

"European organizations are using the Salesforce platform to transform and enhance more diverse and mission-critical processes and workloads."

This has partly been underpinned by the expansion of the Salesforce portfolio through acquisitions such as MuleSoft, Tableau and Slack. However, a more important driver has been Salesforce's pivot towards a clearer focus on supporting the needs of its clients based on their specific industry sector. This is spearheaded by the Industry Clouds, which have started to build growing client bases across Europe in sectors including banking, insurance, manufacturing and utilities.

At the same time, Salesforce is also positioning itself to help its client base take full advantage of the artificial intelligence (AI) revolution. The vendor has baked-in a rapidly increasing array of Machine Learning and Generative AI functionality across its portfolio to help organizations leverage their existing data sources and platform investments, and pinpoint the use cases that accelerate their time-to-value.

In this White Paper, we will explore the challenges facing enterprise Salesforce users and provide insight into how they are changing their approach to drive the right business outcomes.

Salesforce clients are also adapting the way that they engage with the vendor's consulting and integration partners to ensure that their platform investments are more closely aligned with the needs of the business. This is leading to some interesting developments in terms of the type of partner with whom they engage and the metrics that they are using to measure the success of their initiatives.

European businesses will make some big bets on the Salesforce platform as a strategic enabler of change. The successful ones will be those that ensure that it is harnessed in a way that is geared towards helping their business thrive and adapt in an era of constant change.

AUTHOR

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RECONNECTING SALESFORCE TO THE BUSINESS

European businesses are entering a new phase in their journey with the Salesforce platform in order to support their rapidly-evolving needs.

A lot has changed in recent years, with economic volatility, geo-political uncertainty and a new wave of digital disruption – led by the impact of generative AI – forcing strategy leaders to rethink the way that their investment in core business applications gives their business a new level of resilience and speed.

A recent CXO survey by PAC found that **84%** of senior strategy leaders stated that they needed to improve their agility and ability to innovate in order to keep pace with changing market demands (see Fig 1). Some **82%** of CXOs highlighted the need to reach to new customer groups and revenue areas as a major challenge, while more than three quarters (**79%)** cited increased competition as an area of concern.

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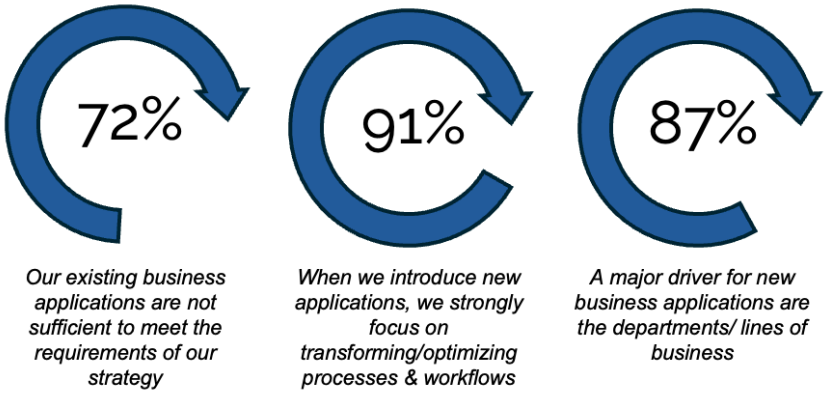
These issues are evident in the disruption that we see playing out across all industry sectors. In the utilities sector, Octopus Energy has risen to become the dominant supplier of electricity in the UK less than eight years after its launch, and it is also the fastest-growing player on the continent. In the automotive sector, petrol and diesel cars now account for less than 50% of new vehicle sales in the European Union, as new electric vehicle challenger brands enter the market.

These factors are reflected in the drivers that are shaping current application modernization strategies. PAC's CXO study found that the top priority for **90%** business and technology leaders with their applications modernization strategies is to transform and optimize processes and workflows. At the same time, many feel that their existing platforms are just not delivering, with **72%** stating that their current application landscape is not able to support their business strategy.

This is why many businesses have hit the reset button to make sure that their applications strategy, which for many years has been led by refresh cycles and characterized by tactical investment in point solutions, is more closely aligned with the changing needs of the business.

Salesforce users are no exception, and many are now rethinking the role that the platform will play in supporting their future transformation. The Salesforce portfolio is a very different proposition compared to what it was even five years ago, with the integration of acquisitions such as MuleSoft and Slack and the continued momentum behind the Industry Clouds extending the reach of Salesforce far beyond the CRM layer.

Fig 1. What are the main challenges & focus areas for current applications modernization strategies?



Source: PAC Global CXO Study, 2023

Harnessing the full potential of the extended portfolio has proved challenging for many Salesforce clients, particularly at a time of renewed budget pressure. Some clients have also struggled to maximize the value from their existing Salesforce investments, often because they lack the business case or skills to take full advantage of recent product enhancements.

Some organizations have suffered as they have taken a technology-led approach to their Salesforce projects, implementing platforms but failing to set them on a course where they deliver the right outcomes. Salesforce itself has taken several important steps to help address this with a renewed focus on customer satisfaction metrics. It is also noticeable that its most successful consulting and implementation partners in recent quarters are those that have helped clients to join the dots between the Salesforce stack and the needs of the business.

This gap between the potential of technology and the needs of the business is most evident in the area of artificial intelligence. Exploring and harnessing the potential of AI has become a boardroom priority, underpinned by the explosion of Generative AI during the last two years.

"40% of large enterprises admitted that they had yet to see any significant benefits from their AI investments over the course of the previous 12 months."

But is easier said than done. Strategy leaders are struggling to prioritize the right use cases, and many are being frustrated at the level of caution at the pace at which compliance guardrails demand they progress. A recent study by *Lucidworks* found that more than 40% of large enterprises admitted that they had yet to see any significant benefits from their AI investments over the course of the previous 12 months.

Salesforce is well-placed to position itself as one of the critical platforms that enterprises use to scale their AI initiatives. The vendor cites research that claims that 75% of the value of AI sits in the front office, where its position as the leading CRM vendor gives it a very strong starting point.

Another key aspect is that businesses are increasingly looking to leverage their existing platform investments to harness AI. The PAC CXO study found that approximately a third of business and technology leaders plan to invest further in their business applications in order to harness baked-in AI functionality. We strongly suspect that this proportion will ramp up significantly in the coming years as organizations struggle with DIY approaches that piece together point solutions.

However, the key to unlocking the potential of the advances in AI at an interface and model level is the data piece, and this is why Salesforce's Data Cloud has become critical to its ability to win hearts and minds as an enabling platform.

Data Cloud was originally launched in 2020 as the Customer Data Platform (CDP) before taking on its current mantle last year. It is positioned as the open, foundational layer that enables connectivity between Salesforce's multiple Cloud propositions, and data residing in third party platforms such as Snowflake or AWS.

Data Cloud has regularly been the fastest-growing, home-grown part of Salesforce's portfolio in the last couple of years and has really come into its own as customers look to get their Generative AI initiatives off the ground. However, in order to take full advantage of the proposition, enterprises need to bring together the right stakeholders from across the organizations – from boardroom decision-makers to data strategy leaders – to accelerate their time-to-value and maximize their chances of driving the right outcomes.

Salesforce's partners are likely to play a pivotal role in enabling this change, as we shall explore in the next section.

DRIVING THE RIGHT OUTCOMES

Salesforce's partner ecosystem has never been more critical to its success in delivering the right outcomes to its customers.

In Europe, the vendor has built a community of several hundred consulting and systems integrator partners, but the way in which it works alongside them and the focus of the projects that they deliver is changing at speed.

More than 90% of Salesforce's larger engagements now involve an external partner, and even for smaller projects, that level is increasing as clients seek help in tackling complex issues around data management and integration in order to get the most out of the rapid advances in AI.

"The way that Salesforce works alongside its partner ecosystem and the focus of the projects that they deliver is changing at speed."

As we highlighted earlier, harnessing full value from AI investment is not just a technical challenge. It requires the relevant skills, the right business case and harnessing data from multiple different systems. PAC's latest CXO study found that businesses are struggling across all these areas on their own (*see Fig 2*) and are increasingly turning to partners for support.

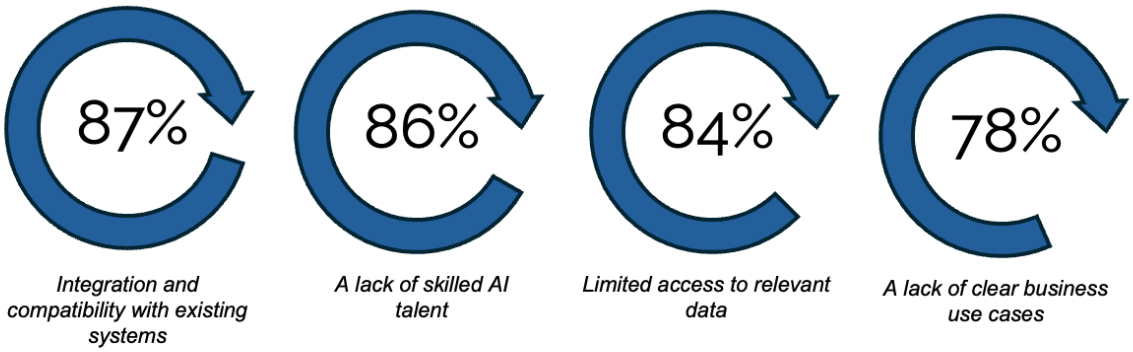
PAC's latest Innovation RADAR, which assesses the positioning and value propositions of all major Salesforce ecosystem partners in Europe, has found that there are some clear characteristics of those vendors that rank the highest in our analysis.

What we have seen during the last two years is that clients are increasingly moving away from resourcing-centric engagements with providers, who are selected based on the depth of their bench and their ability to scale to meet project deadlines. Instead, the most in-demand Salesforce partners have been those that are able to marry an advisory-led approach to understand the underlying business problems that the client wants to address, with technical and delivery excellence.

A good example of a client organization that has adapted both the role of the Salesforce platform within its business, as well as its partnering strategy is a large, multinational automotive services group. The company, which has 30,000 employees and serves more than 15 million customers, decided to leverage Salesforce in order to enable a critical transformation programme that was designed to drive a step change in customer engagement.

The aim of the programme was to make the client easier to interact with, to simplify, modernize and integrate processes, and to create a much more personalized, flexible and consistent experience across multiple channels. At the same time, it wanted to ensure that its technicians were able to work in a more agile and efficient way, by giving them greater power to book and schedule follow-up jobs with the customer.

Fig 2. What are the challenges associated with Generative AI for enhancing digital customer engagement in your organization?



Source: PAC Global CXO Study, 2023

The company embarked on a journey to implement multiple Salesforce Cloud, including the Sales, Marketing and Field Service clouds, which it is integrating into core back-office systems with MuleSoft. It had previously taken a multi-sourced approach to working with implementation partners, but felt that a new path was required to ensure the right outcomes.

The multi-sourced programme saw it working with several different partners that worked on different front- and back-office projects, but this led to fragmented accountability for the overall programme of work that it was looking to implement. As these suppliers were often focused on delivering projects, there was a tendency to obsess on achieving milestones rather than ensuring the right outcomes were delivered. As a result, the company made a strategic decision to partner with a single services vendor on the next phase of its transformation.

The company opted to work with PwC, on the basis that it wanted to work with a Salesforce partner that was closely aligned with its value and goals. PwC demonstrated a deep understanding of the operational challenges in customer services that it was looking to tackle and showed a willingness to work together in order to fix the underlying issues.

"Salesforce is looking to its partners to accelerate its clients' time-to-value."

The business credits PwC with helping it to see how it could harness Salesforce to unlock new levels of business value, and working collaboratively with experts from Salesforce itself to make sure that everything was heading in the right direction. The relationship with PwC has now been established over several years and the company currently commands a very strong Net Promoter Score (NPS) in excess of 80. It calls its decision to engage with PwC a "game-changer."

There are other Salesforce partners that are able to offer this combination of technical expertise in the Salesforce stack and a deep industry understanding. However, PwC is one of a very small group that has demonstrated an ability to deliver this blend across multiple industry sectors. This is reflected in it achieving "Best-in-Class" status (the highest possible ranking) across multiple industry sectors in the PAC Innovation RADAR, including financial services, manufacturing and energy & utilities.

Salesforce is also looking to its partners to accelerate its clients' time-to-value, and another common characteristic of the most successful ecosystem partners is the creation of assets, templates and frameworks that can enable them to rapidly leverage best practice across multiple projects.

PwC has developed a "human-led, asset-backed" approach to Salesforce engagements that is designed to leverage built-in AI and innovation, ensure that all work is documented, and that projects are risk and regulatory compliance ready. The company has also committed to invest $1bn over the next three years to expand and scale its skills and offerings relating to AI. The PwC Salesforce practice is building on some of the early use cases that it is exploring with its clients through its Salesforce AI Center of Excellence such as how Einstein GPT can be leveraged across multiple areas of the Salesforce portfolio.

Investments such as these will be vital for Salesforce partners to ensure that their skills and propositions remain relevant to changing client requirements as they enter the next phase of their transformation.

CONCLUSIONS & RECOMMENDATIONS

Salesforce clients are facing issues that they have never faced before, and are harnessing the platform in a completely different way.

At a time of constant change organizations need to ensure that their core digital platforms give them the level of agility and resilience that they need to enhance their competitiveness.

The shift to cloud-based delivery models has helped many organizations to scale their core applications at the pace that they need. But an even bigger shift is required in the coming years if they are to fully harness them in a way that delivers the right outcomes and speeds their path to becoming a truly data-centric business.

For too long, there has been a disconnect between the cycle of platform refresh programmes and the critical needs of business leaders. This is evident in the number of organizations that have invested in applications, modules and functionality that are not being utilized or fully leveraged.

The promising news from PAC's research is that strategy leaders are looking to bridge this gap, and view the next phase of their application modernization pathways as a way to drive deeper change in critical processes and workflows. This is evident in the way that Salesforce clients are harnessing its services in a more strategic way at the heart of their business.

"Strategy leaders view the next phase of their application modernization pathways as a way to drive deeper change in critical processes and workflows."

This change in approach needs to be reflected in the way that Salesforce customers engage with their external partners. Consultants and integrators have played a vital role in providing access to scarce talent to help their Salesforce initiatives as they scaled up in the years following the pandemic.

But while it remains challenging for organizations to gain access to the talent that they need to grow and support their Salesforce environments, they should look for more from their partners if they are to refocus on enabling business outcomes rather than staffing levels and projects milestones. Delivering projects on schedule and budget is no longer sufficient. That mindset has left many Salesforce clients with the sense that they have failed to get maximum returns from their investment.

Instead, Salesforce clients need to engage with partners that can work collaboratively with both the subject matter experts within the client organizations that are looking to change the way the business works, as well as the technology strategy leaders. They not only need a deep technical understanding of the Salesforce portfolio, but also a proven ability in strategic problem solving and co-innovation to ensure that clients break the cycle of typical technology projects.

As we have discussed in the White Paper, helping Salesforce clients to maximize the value in their data through propositions such as Data Cloud and the rapidly expanding number of AI-based services will be a major focus area in the coming quarters. The most effective partners will be those that combine an understanding of how their client's business works and what it is trying to achieve, with deep experience in putting the right building blocks in place for an effective data strategy.

The pace of change has never been greater, and Salesforce clients should also look to work with partners that have demonstrated an ability to accelerate their clients' time-to-value with best practice frameworks, IP and assets. This should be backed up by a joint approach that focuses on the appropriate metrics and measures that are fully geared towards achieving business outcomes.

The Salesforce platform has made some huge leaps forward over the last decade, and it will continue to evolve at speed in the era of AI. Clients to need to ensure they have the strategy, stakeholders and partners that will help them reconnect it to the critical business needs.

ABOUT PAC

We are a content-based company with a consulting DNA. PAC is the leading European consulting and analyst firm supporting software & IT service vendors worldwide. Since 1976, we have helped our clients to understand market dynamics, grow their revenue and raise their profile. Our unrivalled understanding of European markets, and deep research coverage help key market players to define their strategy, optimize their go-to-market and increase market share. PAC is an analyst-led consultancy with a team of over 100 experts across Europe. We provide market research and analysis on more than 30 countries worldwide, delivered through our portfolio pillars, Guidance, Insights, and Visibility, and our renowned SITSI® research platform. More on www.pacanalyst.com.

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