



GREATEST COMPANIES · RESEARCH SHEET · The Switching-Cost Moat

# Salesforce

*The Company That Declared War on Software*

NYSE: CRM · Enterprise Software · Founded 1999 · San Francisco, California, USA

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In 1999, a former Oracle executive named Marc Benioff did something that bordered on heresy. At a time when business software meant buying expensive licenses, installing them on your own servers and paying armies of consultants, Benioff declared all of it finished. His company would run the software on its own computers and let you simply log in through a browser, paying a subscription like a utility. Its logo was the word “software” in a red circle with a line through it: No Software. It was a declaration of war on an entire industry, and Benioff won it.

## Key Facts

|                       |                                                                      |
|-----------------------|----------------------------------------------------------------------|
| <b>Founders</b>       | Marc Benioff, Parker Harris, Dave Moellenhoff and Frank Dominguez    |
| <b>Sector</b>         | Enterprise software — cloud CRM and platforms                        |
| <b>Moat</b>           | Switching costs — the system woven into a company’s daily operations |
| <b>Battle Cry</b>     | No Software — the end of the packaged-software model                 |
| <b>Big Idea</b>       | Deliver software as a subscription service over the internet         |
| <b>Killer Product</b> | Cloud-based customer relationship management                         |
| <b>Status</b>         | Public (NYSE: CRM)                                                   |

## By the Numbers

Its 2004 IPO surged about 56% on the first day, the largest tech IPO pop of that year

Now earns revenue above \$40 billion as a leader in enterprise cloud software

Paid about \$28 billion for the workplace-chat company Slack in 2021

Marc Benioff has led the company he founded for more than 25 years

Founded 1999 in a small San Francisco apartment, sketched alongside three co-founders

Pioneered the software-as-a-service model the whole industry later adopted

## The Moat

## A System Woven Into a Company's DNA

Rivals have comparable features; Salesforce's moat is switching costs, one of the deepest in all of software. A large company runs its entire sales and customer operation on Salesforce, with years of accumulated data, custom configurations, integrations with dozens of other tools, and trained staff living in it all day. To switch to a competitor would mean migrating all that data, rebuilding every integration and retraining everyone, an enormous, risky, expensive undertaking almost no one attempts. Once a big company commits, its software becomes part of that company's operational DNA. And the recurring-subscription logic underneath, cheaper to start, faster to deploy, always up to date, producing a beautiful stream of predictable revenue, was, in large part, pioneered here and later adopted by the rest of the industry, Adobe included.

## Surviving the Storm

### Born Into the Dot-Com Crash, and Proving the Doubters Wrong

Salesforce was born into a hurricane. It launched just as the dot-com bubble was inflating, and within a year or two the bubble burst, wiping out countless internet companies. As an unproven, internet-based business model, Salesforce could easily have been swept away with them, and the wider world dismissed software-as-a-service as a toy fit only for small startups, never for serious enterprises. But it had something most dot-coms lacked: real customers paying real subscriptions for software that genuinely saved them money and trouble. It survived the crash and grew customer by customer. The first Dreamforce conference in 2003 became a powerful engine of community, and the triumphant 2004 IPO, up ~56% on day one, signalled that investors were finally beginning to believe in the subscription model Benioff had bet everything on.

*"The biggest opportunities often lie in the ideas the establishment is most certain are wrong."*

## The Legendary Scorecard

| Category              | Score | Notes                                                                              |
|-----------------------|-------|------------------------------------------------------------------------------------|
| Founder Vision        | 10    | Saw the future of software delivery before almost anyone and bet the company on it |
| Innovation            | 9     | Pioneered enterprise software-as-a-service and the subscription model              |
| Execution             | 8     | Relentless expansion by product and major acquisition                              |
| Moat                  | 8     | Switching costs woven into a company's operations                                  |
| Capital Allocation    | 7     | A string of very large, expensive, debated acquisitions                            |
| Wealth Creation       | 8     | A leader and standard-bearer of the subscription economy                           |
| Durability            | 8     | Deep switching costs, but enterprise software is fiercely competitive              |
| Historical Importance | 9     | Invented the model the entire software industry eventually adopted                 |

Scores are an editorial verdict on the standard eight-category Greatest Companies scale. The overall is a judgment, not a weighted average.

## Timeline

|         |                                                                                             |
|---------|---------------------------------------------------------------------------------------------|
| 1999    | Benioff and three co-founders start Salesforce with the mission to end packaged software    |
| 1999    | The first version of the cloud CRM launches in November                                     |
| 2003    | The first Dreamforce conference is held in San Francisco                                    |
| 2004    | Salesforce goes public, surging about 56% on its first day                                  |
| 2018    | Salesforce acquires the integration company MuleSoft                                        |
| 2019    | Salesforce acquires the data-visualization company Tableau                                  |
| 2021    | Salesforce acquires the workplace-chat company Slack for about \$28 billion                 |
| 2022–23 | Slowing growth and activist investors push Salesforce toward cost discipline                |
| 2025    | Salesforce earns revenue above \$40 billion as a leader in enterprise cloud software and AI |

## Lessons — What This Means for You

### THE MOVE • Sell the service, not the product

Salesforce stopped selling software as a thing you own and started selling it as a service you rent. Recognise when an entire industry is delivering value in an outdated, inefficient way, and reimagine the delivery itself. Often the breakthrough is not a better product but a better model, a fundamentally different way of getting the value to the customer that aligns the vendor's incentives with the customer's success.

### THE MONEY • Recurring subscription revenue compounds like an annuity

By renting software per user per month, Salesforce built a revenue stream that arrives predictably and grows as customers add users and products, sticky, expanding, and highly valued by the market. It is the same lesson Adobe teaches from the other direction: a predictable, compounding stream of income is worth far more than a series of one-time sales, and businesses built this way reward patient owners.

### THE MIND • The conviction to declare war on the consensus

Benioff did not quietly offer an alternative; he loudly declared the entire existing industry obsolete and made himself the prophet of a new way, willing to be mocked as naive for years before being proven right. Transformative success often requires the courage to stake everything on a contrarian thesis the establishment is certain is wrong, and the relentless conviction to keep making the case until the world comes around.

## Related Reading

The packaged giant that later executed the same pivot: [Adobe: The Company That Burned Down Its Own Business](#)

The cloud infrastructure much of SaaS runs on: [Amazon: The 94% Crash and the Cost of Being Right](#)

Explore every company: [The Greatest Companies series](#)

## Read the Full Story

Read the full company story: [Salesforce: The Company That Declared War on Software](#)

## Sources & Further Reading

Marc Benioff, Behind the Cloud (2009)

Salesforce, Inc. annual reports and SEC filings

Greatest Companies (Salesforce chapter), The Complete Trader's Edge

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