

Software's jolly iconoclast

Has Marc Benioff seen the future of software?

WHEN it comes to bucking trends in the computer business, Marc Benioff has quite a record. His firm, salesforce.com, is a dotcom that not only survived the shake-out, but is also profitable. He is a cheerleader for the idea of delivering software as a subscription-based utility, like water or electricity—an idea that many firms have tried, mostly without success. This week, he unveiled his most ambitious venture yet. He is forging ahead into “web services”—a standardised way for computers to handle business deals online that is widely believed to be the next stage in the evolution of computing, but is still more hype than reality. Is Mr Benioff about to pull another rabbit out of his hat?

Very possibly. For web services are the next logical step in Mr Benioff's crusade to convince people that software should be rented, rather than bought outright. He had his epiphany in 1996, while working at Oracle, the world's second-largest software firm. While browsing one day on Amazon.com, he asked himself why business software could not be delivered the same way: via a web browser. People who shop at Amazon do not, after all, have to worry about installing, upgrading or maintaining anything: they just fire up their browsers, and it works. The service is secure and reliable, and has millions of users. “Amazon showed it was possible,” says Mr Benioff.

But only recently has his firm (and a few others) managed to make the software-rental model work. Paradoxically, the plunge in technology spending by firms has helped. Paying a monthly subscription to use a piece of software delivered immediately via a web browser is far cheaper and less risky than purchasing software outright, buying computers on which to run it, and hiring IT staff to support them. The rental model has also benefited from widespread dislike of the way that software is traditionally sold. It is in the vendors' interests to sell as much as possible, whether or not their customers need it, or it justifies its cost, or it works properly. The mismatch of promise and reality is most glaring in the case of “customer-relationship management” (CRM) software, which keeps track of sales leads, orders and customer records. Installing a CRM system is costly and disruptive. By some estimates, over 60% of CRM deployments fail.

That was why Mr Benioff decided, when he set up the firm in 1999, to start by offering CRM as a subscription service, Amazon-style, through a browser. The service now has over 90,000 users at 6,500 firms, including AOL Time Warner, Nokia, General Electric, General Motors and Cigna. Salesforce.com's clients typically test the service in a single work-group or division, expanding its use only if it proves successful. Thus the company has an incentive to ensure its clients are happy. Each user pays about \$70 a month to subscribe. As well as reducing the risk of failure, renting CRM as a service cuts costs by two-thirds, says Mr Benioff. (Traditional CRM vendors, such as PeopleSoft and Siebel, counter that their software has features that salesforce.com lacks.)

If the software-as-a-service rental model makes so much sense, why have so many firms that tried the same approach failed? Mostly because they targeted applications that were less well suited to the model, says Mr Benioff. A number of firms tried to offer human-resources and accounting software in this way, for instance. But while sharing customer information makes sense, payroll and financial information tend to be more jealously guarded, and bosses tend to be reluctant to outsource the storage and processing of it. Perhaps it will take longer for people to get used to the idea of outsourcing these core functions, says Mr Benioff. But his firm is testing accounting, billing, contract-management and document-management services internally, and will soon offer them as subscription services too.

After all, as he notes, most firms do not dig their own wells to ensure a supply of water, or build power stations to provide electricity. Software, too, he believes, should be provided as a utility by firms such as his that specialise in delivering it. He gleefully proclaims that this means the end of

software as we know it. Last year he hosted an extravagant dotcom-bubble-style party, including a musical performance by David Bowie, to celebrate "Freedom from software". And he will launch the next version of salesforce.com's service later this month with the help of Arnold Schwarzenegger. Punning on the Hollywood star's famous catch-phrase, Mr Benioff says that the marketing slogan will be "Hasta la vista, software".

Joining forces

But behind this chummy iconoclasm, Mr Benioff's new web-services venture, called sforce.com, indicates a deadly seriousness about reinventing the software industry. The idea is to extend his firm's reach by "popping the top off" salesforce.com, and making the underlying computing infrastructure that is used to deliver its CRM service available to other software developers. They will be able to create and rent out software services of their own, at a cost of \$50 per user per month. Mr Benioff hopes that these developers will sign up lots of new customers and jump-start a new market in web services. He has secured the backing of the top four sellers of web-services programming tools—Microsoft, Sun, BEA and Borland—all of which are promoting web services as the future of software.

In short, instead of just supplying its own software service, Mr Benioff's firm hopes to become the platform for many other such services. This was, he insists, his plan all along: salesforce.com is an example of the kind of service that can be delivered using sforce.com. "We hope to spawn an industry based on a new model," he says. That is an ambitious goal. Maybe sforce.com will end up being used to extend salesforce.com's features, or merely link it to other software, not as the basis for a new wave of software services, let alone a new industry. But if the past is any guide, Mr Benioff is probably on to something.

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