

5 Reasons CIOs are Adopting Cloud Computing in 2009

Application Development that's 5 Times Faster
at 1/2 the Cost



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“Force.com delivers an 80% reduction in development effort compared to Java.”

— Galorath, 2008 independent research study

Introduction

In one of the most difficult economic situations in 50 years, IT departments around the world are reevaluating their platform strategies and looking for innovative ways to create competitive advantages. IT projects have always been judged by three financial criteria: initial capital expense, ongoing operating costs, and time to value. In 2009, focus on the economy will ensure that IT evaluates these criteria even more rigorously.

IT departments have already seen business expectations increase over the last 10 years as budgets decreased. Doing “more with less” is not new to CIOs or IT, which have been squeezing efficiencies from existing systems and teams since the last economic downturn. The difference is that, after years of optimizing existing resources, 2009 brings unprecedented financial limitations that demand new solutions.

Cloud computing is transforming the way IT departments build and deploy custom applications during lean times. By offering a fundamentally faster, less risky, and more cost-effective alternative to on-premises application development, cloud computing will forever change the economics of information technology.

Why Choose Cloud Computing?

For years, companies such as eBay and Google have used cloud computing to bring easy-to-use services to consumers. Salesforce.com was a pioneer in bringing cloud-based applications to business users as well. Now, salesforce.com makes available the platform that supports those applications so customers and ISVs can build and run their applications as well, in record time. With the Force.com platform, cloud-based development becomes an integral part of any cloud-computing strategy.

The world’s premier CIOs are redefining their value to the enterprise by adopting cloud computing to deliver additional business value, despite the financial uncertainties of 2009. For those that have made the shift to cloud-based development and for those that are still on the fence, here are the 5 reasons why thousands of companies are betting that cloud computing is the right technology strategy for 2009 and beyond:

1. Delivers Faster Time to Value
2. Requires No Up-Front Capital Expense
3. Minimizes Operational Costs
4. Requires Fewer Technical Resources
5. Simplifies Integration

1. Delivers Faster Time to Value

During economic downturns, time to value becomes more critical than ever. Most companies are delaying projects that won’t deliver a return on investment within weeks. With cloud computing, companies can speed up time to value.

Cloud computing (cloud-based development) streamlines all stages of the application development lifecycle—requirements gathering, design, coding, testing, application delivery, and training—with a fully integrated development environment. This environment provides complete, prebuilt application and project management services. Instead of spending weeks on the project and administrative setup for each new application (including authentication, globalization, workflow, mobile device support, and much more), developers can get to work immediately on value-added activities such as defining the data model or business logic and creating the user experience. Once applications are built, they are automatically supported by the Force.com platform with world-class security, sub-second performance, full disaster recovery, and instant access to multiple production-quality environments for development, training, and testing.

One of the most overlooked advantages of developing in the cloud is how much faster and less expensive it is to scale to multiple applications. Because cloud development is based on subscription pricing, there are no additional costs to deploy additional applications to existing users. And because all applications are built on the same platform, pre-existing application services such as

authentication, data objects, UI layouts, and logic can be reused across multiple applications. This approach results in economies of scale in which each additional application deployed decreases the overall costs of all applications. This model is the inverse of on-premises development, in which each additional application increases costs because it requires additional infrastructure and resources over its lifetime. To take advantage of the cloud-based approach, many companies now build and deploy entire application portfolios on the Force.com platform.

2. Requires No Up-Front Capital Expense

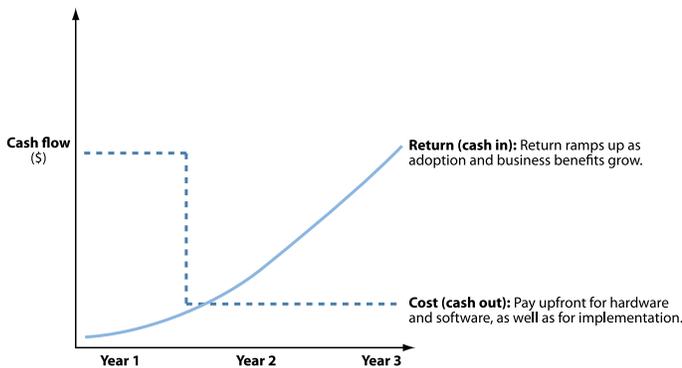
Cloud-computing development platforms are based on subscription pricing. This is a major departure from the traditional IT procurement process. With subscription-based pricing, no capital expenses are required to kick off projects. Companies can start small, with virtually no up-front costs, and instantly scale to meet broader business needs. The ability to pay as you go is expensed as a service or operating expense rather than a capital expense. This makes it a compelling option for CFOs who are intensely focused on financial predictability and project accountability.

The pay-as-you-go model minimizes both project and financial risk because customers can both scale the project based on business results and ensure that vendors are held accountable over the project's lifetime. There are no large up-front investments that lock a project into a specific technology. That means CFOs can account for the business value generated by the service during the same financial period as costs are incurred. In other words, cloud computing provides a better way for IT departments and CFOs to match investments in a project with business value or return.

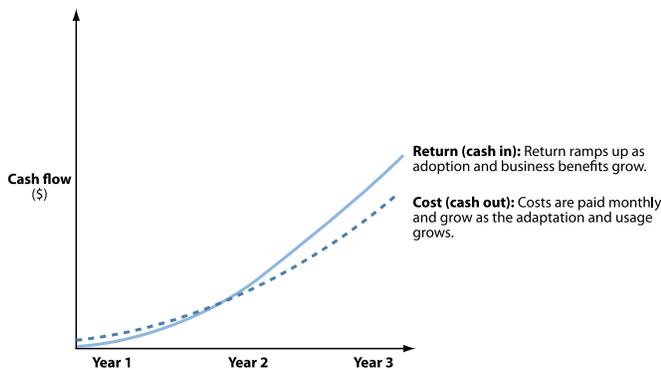
Because there is little risk and no up-front costs, cloud computing helps companies get better technology despite reduced capital budgets. And because charges from vendors usually go in the column of business expenses rather than capital expenses, customers can invest in cloud-based projects even when IT budgets are slashed. The following figures illustrate the differences in costs and ROI for an on-premises solution versus a cloud-computing solution.



Cash flows: on-premise solution



Cash flows: cloud computing solution



“The biggest financial benefit of cloud computing, particularly in these capital-constrained times, is avoiding taking on debt and keeping cash in the company longer. If a project uses a cloud-based service provider, then the CFO avoids writing a big check upfront. Instead, checks are written monthly or quarterly, in alignment with the return.”

— Forrester Research, “Talking To Your CFO About Cloud Computing,” October 29, 2008

“It took less than 3 months to build what would have taken a year on other platforms.”

— Brian Fisher
Director of Business Technology,
Papa Murphy's Take 'N' Bake Pizza

3. Minimizes Operational Costs

With cloud computing, there is no software or hardware to purchase initially. Perhaps even more important, cloud computing reduces overall application maintenance and support substantially over time. With cloud computing, multiple environments are immediately available to developers, testers, trainers, and end users. And all environments are vertically integrated with ready-to-use services for project managers and administrators. These services include user administration, security, globalization, and centralized governance, all of which help to reduce project time and cost.

Once an application is build and deployed, the vendor manages the burden of operational maintenance. Performance tuning, patches, and upgrades are delivered as part of the service, with minimal demands of IT. As a result, the IT team can focus on building application functionality that delivers business value instead of keeping busy with standard maintenance and administration tasks.

Such operational efficiencies are the result of a true multitenant architecture. Multitenancy is a key salesforce.com innovation that's at the heart of the Force.com platform. Multitenancy makes possible a pace of innovation and collaboration that's simply not achievable with on-premise platforms. For example, instead of providing 1 upgrade every other year, at considerable expense to the customer, salesforce.com delivers 3 or 4 major upgrades every year that cost customers nothing. Every time a major innovation is released, every customer instantly benefits.

Multitenant applications are designed so that users share the application's physical instance and version. Individual "deployments" of those applications occupy virtual partitions rather than separate physical hardware and software stacks. Multitenant business applications built on the Force.com platform, which run on the same proven platform as the packaged applications from salesforce.com and its ISV partners, benefit from the highest levels of security and performance.

The multitenant architecture makes possible the quick deployment, low risk, and rapid innovation for which salesforce.com is known. The Force.com platform passes on this architecture's operational efficiencies to customers, including automatic upgrades and lower costs.

4. Requires Fewer Technical Resources

With Force.com, the people closest to the business process can do more of the application development. By using simple point-and-click configuration tools, business users can create sophisticated applications without code. As a result, non-technical users can create applications and experienced programmers can develop more quickly, which frees technical resources for more IT projects. The result: more projects over any given period.

Because the concepts and technologies used to develop Force.com applications are similar to those used for on-premises development, developers trained in Java, .NET, or PLSQL can ramp up in just a few days. And because performance tuning and maintenance are handled by the vendor, resources that would be required to support the applications are freed up for other projects, improving the overall productivity of the IT department.

Force.com provides a more agile development environment, based on configurable metadata, in which changes can be made, tested, and deployed in a fraction of the time of on-premises platforms. One of the advantages of this environment is that, once applications are built, they can be rapidly changed to adapt to shifting market demands.

5. Simplifies Integration

Gartner estimates that up to 35 percent of the implementation costs associated with on-premises application development is for integration. In comparison, cloud computing makes integration faster, easier, and less risky than ever before. In fact, more than half of all transactions supported by the Force.com platform today are Web service integration calls to our API.

By making it easier to integrate and extend legacy environments, and with built-in toolsets for connecting to other cloud services including Amazon, Google, and Facebook, Force.com delivers a new level of integration across the enterprise. To ensure customers can integrate to any endpoint, Force.com provides comprehensive technologies that offer maximum flexibility while dramatically reducing the integration effort. Force.com has proven integrations with every major enterprise application and middleware solution in the market, including SAP, Oracle, Microsoft, IBM, Informatica, and many more. Because the Force.com API is based on a multitenant architecture,

integrations no longer “break” during upgrades, require intricate technology dependencies, or lead to vendor lock-in.

With Force.com, the multitenant model makes an ecosystem of hundreds of partner applications available on the Force.com AppExchange. The AppExchange is a marketplace similar to the App Store for the iPhone. Here, customers can find, test drive, and install applications from major application business categories, including ERP, SCM, HR, IT, Finance, and many others with just a few clicks. The applications are automatically installed and integrated in customer environments and instantly deployed to users, either as part of a custom application or on their own. The AppExchange connects customers with thousands of commercial application developers who are constantly building new and innovative solutions for the Force.com platform. To date, more than 850 applications and components are available on the AppExchange.

Summary

In today’s economy, with limited budgets and a highly dynamic market, it is critical to be able to refocus an organization and its systems quickly, with minimal resources. Salesforce.com’s metadata and the multitenant architecture work together to speed IT productivity, while automatic upgrades ensure all developers always have access to the latest platform innovations. Finally, with salesforce.com’s Force.com platform, the technical team can collaborate with the business team to create prototypes and changes in real time, reducing requirements gathering and testing cycle times and creating a tighter relationship between IT and the business.

With Force.com, companies can jumpstart innovation, improve time to market, and create competitive advantages faster than ever.

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