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Salesforce.com - A 'don't worry, be happy' attitude is no substitute for an SLA

Why Salesforce.com will lose its luster unless it offers SLAs

Outsourcing Newsletter By Dan Twing , Network World, 04/26/06

Salesforce.com is the leading on-demand CRM tool, providing all the benefits of a Web based application and a great user interface. The user interface has been based on the popular and effective Miller-Heiman sales model since 2002. However, a string of outages in December, January and again in March show that the company is struggling under the weight of its own success.

Salesforce.com does not offer service-level agreements (at least not as a matter of course - see "Customers Seek SLAs With Teeth" for an interesting review of Salesforce.com's approach to service nonguarantees). Come on Salesforce.com, a "don't worry, be happy" attitude doesn't cut it.

A great user interface and a Web-based model are no longer unique and no longer sufficient to attract and retain customers. There are alternatives and the alternatives in many cases include SLAs, comparable features and even easy data conversion. For example, Salesnet offers SLAs and will soon be basing its user interface on the Miller-Heiman model.

SAP also has a competitive on-demand offering, SAP CRM On-Demand. Another rival, Salesboom, offers an SLA with 99.8% up-time, a money-back guarantee and has recently addressed a major vendor switching issue with its Salesforce Migration Magic Button for Salesforce.com customers. The Magic Button addresses data conversion, significantly lowering the exit barrier for Salesforce.com customers. There are also a number of providers offering hosted versions of Sugar CRM, an open-source client relationship management tool.

Service levels are important in setting client/user expectations and forcing vendors to focus on key performance indicators. Mission critical applications need high availability. Access to vital sales information is a mission critical application for a sales team, particularly at the end of a quarter. While some of Salesforce.com's January outages appear to be the result of software updates and change management issues, the bulk of the problems look to be volume related. End of quarter is a big volume time for sales when everyone scrambles to hit numbers as the close of the quarter approaches. As is often the case with volume related problems, the thing goes down exactly when the vast majority of users need the system the most. So this wonderful and important tool becomes unavailable at its most useful and necessary time.

All on-demand or software-as-a-service applications should include SLAs for uptime. Given the nature of the Internet, it is more difficult to expect user experienced response time guarantees. Vendors might be willing and able to guarantee their response time to reacting to a request, but the vagaries of the Internet prevent them from controlling the actual response time for the user at the end of the line. These SLAs need to have enough teeth to get the vendor's attention, usually handled by penalties in the form of fee credits. As I wrote in back in November, service credits are helpful to keep the vendor focused, but I would focus my negotiation efforts on a clear termination clause if the service is consistently below standards.

Salesforce.com is going to have to respond to its service problems and the increasingly aggressive competition by offering an SLA to every customer. It may not happen overnight, but competition, client education and a few more outages will make the issue unavoidable in the long run.

Check out EMA's "SLM Solutions: An Online Buyer's Guide" for a great resource to learn more about service-level management, SLAs and the many management products available to assist in tracking performance against SLAs.