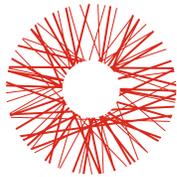




## ROI CASE STUDY

PROGRAM: CUSTOMER RELATIONSHIP MANAGEMENT

DOCUMENT NUMBER: S124 AUGUST 2018



**NUCLEUS**  
RESEARCH

ROI: 641%  
Payback: 2.4 Months

# SALESFORCE VMWARE INC.

## ANALYSTS

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## THE BOTTOM LINE

VMWare Inc. (VMW) deployed Salesforce Pardot, Marketing Cloud, and Sales Cloud to facilitate a new business-to-business (B2B) marketing strategy for its cloud portfolio, and to integrate its marketing data with sales to produce a more unified customer view. The project enabled VMW to increase user productivity, accelerate campaign launch times from months to weeks, and increase profits through improved lead generation and conversion.

## THE COMPANY

VMW is a publicly-traded subsidiary of Dell Technologies, based out of Palo Alto, California, with more than 120 locations and 20,000 employees worldwide. Founded in 1998, VMW was acquired by EMC Corporation in 2004 (which Dell acquired in 2016) for its platform virtualization capabilities. It continues to develop and sell cloud computing and virtualization products with the aim of separating application software from its underlying hardware to create a flexible digital foundation to support businesses.

## THE CHALLENGE

VMW has leveraged digital marketing for many years, designing and executing ad campaigns with a composite on-premise solution built on legacy systems integrated with a set of custom tools. Within this framework, each campaign took six months on average to complete and overall marketing agility was handicapped.

**Cost : Benefit  
Ratio | 1 : 7.2**

Additionally, the legacy system didn't support marketing-sales integration, lacking key functionality such as lead scoring and prioritization. VMW understood that to sustain continued growth, it needed to modernize sales and marketing reporting.

## THE STRATEGY

A large-scale update to the legacy system was proposed, but after defining the project goals it became apparent that migrating to a new cloud-based solution was more feasible and conducive to long-term growth. Along with the platform transition, VMW was reformulating its marketing approach to a cloud-based B2B strategy and this was considered when selecting the appropriate platform. Salesforce was the only provider seriously considered for the following reasons:

- Business-to-business focus. Salesforce Pardot is a cloud-based marketing automation solution built to design, deploy, analyze, and manage business-to-business advertisement campaigns.
- Creation and integration of custom apps. Additional apps can be easily created within the Salesforce ecosystem, eliminating integration complications and reducing the time required from feature request to rollout.
- Salesforce relationship. The parent company, Dell, maintains a pre-existing enterprise agreement with Salesforce which VMW leveraged to achieve cost savings on the software subscriptions and licenses.

After officially deciding to move forward with Salesforce, a joint 6-person Customer Success team was primarily responsible for implementing the new solution, an integrated environment of Pardot, Marketing Cloud, and Sales Cloud.

The project commenced in Spring 2017 – initial setup lasted three and a half months until the official deployment in August 2017. No third-party consultants were used to configure the deployment – instead, the VP of Product Marketing and Cloud Solutions provided technical support. The agreement between Dell and Salesforce also includes ongoing personnel support to manage the system; an administrator works remotely from Brazil, and two operators work to develop and implement feature requests for users in order to custom-fit the software to the unique business processes of VMW. Both operators and the project team completed a two-day training module with Pardot to get familiar with the platform.

To date there are 15 users on the system with 11 power users (six members of the original project team with five new users). An additional 30 people can input data but don't have access to the on-platform tools. VMW currently actively manages 15-20 independent campaigns on the platform.

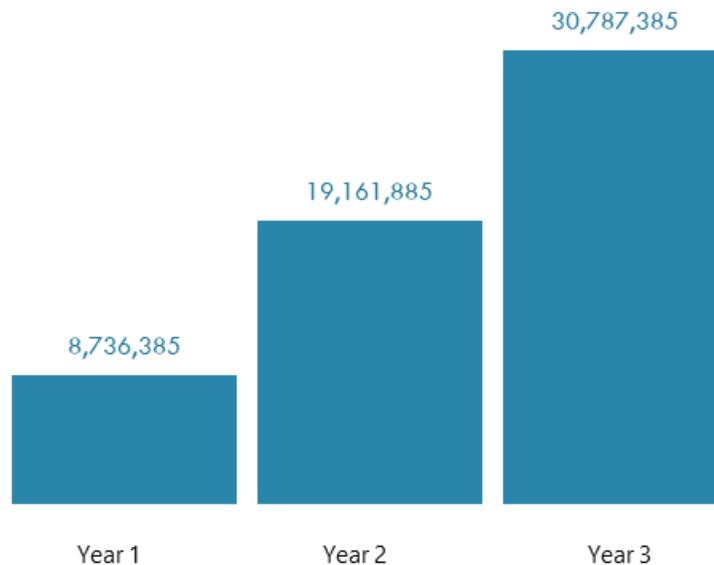
## KEY BENEFIT AREAS

Deploying Salesforce Pardot, Marketing Cloud, and Sales Cloud together allowed VMW to modernize its sales and marketing strategy, decrease spending on IT support, and increase total sales. Overall agility was improved, and the company can now execute at speeds that were impossible on the legacy system, driving increases in productivity and profits. Key benefits of the project included:

- Eliminated legacy system support costs. Moving to Salesforce allowed VMW to retire legacy software and achieve savings from eliminated license fees. The simplicity of the new stack reduced the need for ongoing personnel support; subsequently one full-time IT staffer was redeployed.
- Increased contributor productivity. On-platform automation, the usability of the platform, and sales and marketing data unified on the Sales Cloud have increased contributor productivity by 20 percent. Automated data generation removes human error and improves data quality with Einstein Automated Contacts. On the legacy system, a single ad campaign took six months to build, while on Salesforce this is reduced to two and a half weeks.
- Increased marketing effectiveness. With the ability to turn out campaigns at a faster rate, VMW better able to segment and target the right customers. With analytics capabilities from Salesforce Einstein embedded, teams can leverage sales, marketing, and customer data to sell more effectively. For lead generation, the project allowed VMW to market a cohesive message across all 17 products and services; in the first day of go-live, sales met and doubled its lead target for the month.

- Additional revenue capture through marketing. Centralizing all customer data allows users to perform lead scoring and lead prioritization and deliver the insights to sales teams. Marketers have access to recent sales data, allowing them to create customized campaigns to more effectively leverage account-based marketing. Twenty percent of additional revenues are attributed to the deployment.

## CUMULATIVE NET BENEFIT



## KEY COST AREAS

The greatest cost area for the deployment was software expenses. The majority of this spending went toward Salesforce subscriptions, however the cost to license and build other solutions – Salesforce DMP, Lattice, and a number of custom apps – is also included. Other costs included initial and ongoing personnel support and the cost of user time spent in training.

## LESSONS LEARNED

This case is a clear example of a multinational corporation identifying a sunk cost in an inefficient legacy system and embracing innovation on the cloud at the enterprise scale. VMW realized the need to integrate sales with marketing to facilitate the comprehensive customer understanding needed that drives sales in the modern marketplace. To reconfigure the legacy system would have been costly in personnel time and lost productivity, so investment in cloud innovation was the more feasible choice, particularly given the benefits to collaboration, data management, business agility, and total ROI that

Nucleus has identified as characteristic to cloud deployments (Nucleus Research, r208 – *Cloud now delivers 3.2 times more ROI* – December 2017).

Within VMW the deployment was smoothly executed, taking only three and a half months from start to finish. A crucial policy for companies undertaking a platform migration on this scale is to provide adequate training on the system in order to ensure end-user confidence and adoption.

## **CALCULATING THE ROI**

To calculate VMW's total investment in Salesforce, Nucleus quantified the initial and ongoing costs over a 3-year period for software, consulting, personnel, and training.

Direct benefits quantified include eliminated software license maintenance fees and the cost savings from a redeployed worker, calculated based on the average annual fully-loaded cost of the redeployed staff.

Indirect benefits quantified include additional revenue captured via the new marketing system applying an average profit margin, and increased contributor productivity, calculated using the average annual fully loaded cost of the affected staff and applying a correction factor to account for the inefficient transfer of time between time saved and additional time worked.

## FINANCIAL ANALYSIS

**Annual ROI: 641%**

**Payback period: 0.2 years**

BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	300,000	300,000	300,000
Indirect	0	11,620,000	11,620,000	11,620,000
<b>Total per period</b>	<b>0</b>	<b>11,920,000</b>	<b>11,920,000</b>	<b>11,920,000</b>

COSTS - CAPITALIZED ASSETS	Pre-start	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	0	0	0
Project consulting and personnel	0	0	0	0
<b>Total per period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

COSTS - DEPRECIATION	Pre-start	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	0	0	0
Project consulting and personnel	0	0	0	0
<b>Total per period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

COSTS - EXPENSED	Pre-start	Year 1	Year 2	Year 3
Software	1,200,000	1,200,000	1,200,000	0
Hardware	0	0	0	0
Consulting	0	0	0	0
Personnel	472,500	294,500	294,500	294,500
Training	16,615	0	0	0
Other	0	0	0	0
<b>Total per period</b>	<b>1,689,115</b>	<b>1,494,500</b>	<b>1,494,500</b>	<b>294,500</b>

FINANCIAL ANALYSIS	Results	Year 1	Year 2	Year 3
All government taxes	45%			
Cost of capital	7.0%			
Net cash flow before taxes	(1,689,115)	10,425,500	10,425,500	11,625,500
Net cash flow after taxes	(929,013)	5,734,025	5,734,025	6,394,025
<b>Annual ROI - direct and indirect benefits</b>				<b>641%</b>
Annual ROI - direct benefits only				-47%
Net Present Value (NPV)				14,657,637
<b>Payback period</b>				<b>0.2 years</b>
Average Annual Cost of Ownership				1,657,538
3-Year IRR				617%

All calculations are based on Nucleus Research's independent analysis of the expected costs and benefits associated with the solution.