

UNDERSTANDING **HOW** **SALESFORCE** **NEGOTIATES**



THE NEGOTIATOR GURU



The key to properly negotiating with Salesforce is understanding how the organization works. Salesforce has a brilliantly designed sales system that is set up to maximize revenue from every account.

Many of the tactics used in its sales process and organization design are borrowed from other big players such as Microsoft, Oracle, SAP, etc. Our goal with this article is to give you a strong understanding of the Salesforce machine so that you can prepare accordingly.

Understanding how your sales rep fits into the machine

Maybe you like your rep, maybe you don't. We see clients all across the spectrum in terms of the relationship they have with their rep. Regardless of what your relationship is, it's important that you understand how your rep fits into the actual Salesforce machine.

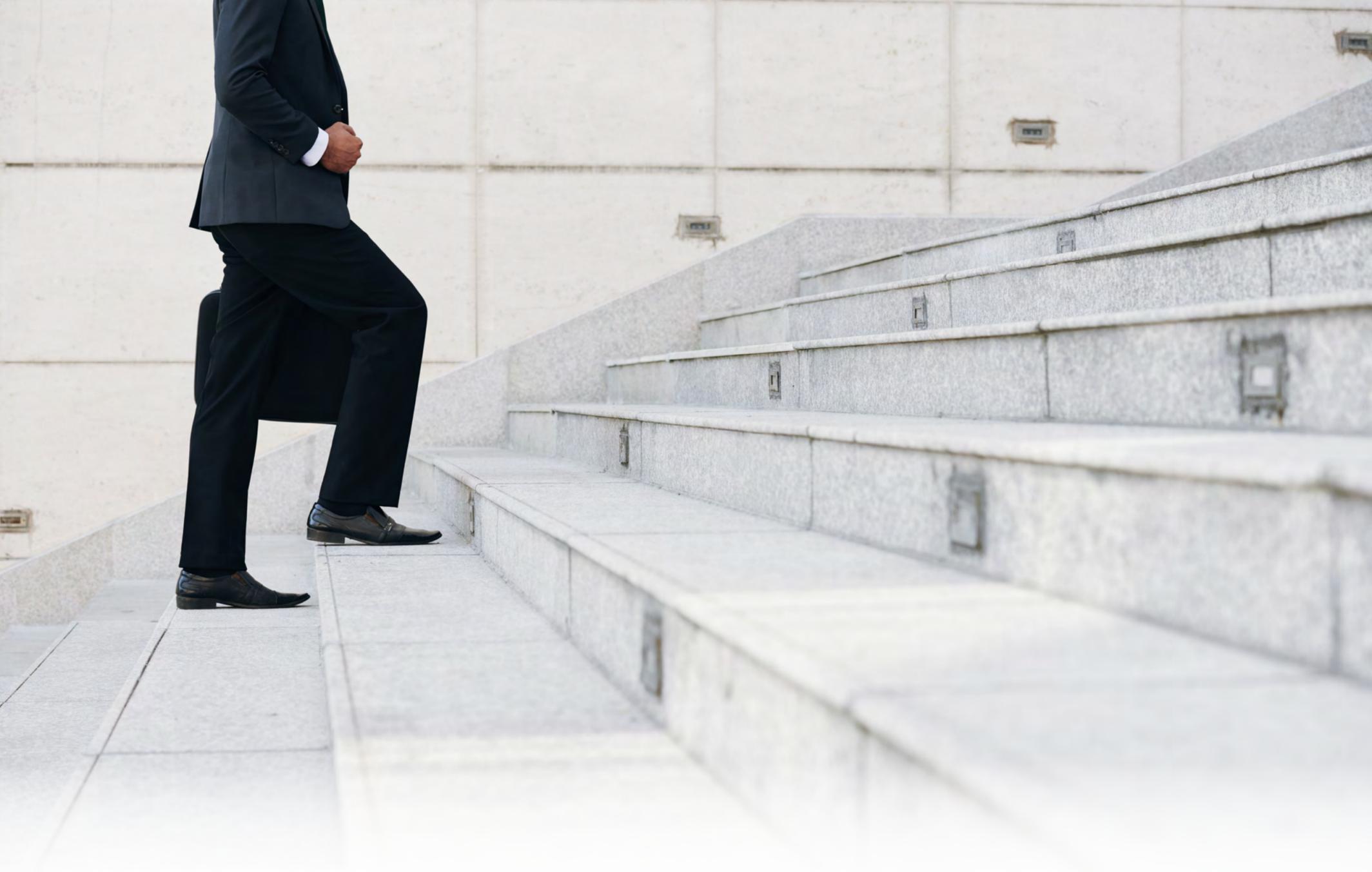
The first thing you must understand is that your rep is at the bottom of the totem pole in Salesforce. They are the "in-the-weeds Salesperson" who is put out to handle tactical sales and execution.

By design, your rep is given limited information. They actually are never fully educated on what the rates should be or what discounts they can even provide.

Let me repeat that: Your rep does not even know what rates other companies of your size are getting other than those within their own portfolio.

Salesforce limits the amount of discretionary information it shares with its sales organization intentionally. The company does this many reasons, one of which is so that your rep can sell to you in a genuine and authentic way. If your rep knew that other companies were paying 30% less than you, they might feel guilty for charging you 30% more and/or fight harder for you to get a lower rate in the interest of closing the deal.





Think about this; if your rep doesn't know that you are paying 30% above the most competitive rates, and instead actually believes you are getting a great deal, then they are going to explain this to you in an authentic way. They may tell you something like: "This is the best rate I have ever given a customer of your size." This may very well be the truth, but that doesn't mean it's the best rate that Salesforce can provide for a company of your size, etc.

“ Instead of thinking about your rep as the opponent in this negotiation, it's important to understand how they fit into the organization. ”

Our goal in our 4-step negotiation process is to coach your rep in a way that organically sends the most effective messages up the totem pole (aka the "business desk") at Salesforce to ensure you get the best deal.

Understanding the “business desk”

In order to drive the largest positive impact in any negotiation with Salesforce, we need to work with the “business desk.” The “business desk” is a somewhat secretive sales management team inside of the company that is intended to purely support your sales rep. Remember, sales reps are given very little decision-making authority. All official decisions that have any material impact on a client's rates are developed and approved by the business desk.

The concept of a business desk is not new nor unique in highly complex/profitable sales organizations. It was originally developed by companies like McKinsey and originally tested, validated, and further refined in firms like Microsoft. At its most basic and original function it was intended to act as a quality/price control organization before the concept of Software as a Service (SaaS) was even conceptualized. Fast forward many years and it has developed into an elusive organization that ultimately acts as the “bad guy.” In other words, it holds the rights to any decision making but will never officially interface directly with the customer leaving your sales rep to pass messages back and forth.

As a result, your goal in a negotiation is to train your sales rep on how to best communicate and send messages to his business desk that are going to help you achieve more out of the negotiation.

Yes, you heard that right. Your job in this negotiation will be to indirectly train your sales rep on how to work with their own organization to get you the best possible deal. That is, of course, assuming they actually want you to get a good deal...

Our goal is to empower you to send the right messages, at the right time, to the business desk in order to meet and/or exceed your desired objectives.

Your sales rep's emotions

Sometimes your rep may get somewhat heated during the negotiation and say something like **“I am doing everything I can to get this deal through for you but I just can't go any lower.”**



When your rep says something like this to you it's important you keep a facts based demeanor and keep any emotional response in check. The company's goal here is to humanize the sales organization and make you feel empathetic during the negotiation. Their emotional response will naturally distract you from the actual facts of the deal.

Please remember your rep may actually be a very honest person. Subsequently, their emotional response to any negativity within the negotiation is designed as part of the sales system. In other words, when your rep gets emotional about fighting for your discounts, that is Salesforce winning...a clear indication of the sales system producing the exact desired result.

This is why we call it the Salesforce machine. The dynamic between the client, sales rep, and business desk is brilliantly designed. The key here is to understand and identify these dynamics.

Divide and Conquer Tactics

Whenever we describe this tactic to our customers, we almost always hear; “Yep, that is exactly what they did.”

Divide and conquer is a brilliant, yet traditional, sales tactic that Salesforce has perfected over the years. The larger the client organization the more important and effective these tactics become for Salesforce.

The concept is simple: Build as many stakeholder relationships as possible at various levels inside the client organization with the overall objective of obtaining as much information as possible. Use this information to extract conflicting stories of the organization’s wants and needs so that the client may potentially buy more than they need.

If you are a smaller account under \$300k per year, you may not see this happen. But as your annual spend reaches \$500k or \$1M+, these tactics will most certainly be used as a way to grow your account.



Understanding Divide and Conquer Tactics

Let's explore a simple example of how this routinely plays out in a client organization...

Imagine you are in IT Procurement and hold the responsibility of negotiating your company's Salesforce contract renewal.

As your renewal starts to get closer, you may suddenly experience that Salesforce has, without your direct knowledge;

- ▶ Invited your C-Suite to a basketball game with courtside tickets;
- ▶ Reached out to IT Department heads to discuss their 1-3 year growth objectives;
- ▶ Initiated a direct connection with your VP of Sales;
- ▶ Identify and reach out to your top Sales Representatives to explore how they could further use the tool;
- ▶ Invite your colleagues to a "wine and dine" evening for relationship building purposes, etc.

Best of all is that those taking the above actions may not actually be your direct sales rep but rather their superiors who have the sole purpose of gathering as much intelligence about your organization as possible.

With this momentum, Salesforce will commonly know more about the needs and wants of its client organization more than their client contact (aka you!). They will use this information to their advantage and create organized chaos and confusion in your organization.

Further expanding upon our original example, let's explore the output of these tactics:

CEO

Your CEO is taken out to a basketball game where the higher ups at Salesforce paint a picture of what your organization could look like with added functionality and full adoption of Salesforce. They gain his buy-in and suddenly your organization has pressure coming down from the top to roll out Salesforce to the entire organization.

CFO

With this new pressure coming down, your CFO is left scrambling to figure out how to create budget for these additional Salesforce expenses which were not in the original budget. Your CFO talks directly with Salesforce and they start getting creative on cash flow. They offer to move your renewal to January, instead of September, to utilize multiple fiscal year budgets.

CIO

Your CIO is furious because the CFO is now going to pull funds from his operational budget. Your CIO had planned to use these funds for other business critical initiatives that need to be completed this year. Subsequently, he's also upset that Salesforce is talking with his colleagues and keeping him in the dark. This creates an emotional response and your CIO reaches out directly to Salesforce. Salesforce then begins meeting with your CIO directly and discusses their overall IT roadmap.

VP of Sales

When your VP of Sales speaks to Salesforce, he shares his ideal vision and requests more functionality and training for his team to increase adoption.

An Aligned Organization is a Rarity



The situation we just described to you is extremely common in both large and small organizations. Most organizations suffer from what many of us know as “initiative overload” and simply do not commit the time or resources to align on forward looking business (not just IT) plans for leveraging strategic platforms such as Salesforce.

Salesforce knows this and leverages this lack of alignment to create growth opportunities.

It is exceptionally rare to find an organization that is:

- 1 Actually aligned
- 2 Has a plan for how they will use Salesforce over the next three to five years (aligned to its business objectives).

As part of negotiation preparation, we drive clients to curate this planning and alignment so that you know what you need before even starting the negotiation.

Our proprietary tool for doing this is something we call the Salesforce Roadmap (catchy right!?). At a high level, this is simply a detailed list of “what you need” and “when you need it.” Again, you need to be clear on the “what” and the “when.”

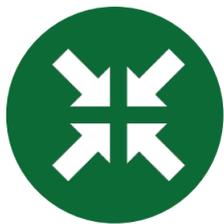
Our salesforce negotiation process

Our step-by-step process for negotiating deals with Salesforce.com



1) Discovery

You meet with our team to build a software roadmap. We align on where you've been, and where you're going, over the next 3-5 years.



2) Right Size/Right Price

We leverage our proprietary Right Sight/Right Price process to drive alignment on what products/services you need, and what you don't. With this information, we know exactly what you should be paying.



3) Negotiate

Depending on client preference, we can either negotiate on your behalf or be your silent adviser. We utilize benchmarks and supplier interests to extract the most value from your external relationships.



4) Contract Execution

Sit back and relax while we identify and mitigate and contractual risks. We also create an executive summary of the outcome for your internal distribution.

How our strategy works

RIGHT SIZE

- Eliminate Unused Licenses (“shelfware”)
- Identify Underused Licenses
- Strengthen License Compliance/Governance

RIGHT PRICE

- Price Benchmarking
 - Industry
 - Annual Revenue
 - Annual Spend



Depending on your specific situation we may focus more on one side vs. the other in the interest of driving increased value for a lower cost (TCO)



Case Studies

(Just a few)

Case Study One

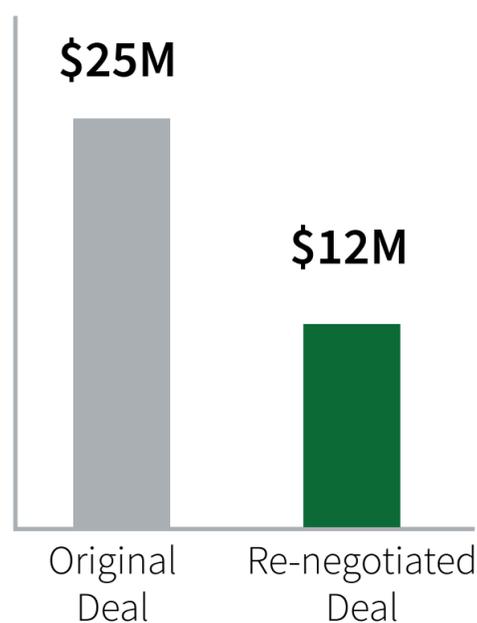
Salesforce



One of our recent clients was a multinational agricultural company with \$15B+ in annual revenue and 5,000+ employees.

We worked with the client to:

- ▶ Identify current state of Salesforce contracts and usage across the globe;
- ▶ Identify key stakeholders within IT and disparate business units that utilized similar software packages;
- ▶ Coordinate global stakeholder meetings to discuss opportunity, gather feedback and drive results;
- ▶ Utilize TNG proprietary tools, templates and techniques to assign global roles & responsibilities, action items and negotiation tactics in interest of speaking from one voice.



**\$13M in savings over
3 years 52% reduction
in contract cost**

Case Study Two

Salesforce



A recent mid-market manufacturing client retained our firm to renegotiate their Salesforce agreement. They were spending over \$750k per year and were able to reduce their renewal fees by \$650k over a 3-year period.

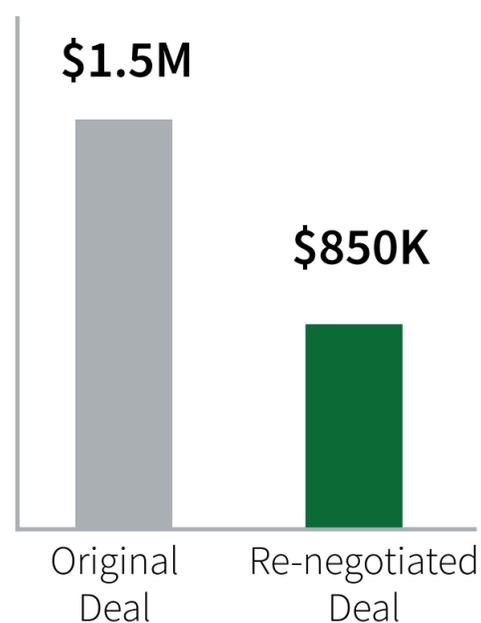
We utilized our proven 4 step process to drive results for our client:

Step 1: Discovery We worked with the client to understand how they used Salesforce historically and how they planned to use it over the next 3-5 years.

Step 2: Strategy We helped our client stakeholders identify, and align on, exactly what licenses they needed going forward.

Step 3: Negotiation We utilized outcomes-based negotiation strategies to enable the client's vision and strategic objectives.

Step 4: Savings As a result of steps 1-3, we enabled immediate commercial value for the client's C-suite which was reinvested into other strategic growth initiatives for the company.



**\$650K in savings
over 3 years**

Case Study Three

Microsoft



A recent multinational client in the pharmaceutical sector (\$20B+ in annual revenue) retained our firm to negotiate their longstanding Microsoft contract. Not only did we secure a \$3.2 million savings, but we also were able to produce a significant technology uplift for its employees and cybersecurity department.

We worked with the client to negotiate the following benefits:

- ▶ Significant technology uplift providing end-users access to the most advanced Microsoft Office 365 capabilities;
- ▶ Added Advanced Threat Protection (ATP) to support the company's cyber resilience strategy;
- ▶ Enabled Device Modern Management to allow our client to patch and configure devices remotely;
- ▶ Negotiated a custom license floor enabling our client to be highly flexible with their license mix in a rapidly changing business environment; and,
- ▶ Provided 5 years of flat support fees.

\$3.2M cost reduction

(10% reduction)

\$18.1M cost avoidance

(Avoided 25% increase)

Case Study Four

Software Supplier

One of our recent clients was a biopharmaceutical company with \$5B+ in annual revenue.

The client had a large software contract with a strategic niche software supplier that managed a critical business process on behalf of the client. The original agreement was charged on a “volume” basis which was leading to an unsustainable cost uplift beyond our client’s 5-year budget plan.

We worked with our client to:

- ▶ Change the cost lever from “volume” to “seat-based;”
- ▶ Establish license rates on a “should cost” basis due to TNG’s extensive industry experience;
- ▶ Protect a respectable profit margin for the supplier while also improving their contracting processes; and,
- ▶ Systematically identify and mitigate contractual risks for the client.

**\$52.3M+ in
savings over 5 years**

Case Study Five

Salesforce



A healthcare organization reached out to TNG once they became aware that Salesforce was auditing their license utilization.

The client's objectives were to not only eliminate any immediate audit risk, but also to decrease their cost basis. This engagement delivered \$3.3M in cost savings and \$8.6M in cost avoidance for the client.

We utilized our 4-step IT Software Negotiation Process to drive the following key activities:

Step 1: Discovery We quickly stood up a core team at the client who acted as a triage and steering team in the interest of identifying the facts behind any potential license abuse. We then conducted a deep dive assessment of how the client has grown into, and out of, the platform over the last 5 years.

Step 2: Strategy We identified, coordinated, and executed multiple workstreams focused on identifying how the organization would use Salesforce over the next 3-5 years. As a result of our Right Size/Right Price methodology, we quickly identified opportunities.

Step 3: Negotiate At the request of the client, we directly engaged with Salesforce to mitigate audit risk and optimize their environment. Since we work with Salesforce daily, we were able to quickly negotiate a resolution to the audit risk while also rewriting their current contract.

Step 4: Contract Execution We worked directly with the client's Legal Team to advise and mitigate contractual risk while expanding flexibility.

**\$3.3M cost savings
+ \$8.6M cost avoidance**

Case Study Six

Salesforce



A global consumer goods organization reached out to TNG in the interest of sourcing, negotiating, and contracting a Customer Relationship Management (CRM) digital capability specifically for a new business unit within their organization.

The client's objectives were to ensure they thoroughly examined the marketplace to 1) identify the best fit-for-purpose suppliers, 2) pay a reasonable market price, and 3) eliminate any contractual risk that could cause problems down the road.

We utilized our 4-step IT Software Negotiation Process to drive the following key activities:

Step 1: Discovery We assisted our client's project team understand and ponder different assessment criteria as it relates to their business and technical requirements.

Step 2: Strategy We developed multiple personas across the new organization based on how different users were planning to utilize a CRM capability.

Step 3: Negotiate We advised our client throughout the negotiation process in the interest of ensuring an equitable relationship for both Salesforce and the client.

Step 4: Contract Execution We identified and eliminated contractual risk that could pose problems for the client in the next 3-5 years.

\$11.9M in cost savings

Case Study Seven

Salesforce



A global technology company engaged TNG to Right Size and Right Price its current contract with Salesforce.

The client's objectives were to ensure they were only paying for the licenses they actually need (right size) while at the right price. The outcome of this engagement was a \$2.6M cost savings and a happy client that expanded the use of TNG across their enterprise.

We utilized our 4-step IT Software Negotiation Process to drive the following key activities:

Step 1: Discovery We quickly huddled with the client and determined there was very little Salesforce governance inside of their organization. While they had a Salesforce Administrator, this individual acted more as a technical resource with little accountability related to their license compliance or governance.

Step 2: Strategy The TNG team ran virtual workshops with the client to quickly isolate cost reduction opportunities through quantity, license type, and price benchmarking reduction.

Step 3: Negotiate We worked directly with Salesforce's renewals team, and global leadership team, to reset the relationship both operationally and contractually.

Step 4: Contract Execution We heavily negotiated contractual terms and conditions that provided flexibility for the client based on their growth projections, drive for innovation, and focus on the end-user.

\$2.6M cost savings

Other Recent Client Engagements*

What	Impact	Client Industry	Timeline
ERP Platform Sourcing, Negotiation, and Contracting <ul style="list-style-type: none"> • Client Scope – Strategic selection and negotiation of new global ERP platform • Supplier Scope - Enterprise platform 	\$3.8M+ Annual Savings	Global Manufacturing	4 months
CRM Platform - Negotiation and Contracting <ul style="list-style-type: none"> • Client Scope – Supplier specific value-based contract negotiation • Supplier Scope - Enterprise platform 	\$15M+ Annual Savings	Global Agriculture	3 months
IT Services Strategy <ul style="list-style-type: none"> • Client Scope: Enterprise-wide strategy development and deployment • Supplier Scope: Enterprise platform, niche, and diverse 	\$40M+ Annual Savings	Global BioPharma	Ongoing
Enterprise Platform Negotiation <ul style="list-style-type: none"> • Client Scope: Supplier specific value-based contract negotiation • Supplier Scope: Enterprise platform 	\$55M+ Annual Savings	Global BioPharma	6 months
IT Contract Synergy Rationalization <ul style="list-style-type: none"> • Client Scope: Sourcing, negotiation, and contracting of enterprise-wide IT contracts ranging from \$1 – 37MM in annual spend. • Supplier Scope: Enterprise platform and niche 	\$32M+ Annual Savings	Global Private Equity	Ongoing
ERP Middleware E-Commerce Negotiation <ul style="list-style-type: none"> • Client Scope: Negotiated extremely sensitive situation for client company which ultimately ended in a code acquisition • Supplier Scope: Enterprise platform 	Confidential	Global Agriculture	8 months

* More available upon request. Specific content intentionally omitted based on client confidentiality.

Meet our Leader (Head Guru)

Dan Kelly is a global thought leader in advanced negotiation and IT strategic sourcing bringing over 13 years of experience within both public and private sectors. He started his career with the FBI but discovered that being a government employee wasn't for him as he prefers a pay-for-performance (vs. time-in-grade) compensation model. Immediately after leaving the FBI, Dan supported companies like Cargill, Syngenta and MTS Systems in various leadership positions, including as the Global Head of Indirect Procurement.

In 2015, Dan founded The Negotiator Guru (TNG) with the intent of doing what he loves on a global, and remote, scale. From Dan's first client, TNG has been built for IT Executives, by IT Executives. This includes stakeholders ranging from CIOs to CPOs. TNG has expanded into a global organization supporting clients on every continent purely based on the real needs of our client community.



In 2019, Dan launched the State of the CIO podcast as a platform for global IT leaders to discuss the changing role of technology in the business world.

In addition to his executive career in management consulting, Dan serves on several advisory boards and boards of directors within the United States and Europe.

Dan received his Bachelor's Degree (BA) from the University of Denver and Masters of Business Administration (MBA) from St. Leo University.

We are recognized as one of the fastest-growing, privately-owned companies in the Midwest.



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Inc 5000 Midwest Series: Business Products & Services Category



Inc 5000 Midwest Series: Fastest - Growing Private Companies in Minnesota

Our goal with this article has been to educate you on the key points of how the Salesforce machine operates. Based on significant current and prospective customer requests, we will be writing additional articles that do a deep dive into the many facets of successfully negotiating with Salesforce.

To our current/past customers: We sincerely appreciate your continued trust and partnership!

To our new/prospective customers: We hope these articles help you understand the landscape of the Salesforce negotiation process. We look forward helping you extract the most value from your specific Salesforce relationship. (Disclaimer: We only accept those clients in which we know we can help).

**WANT MORE INFORMATION ON
HOW WE CAN HELP YOU REDUCE
YOUR SALESFORCE EXPENSES?**

CONTACT US

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