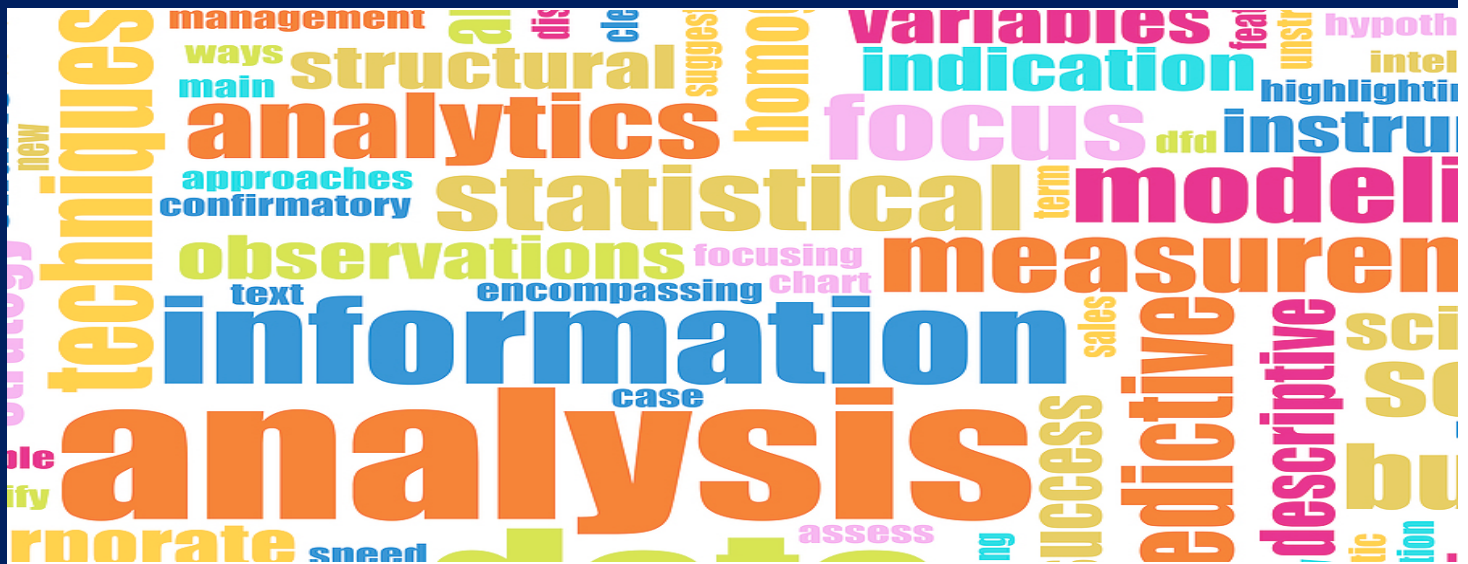# Salesforce Goes All In on ClickSoftware

Click's Scheduling Optimization Module was Just a Teaser!
Now, Salesforce has Gone All In, and Click's Found a Home!

August, 2019

A Special *SFG℠* Analysts Take
Written by: Bill Pollock
President & Principal Consulting Analyst
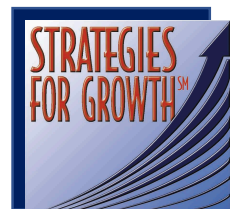***Strategies For Growth℠* / PollockOnService**
Westtown, Pennsylvania USA
+1 610-399-9717
wkp@s4growth.com
www.PollockOnService.com

Research Powered by

A.   Details of the Deal: Putting Things in Perspective

On August 7, 2019, after months of speculation – and negotiations – Salesforce, the global leader in Customer Relationship Management (CRM), announced that it had signed a definitive agreement to acquire ClickSoftware, an acknowledged leader in Field Service Management (FSM) solutions. According to the press release issued by Salesforce that day, "The addition of ClickSoftware will enhance Salesforce Service Cloud's leadership as the #1 service platform, empowering every service employee from the contact center to the field to deliver more connected, intelligent customer service."

The subhead for the press release detailed that the, "Addition of ClickSoftware will enhance Salesforce Service Cloud's leadership as the [self-acknowledged] #1 service platform, empowering every service employee to deliver more connected, intelligent customer service. Organizations around the world like Bosch, Deutsche Telekom, Ericsson and Unisys rely on ClickSoftware to optimize each service interaction."

The press release continued with, "ClickSoftware enables companies to intelligently schedule and optimize field service work. Salesforce Field Service Lightning, built on Service Cloud, harnesses the latest in dispatching, mobile workforce empowerment and IoT technologies to empower companies to connect their entire service workforce on a single, centralized platform. With the combined capabilities of Field Service Lightning and ClickSoftware, Salesforce will be positioned to lead the way to the future of field service."

According to Salesforce, "Under the terms of the definitive agreement, Salesforce will acquire ClickSoftware for an amount expected to be approximately [US]$1.35 billion, net of the value of shares currently owned by Salesforce, after taking into consideration estimated purchase price adjustments. The purchase price will comprise a mix of cash and Salesforce common stock and includes the assumption of outstanding equity awards held by ClickSoftware employees. The acquisition is expected to close during Salesforce's fiscal quarter ending October 31, 2019, subject to customary closing conditions, including the expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act and Israeli antitrust clearance."

Bill Patterson, EVP and GM of Salesforce Service Cloud, explained that, "Delivering exceptional field service is an increasingly important priority for companies across industries with more than 70 percent of customer service leaders making significant investments to transform their mobile workforce" and, as such, "Our acquisition of ClickSoftware will not only accelerate the growth of Service Cloud, but drive further innovation with Field Service Lightning to better meet the needs of our customers. We are thrilled to welcome the ClickSoftware team to Salesforce."

Mark Cattini, CEO of ClickSoftware, added that, "Our mission has been clear since the beginning – to be the global leader in field service management and deliver significant value to our customers. Joining Salesforce provides a tremendous opportunity to accelerate this vision," and "As a part of Salesforce, we will be able to innovate faster, enabling our joint customers to deliver even better experiences to their customers. This is an exciting milestone, and I look forward to what we'll deliver to our respective customers as one company after close."

In its press release, Salesforce described the "Future of Service" as being reflective of "Connected & Intelligent Field Service Experiences," and went on to say that, "As connected devices become smarter and more predictive, customers' expectations are evolving to expect faster, more tailored engagement based on their unique needs. Companies must transform their customer service to stay competitive. This creates huge opportunities to further advance the on-site customer service experience.

"Salesforce introduced Field Service Lightning in 2016 to empower the mobile workforce with a 360-degree view of the customer, predictive insights and an offline-first mobile app. ClickSoftware and Salesforce have partnered since Field Service Lightning launched to deliver proactive, intelligent field service. With ClickSoftware and Field Service Lightning, if a mobile employee gets delayed by traffic, a dispatcher can quickly route another field technician to the job so the customer's appointment does not get delayed. These interactions are then automatically updated across the entire Salesforce platform so everyone – customers, sales, customer service and field service – has complete visibility.

"As customer service continues to evolve, the acquisition of ClickSoftware will create strategic synergies, technological unity and new innovation opportunities for Salesforce to better meet the needs of existing and new customers around the world by providing one seamless field service solution."

ClickSoftware, in a Blog posted by Cattini on the same day as the announcement, proclaimed that, "Today we are thrilled to announce that we've signed a definitive agreement to be acquired by Salesforce, the global CRM leader. This marks an incredible milestone in the ClickSoftware journey, and is a strong testament to the dedication of many Clickers, past and present, to whom I am very grateful."

The Blog went on to say that, "Our mission has been clear since day one: to be the global leader in field service management and deliver significant value to our customers, which we have achieved by combining leading-edge technology with unparalleled industry experience.

"With today's announcement, I believe we can go from strength to strength. Becoming part of Salesforce once the transaction closes will provide a tremendous opportunity for us to innovate faster and make Field Service Management an even more critical and differentiated part of Salesforce's strategy and business. By joining Salesforce, we will be able to further power mission-critical applications for global service leaders like Bosch, Deutsche Telekom, Ericsson, National Grid, PG&E and Unisys as well as offer a wider range of capabilities, and deliver improved efficiency, effectiveness and customer experiences to an even broader global audience.

"The growing demand for Field Service Management solutions has been one factor in our incredible growth, but it's our people who have helped us successfully deliver against our goals, and led to our market leadership being widely recognized by analysts. I would like to take this opportunity to thank all the Clickers around the world, and also our customers and partners in the Click community."

At the time of the acquisition announcement, ClickSoftware was part of Francisco Partners, a leading global private equity firm that specializes in investments in technology and technology-enabled businesses. Francisco had taken ClickSoftware private in 2015.

Matt Spetzler, partner at Francisco Partners, stated that, "Since inception, Click has had a unique technology to optimize service. It has been our pleasure to partner with the Click team for these last four years as we worked with them to accelerate innovation and growth. Petri Oksanen, partner at Francisco Partners, added, "We are grateful for the opportunity to support Click and all of its great employees. We wish them continued success as part of Salesforce".

Mark Cattini further affirmed that, "Francisco Partners provided valuable strategic support, capital, and resources that allowed us to execute on a strong strategic vision. They were an exceptional partner for us and worked closely with our team to help improve many aspects of our business and accelerate growth."

B. Reviews from the Analysts' World

TechCrunch glibly posited, "Another day, another Salesforce acquisition. Just days after closing the hefty [US]$15.7 billion Tableau deal, the company opened its wallet again, this time announcing it has bought field service software company ClickSoftware for a tidy [US]$1.35 billion."

However, the news source added some meat to the bone by saying that, "This one could help beef up the company's field service offering, which falls under the Service Cloud umbrella. In its June earnings report, the company reported that Service Cloud crossed the [US]$1 billion revenue threshold for the first time. This acquisition is designed to keep those numbers growing."

With regard to the financial aspects of the deal, TechCrunch stated that, "ClickSoftware is actually older than Salesforce having been founded in 1997. The company went public in 2000, and remained listed until it went private again in 2015 in a deal with private equity company Francisco Partners, which bought it for [US]$438 million. Francisco did alright for itself, holding on to the company for four years before more than doubling its money."

Adding more insight to the initial rationale behind the acquisition, research firm, Aragon Research, in an Blog published back in January, 2019, posed four reasons for why such an acquisition might be possible during the year (although warning that "it may not be for the reason you think), as follows (quoted directly from Aragon Research):

- *Salesforce Is White Labeling ClickSoftware*

  Yes, it is true. Salesforce is white labeling ClickSoftware for its Service Cloud offering. So, when you OEM a product and your offering is doing very well – Service Cloud is growing fast – you need to make sure you don't face any bumps in the road. For the alleged price of [US]$1.5 billion, Salesforce wouldn't be paying too much of a premium, so this deal – assuming it closes – is a no brainer.

- **ClickSoftware Offers Predictive Field Service**

  Given delays in Einstein, owning the Click technology bolsters Salesforce's position in AI. Click had strengthened its rules and algorithms to offer some of the most accurate field service predictive capabilities on the market. This, combined with its pure focus on service, solidifies Salesforce's move.

- **SAP and ClickSoftware: Teasing Salesforce?**

  One of the reasons that Salesforce may have acted sooner rather than later is that Click was being friendly with SAP. If SAP was to acquire Click, this could have hurt Salesforce – so again, this was a timely and shrewd move by Salesforce.

- **Salesforce's Approach to Innovation: Buying vs. Building**

  This does raise the question of innovation at Salesforce. The core Sales Cloud engine continues to chug away, but most of the new things coming from Salesforce had their start outside of the company. This includes Einstein. That said, as companies grow, buying is often far cheaper than organic development. We will be watching this deal closely – our take is that it will happen.

Channele2e believes that, "The Salesforce-ClickSoftware deal will further blend Salesforce's Field Service Lightning platform with ClickSoftware offerings to 'lead the way to the future of field service'."

The Motley Fool had its own version of "Why Salesforce would want to buy ClickSoftware for [US]$1.5 billion", echoing TechCrunch's contention back in April, 2019, by saying, "Another year, another multibillion-dollar takeover...maybe".

The analyst firm went on to say that, "2018 was the biggest year in Salesforce's history in more ways than one. Revenue continued to rise at a double-digit clip, hitting new highs; co-founder and longtime CEO Marc Benioff appointed a co-CEO, Keith Block, to share the management burden; and the enterprise software company spent over [US]$7 billion on smaller rivals, its biggest calendar year ever for acquisitions", and "Salesforce isn't shy about its aspirations in the cloud-based software world. Buying smaller but complementary competitors is an increasingly important part of that strategy."

Further, although "[US]$1.5 billion is a big number, … it will be easy for Salesforce to digest. The company is on track to top[US] $13 billion in revenue for its fiscal year that ends on January 31, 2019. Through the first three quarters of the year, Salesforce achieved an enviable 74.1% gross margin, earning [US]$7.17 billion of gross profit on [US]$9.68 billion of revenue."

"But why ClickSoftware? It's a different type of company than Salesforce's other recent acquisitions. It would supplement Salesforce's service cloud, which contributed [US]$917 million in revenue during the third quarter: 29% of the grand total. That was a 24% year-over-year increase – a fantastic growth rate, but still slightly slower than the company's total revenue increase of 26%.

"Perhaps management thinks the service cloud needs a boost, especially considering that the enterprise software market is becoming increasingly crowded. Adding more services also creates cross-sell opportunities for the numerous other services Salesforce offers. Signing new customers is still important, especially overseas, but Salesforce is also relying on getting more revenue from existing customers to drive its growth."

Another rationale suggested by The New York Times in June, 2019, was that, "Salesforce, whose web service has long helped managers track the sales process, also faces stiff competition from Microsoft. Microsoft competes with Salesforce's core business, and also has a popular data analytics offering that jockeys with Tableau. In 2016, Microsoft beat out Salesforce in buying the professional networking service LinkedIn, which provided a valuable source of data about corporate employees and hiring."

CNBC concurs that, "The deal could help Salesforce compete with Microsoft, the most highly valued public company. Microsoft acquired field service software company FieldOne in 2015. The deal comes two months after Salesforce announced its biggest deal ever, buying data visualization software company Tableau for more than [US]$15 billion.

"Salesforce already offers tools for dealing with field service, which involves keeping track of employees heading out to perform maintenance for customers. "Salesforce Field Service Lightning, built on Service Cloud, harnesses the latest in dispatching, mobile workforce empowerment and IoT technologies to empower companies to connect their entire service workforce on a single, centralized platform. With the combined capabilities of Field Service Lightning and ClickSoftware, Salesforce will be positioned to lead the way to the future of field service."

From a more local perspective (i.e., from Israel, the headquarter base of ClickSoftware), The Times of Israel reported that, "[Salesforce, the] US cloud computing giant says it hopes [the] acquisition will help it become a leader in the field service software industry," and that, "ClickSoftware will enhance Salesforce Service Cloud's leadership as the #1 service platform, empowering every service employee from the contact center to the field to deliver more connected, intelligent customer service."

Further, Reuters reported that "The deal came about after the two companies worked together for three years," according to Elad Donsky, vice president of engineering at Salesforce Israel. "This is just the start of innovation on this," Donsky told Reuters, referring to the field service management software sector. This is "the second major deal by Salesforce in Israel since July 2018 when it paid [US]$850 million for Datorama, a cloud-based artificial intelligence marketing platform that makes up one of Salesforce's two research and development facilities in Israel."

"Salesforce will continue to invest in Israel," Donsky continued. "Israel is now a strategic R&D hub for the company so we are going to see more growth in the coming years." The ClickSoftware deal would bring the number of employees at Salesforce in Israel to above 600."

Computer Business Review believes that, "If anyone thought that Salesforce was putting its wallet away after buying Mulesoft for [US]$6.5 billion and Tableau for [US]$15.7 billion, they were sorely wrong: the customer relationship management (CRM) specialist added to its portfolio further this week, agreeing to buy Field Service Management (FSM) vendor ClickSoftware for [US]$1.35 billion.

"FSM is a discrete market within the broader customer service and support software market, providing software that supports the dispatch of technicians to remote locations. ClickSoftware, rated a leader in Gartner's magic quadrant, provides software to coordinate this work, inform technicians, perform analysis, etc.

"It has a significant number of utility, telecoms and manufacturing customers, with Gartner estimating that its midsize and large organization users number over 650,000. Like many such organisations in this kind of software space, is midway through moving clients to a cloud-based offering, which it released in 2015."

However, the most insightful discourse relating to the acquisition, perhaps, comes from Diginomica in its August 12, 2019 publication, beginning with its probing question: "Given that ClickSoftware pretty much wrote Salesforce's field service software back in 2016, why did it take so long for the CRM giant to make this acquisition?"

The analyst firm goes on to ask, "At first glance, Salesforce's [US][$1.35 billion acquisition of ClickSoftware seems just like any other. Through the deal, the CRM giant gets to expand its reach in the fast-growing field service management (FSM) market with new technology and customers. But in this case, it's not quite as straightforward as that – this is a deal that might have been done as early as 2016. What made Salesforce decide the time is finally right now?

"The extent of its longstanding relationship with ClickSoftware is something Salesforce likes to keep under wraps. When the CRM giant first entered the FSM market back in 2016 with the launch of Field Service Lightning, this wasn't a homegrown product of its own. To speed time to market, Salesforce licensed large chunks of the IP from ClickSoftware, whose developers effectively wrote the software.

"For obvious reasons, Salesforce didn't highlight this contribution. It was useful to be able to say that some of the more specialized functions, such as scheduling and optimization, had been developed by people with experience in the space, but Salesforce downplayed the extent to which ClickSoftware had contributed. Meanwhile ClickSoftware, under the terms of the agreement, was not allowed to make play of the relationship in its marketing. So nobody spoke much of it at all." Diginomica analyst, Phil Wainewright, put it all so succinctly in providing his take that, "[It's] Definitely a case of, to adapt the catchphrase from Victor Kiam's 1970s Remington shaver ads, 'I liked the product so much, I bought the company'."

As far as the competitors of ClickSoftware and Salesforce are concerned, only one (so far) has espoused its view – and that is, of course, Marne Martin, President, IFS Service Management, who tweeted on the day of the announcement: "Breaking news: one less FSM competitor as Salesforce tries to buy their way to the leaders quadrant. And for all the Click on premise customers – IFS allows choice of how you deploy and upgrade your optimization and field service software."

C. *SFG℠ ℠* 's Take on the ClickSoftware Acquisition

SFG℠'s take on the acquisition of ClickSoftware by Salesforce is as follows:

- We all knew it was coming – several years ago – but, we all thought it would be by SAP!
- From a general market standpoint, the acquisition bodes well for both companies, as each has built a strong market, product and management reputation over the years in its own domain; and each is, arguably, the leader in its respective marketspace.

- This acquisition should firmly entrench Salesforce as one of the acknowledged/perceived leaders in FSM, based on an extrapolation from *SFG℠*'s 2014/2015 FSM Tracking Survey, as follows:
    - In 2014/15, prior to the acquisition, Salesforce had already been recognized as a potential FSM solution provider by a majority of the field services marketplace (i.e., 56% FSM application familiarity among the respondents in *SFG℠*'s 2014/2015 *Field Service Management Benchmark Tracking Survey**) – despite the fact that it did <u>not</u> actually offer an FSM solution at that time. ClickSoftware was cited third (i.e., behind SAP at 50%) at 35% FSM application familiarity. The combination of the two companies should place its familiarity quotient to the top of the pack.

- This is also good news for Salesforce Field Services Organization (FSO) customers that have historically been relying on the company's platform to support their Sales and Marketing Management operations, in that, with the strengthening of the Field Service Lightning offering, they will now be afforded with much greater FSM functionality from a single solution that is specifically designed for use in running an entire services business –and <u>not</u> merely their field service operations.

- Now, Salesforce can use the Microsoft argument (i.e., "You already use Microsoft Dynamics for CRM; it's easy to use, and you've been using it for years! Why not also use Microsoft Field Service?"). (Just replace "Microsoft Dynamics for CRM" with "Salesforce Sales & Marketing Management", and "Microsoft Field Service" with "Salesforce Field Service Lightning"!); Also, the fact that Salesforce's FSM solution is built on a foundation of the ClickSoftware's scheduling optimization platform – and soon, will be supported directly by former ClickSoftware professional services experts – is an added plus.

- Finally, the perennially open question of "What's going on with ClickSoftware; Will it stay private? Will it be acquired by SAP? Will it go public again?" will officially end! This has been somewhat off-putting for many of the company's potential customers in the past. However, as of the close of the deal, we will all know exactly what's happened to ClickSoftware!

- However, a new question arises: "Will the same thing happen to ClickSoftware that happened to TOA Technologies?" Many industry analysts (and customers) believe that since TOA's acquisition by Oracle, it has never been the same – and not in a good way!

- Looking further down the road, will the Salesforce acquisition prompt (or tempt) the big Internet/IoT guns to acquire their own Field Service Management (FSM) capabilities? What are the tech leaders like Amazon, Apple or Google likely to do? To what extent? And, if so, when?

- While other large Software/IoT companies, many with fairly deep pockets, have either tried to buy their way into FSM (e.g., Microsoft), grow an FSM capability organically (e.g., Salesforce), or some combination of the two (e.g., Salesforce, once again), not all have had either the resolve – or inclination – to strive to dominate the FSM market. However, with respect to Salesforce, the combination of a corporate mentality that looks to dominate in each of the markets they serve, with a documented history of key players in the FSM community having already been using (i.e., or mis-using) their CRM platform to assist in running their respective field services organizations, the prospects for Salesforce actually becoming a dominant (more dominant?) leader in the FSM marketplace may be a somewhat safer bet.

_____

* The specific question asked is as follows: "For each of the solution vendors listed below, please indicate the ones with whom you <u>are currently familiar</u> in terms of their <u>Field Service Management</u> applications."

About The Author

About *Strategies For Growth℠*

Bill Pollock is President & Principal Consulting Analyst at *Strategies For Growth℠* (*SFG℠*), the independent research analyst and services consulting firm he founded in 1992.

Previously, Bill served as President & Chief Research Officer (CRO) at The Service Council; Vice President & Principal Analyst, heading up Aberdeen Group's Service Management Practice; and Managing Analyst, Services Industry at Gartner.

In 2015/16/17, Bill was named "One of the Twenty Most Influential People in Field Service" by *Field Service News* (UK); one of the "Top 10 People Every Field Service Pro Should Follow" by *Field Service Digital*; one of Capterra's "20 Excellent Field Service Twitter Accounts"; and one of Coresystems' "Top 10 Field Service Influencers to Follow".

Bill has also had more than 350 articles, columns and features published on topics including Field Service Management (FSM), Service Lifecycle Management (SLM), Customer Relationship Management (CRM), Warranty Chain Management (WCM), Reverse Logistics, Augmented Reality (AR), the Internet of Things (IoT) and others for leading international services publications.

He writes monthly feature articles for *Field Service News*, *Field Service Digital*, *Field Technologies Online*, and *Future of Field Service*, and is a regular contributor to *Warranty Week* and other services-related publications.

Bill may be reached at +(610) 399-9717, or via email at wkp@s4growth.com. Bill's blog is accessible at www.PollockOnService.com, and via Twitter @SFGOnService.

Strategies For Growth℠ (*SFG℠*) is an independent research analyst and advisory consulting firm that supports services organizations with a full range of strategic, marketing, business planning and consulting services.

During the past 25+ years, *SFG℠* has consulted to more than 300 client organizations around the globe. These engagements have involved strategic services planning, market research/custom surveys, thought leadership content development and market outreach support, customer needs & requirements analyses, customer satisfaction measurement & tracking programs, business intelligence gathering, vertical market segmentation, services assessments and the development of strategic recommendations for improving service performance and customer retention.

SFG℠'s thought leadership content development services include White Papers and *Analysts Take* reports; Webinars, ghost-written/published articles, data support for Infographics, guest Blogposts, expert interviews, User Group keynote presentations and development of Website content.

The original *SFG℠* website is now archived, and has been rebranded as www.PollockOnService.com. However, previously published articles and white papers are still accessible for download at www.s4growth.com.