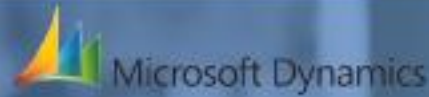


MICROSOFT DYNAMICS CRM COMPETITIVE GUIDE

Designed for Microsoft Dynamics Partners



Competitive Situation

Salesforce.com sells Customer Relationship Management (CRM) delivered solely through the software as a service (SaaS) model. The company earns most of its revenue <1> selling sales force automation (SFA) to small- and mid-sized companies in the U.S. but has recently begun marketing broader on-demand offerings. Salesforce.com is facing the challenge of repositioning itself as a proprietary on-demand platform (Force.com), programming language (Apex) and eMarketplace (AppExchange). Current sales and marketing efforts are focused on enterprise customers, platform sales, and international expansion in Asia. Salesforce.com has been seen to lead deals with the mid-priced Professional or Enterprise Editions, then upsell customers to the premium Unlimited Edition at a later time.

Key Messages

- **Microsoft Dynamics CRM Offers Choice** - Microsoft Dynamics™ CRM is a multitenant CRM solution that offers multiple deployment options including: on-premise, on-demand, self-hosted, and hybrid deployment models. Designed to minimize risk and total cost of ownership, all deployment options are built on the same modern services oriented architecture and data model, making it easy for you to change your deployment as your needs change.
- **It Works the Way You Do** - Microsoft Dynamics CRM is designed to drive high user adoption by delivering role-tailored CRM capabilities within a native Microsoft® Office and Outlook® experience. Users can choose to use a rich Outlook client or access the system through a browser-based client or a mobile device. Additionally, because most organizations are familiar with Microsoft Outlook and other Microsoft productivity tools, Microsoft CRM 4.0 is designed to help minimize the need for training, promote broad user adoption, reduce application switching, and produce high productivity while helping you to facilitate a rapid return on investment (ROI).
- **It Works the Way Your Business Does** - Microsoft Dynamics CRM is designed to easily adapt to each company's unique needs. Powerful event-driven workflow capabilities can drive consistent process execution across the organization, and powerful wizard-driven reporting and analytics can help give real-time visibility into every business process and customer interaction. Microsoft Dynamics CRM is also designed to allow typical customers to easily tailor it to their specific line of business to achieve a high degree of operational efficiency to target resources and process disciplines to the business areas of greatest return.
- **It Works the Way Technology Should** - Microsoft Dynamics CRM is designed to work the way an IT staff expects it to, because it's based on proven, industry-standard Microsoft technology that's designed to be easy to learn and work with. Customers can enjoy a rapid, low-cost deployment as well as a highly flexible and configurable platform built on Web Services and other standard tools and technologies to help protect and enhance the business value of an organization's entire IT portfolio.
- **It Offers Enhanced Security Features** - Microsoft Dynamics CRM is designed to provide enhanced data security and integration with the full suite of Microsoft Windows® security technologies, working to help defend your data.

Microsoft Dynamics CRM Quick Facts

- Available in 80 countries worldwide
- Supports over 25 languages.
- Over 11,000 customers and over 500,000 users from small to enterprise
- Native Microsoft Office integration designed to be easy to learn and use.
- Wizard-based reporting designed for easy end-user reporting.
- Available on-premise, on-demand, hybrid, or internally hosted, all on the same architecture and data model.
- Multitenant architecture with private databases for each tenant.
- Multinational support available through user-selectable languages and currencies delivered from a single instance.
- Scales up to tens of thousands of concurrent users per instance. Multiple instances can be used for even greater scalability.
- Supported by 1,500+ solution providers on a global scale.
- There are hundreds of Microsoft Dynamics CRM Independent Software

Who is Salesforce.com?

Salesforce.com Inc. (San Francisco, CA USA) <http://www.salesforce.com>

Ownership: Public (NYSE: CRM); **Employees:** 2,302 employees <2>

- **Software-as-a-Service (SaaS)-only CRM provider;** its data centers are outsourced to Equinix, a third-party company that reported a negative net income for Fiscal Year (FY) 05 and FY 06. <21>
- **FY 07 financial data:** Revenue: \$497.1M [+60% Year-on-Year ([YoY] Increase), Net Income \$481K (-98% YoY). Core Expenses (% of revenue): Research and Development (R&D): 9% - Sales & Marketing (S&M): 51% <1>
- **Subscriptions:** Fee-per-user/month, 38,100 customers and 1,000,000 subscribers. Average deployment size: 23 seats (minus platform deals). <2>
- **Solutions:** Salesforce CRM is offered in 15 languages: Force.com platform enables on-demand data storage/upload/integration/customization. The AppExchange is an eMarketplace with 750 CRM add-on applications by ~350 ISVs that run on the Apex platform. The Apex development code is offered to ISVs and customers to create features and applications distributed on The AppExchange.
- **Services:** Salesforce.com provides consulting, training, and customer support. Basic support is included in the subscription (2 business days response time); a Premier option is available for 15% of total annual subscription fee (2 business hours response time, assigned representative); Premier with Administration Levels is included in the Unlimited edition (assigned salesforce.com administrator). <20>
- **Industry focus:** Financial services, HighTech, Media and Communications, and Public sector.
- **Strategic partnerships:** Google, IBM, Deloitte, Accenture, and Cisco
- **Consulting partnerships:** 45 partners for implementation services.

What is Salesforce.com?

- **Four editions include different sets of Salesforce CRM and Force.com** <7> **platform features:** Unlimited (UE) (full suite at \$250 per user/month) <28>; Enterprise (EE) (\$125 per user/month) <28>; Professional (PE) (\$65 per user/month) <20>; and Group (GE) (\$1200 per year with 5 user maximum). <5>
- Two editions include the standalone Force.com platform features, for customers to seek an AppExchange application without acquiring CRM features <6>: Force.com Platform Edition (\$50 per user/month for unlimited access) and Force.com light edition: \$0.99/login (up to 5 login per user).
- Winter '08 release features<4>: Force.com: rebranding of Apex platform. Visual force (a Model- View- Controller framework)for UI customization. Apex development code is available for EE (fee applies) and UE edition only, to create customized business logic. 2 modules, available in all four editions: Salesforce Content (\$25/user/month) to manage documents, and Salesforce Ideas: to create online focus groups (to share ideas and get feedback) with stakeholders (customers, employees...).
- **Fee-based features:** Partner Relationship Management (PRM) for EE and UE editions at \$1500/partner/year. <16> Mobile for PE and EE at \$50/user/month (included free in UE), <27> SAP R/3 connector (~\$12K), <18> Oracle 11i connector (~\$12K per year for EE and UE). Sandbox introduced at ~\$25 per month/per EE user 12/12/05. <26>

Target Market and Characteristics

- The Salesforce.com solution is mostly implemented in the small- and midmarket-business (SMB) segment. Its average customer has 23 users. However, the company Web site posts relatively few references with less than 100 users while offering communications regarding implementations above 1000 seats. <2>
- Salesforce.com offers support for 15 languages.Salesforce.com is looking for growth in Europe. <22>
- A 2005 Nucleus Research study reportedly found that 76% of Salesforce.com customers migrated from a paper-based or electronic contact management solution. <21>
- Small, medium, and large businesses appear equally represented in Salesforce.com revenue, but large customers may receive heavy discounts. <14>
- Salesforce.com focuses on financial services, public sector and high tech sectors with vertical templates (eg: Wealth Management Edition).

Competitive Points

Competitor Strengths

- Growing market opportunity for SaaS software deployment model.
- Significant marketing investment on awareness and publicity.
- Mindshare as an early on-demand CRM provider.
- Direct sales force experienced in articulating CRM business value.
- Sales focus on business decision makers (BDM) such as VP of sales, sales managers, marketing managers.
- Ability to develop customer champions within business units.
- Promoting perception of lower total cost of ownership (TCO) due to deployment and purchase model.
- Simple buying experience designed to shield BDM buyers from process complexity.
- Simple sales pitch designed to shield BDM buyers from technical complexity.
- ISV add-on functionality available through AppExchange marketplace.

Competitor Challenges

- **No deployment options** – service only available on-demand, hosted by salesforce.com, in third party data center operated by Equinix. <25>
- **Increased competition for on-demand CRM** from Microsoft, Oracle and SAP, as well as NetSuite, RightNow, and others.
- **Questionable investment priorities:** sales and marketing spend - \$75M, or 66% of expenditure; R&D investment - \$12M, or 12% of expenditure. (FY07)
- **Customer TCO** resulting from hidden costs and additional fees. Reportedly charged customer \$10,000 for data export. <30><20> <23>
- **Limited integration** with productivity applications such as Microsoft Office.
- **Workflow** only able to trigger on data residing in salesforce.com database.
- **Shared database** structure means data from multiple customers resides on the same database, causing possible customer concern.
- **Data ownership concerns** from customers. <29>
- **Customer Retention:** customers have switched to Microsoft Dynamics CRM for TCO, usability, and integration reasons.
- **Service outages** – downtime in 2005, 2006 and 2007 adversely affected customers. <8> **No Service Level Agreement** offered to customers for uptime assurance.
- **Limited developer and ISV community for proprietary platform**

Microsoft Dynamics CRM Differentiators

- **Goes beyond simple Sales Force Automation (SFA) to enhance productivity:** Native integration with familiar Microsoft Office applications designed to improve user productivity.Microsoft Dynamics CRM is designed to provide a transparent CRM experience that minimizes switching between applications, and that users actually want to use. Powerful workflow and automation features that are designed to work with third-party systems, where large portions of customer data often resides.
- **Data ownership, security features, and regulatory compliance:** Customer data is one of the most important assets of any business. Microsoft Dynamics CRM is designed to give customers full control over the security and physical location of their data. With Microsoft Dynamics CRM, customers can choose where their customer data physically resides not locked into a third-party hosting company of the vendor's choice.
- **True choice in deployment options:** Microsoft Dynamics CRM offers hosted, on-premise, or hybrid deployment options and is globally available through a broad ecosystem of local, knowledgeable solutions partners. A common architecture and data model that supports each of these deployment modes means that the customers' data is not locked into any single deployment option.
- **Total cost of ownership:** Deployment options allow customers to choose from rent and buy models, while the Microsoft platform can reduce user training and technical integration costs.Microsoft Dynamics CRM is designed to protect customers from hidden costs as all Microsoft developed CRM capabilities are included in the license price.
- **Standards-based world class technology platform** can help reduce future risk for support, interoperability, and upgradability.
- **3 million+ .NET developers worldwide:** Broad support for .NET architecture facilitates availability and price competitiveness of technical resources. Platform ubiquity can also help reduce training costs by utilizing existing resource skills that can be applied to multiple IT needs beyond CRM.
- **Large Microsoft solutions partner and customer ecosystem:** 750,000 solutions partners, 2200 user groups, and 400 community Web sites globally.
- **A stable, established, profitable vendor that is committed to delivering immediate value as well as customers' long term success.** Microsoft invests approximately \$5 billion a year in research and development.

Handling Sales Objections

Salesforce.com's Sales Objections

"Service, not software..."

Salesforce.com offers lower TCO than Microsoft Dynamics CRM.

Microsoft does not use Microsoft Dynamics CRM internally.

Microsoft spends more on Microsoft Xbox® than it does on Microsoft Dynamics CRM.

Product gaps exist with Microsoft CRM, such as dashboards, reporting, security, and territory management.

Microsoft Dynamics CRM has extensive dependencies on other Microsoft products.

The Microsoft Dynamics CRM Response

"Choice." With Microsoft Dynamics CRM, customers are not locked into a single deployment method; they can select the deployment and payment options that best meets their needs for rapid deployments, long-term growth strategy, and security, privacy, and regulatory compliance concerns.

Only an apples-to-apples comparison can provide an accurate view of costs. Be sure to account for piecemeal feature pricing as well as potential price hikes at contract renewal as both can significantly affect TCO.

Microsoft uses Microsoft Dynamics CRM internally. Microsoft rolls out more Microsoft Dynamics CRM users internally each quarter than the total number of people employed by Salesforce.com.

Microsoft invests in research and development in all of its product lines. Microsoft invests a greater percentage of its revenue into R&D than Salesforce.com. Microsoft Dynamics CRM is able to realize development synergies in diverse product areas that include database, platform, productivity applications, mobility, and portals.

Microsoft Dynamics CRM is a function rich, robust CRM suite that continues to disprove product misperceptions. Features within the suite are included at no additional license cost, and customers are not charged for each added piece of functionality.

Microsoft Dynamics CRM utilizes common Microsoft technologies (such as Microsoft Office) that many customers already own. Not only are customers able to leverage their existing investments, they can apply their existing technology skill sets in the popular .NET platform.

Questions a Prospect Should Ask Salesforce.com

Long Term Success & viability

- Is salesforce.com committed to my long-term success? How have you structured for this and where do you invest?
- What happens when outages occur? Do you provide a service level agreement for availability and performance?
- What if I want to move to on-premise in the future?

Data

- Who owns my data? How do I get it out if I need it?
- Where is my data hosted and who owns the data centers?
- Does my data on a separate, private database, or one that is shared with other customers?

Additional costs

- How much does it cost me to: Add mobile users? Run additional reports? Export or back up my data?
- Will prices go up again like they did for Unlimited Edition in 2007?
- Will my current discounts carry over when my contract is up for renewal?

Product

- How do I achieve a complete customer view? My customer data also resides in ERP and legacy systems.
- My business requires additional security – how do you provide this?
- Can I build workflows based on external data, such as credit history checks, or cross-sell based on external analytics data?

