

## Salesforce.com: Building a Booming Market That Oracle Long Ignored

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**Giant:** Oracle

**Shadow Success:** Salesforce.com

**Oracle market cap:** \$104 billion; revenues: \$23 billion.

**Salesforce.com market cap:** \$4.8 billion; revenues: \$1 billion

Oracle CEO Larry Ellison is legendary not just for his ego but also for his ability to bet on what's coming next. When networked desktop computers came into use in



the early and mid-1980s, Oracle was ready with the software applications to serve them. As the Internet was emerging, Oracle was the first to create a system that ran off the Web. The upshot: Today, Oracle technology runs the data centers of 98 of the Fortune 100 companies. So what's Ellison going after now? The booming market for Web-based customer relationship management (CRM) software with a product called CRM On Demand.

But here's the twist: Ellison isn't prescient. He's the underdog, attacking his far smaller rival, [Salesforce.com](#). Ellison, never one to mask his competitive instincts, even includes a not-so-subtle attack on the Web site to sell his product, Sales.com. The tagline: "No Force Necessary."

Set aside for a moment the fact that Salesforce.com is run by a brash Oracle alumnus named Marc Benioff, who founded the company 13 years ago. This is more than personal. Ellison saw the numbers and decided they were too impressive to ignore: Salesforce.com's client list is more than 50,000 strong, and the company posted annual revenue growth of more than 60 percent during the past five years. The momentum stalled in the latest quarter but was still impressive, especially considering the current state of the economy: Salesforce.com posted a 33 percent jump in revenue, compared with Oracle's 2 percent increase.

Both companies are going after a juicy market. Even in this economy, Web-delivered software services are one of few areas expected to grow. Research firm IDC, in a report published in January, projected that the "software-as-a-service" market would increase between 36 percent to 42 percent in 2009. Moreover, IDC estimated that 76 percent of all companies would use at least one Web-based software service by the end of the year.

In many ways, Benioff created this market. During his tenure at Oracle he saw that enormous start-up costs of a client-server system locked out the little guy. But instead of seeing small businesses as beneath concern, Benioff came up with an entirely new database business model — one with plenty

of profit potential. Let small shops rent, rather than own, their database management services; that way, the start-up costs shrink and Salesforce.com gets the opportunity to create a long-term business relationship. In addition, Salesforce.com's model offered flexibility so that the vendor could tailor data management systems for its clients, whether they were managing gym franchises, maintaining hotel reservations, or tracking beer sales.

The appeal, it turned out, was wide. Salesforce.com's client list now includes big firms such as Siemens, Harrah's hotels, and Kaiser Permanente, as well as hundreds of Web start-ups and the Bronx Lab School, a public high school in New York City.

Benioff had another lightbulb moment early on, spotting the potential of so-called cloud computing. By accessing and storing data over the Web — known as the cloud — companies could forgo expensive servers, software, and maintenance costs.

So now the giant Oracle faces a slog. "Oracle is solid, massive, secure. But with their sheer size comes a perception problem," says branding strategist Brent Turner, digital director of the Boathouse Group, a branding and advertising firm. "Oracle is seen as for the Fortune 500. Salesforce is for the mom-and-pop shops."

It's far from clear that Oracle's on-demand CRM push will hurt Salesforce.com much, if at all. Price isn't the only arena in which Salesforce.com has distinguished itself. The company's support of e-commerce is widely considered superior to Oracle's, and Salesforce.com has that all-important reputation for adaptability. "The perception is that Salesforce is still small enough, they'll create a solution tailored to each client's needs," says Turner. "We're in a time of hypertargeted marketing, and everybody wants something personalized to them. No one expects that kind of attention from Oracle." Even if it is the giant.