WHITE PAPER

The Salesforce Economy: How Salesforce, Its Ecosystem of Partners, and Its Customers Will Create More Than 1 Million Jobs and Add $272 Billion to Local Economies in the Next Four Years

Sponsored by: Salesforce

John F. Gantz
Chris Ingle
Maria Gabriella Cattaneo
Darren Bibby
Philip Carnelley
Bo Lykkegaard

August 2015

IN THIS WHITE PAPER

This White Paper forecasts the economic contribution of Salesforce to local economies, along with its ecosystem of partners and customer base. The study relies on IDC forecasts of job creation from organizational use of cloud computing, IDC's understanding of Salesforce's market share, IDC's published research on the number of ancillary products and services that accompany cloud computing implementations, two global primary research surveys of cloud computing customers (including both Salesforce customers and noncustomers), and a custom economic model that estimates the size of the Salesforce ecosystem. IDC has been studying the impact of information technology (IT) on the economy for more than 50 years and the impact of cloud computing on the economy for more than half a decade.

EXECUTIVE SUMMARY

- Worldwide, Salesforce and its ecosystem will enable the creation of more than 1 million jobs within the Salesforce customer base due to the use of cloud computing between the end of 2014 and the end of 2018. Those jobs, called *direct jobs* in economic parlance, will engender another 1.5 million *indirect* or *induced* jobs as increased customer revenue drives jobs in supply and distribution chains and as new company employees spend money in the general economy.
- Between the end of 2014 and the end of 2018, the benefits of cloud computing that accrue to Salesforce customers will add $272 billion in GDP impact to their local economies.
- Cloud computing generates these benefits primarily from permitting an increase in IT innovation, which in turn supports business innovation leading to accelerated development schedules, faster project completion, shorter time to market for new products, and lower operational costs.
- The United States, because of its large share of cloud computing implementations and share of Salesforce's global revenue, will generate more than 50% of the world's financial gain from the Salesforce customer set, but about 60% of the jobs will be created in emerging markets where labor costs are low.

- In a custom IDC survey of 1,142 cloud-using organizations in 8 countries supporting this study, Salesforce customers said, on average, they have experienced payback from their Salesforce technology investments in 13 months or less. Over four years, aggregate worldwide investments by Salesforce customers in cloud computing should yield 3–5 times the financial benefits compared with costs.
- IDC research shows that when organizations spend on cloud computing subscriptions, they also spend on ancillary products and services, from additional cloud subscription and professional services to supporting software, hardware, and managed services.
- For this reason, the Salesforce partner ecosystem that services Salesforce implementations provides these ancillary products and services and builds applications on the Salesforce1 Platform, generates 2.8 times the revenue of Salesforce itself, and is expected to grow 3.7 times as large as Salesforce in the coming years, according to IDC. This is a function of the expected growth of Salesforce's partner network and the expected growth in ancillary products and services as customer implementations become more customized and mission critical.

While most of this document describes the benefits to economies at an aggregate level, the impacts to local economies are very real. Ecosystem services such as IT consulting, training, and provision of ancillary hardware, software, and networking are often performed by local IT firms.

Table 1 shows the summary impact of Salesforce, its ecosystem of partners, and its customers in the regions studied.

TABLE 1

Local Economy Benefits Summary

Country	Contribution to GDP ($M), YE2014–YE2018	Direct Jobs Created, YE2014–YE2018	Indirect/ Induced Jobs Created, YE2014–YE2018	Salesforce Ecosystem Revenue/ Salesforce Revenue, 2014	Salesforce Ecosystem Revenue/ Salesforce Revenue, 2018	Project Payback in Months
United States	152,018	210,160	277,098	3.0	3.8	12.4
Canada	3,485	11,517	17,757	3.1	4.0	11.6
France	4,467	12,789	21,500	2.9	3.8	13.7
Germany	3,856	10,551	16,494	2.1	3.1	13.7
Netherlands	1,594	4,409	6,812	2.2	3.3	12.9
United Kingdom	18,697	53,968	94,685	2.1	3.1	14.2
Rest of Western Europe	10,078	28,323	44,131	2.2	3.2	13.8
Australia	4,866	10,754	22,253	2.3	3.3	12.0
Japan	19,945	69,758	83,075	2.3	3.3	18.0
Worldwide	271,674	1,004,347	1,509,075	2.8	3.7	13.2

Source: IDC, 2015

CLOUD COMPUTING: ADOPTION IN FULL SWING

For more than 50 years, organizational computing primarily involved company-owned or leased computers running company-developed or purchased software and serviced by a combination of in-house staff and outside professional services firms. Computer architectures changed along the way, and new computer types evolved – as personal computers replaced terminals, for instance – but computing was primarily a premise-based affair.

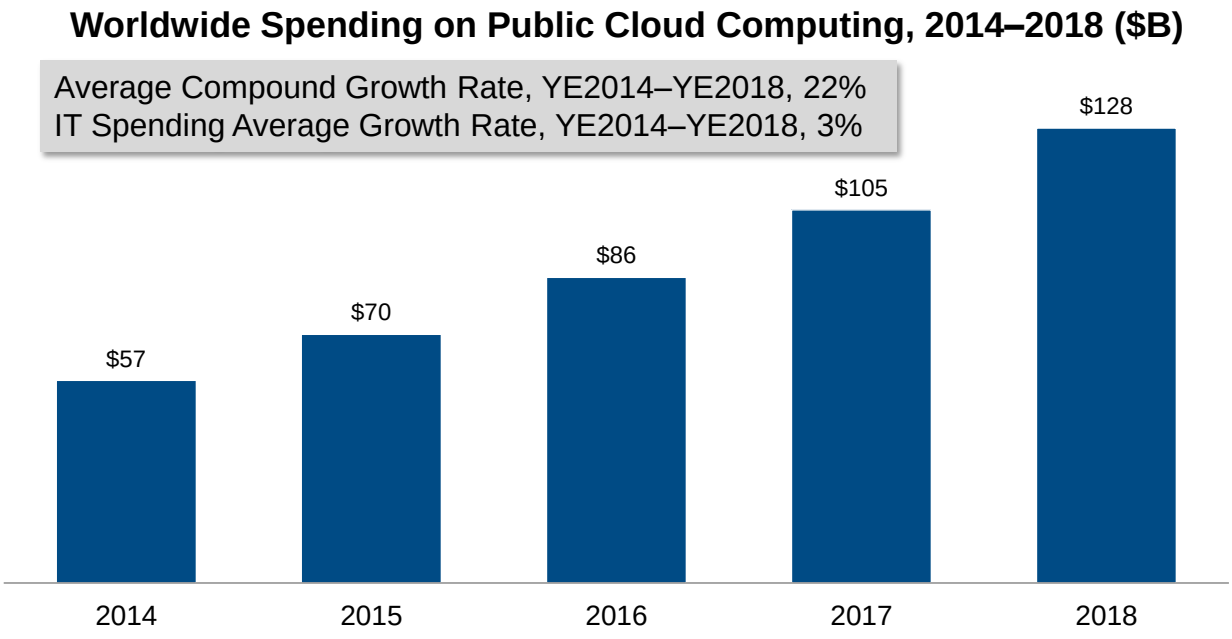
This is no longer the case. Since the turn of the century, a new computing style has evolved: cloud computing. Salesforce was a pioneer of this new form of computing, having released its first product in 1999.

IDC defines cloud computing as the use of external IT services – including applications, development platforms, storage, and security – that are shared across multiple customers, either on a standalone basis or as part of other custom (virtual) solutions, and are often referred to as "public cloud." Generally, cloud services are consumed and paid for based on usage, and customers can vary the amount of computing power or storage they need relatively easily.

Although public cloud computing has been with us for more than a decade, and last year public cloud spending surpassed $50 billion worldwide, it still represents less than 3% of total spending on information technology. However, spending on public cloud computing is growing seven times as fast as total IT spending (see Figure 1).

FIGURE 1

The Rapid Growth of Cloud Computing



Source: IDC, 2015

The services offered through cloud computing are traditionally split into three types:

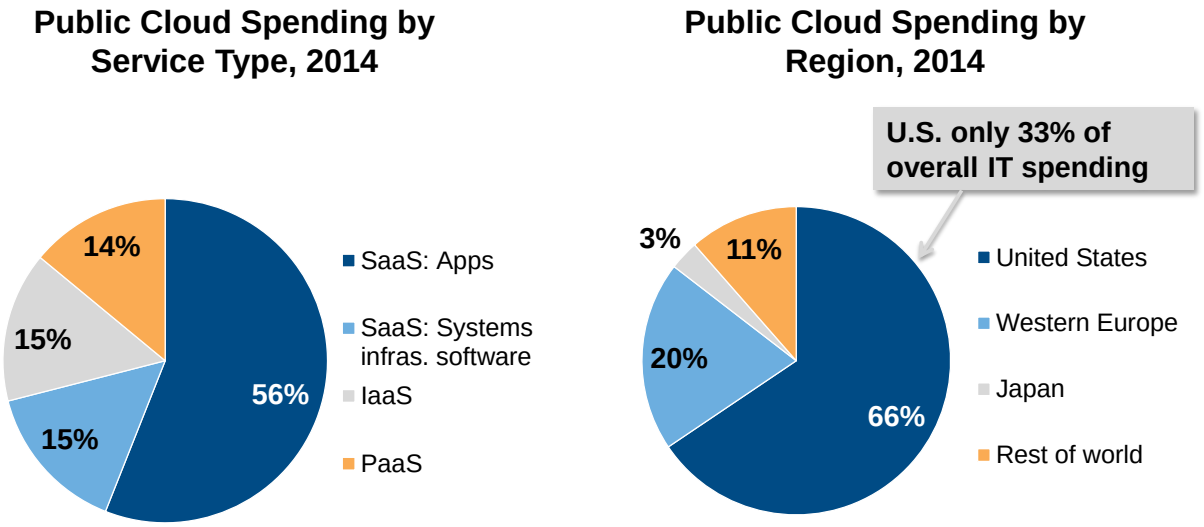
- **Software as a service (SaaS)**, which in turn can be split into the delivery of two types of software: applications or system infrastructure software such as security or systems management (Salesforce's cloud solutions fit into this category, including Sales Cloud, Service Cloud, and Marketing Cloud.)
- **Platform as a service (PaaS),** which is the delivery of application development tools and development platform (An example is the Salesforce1 Platform.)
- **Infrastructure as a service (IaaS)**, which is the delivery of information storage, processing, bandwidth, or other utility computing services

Figure 2 clearly shows that the delivery of cloud service applications – the Salesforce métier – makes up the majority of the market. IDC's forecast indicates that this will remain true past 2018.

The figure also shows the headroom for cloud computing outside the United States, which is where the bulk of spending on cloud computing takes place today. In fact, the U.S. share of cloud computing is twice that for IT spending as a whole.

FIGURE 2

Applications and Mature Markets Drive Cloud Computing



Source: IDC, 2015

While Figures 1 and 2 relate to "public" cloud computing, there are also "private" cloud solutions that offer shared solutions within a company. These can be provided by internal IT organizations or managed or hosted by third parties. IDC believes that spending on private cloud is of the same magnitude and growth as spending on public cloud computing. For the purpose of this White Paper, IDC considered all forms of cloud computing in the analysis and forecasts of economic impact.

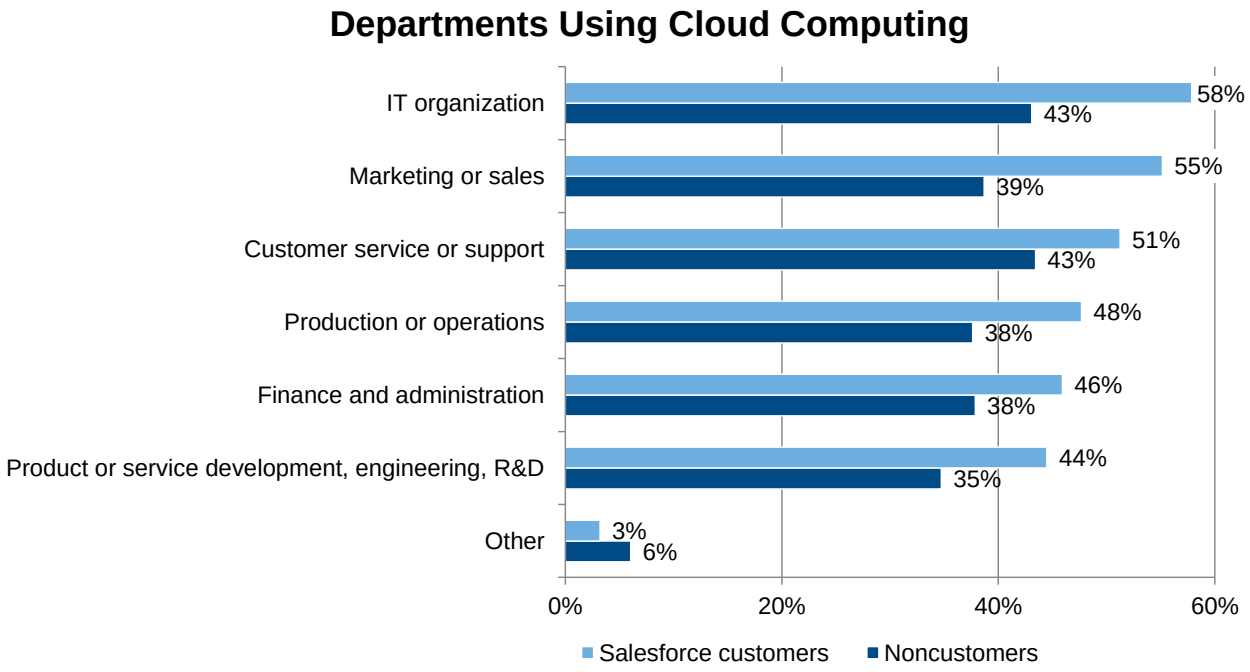
CLOUD DEPLOYMENT: A MIX OF USES

In the IDC survey conducted for this White Paper, we found that cloud computing users implemented projects across various departments and in various types of both project and cloud architecture.

Figure 3 shows how evenly spread cloud computing is across organizational departments. It also shows that Salesforce customers have been more aggressive about deploying cloud more broadly than noncustomers. (Note that, by design, Salesforce customers accounted for 25% of all survey respondents.)

FIGURE 3

Cloud Deploys Across the Organization



n = 1,142

Source: IDC's *Cloud Economic Impact Survey,* 2015

The survey respondents also reported a healthy mix of project type, including the type of cloud computing architecture and the percentage of projects that fit into one of the following types:

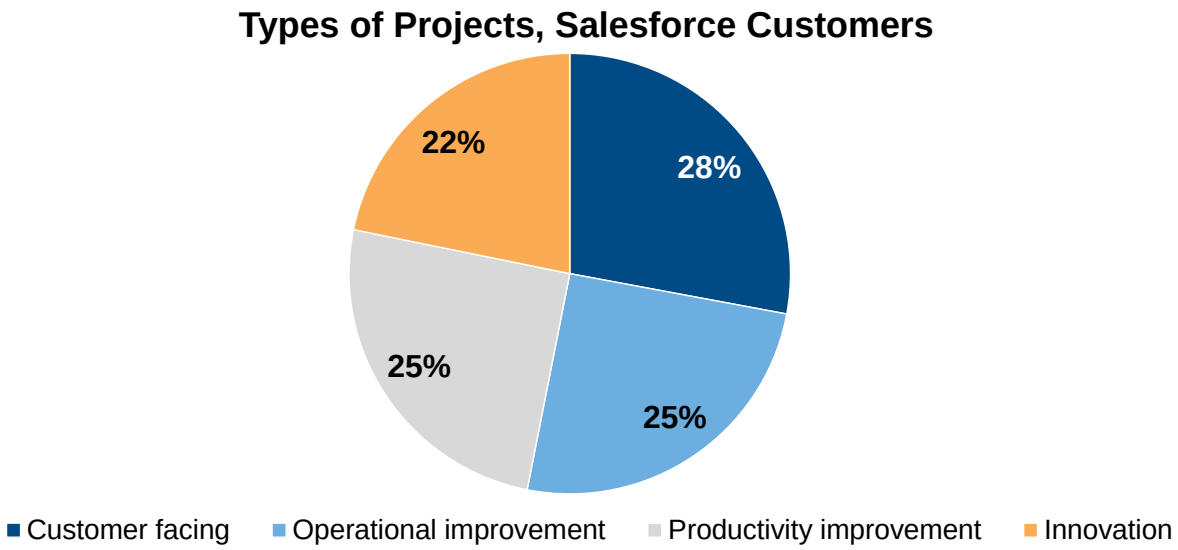
- **Customer-facing projects,** such as CRM; sales management; customer acquisition, retention, service, support; pricing optimization; and marketing
- **Operations,** such as process or operations optimization; plant, facilities, equipment maintenance or utilization; demand or supply chain management; logistics; business intelligence; and analytics

- **Productivity improvement,** such as human resources management, IT optimization, IT storage, security, processing, IT application development, enterprise performance management, and collaboration or personal productivity
- **Innovation,** such as product or service improvement or innovation; engineering, research, and development innovation; and the development of new products and services or improvements to existing products and services

Figure 4 shows these deployments by project type and by cloud computing variety. Although only responses from Salesforce customers are plotted, there was little difference between them and noncustomers.

FIGURE 4

Cloud Deployments



n = 281

Source: IDC's *Cloud Economic Impact Survey,* 2015

CLOUD'S QUICK RETURN

One of the reasons cloud computing is growing seven times faster than the overall IT industry is because of the quick return on investment it can offer.

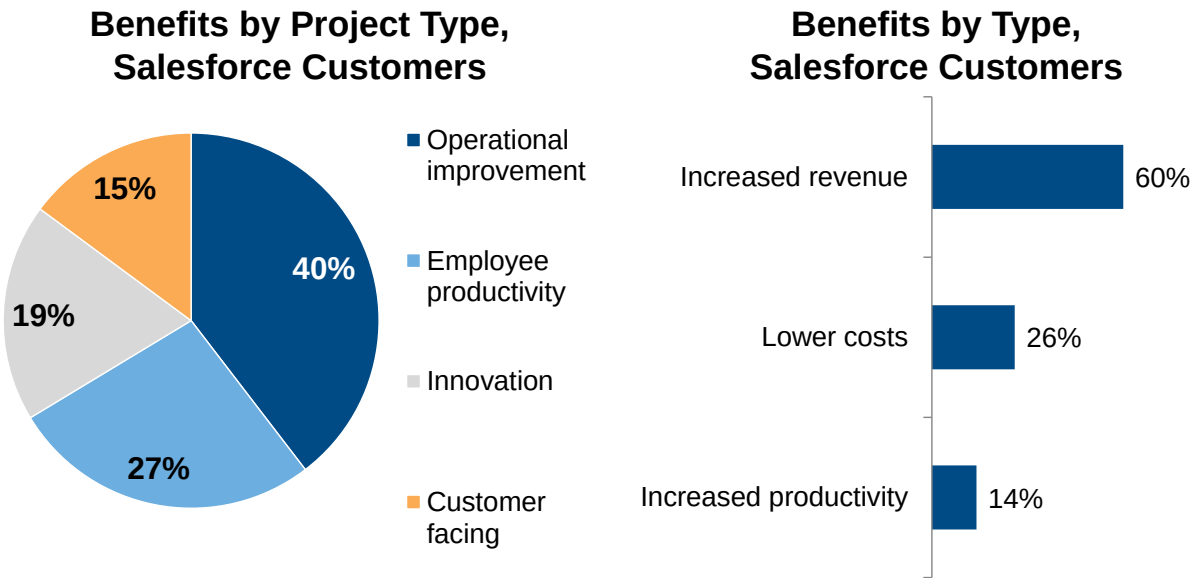
Respondents to the survey conducted for this White Paper told us that the average payback for a Salesforce cloud investment was approximately 13 months. And the IDC Salesforce Economic Impact model shows that over a four-year period, the return from those investments can be 4-5 times the original investment.

Figure 5 shows the various benefits IDC expects will be achieved by Salesforce customers over the next four years. It also shows that, although most benefits come from internally facing projects such as operational productivity improvements, they will manifest more in the form of increased revenue than

lower costs. It is important to note that benefits in operational improvements, employee productivity, and innovation all have downstream customer-facing benefits; for example, operational improvements in sales and customer service have direct customer-facing benefits. Further, the largest type of benefit comes in the form of increased revenue, which could come from the addition of new customers or the increasing loyalty of existing customers.

FIGURE 5

Where Cloud Computing Delivers Its Returns



n = 1,142

Source: IDC's *Cloud Economic Impact Survey,* 2015

A BONANZA FOR LOCAL ECONOMIES

While organizations often invest in cloud to obtain benefits on a project-by-project basis, across the total Salesforce customer base, the benefits add up; in fact, they will have a significant impact on the world economy by the end of 2018.

IDC has been tracking and predicting the impact of cloud computing on local economies since 2009. That research, along with research by other academics, shows that cloud computing's economic impact is much larger than just the efficiencies it can bring to an IT organization.[1]

[1] See the IDC study prepared for the European Union entitled *Uptake of Cloud in Europe* (ec.europa.eu/newsroom/dae/document.cfm?doc_id=9742)

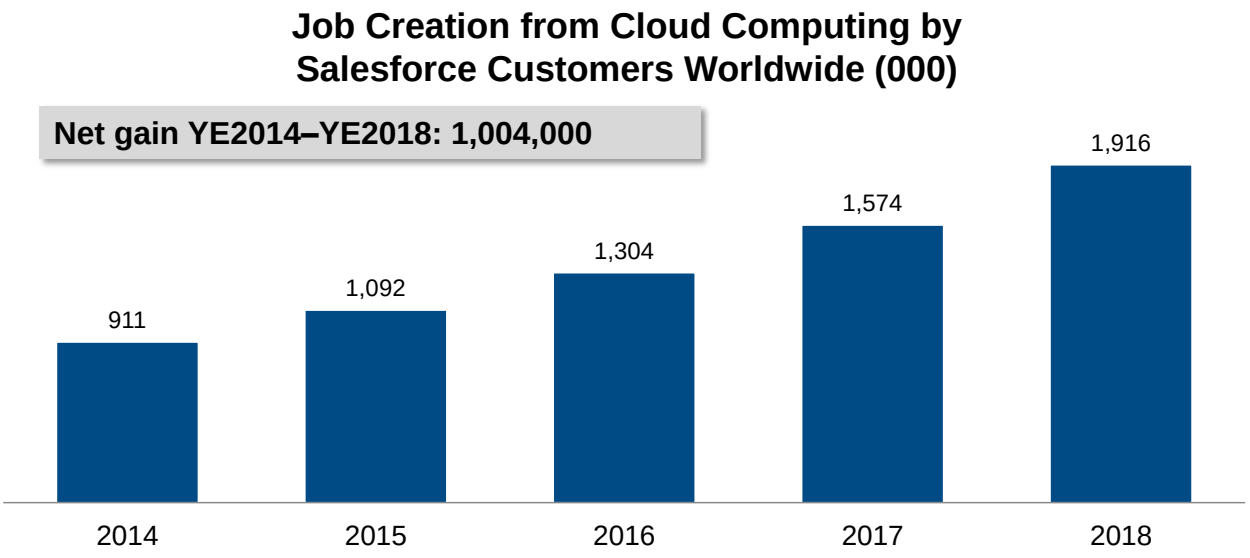
The leverage from cloud computing comes from the fact that so much of traditional IT is tied up with maintenance of legacy systems and routine upgrades – in fact, 71%[2] in the survey conducted for this White Paper.

By outsourcing these routine, low-value-add tasks to cloud providers, IT organizations can shift some of their budgets and personnel to innovation to support new business opportunities. With IT spending generally running at 1-4%[3] of revenue, incremental revenue enabled by shifting IT resources to new innovations can yield a significant multiple of IT investments.

That leverage can be seen in the more than 1 million jobs IDC forecasts to be created thanks to cloud computing deployed by Salesforce customers (see Figure 6). These jobs are jobs added to Salesforce customers' workforces as a result of the economic benefits of cloud computing.

FIGURE 6

Over 1 Million New Jobs



Source: IDC, 2015

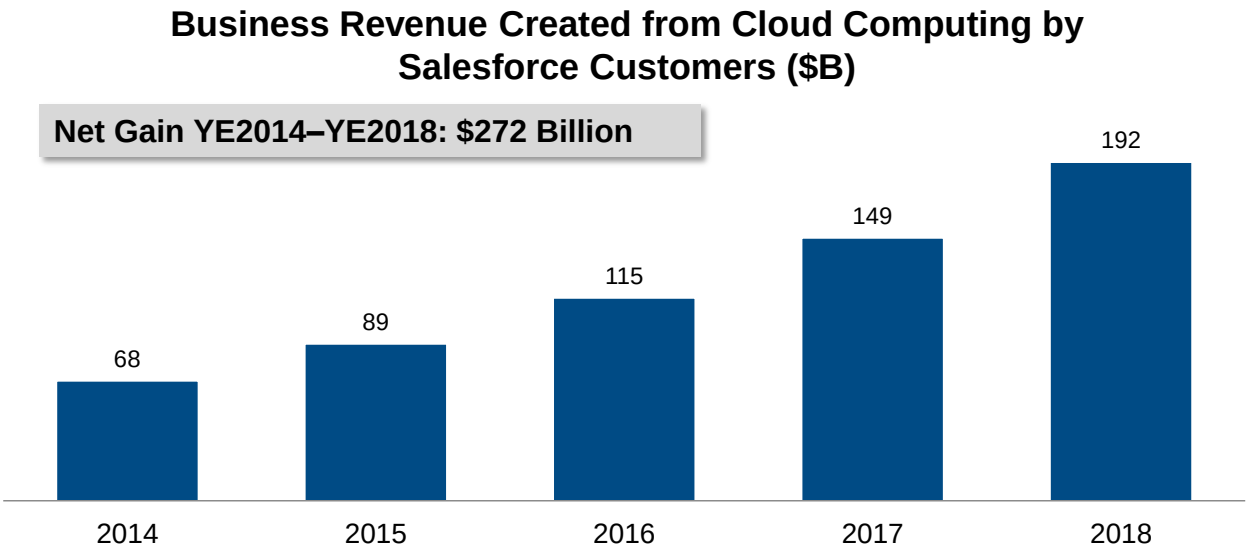
There are also additional jobs created in the supply and distribution chains serving those Salesforce customers and in the general economy from the money those employees spend. These jobs, called *indirect* or *induced* jobs, will number an additional 1.5 million between the end of 2014 and the end of 2018.

The financial gains generated from the cloud computing deployments of Salesforce customers will surpass a quarter of a trillion dollars, as shown in Figure 7.

[2] IDC Economic Impact Model, 2015
[3] IDC Economic Impact Model, 2015

FIGURE 7

Over a Quarter Trillion Dollars for the Global Economy

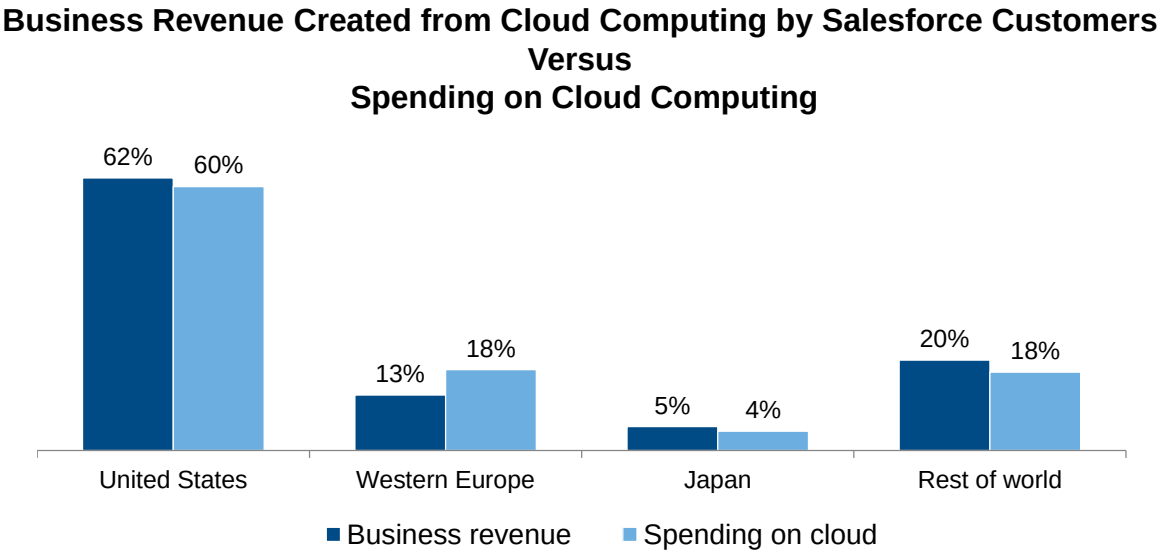


Source: IDC, 2015

By region, the distribution of this business revenue more or less tracks spending on cloud computing, as shown in Figure 8.

FIGURE 8

The United States Still Predominates



Source: IDC, 2015

THE SALESFORCE ECOSYSTEM

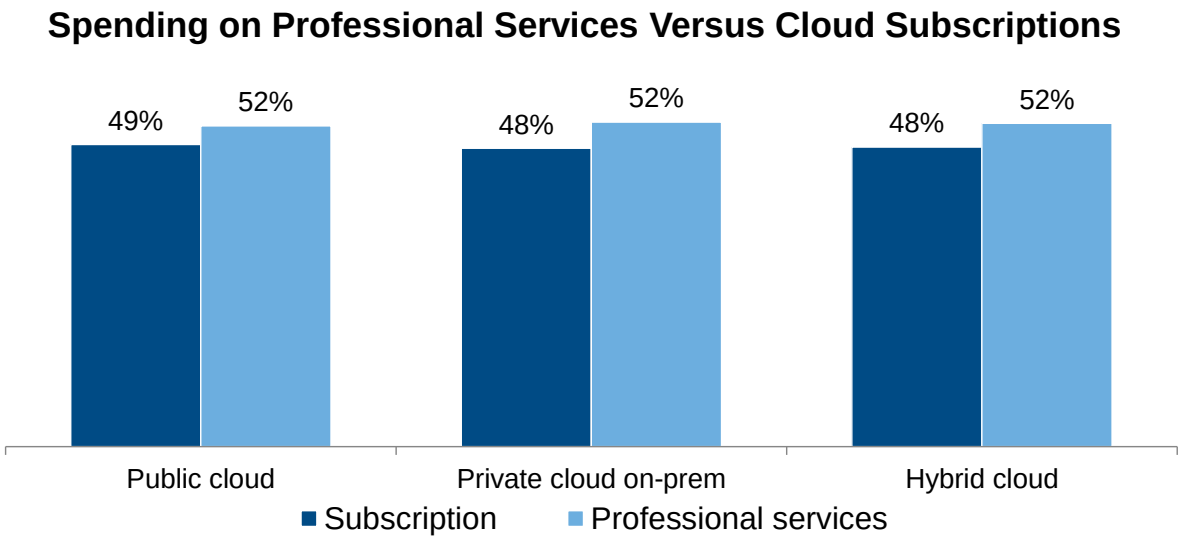
IDC research shows that, for the most part, every cloud subscription is accompanied by other products and services. These can include additional cloud subscriptions, such as for storage or security; additional software, such as for cloud services management or other add-on applications; or even hardware or networking, especially for private cloud computing implementations.

There is also a significant amount of business and IT consulting, which speaks to the halo effect across Salesforce's partner ecosystem, as cloud computing users change internal operating models or integrate cloud services with legacy systems.

For instance, IDC's recent global *CloudView Survey,* in which 3,464 organizations in 17 countries were interviewed, found that professional services revenue accounts for as much as or more than the subscription service for different types of cloud implementations (see Figure 9). Note that there is not much difference by type of cloud implementation, nor is there much difference by country.

FIGURE 9

Services Accompany Subscriptions



n = 3,464

Source: IDC's *CloudView Survey,* 2014

Professional services commonly accompany many cloud implementations. In the survey conducted for this White Paper, IDC found all manner of additional services and products accompanying cloud subscriptions, including:

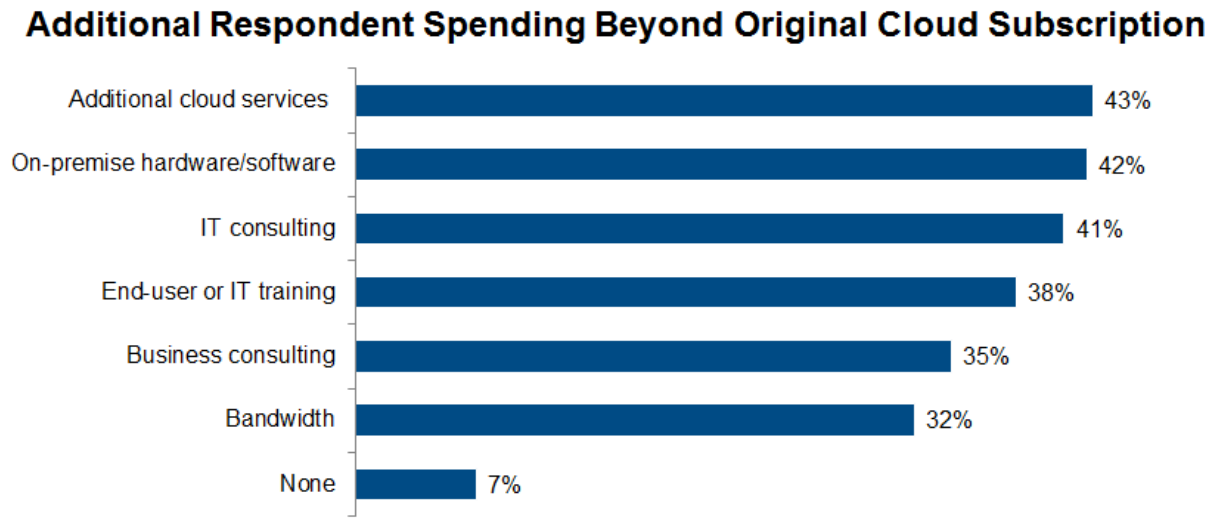
- Additional cloud subscriptions, such as storage, security, or other applications (These include independent software vendor application overlays for specific functions or vertical markets, such as those sold through the Salesforce AppExchange marketplace.)
- Business consulting, such as planning, vendor management, or needs assessments

- Customization of the end-user environment or console
- Application development that extends functionality of the cloud service
- IT consulting to support migration, integration and data preparation, and ongoing support of implemented systems including as-needed customizations and optimizations
- On-premises hardware or software, such as additional servers, upgraded end-user computers, and new or upgraded mobile devices
- Additional bandwidth, VPN upgrades, and remote access services
- End-user or IT training and help desk support

Figure 10 shows the prevalence of these additional expenditures as reported by respondents to the survey conducted for this White Paper. Note that many respondents chose multiple types of add-on expenditures, and only 7% said they had none.

FIGURE 10

Services and Products Surround the Cloud



n = 1,142

Source: IDC's *Cloud Economic Impact Survey,* 2015

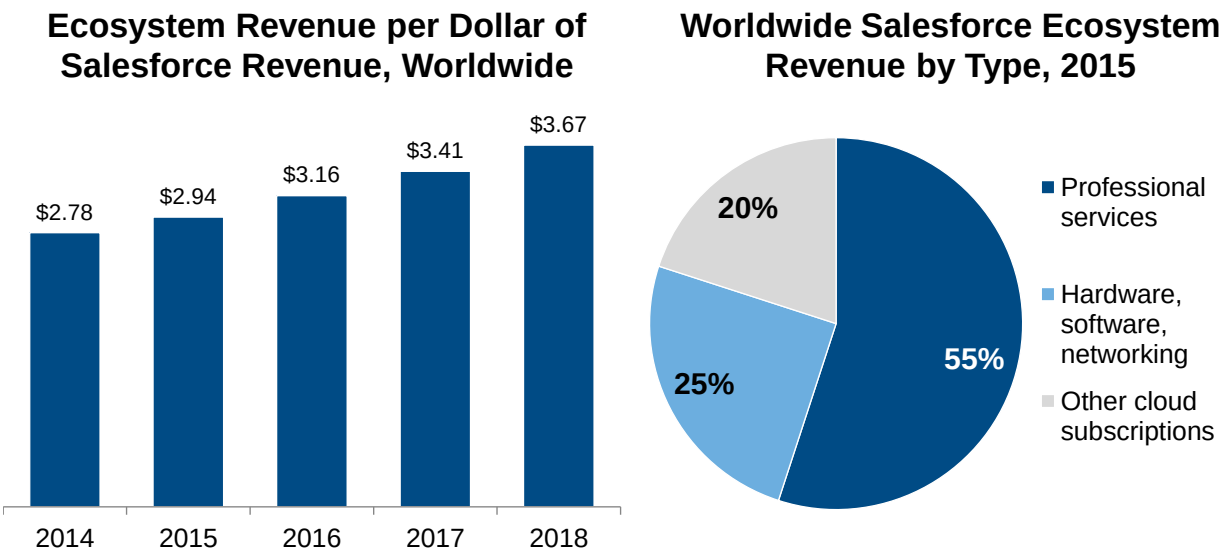
As a result of these additional products and services, the ecosystem that surrounds Salesforce implementations is larger than Salesforce itself – in fact, in 2014, for every dollar Salesforce made, the ecosystem made $2.78.

IDC predicts that the revenue generated by this ecosystem will continue to grow faster than Salesforce's revenue – a function of the expected growth of the Salesforce partner network and the expected growth of ancillary products and services needed by customers as their implementations become more complex and mission critical.

Figure 11 shows the ratio of Salesforce revenue to the revenue of its ecosystem from 2014 to 2018, as well as the breakdown of ecosystem revenue by type.

FIGURE 11

The Growing Salesforce Ecosystem



Source: IDC, 2015

Understand that the Salesforce ecosystem includes all companies that provide the products and services that surround a Salesforce implementation. Many, but not all, of these companies will be recognized Salesforce partners. Others may be brought into the project by partners or by the end-user organizations themselves. And any single Salesforce partner could well make a higher multiple of Salesforce than the aggregate ecosystem average.

In the interviews conducted with Salesforce partners for this White Paper, IDC learned that they particularly value:

- Salesforce's product breadth, depth, and flexibility – strengths aided by Salesforce's position as a leader in SaaS and as a long-time market participant (Partners also appreciate the company's 20%+ growth rate, which drives opportunity for partners.)
- The utility of Salesforce's PaaS offering, the Salesforce1 Platform, which they claimed allows for fast creation of both client-based applications (Force.com) and Web-based applications (Heroku.com) (In the survey, Salesforce customers said the use of PaaS cut their application development time by an average of 26% [versus 21% for PaaS users who were not Salesforce customers] and allowed the creation of an average of 42% more applications [versus 33% for noncustomers].)[4]

[4] For a detailed review of the benefits of Salesforce PaaS, see the IDC White Paper, *Salesforce1 Platform: Accelerate App Dev with Huge ROI*, February 2014 (https://www.salesforce.com/form/offer/platform-idc-wp.jsp?d=70130000000lu4b&internal=true)

- The ability to connect to one another and to customers directly through Salesforce's AppExchange, an online marketplace for partners to list products and services (In the survey, 79% of Salesforce respondents had either sold or purchased an application on the AppExchange.)

Partners also remarked that they liked the Salesforce support they received, product and service road maps, development assistance, go-to-market programs, and certifications that add to their market prestige.

CONCLUSION

Cloud computing is an important new paradigm in information technology, driving new ways to use information technology and new sources of competitive advantage.

Even though cloud computing currently represents a relatively small percentage of overall IT spend, it is growing at a much faster pace than IT as a whole. Further, because of the leveraged nature of cloud computing – freeing up IT resources to support business innovation – investments in cloud computing yield broad benefits for local economies.

The messages in this study for organizations utilizing or interested in cloud computing are:

- The payoff to the larger organization is much greater than just the impact on the IT organization.
- Successful implementations require concerted efforts on the part of the customer, the cloud provider, and providers of ancillary services and products. Salesforce, as a recognized market leader, helps bring all three to the table.
- The maturity model for cloud computing entails migration from ad hoc projects to a "cloud" approach. Organizations on this migration path need suppliers that can support them all the way.

IDC's forecasts show a significant payback from investments in cloud computing out to 2018. But even by then, spending on cloud computing will be little more than 10% of spending on IT. We are still on the ground floor of cloud computing, with lots of headroom for ever more success.

APPENDIX: DETAILED BENEFITS DATA

United States

Table 2 and Figure 12 contain IDC's estimates of the impact of the Salesforce economy in the United States.

TABLE 2

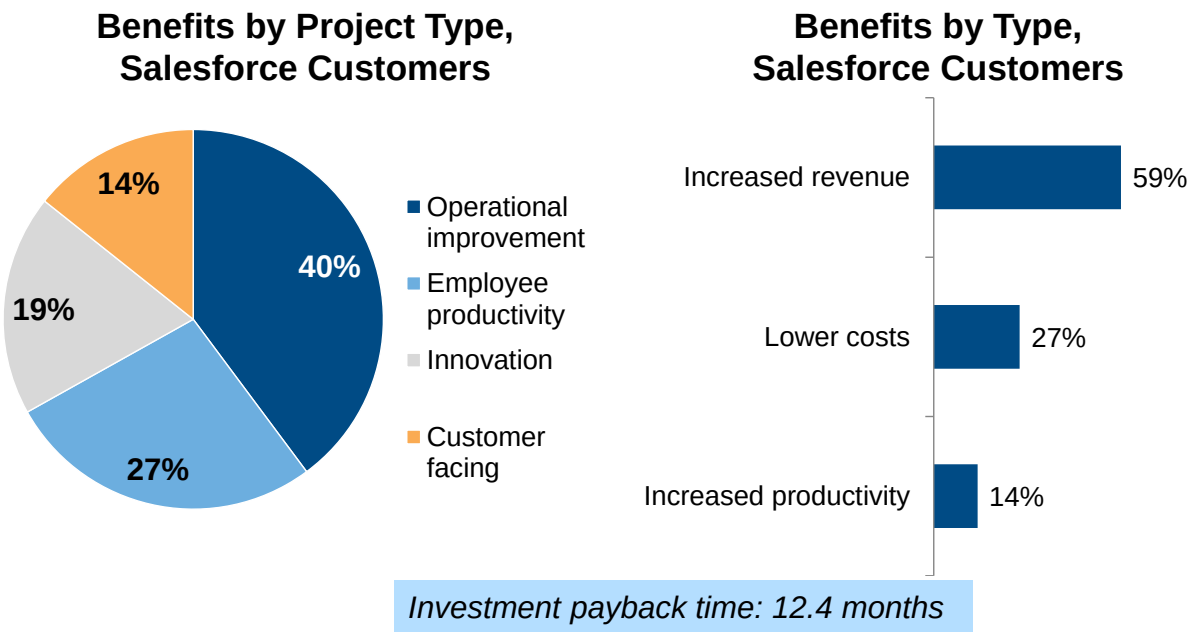
Job Creation and Business Revenue from the Use of Cloud Computing and Salesforce Ecosystem Ratio — United States

	2014	2015	2016	2017	2018	Net Gain
Contribution to GDP ($M)	42,101	53,566	68,202	87,060	111,595	152,018
Direct jobs	139,091	174,043	219,183	276,659	349,251	210,160
Indirect/induced jobs	194,445	230,425	302,392	376,210	471,543	277,098
Ecosystem to Salesforce revenue ratio	3.0	3.1	3.4	3.6	3.8	4.3

Source: IDC, 2015

FIGURE 12

Where Cloud Computing Delivers Its Returns — United States



n = 1,142

Source: IDC's *Cloud Economic Impact Survey,* 2015

Canada

Table 3 and Figure 13 contain IDC's estimates of the impact of the Salesforce economy in Canada.

TABLE 3

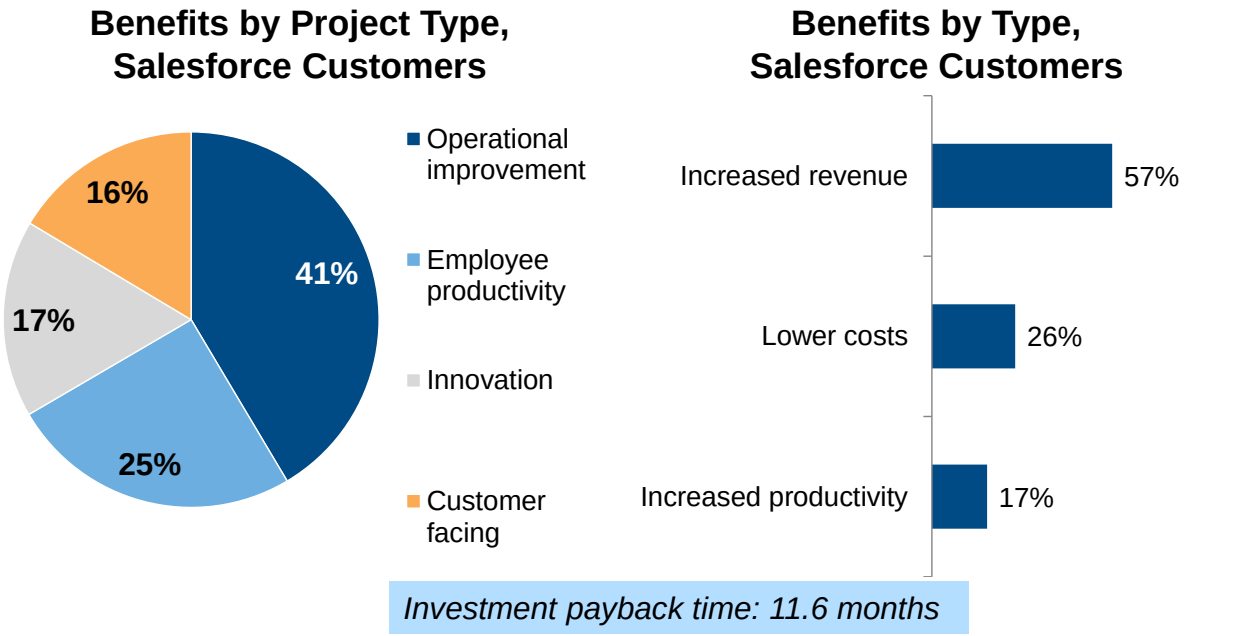
Job Creation and Business Revenue from the Use of Cloud Computing and Salesforce Ecosystem Ratio — Canada

	2014	2015	2016	2017	2018	Net Gain
Contribution to GDP ($M)	1,736	2,021	2,314	2,787	3,309	3,485
Direct jobs	11,654	13,602	15,959	19,325	23,171	11,517
Indirect/induced jobs	18,720	20,760	25,605	30,591	36,477	17,757
Ecosystem to Salesforce revenue ratio	3.1	3.2	3.4	3.7	4.0	4.5

Source: IDC, 2015

FIGURE 13

Where Cloud Computing Delivers Its Returns — Canada



n = 1,142

Source: IDC's *Cloud Economic Impact Survey,* 2015

France

Table 4 and Figure 14 contain IDC's estimates of the impact of the Salesforce economy in France.

TABLE 4

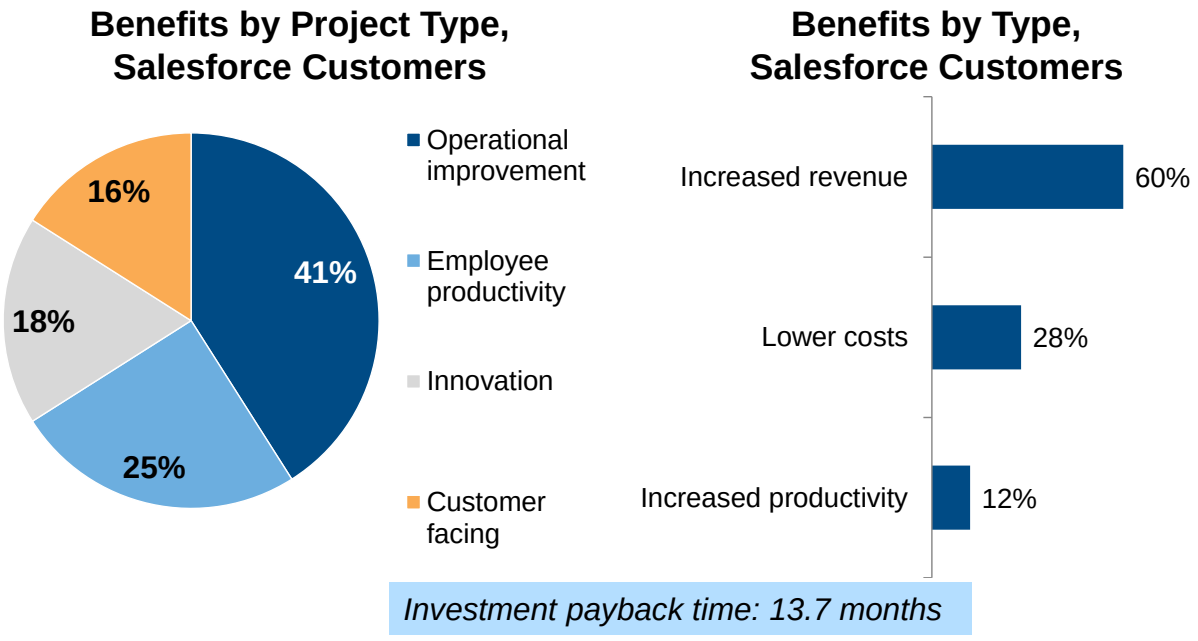
Job Creation and Business Revenue from the Use of Cloud Computing and Salesforce Ecosystem Ratio — France

	2014	2015	2016	2017	2018	Net Gain
Contribution to GDP ($M)	1,038	1,367	1,806	2,368	3,078	4,467
Direct jobs	7,128	9,168	11,964	15,512	19,917	12,789
Indirect/induced jobs	12,494	15,230	20,972	26,714	33,994	21,500
Ecosystem to Salesforce revenue ratio	2.9	3.0	3.3	3.5	3.8	4.2

Source: IDC, 2015

FIGURE 14

Where Cloud Computing Delivers Its Returns — France



n = 1,142

Source: IDC's *Cloud Economic Impact Survey*, 2015

Germany

Table 5 and Figure 15 contain IDC's estimates of the impact of the Salesforce economy in Germany.

TABLE 5

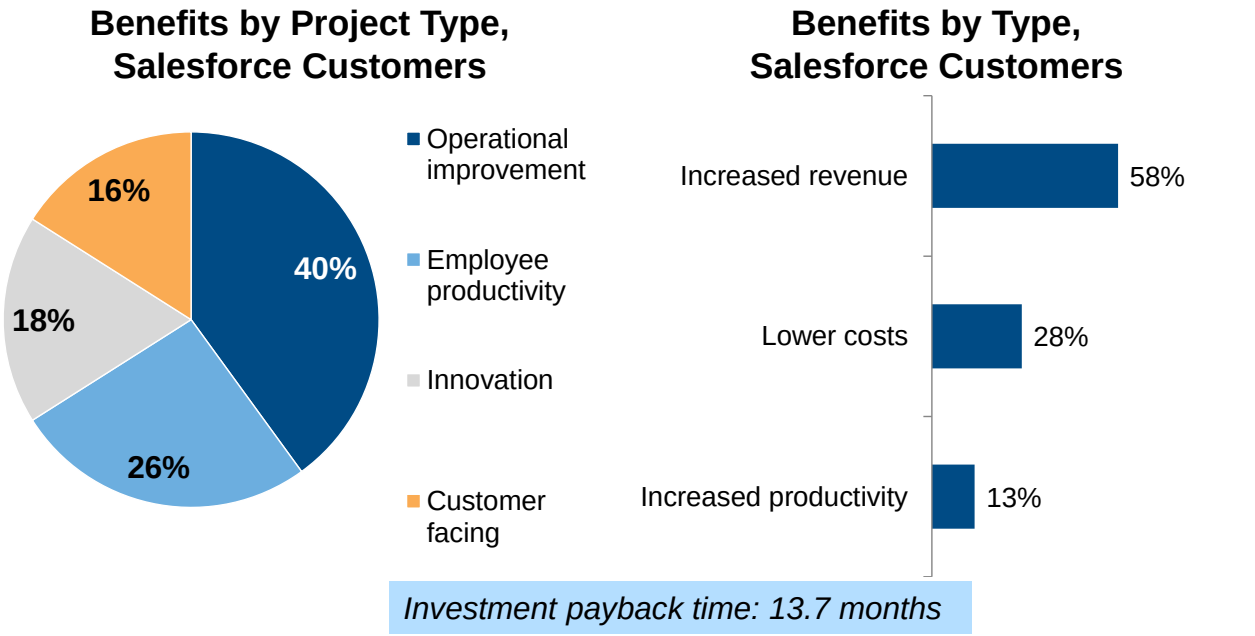
Job Creation and Business Revenue from the Use of Cloud Computing and Salesforce Ecosystem Ratio — Germany

	2014	2015	2016	2017	2018	Net Gain
Contribution to GDP ($M)	914	1,200	1,581	2,063	2,667	3,856
Direct jobs	6,028	7,737	10,067	12,982	16,579	10,551
Indirect/induced jobs	9,888	12,011	16,444	20,839	26,382	16,494
Ecosystem to Salesforce revenue ratio	2.1	2.3	2.5	2.8	3.1	3.5

Source: IDC, 2015

FIGURE 15

Where Cloud Computing Delivers Its Returns — Germany



n = 1,142

Source: IDC's *Cloud Economic Impact Survey,* 2015

Netherlands

Table 6 and Figure 16 contain IDC's estimates of the impact of the Salesforce economy in the Netherlands.

TABLE 6

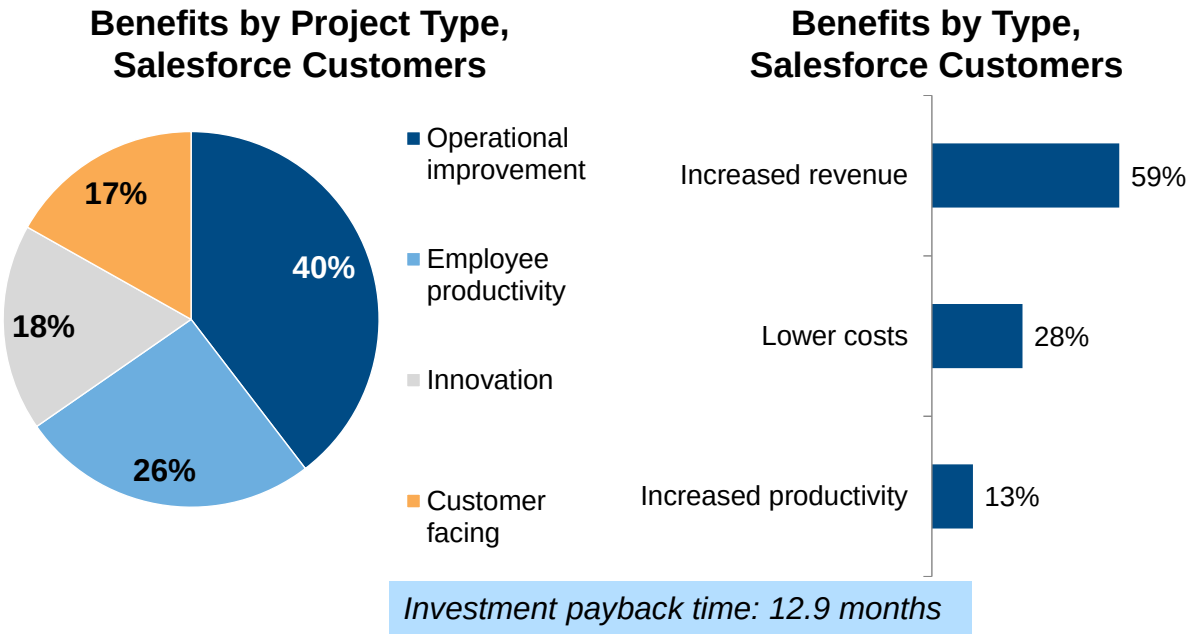
Job Creation and Business Revenue from the Use of Cloud Computing and Salesforce Ecosystem Ratio — Netherlands

	2014	2015	2016	2017	2018	Net Gain
Contribution to GDP ($M)	367	486	643	841	1,090	1,594
Direct jobs	2,448	3,171	4,140	5,357	6,857	4,409
Indirect/induced jobs	3,972	4,874	6,674	8,497	10,784	6,812
Ecosystem to Salesforce revenue ratio	2.2	2.4	2.7	3.0	3.3	3.7

Source: IDC, 2015

FIGURE 16

Where Cloud Computing Delivers Its Returns — Netherlands



n = 1,142

Source: IDC's *Cloud Economic Impact Survey,* 2015

United Kingdom

Table 7 and Figure 17 contain IDC's estimates of the impact of the Salesforce economy in the United Kingdom.

TABLE 7

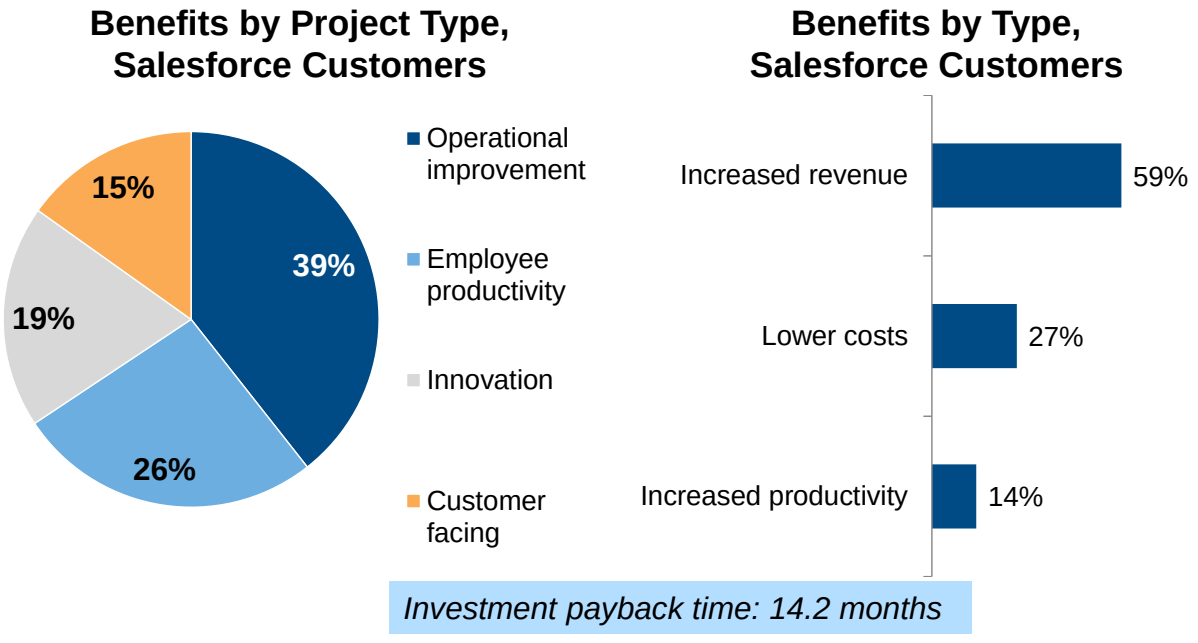
Job Creation and Business Revenue from the Use of Cloud Computing and Salesforce Ecosystem Ratio — United Kingdom

	2014	2015	2016	2017	2018	Net Gain
Contribution to GDP ($M)	4,013	5,385	7,218	9,581	12,566	18,697
Direct jobs	27,667	36,270	48,015	63,010	81,635	53,968
Indirect/induced jobs	50,595	62,838	88,000	113,276	145,280	94,685
Ecosystem to Salesforce revenue ratio	2.1	2.3	2.5	2.8	3.1	3.5

Source: IDC, 2015

FIGURE 17

Where Cloud Computing Delivers Its Returns — United Kingdom



n = 1,142

Source: IDC's *Cloud Economic Impact Survey,* 2015

Rest of Western Europe

Table 8 and Figure 18 contain IDC's estimates of the impact of the Salesforce economy in the rest of Western Europe.

TABLE 8

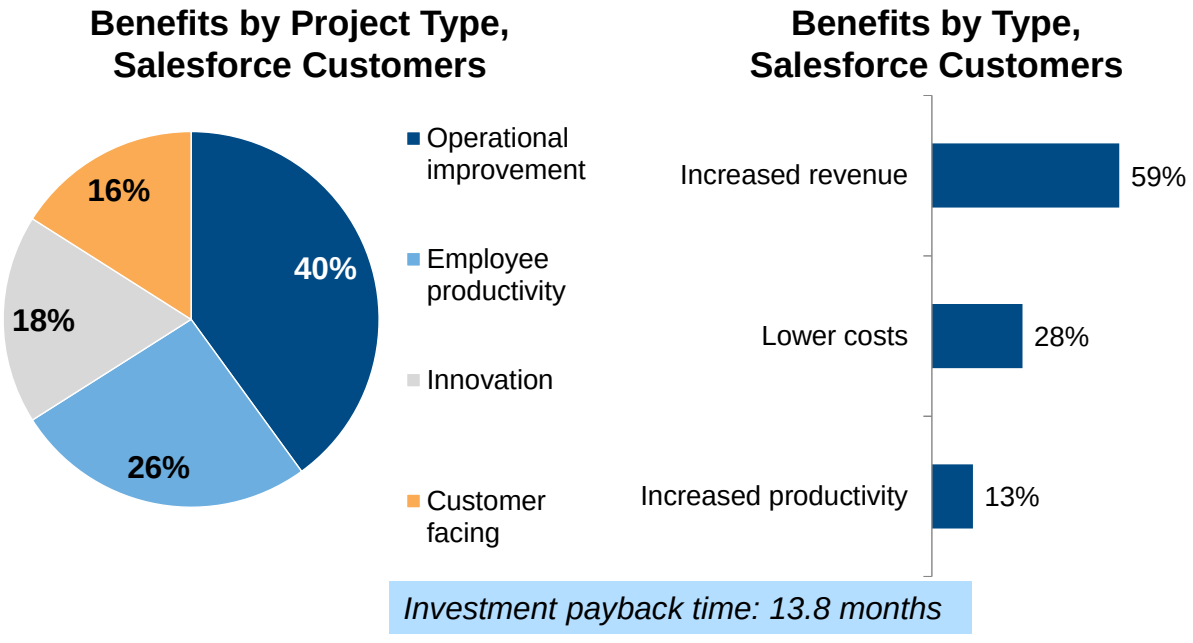
Job Creation and Business Revenue from the Use of Cloud Computing and Salesforce Ecosystem Ratio — Rest of Western Europe

	2014	2015	2016	2017	2018	Net Gain
Contribution to GDP ($M)	2,252	2,992	3,983	5,251	6,859	10,078
Direct jobs	15,142	19,654	25,848	33,687	43,465	28,323
Indirect/induced jobs	24,724	30,397	42,007	53,825	68,855	44,131
Ecosystem to Salesforce revenue ratio	2.2	2.4	2.7	2.9	3.2	3.7

Source: IDC, 2015

FIGURE 18

Where Cloud Computing Delivers Its Returns — Rest of Western Europe



n = 1,142

Source: IDC's *Cloud Economic Impact Survey,* 2015

Australia

Table 9 and Figure 19 contain IDC's estimates of the impact of the Salesforce economy in Australia.

TABLE 9

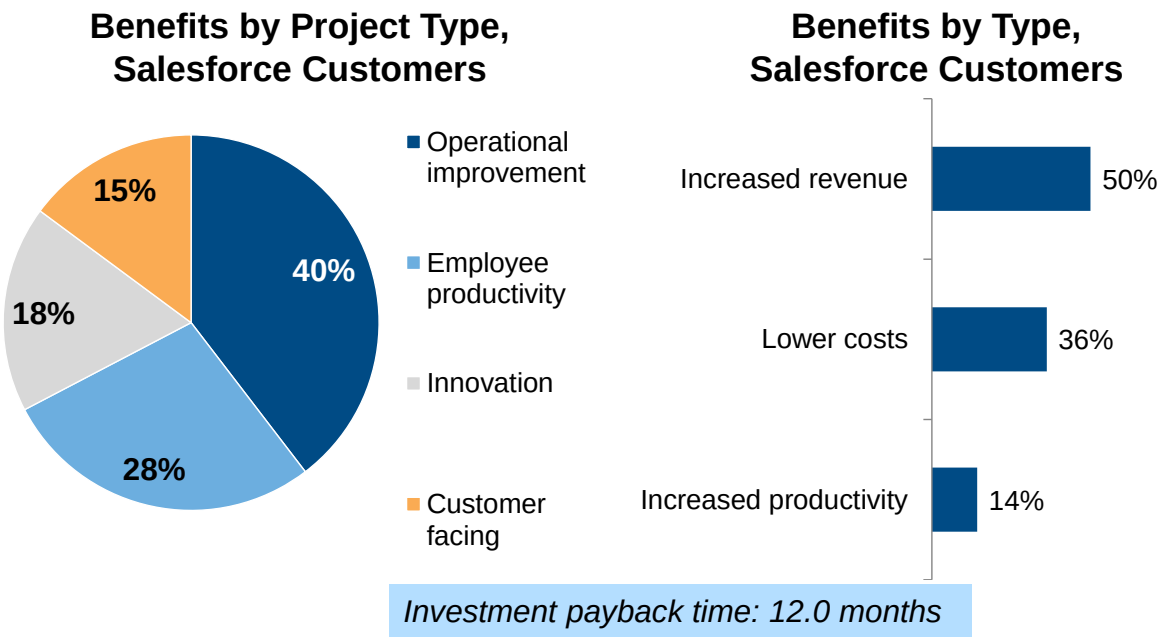
Job Creation and Business Revenue from the Use of Cloud Computing and Salesforce Ecosystem Ratio — Australia

	2014	2015	2016	2017	2018	Net Gain
Contribution to GDP ($M)	1,463	1,854	2,326	2,911	3,627	4,866
Direct jobs	7,952	9,914	12,308	15,239	18,706	10,754
Indirect/induced jobs	16,928	20,042	26,611	32,251	39,181	22,253
Ecosystem to Salesforce revenue ratio	2.3	2.5	2.8	3.0	3.3	3.9

Source: IDC, 2015

FIGURE 19

Where Cloud Computing Delivers Its Returns — Australia



n = 1,142

Source: IDC's *Cloud Economic Impact Survey,* 2015

Japan

Table 10 and Figure 20 contain IDC's estimates of the impact of the Salesforce economy in Japan.

TABLE 10

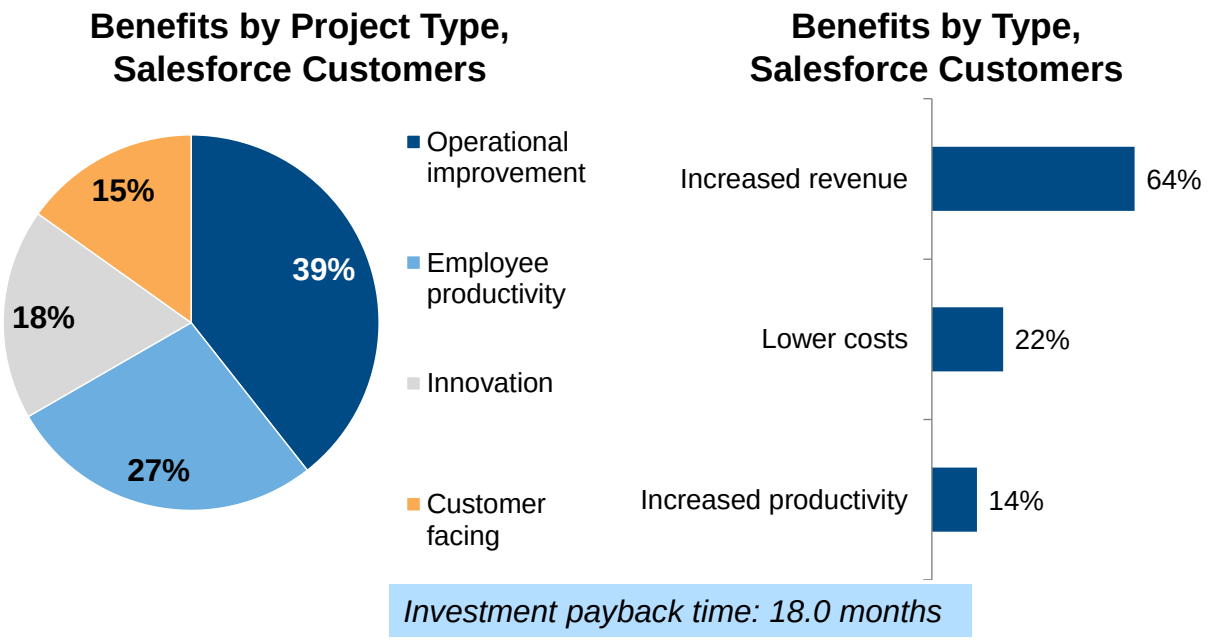
Job Creation and Business Revenue from the Use of Cloud Computing and Salesforce Ecosystem Ratio — Japan

	2014	2015	2016	2017	2018	Net Gain
Contribution to GDP ($M)	3,695	5,425	7,510	9,709	12,082	19,945
Direct jobs	42,507	57,832	75,407	93,383	112,265	69,758
Indirect/induced jobs	53,504	69,023	93,697	114,393	136,579	83,075
Ecosystem to Salesforce revenue ratio	2.3	2.5	2.7	3.0	3.3	3.8

Source: IDC, 2015

FIGURE 20

Where Cloud Computing Delivers Its Returns — Japan



n = 1,142

Source: IDC's *Cloud Economic Impact Survey,* 2015

Worldwide

Table 11 and Figure 21 contain IDC's estimates of the impact of the Salesforce economy worldwide.

TABLE 11

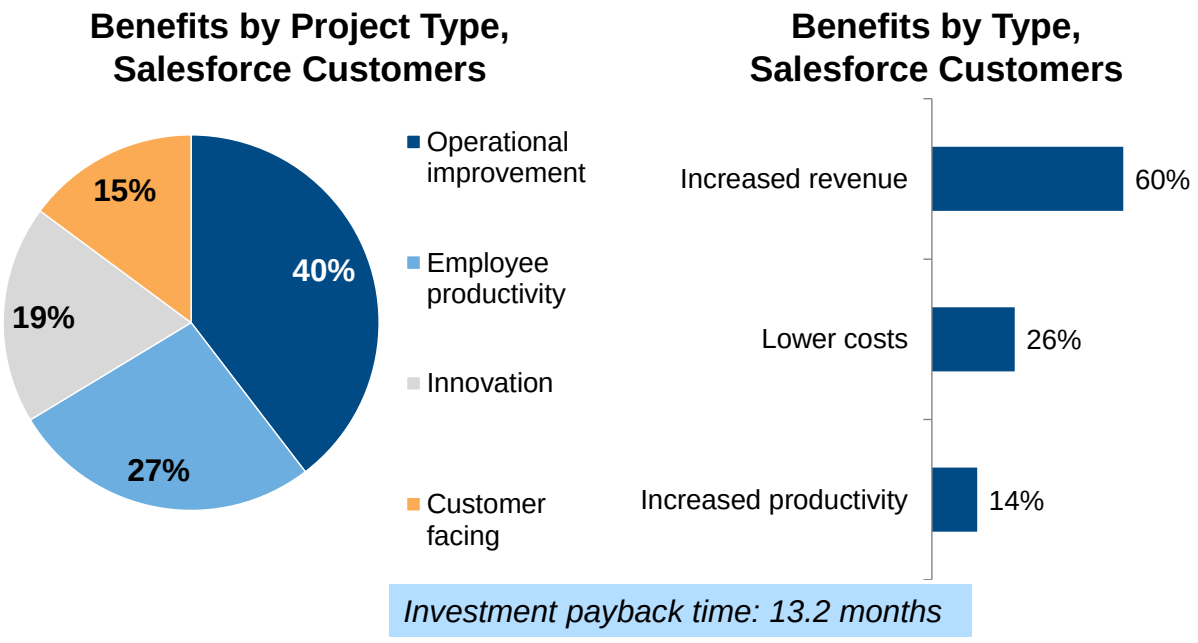
Job Creation and Business Revenue from the Use of Cloud Computing and Salesforce Ecosystem Ratio — Worldwide

	2014	2015	2016	2017	2018	Net Gain
Contribution to GDP ($M)	68,334	89,012	115,296	148,922	191,780	271,674
Direct jobs	911,479	1,092,146	1,303,839	1,573,927	1,915,826	1,004,347
Indirect/induced jobs	1,469,155	1,664,918	2,087,343	2,470,981	2,978,230	1,509,075
Ecosystem to Salesforce revenue ratio	2.8	2.9	3.2	3.4	3.7	4.2

Source: IDC, 2015

FIGURE 21

Where Cloud Computing Delivers Its Returns — Worldwide



n = 1,142

Source: IDC's *Cloud Economic Impact Survey,* 2015

APPENDIX: METHODOLOGY

The Benefits of Cloud Computing

Since 2002, IDC has maintained an internal tool called the IDC Economic Impact Model (EIM), which takes inputs from IDC's market research on IT spending, exchange rates, and vendor market share, along with public inputs such as GDP, tax rates, and overall labor force from other sources. The output of the EIM is IT company and employee counts by geographic region.

In 2009, IDC added inputs for spending on cloud computing, percentage of IT resources available for innovation (the rest used on legacy system support and upgrades), and business revenue as a multiple of GDP per country.

Using research-driven algorithms that compare total IT spending with spending on cloud computing and IT budgets with business revenue; the degree to which IT innovation drives business innovation; and estimates of business benefits from accelerated development schedules, faster project completion, and shorter time to market for new products, the model generates job head counts and business revenue in the general economy due to the use of cloud computing to free up IT resources.

In short, increased IT innovation leads to increased business innovation, which leads to increased revenue, which creates new jobs. Outputs from the cloud-infused EIM have been published in various IDC research projects and are a critical input to the European Union's Digital Agenda for Europe.

The Salesforce Economy

As a major vendor of cloud services, Salesforce accounts for a significant share of the benefits to the general economy from cloud computing. That share is enhanced by other contributions to the economy by companies that sell cloud services in concert with Salesforce cloud services, by professional services firms that help organizations migrate to cloud computing, and by companies that sell hardware, software, services, and networking to organizations to support cloud computing.

The Salesforce Economic Impact Model is an extension to IDC's IT Economic Impact Model. It estimates Salesforce's current and future share of the benefits to the general economy generated by cloud computing, and it also estimates the size of the ecosystem supporting Salesforce using IDC market research on the ratio of spending on professional services to cloud subscriptions; the ratio of sales of hardware, software, and networking to spending on public and private cloud computing; and the ratio of spending on application development tools to applications developed.

Note that the ecosystem may include companies that are not formal business partners of Salesforce but that nevertheless sell products or services associated with the Salesforce implementations.

Key Definitions in Support of Tables and Figures

The following contains definitions of terms used in tables and figures throughout this White Paper:

- **Direct jobs** are those created in the Salesforce and Salesforce ecosystem customer bases from the use of cloud computing.
- **Indirect/induced** jobs are those created by spending in the general economy by people filling the direct jobs.
- **Net gain** in jobs is the difference from year-end 2014 to year-end 2018. For revenue, it is the aggregate difference from each year to 2014.
- **Contribution to GDP** is business revenue created in the Salesforce and Salesforce ecosystem customer bases from the use of cloud computing.
- The **Salesforce revenue** forecast is based on Wall Street forecasts and internal IDC estimates. It is not for publication.
- The **Salesforce ecosystem** includes those selling the following in conjunction with Salesforce implementations:
  - Additional cloud subscriptions (e.g., storage, security)
  - Professional services and/or business consulting supporting implementation, integration, and training
  - Additional hardware, software, or networking in support of implementations, including integration with private clouds
- Many, **but not all,** Salesforce ecosystem companies are registered partners with Salesforce.
- Ecosystem revenue grows as a ratio to Salesforce revenue from growth of the **partner base** *and* growth in **selected product/service** categories.
- **Benefit vectors** show financial benefits by project type and benefit type and are based on survey results and the Salesforce Economic Impact Model.

Supporting Surveys

IDC's annual *CloudView Survey* was last conducted in late 2014 with nearly 3,500 respondents across 17 countries. This survey covers the type of cloud computing initiated, maturity level of adoption, external spending needed to support cloud computing, general distribution of benefits by company department and application type, and motivations for and barriers to adoption.

In addition, to support the analysis of the Salesforce Economy, IDC conducted a smaller survey in April 2015 of 1,142 respondents across 8 countries. This survey focused on both Salesforce customers and noncustomers (Salesforce customers were limited to 25% of the sample by design) and asked questions about investment levels and returns by type of cloud project. The output helped finalize algorithms in the economic models as well as develop a clearer view of exactly how benefits from cloud computing are derived.

About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,100 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For 50 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.

Global Headquarters

5 Speen Street
Framingham, MA 01701
USA
508.872.8200
Twitter: @IDC
idc-insights-community.com
www.idc.com