



## Stanford eCorner

### Facing Competition: Creating a Barrier to Entry

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In the internet business, the threat from competitors for small and mid-sized organizations is very high, says Tzuo. For this reason, companies like Salesforce.com define the battlefield by not competing with big names. Instead, they cooperate with them to build barriers to entry by investing in technology. Acquiring the right talent from the industry further strengthens these barriers, he adds.



#### Transcript

So the question is, with the internet are barriers to entry very, fairly low, and isn't it easier for competitors to come copy us? A couple of answers, one is, we don't believe the barriers to entry are really low. We spent somewhere between 50 to \$100 million in our data center. Our data center now right passes the tests, the auditing and the compliance for companies like Merrill Lynch and really the largest companies; Symantec, the security company, that does audits and uses our service. So that's not something that's easy to reproduce. It's expensive to reproduce. We've got a whole business model where I kind of touched on it but you kind of have to be in the business model in order to understand all the details on how to put that together. And that's important to us as a technology model if you'll just went to throw up a website but didn't find Senior Salesforce and so on and so forth, you wouldn't have the same sort of success rates. But, the other point that we try to do is we try to basically say, "Look, that is true. It is true that we are in the mode where, for the first five or six years of the company, where like the only one out there talking about On-Demand. Now the marketplace is saying, "We want on-demand." All these companies are starting to come about.

What are you going to do about that? We don't want to be IBM. We don't want to create a PC, fast forward 50 years, we're selling our PC divisions to the Chinese, right? That doesn't make any sense and that's not what we want. We want to have relevant place in this marketplace that we created. And we said, "Where are our growth rates? Do we then compete with everybody? Do we then come out with our own ERP module? Do we come out with an HR module and really start to compete with everybody?" We said, "Well, that doesn't sound really make any sense too because we don't have the resources to do that and we don't have the expertise." So we said, our core asset if you will to combine those two concepts is our technology. We have spent \$50 million in our platform, in our data center. We have spent all these great technology underneath our applications, right, for workflow and reporting, security, all these great stuff that you need. Why not open it up and give it to the marketplace? And if you will, create a value proposition where if you're an only-man company out there, you're saying, "Hey, this sounds pretty good. I'm better off cooperating with these guys and using them to lower my cost and increase my reach versus competing with them." And that's proved to be a much stronger position for us and a much more relevant position for us. You're saying like your core asset being your technology. What are you guys doing to compete with Google and Oracle as far as acquiring talent? Do you get this technology and especially talent among others? In short, what are you guys doing? Sure.

So we begin to acquire talent while I'm here. So, if anybody wants to give me a resume, I'll be glad to take it afterwards. Acquiring talent is probably the most critical thing to us right now. We're in a growth more right now. The market is huge and we need to acquire a lot of talent. We also need to retain talent and so we have to put together the processes to make people

successful and they can engage within our organization and have them stay with us. We actually hired Clara from Google because we thought that Google, we did a better job with Google then in terms of retaining people. And so, you really just have to focus on it. You really have to attract people. You have to create a great environment from the work in.

You have to bring them in and you have to give them great projects and great challenges. Sometimes they get the question in terms of, "Well, you're a public company now? So isn't it more attractive for me financially to join a pre-public company than a public company?" But in the big picture, we're just getting started. I joined Oracle when it was a public company. It was a billion dollars and it grew to \$8 billion in the time I was there and the stock were like 10X, if you will, during that time. And so we think as ourselves as really, really just getting started. We have 500,000 or so subscribers. We want to hit a million, 2 million, 5 million, 10 million. And in that course, growing from around 2,000 or 10,000 employees, there should be a lot of great growth opportunities and great projects.