

White Paper

How Nonprofit and Educational Customers of Salesforce.org Will Unlock \$36 Billion in Community Benefit Over the Next Five Years

Sponsored by: Salesforce.org

John F. Gantz
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IN THIS WHITE PAPER

Since 2009, IDC has forecast the economic impact of cloud computing on local economies and, more recently, the economic impact of Salesforce.¹ The underlying premise of the forecast is that using cloud computing allows for more IT innovation, which in turn enables more business innovation.

In 2018, IDC extended this research to forecast the economic impact of cloud computing on the world's nonprofits and educational institutions.^{2,3}

In this White Paper, we further extend the research to forecast the economic benefits of cloud computing provided by Salesforce.org and its ecosystem to nonprofits and educational institutions. These benefits accruing to the nonprofits, in turn, yield benefits to the individuals and communities served by these Salesforce.org customers.

The quantification of the benefit to nonprofits and educational institutions was enabled by IDC research on the cloud computing market, IT spending, vendor cloud and professional services revenues, and the nature of cloud computing implementations. The research was informed by a survey of 85 nonprofit customers and Salesforce.org partners, primarily from the United States and Europe.

It is important to note that the modeling and analysis for this study were conducted prior to the COVID-19 pandemic and therefore do not take into account its impact on the market. However, in a survey conducted in March 2020, IDC found that cloud computing is the number 1 area most likely to see *increased* spending as a result of COVID-19.

¹ *The Salesforce Economy: Enabling 1.9 Million New Jobs and \$389 Billion in New Revenue Over the Next Five Years*, www.salesforce.com/content/dam/web/en_us/www/academic-alliance/datasheets/IDC-salesforce-economy-study-2016.pdf.

² The term *nonprofits* is often meant to include educational institutions, but that is not always the case. Thus, IDC prefers to refer to nonprofit educational institutions specifically. In some geographies, nonprofits are commonly referred to as NGOs, which stands for non-governmental organizations.

³ *The Impact of Cloud Computing on Nonprofits Worldwide over the Next Five Years: \$217 Billion in New Funding*, www.salesforce.org/nonprofit/impact-cloud-computing-nonprofits-report-download/.

EXECUTIVE SUMMARY

- The use of cloud computing by nonprofits and educational institutions is robust, accounting for 8% of IT spending in 2019; this compares with the worldwide average of for-profit organizations of 9%. By 2023, cloud computing will account for 15% of nonprofit IT spending compared with 16% among for-profit organizations.
- The use of cloud services offered by Salesforce.org and its ecosystem will generate \$4.1 billion of economic benefit for nonprofits in 2019. More than a third, or \$1.4 billion, will be generated by the donated value of discounted or free products and services.
- Between year-end 2019 and year-end 2024, cloud services offered by Salesforce.org and its ecosystem will create net-new benefit⁴ of \$36.2 billion. Of this, \$11.7 billion will be generated from donated products and services.
- That benefit, in turn, will allow nonprofits and educational institutions to add 134,000 new staff members between 2019 and year-end 2024.
- Nearly a quarter of the benefit will accrue to human services organizations and a fifth to education. The remainder will go to arts and humanities, health, environmental, and faith-based nonprofits.
- Based on the survey, nonprofits and educational institutions expect about a third of their windfall from cloud services to be used to support fundraising, 30% to support operations and program support, 14% to support client outreach and services, 11% to be used internally for IT, and the remainder for other purposes.
- The ecosystem⁵ supporting the delivery of Salesforce.org services – the other companies that add software, additional cloud services, IT and business services, and network services – is bigger than Salesforce.org by nearly a factor of three in terms of the amount of services delivered. In terms of actual revenue, because of different discount structures, in 2019, the ecosystem will make \$4.15 for every \$1.00 of revenue. By 2024, that ratio will be \$6.16 to \$1.00.
- The growth opportunity for the ecosystem is huge – \$13.2 billion in net-new revenue (after discounts) – for the 2019-2024 period.

THE ECONOMIC BENEFIT OF SALESFORCE.ORG CLOUD COMPUTING

As mentioned, for a decade IDC has forecast the business benefits – in jobs and revenue – generated by the use of cloud computing on the theory that cloud computing frees up IT resources for innovation that, in turn, help drive business innovation.

Since IT has a footprint – revenue, expenses, and employees touched – much greater than its share of budget, a little IT innovation goes a long way.

In the research referenced in footnote 3, IDC forecast the economic impact the use of cloud computing, in general, would have on nonprofits worldwide. Overall, IDC estimates that the nonprofit

⁴ Net-new benefit is the difference in funding each year subsequent to 2019 and then aggregated across the 2020–2024 period. It depicts total revenue above the 2019 run rate.

⁵ The term *ecosystem* refers to the constellation of companies that sell or deliver ancillary products to Salesforce.org nonprofit customers. Many of these firms will be members of Salesforce.org partner programs, but not necessarily all. Some may be independently contracted by the customer or by other firms.

sector brings in \$5 trillion to \$6 trillion in funding each year⁶ and spends \$100+ billion a year on IT. In short, nonprofits are a substantial portion of the global economy.

The research, coupled with IDC forecasts, also indicates that nonprofits spend almost the same percentage of IT spending as for-profit companies. IDC forecasts that spending on cloud computing among nonprofits and educational institutions in 2019 will be 8% compared with 9% among for-profit companies. In 2023, that percentage for nonprofits will be 15%, whereas among for-profit companies it will be 16%.

As forecast in last year's report mentioned in footnote 3, the overall net-new benefit for nonprofits from the use of cloud computing, from 2017 to 2022, was forecast to be \$217 billion.

But what about the benefits of using Salesforce.org cloud computing? What would *those* benefits be?

To establish *these* benefits, IDC:

- Started with the overall benefit of cloud computing by year and by region for all enterprises
- Winnowed that down to nonprofits based on global estimates of nonprofit share of GDP and gross output
- Allocated cloud benefits from Salesforce.org cloud services based on Salesforce's share of the cloud computing market and Salesforce.org's share of Salesforce's if-sold revenue

Figure 1 shows the annual benefits from the use of cloud computing services delivered to nonprofits by Salesforce.org and its ecosystem from 2019 to 2024. Regional views are shown in the Appendix.

Figure 1 also shows the benefits to nonprofits that accrue from using both donated products and services and products and services that are paid for. (The combined Salesforce.org and ecosystem discount is >40%.)

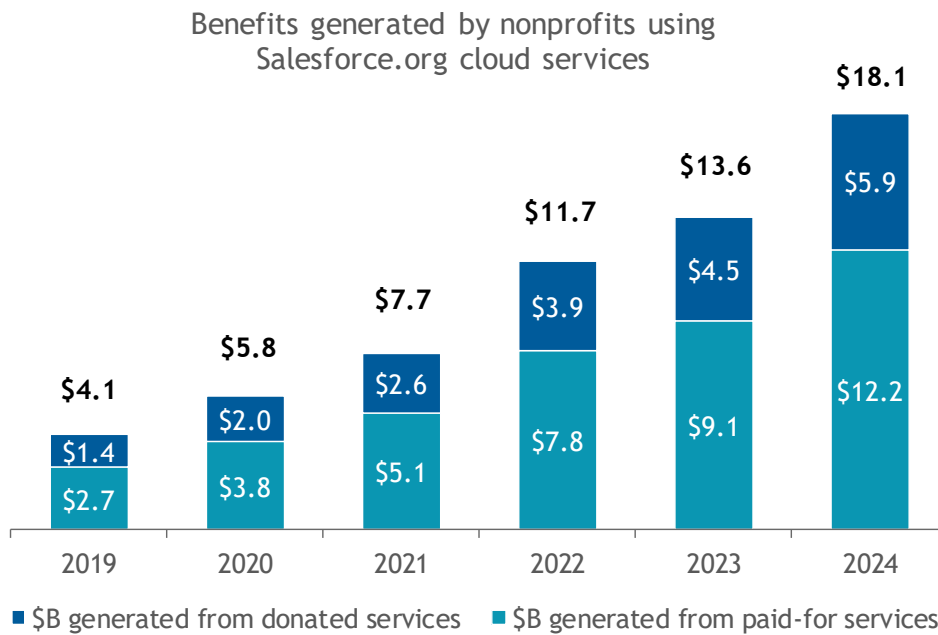
Figure 1 illustrates:

- The use of Salesforce.org cloud computing is generating economic benefits that will grow fast for nonprofits.
- A good portion of those benefits will come from the value of donated products and services offered by Salesforce.org and its ecosystem.

⁶ The estimate was supported by U.S. Bureau of Labor Statistics forecasts of GDP and gross output for nonprofits, reports by The Urban Institute on the U.S. nonprofit sector, and academic research on comparing nonprofit activities in different countries.

FIGURE 1

Nonprofit Benefits, 2019-2024 (\$B)



Note: Totals may not match subtotals as a result of rounding.

Source: IDC, 2019

It's worth noting that, as indicated in the Executive Summary, Salesforce.org has less revenue as a percent of product value delivered than the ecosystem does because it has deeper discounts. For example, in 2019, Salesforce.org will account for less than a quarter of combined revenues but more than a third of donated value.

The Salesforce.org Technology for Social Change Program

To help fulfill a professed goal of enabling organizations dedicated to creating social value to do so, Salesforce.org has created a specific program to serve as a vehicle for providing nonprofit and educational institutions with access and training for CRM technology and empowering them to use it.

This is Salesforce.org's Technology for Social Change program, which grants access to transformative technology through donation and reduced cost, develops technologies specifically designed for the needs of the nonprofit and educational sector, and supports customer success through community building and free resources such as the Power of Us Hub, the Trailblazer Community, Trailhead, free and paid support, and User Groups.

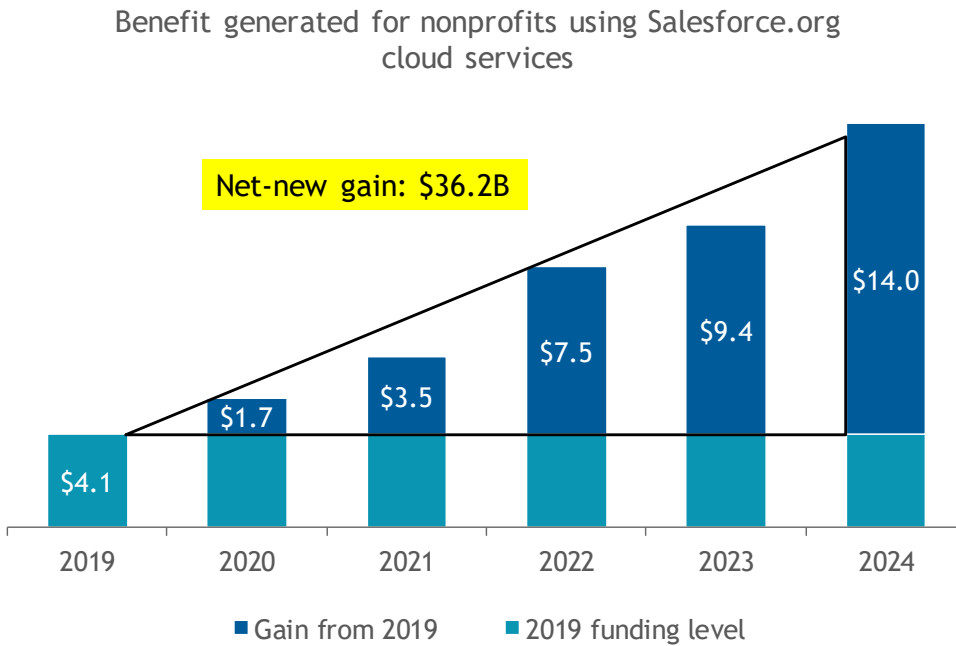
As IDC research shows, this specialization for the nonprofit and educational sector is paying dividends to both Salesforce.org's clients and partners – and, in the end, to individuals and communities served by that sector.

Figure 2 shows what IDC is calling "net-new benefit," as explained in footnote 4. Basically, it is all the economic benefit above and beyond the annual run rate of 2019.

Overall, net-new benefit thus computed is forecast to be \$36.2 billion. Of that, \$14.4 billion will be generated by discounted or free cloud services offered by Salesforce.org and its ecosystem.

FIGURE 2

Nonprofit Forecast Net Gains, 2019-2024



Note: Totals may not match subtotals as a result of rounding.

Source: IDC 2019

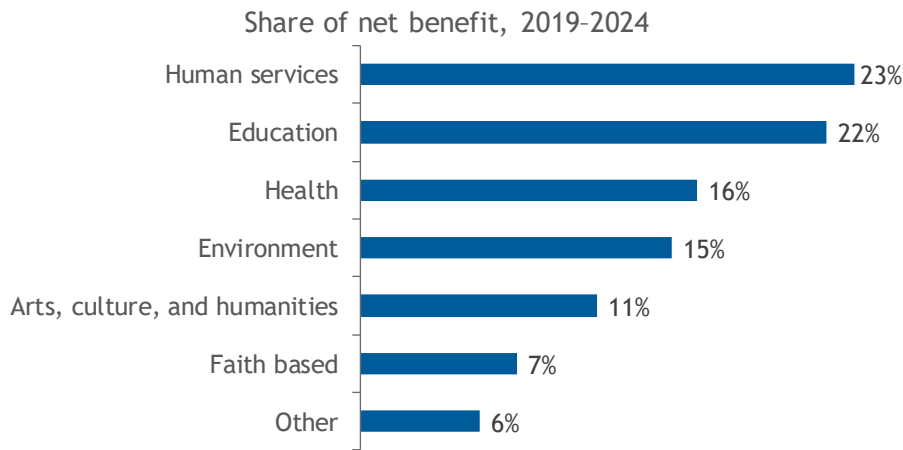
The benefit by type of nonprofit organization depends to some extent on the funding level of each category of nonprofit, to some extent on the IT spending and cloud spending by each category, and to some extent by the penetration of Salesforce.org and its partners into each category.

In some cases, especially healthcare and education, institutions may be serviced by both Salesforce.org and Salesforce and their overlapping ecosystems.

Figure 3 shows IDC's best estimate of the distribution of that \$36.2 billion in net-new benefits by category of nonprofit. The analysis relied, in part, on the survey mentioned previously.

FIGURE 3

Nonprofit Benefits by Category



Source: IDC, 2019

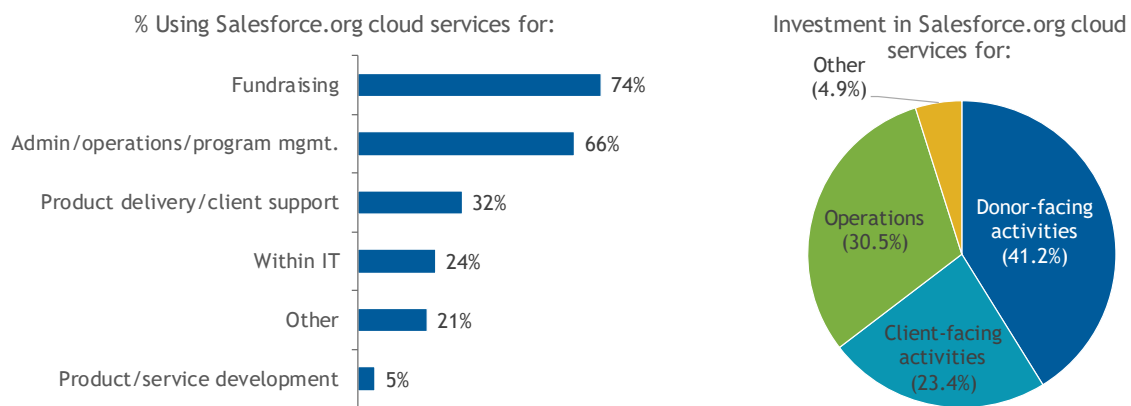
HOW SALESFORCE.ORG CLOUD DELIVERS SOCIAL VALUE

In the survey of nonprofit customers of Salesforce.org, IDC asked how respondents are using the cloud – specifically, where in the organization and by focus of activity. Figure 4 shows their responses.

Examples of responses in the "other" category of cloud uses include supporting HR, R&D, or partners. The "other" in the investment categories is primarily innovation oriented (e.g., service development or improvement, deployment of artificial intelligence or big data, and omni-channel marketing).

FIGURE 4

Nonprofit Uses of Salesforce.org Cloud



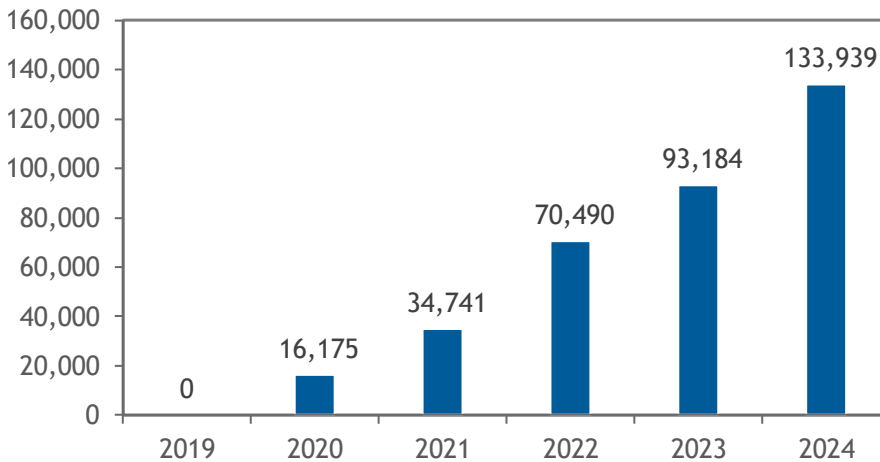
Source: IDC, 2019

Note that even though many nonprofits are small – the average nonprofit establishment in the United States has 42 employees – they report using Salesforce.org cloud services in multiple areas.

Of course, there is one direct vector of social value from the use of Salesforce cloud, and that is the creation of jobs. Using funding-to-jobs ratios, IDC estimates that the economic benefit accruing to nonprofits and educational institutions will support the hiring of 134,000 new staff members, as shown in Figure 5.

FIGURE 5

New Staff for Nonprofits and Educational Institutions (Added Since 2019)



Source: IDC, 2019

Note that the social value of adding jobs among nonprofits and educational institutions spreads into the larger economy in terms of what economists call indirect or induced jobs. These are the jobs created by the spending of those with the new *direct* jobs. Using standard economic theory, IDC estimates that those 134,000 direct jobs will create, in turn, more than 200,000 *indirect* jobs.

THE BENEFIT ENGINE: THE SALESFORCE.ORG ECOSYSTEM

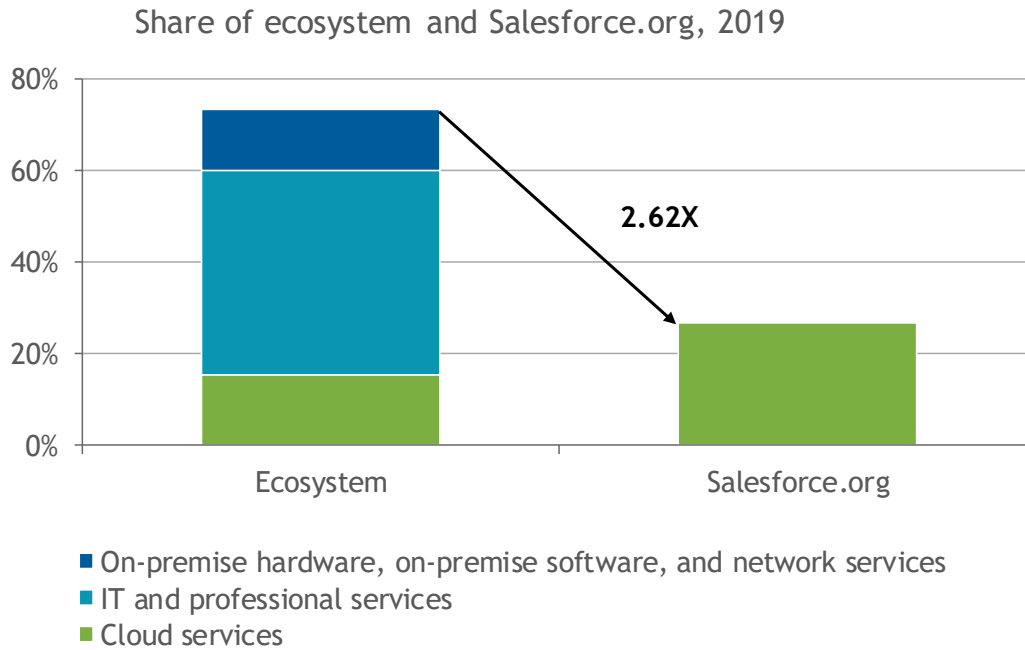
The benefits presented here result from the use of Salesforce.org cloud services, but the engine of delivery is the larger ecosystem. Salesforce.org partners add services and solutions on top of the Salesforce.org subscription.

Full implementations often require additional cloud services, some on-premise hardware, some on-premise software for conversion or management, networking support, and IT and professional services.

Figure 6 illustrates this by plotting the Salesforce.org ecosystem and Salesforce.org as a percentage of the total of ecosystem and Salesforce.org's if-sold value delivered.

FIGURE 6

The Salesforce.org Ecosystem Revenue by Category



Source: IDC, 2019

Not only is the ecosystem bigger than Salesforce.org, but it is growing faster – a result of the increasing complexity of cloud computing implementations as cloud computing becomes more mainstream and of the efforts of Salesforce.org to build out its partner base.

In terms of product delivered, for every \$1.00 of "if sold" value that Salesforce delivers, the ecosystem delivers more than \$2.50. And this "if sold" value – the capacity delivered – drives the funding gains for Salesforce.org's customers.

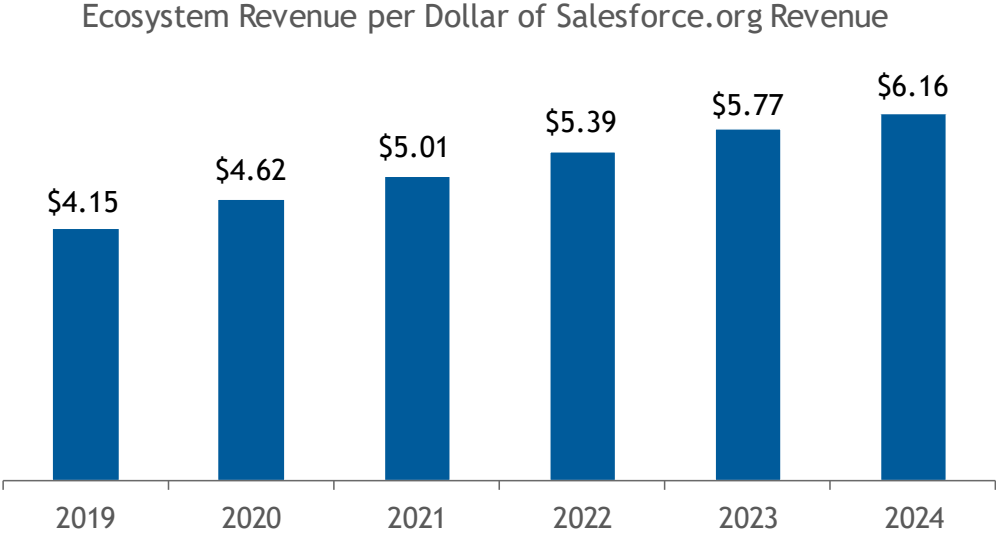
But in actual revenue, that ratio is different because Salesforce.org has deeper discounts for nonprofits and educational institutions than most of its partners. This is not surprising given that nearly two-thirds of ecosystem revenue comes from labor-intensive activities, such as professional services and consulting, which don't have the same economies of scale that designing software does.⁷

⁷ In the delivery of services, each incremental dollar of revenue has a standard labor cost attached. In software development, once development costs are covered, each incremental dollar of revenue entails less cost than the previous dollar.

Figure 7 shows the size of the ecosystem over time compared with Salesforce.org in terms of revenue.

FIGURE 7

The Salesforce.org Ecosystem Growth, 2019-2024



Source: IDC, 2019

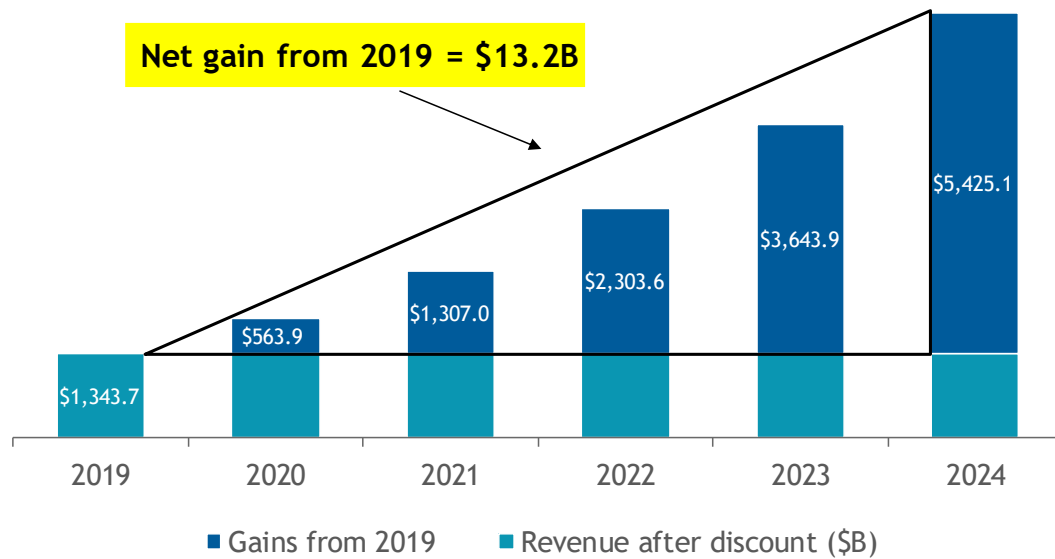
The opportunity for members of the Salesforce.org ecosystem is depicted not just in growth, as shown above, but also in size, as depicted below.

Figure 8 shows the ecosystem in terms of net-new value, or the difference in revenue for the 2020-2024 period from the 2019 level. In aggregate, new revenues are a \$13.2 billion opportunity.

FIGURE 8

The Ecosystem's True Revenue and Growth for 2019-2024: \$13.2 Billion Opportunity for Partners

Ecosystem worldwide revenue after discounts (\$B)



Source: IDC, 2019

This growth of the ecosystem will be driven by the services and products that nonprofits will need to complete their Salesforce.org implementations.

Figure 9 shows the survey results that show the percentage of nonprofits saying they need specific additional services or products, from consulting and training to additional on-premise hardware and on-premise software to network services.

FIGURE 9

What Else Nonprofits Need in a Cloud Implementation



Source: IDC, 2019

If the fast-growing opportunity is one reason for Salesforce.org partners to target nonprofits, another is the support they and their customers get from Salesforce.org.

For instance, Salesforce.org discounts are substantial. 60% of respondents estimated they received a discount from Salesforce.org greater than 50%. Salesforce.org also offers a nonprofit-specific cloud service (Nonprofit Cloud), free training, support for online communities, and even employee volunteer hours.

This gives partners a running start when it comes to selling their own products and services to nonprofits. Partners responding to the survey, for instance, reported that median revenue growth in 2018 working with Salesforce.org customers was 30%. The average was 46%.

The customer payback period – time for return on investment to exceed costs – was just over six months. Partners also reported that the mean time to complete an application using Salesforce.org application development services was under eight months. This pace supports partner growth.

Finally, there is the depth and breadth Salesforce.org brings to partners. In the survey of partners, the top 3 ratings of satisfaction working with Salesforce.org were brand recognition, geographic reach, and product quality – all above 8 on a scale of 1-10 (see Figure 10).

FIGURE 10

Top Reasons Partners Work with Salesforce.org



Source: IDC, 2019

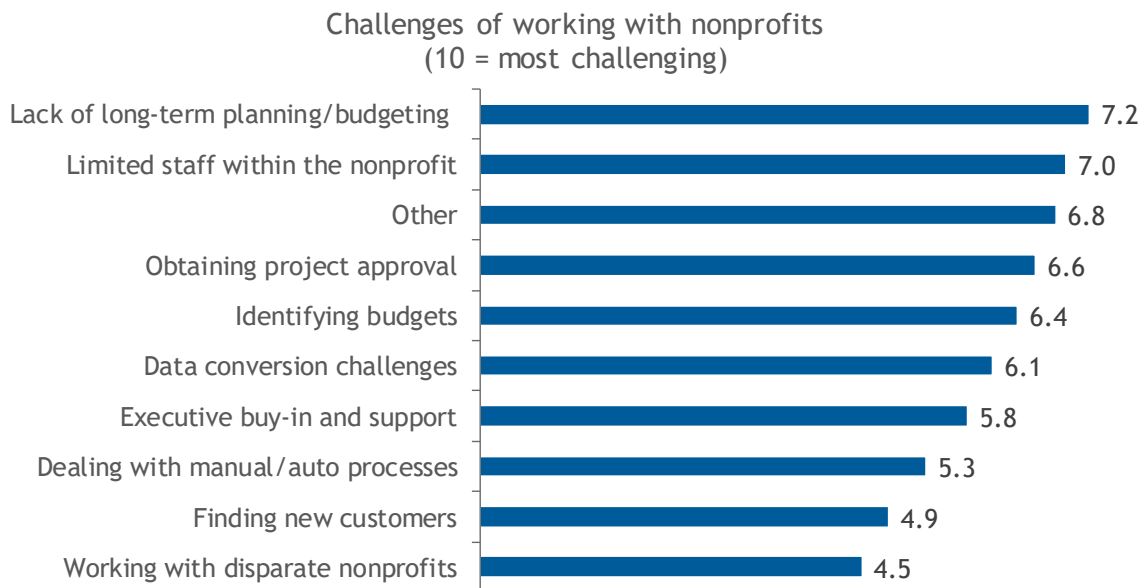
THE NONPROFIT CHALLENGE

Working with nonprofits is not easy. As mentioned, many of them are small organizations with limited IT capacity.

In the survey, however, the Salesforce.org partners did not consider the challenges insurmountable. Figure 11 shows how they rated certain aspects of dealing with nonprofits, and none hit the top of the scale. On the other hand, none hit the bottom, either.

FIGURE 11

Ecosystem Hurdles Dealing with Nonprofits



Source: IDC, 2019

Perhaps a much better view of the challenges faced by nonprofits and the ecosystem that serves them is that of the 2018 survey of 450 nonprofits conducted by Salesforce.org and published in its *Nonprofit Trends Report*.⁸

A few highlights:

- Demands on nonprofits exceed their existing resources.
- Nonprofits lag behind in using omni-channel fundraising.
- Only about half of nonprofits use social media to interact with donors.
- 10% or less of key measurement and reporting processes are completely automated; around 40% are completely manual.
- The number 1 challenge to implementing new technology is budgetary constraint, but customization, implementation, and workforce training are close.

⁸ www.salesforce.org/nonprofit/nonprofit-trends-report/

But the challenges nonprofits face in the era of digital transformation offer an opportunity for ecosystem players that specialize in serving nonprofits. And while the average survey respondent obtained 35% of Salesforce-related revenue from nonprofits (the rest from commercial customers), half obtained 75%+ of their revenue from nonprofits.

Quantifying Social Value

How will new funding unlocked by the use of cloud computing translate to the social benefits that are the missions of nonprofits and educational institutions?

While IDC has quantified the benefit in aggregate, how increased funding would be used by each of the millions of organizations in the world is beyond the scope of this White Paper.

But consider that if the *entire* \$36.2 billion in worldwide benefit were used for just *one* purpose over the next five years, it could fund:

- 2.5 billion books, or
- 250 million social worker home visits, or
- 3 billion meals for the homeless, or
- 480 million donor event dinner meals

Food for thought.

CONCLUSION

Cloud computing is no longer an IT architecture outlier – more than a quarter of software delivered this year will be via the cloud. Yet as our research shows, there is still substantial benefit to the migration.

Key takeaways in this White Paper for nonprofits and the ecosystem that serves them are:

- The payoff to the larger organization is much greater than just the impact on the IT organization. Cloud computing is one of the underpinnings of digital transformation for many organizations.
- Nonprofits, as reported in the IDC survey, can reap financial benefits from using cloud in nearly all aspects of supporting their missions.
- Successful implementations require concerted efforts on the part of the nonprofits, cloud providers, and the ecosystem that provides ancillary services and products. Salesforce.org, as a recognized market leader, helps bring all three to the table.
- The maturity model for cloud computing entails migration from ad hoc projects to an organization that is optimized for an integrated cloud computing approach. Again, Salesforce.org, with its Nonprofit Cloud, Trailblazer community, and focused ecosystem, can help nonprofits on this journey.

IDC's forecasts show cloud-based software growth to be seven times faster than on-premise software over the next four years, but, even then, cloud-based software will account for less than 40% of total software spend.

In other words, there is still lots of headroom for nonprofits to drive financial benefit by using cloud solutions. Salesforce.org and its ecosystem are well positioned to help them take advantage of that headroom.

APPENDIX

Methodology

Since 2002, IDC has maintained an internal tool called the IDC Economic Impact Model (EIM), which takes inputs from IDC's market research on IT spending, exchange rates, and vendor market share, along with public inputs such as GDP, tax rates, and overall labor force from other sources. The output of the EIM is IT company and employee counts by geographic region.

In 2009, IDC added inputs for spending on cloud computing, percentage of IT resources available for innovation (the rest used on legacy system support and upgrades), and business revenue as a multiple of GDP per country.

Using research-driven algorithms that compare total IT spending with spending on cloud computing and IT budgets with business revenue; the degree to which IT innovation drives business innovation; and estimates of business benefits from accelerated development schedules, faster project completion, and shorter time to market for new products, the model generates job head counts and business revenue in the general economy because of the use of cloud computing to free up IT resources.

In short, increased IT innovation leads to increased business innovation, which in turn leads to increased revenue, which creates new jobs. Outputs from the cloud-infused EIM have been published in various IDC research projects and are a critical input to the European Union's Digital Agenda for Europe.

As a major vendor of cloud services, Salesforce.org accounts for a significant share of the benefits to the nonprofit community, just as Salesforce accounts for a significant share of the benefits to the general economy from cloud computing. That share is enhanced by other contributions from the ecosystem described in this White Paper.

The Salesforce.org Economic Impact Model is an extension to the IDC IT Economic Impact Model. It estimates Salesforce.org's current and future share of the benefits to the nonprofit community generated by cloud computing, and it also estimates the size of the ecosystem supporting Salesforce.org. The model uses IDC's market research on the ratio of spending on professional services to cloud subscriptions; the ratio of sales of hardware, software, and networking to spending on public and private cloud computing; and the ratio of spending on application development tools to applications developed.

Note that the ecosystem may include companies that are not formal business partners of Salesforce.org but that nevertheless sell products or services associated with the Salesforce.org implementations.

Supporting Survey

In 2019, IDC conducted a survey of Salesforce.org nonprofit customers (n = 38) and Salesforce.org partners (n = 47). The samples were small but well distributed. Between the two surveys, about a quarter were human services nonprofits, while a fifth were educational nonprofits. Each of environmental, arts and humanities, and health nonprofits accounted for more than 10% of the sample. Faith-based and "other" nonprofits each accounted for more than 5% (see Table 1).

These survey results were used for information and for comparison to other, larger, more generic surveys, such as IDC's *Annual Global CloudView Survey* (n = 6,000+) and earlier Salesforce surveys.

TABLE 1

The Salesforce Economy

	2019	2020	2021	2022	2023	2024	Gain Since 2019
United States							
Nonprofit funding/capacity created (\$M)*	\$2,693	\$3,684	\$4,890	\$7,549	\$8,283	\$10,699	\$21,639
Donated value (2019–2024)	\$927	\$1,248	\$1,639	\$2,503	\$2,725	\$3,498	\$6,976
Direct jobs added	12,443	18,560	27,065	45,662	50,265	62,802	50,359
Indirect jobs added	17,043	25,722	36,902	62,430	69,270	85,989	68,946
<i>Ecosystem if-sold ratio to Salesforce.org revenue</i>	2.7	3.0	3.3	3.5	3.8	4.0	
<i>Ecosystem ratio to Salesforce.org revenue after discount</i>	3.3	3.7	4.1	4.6	4.9	5.3	
Canada							
Nonprofit funding/capacity created (\$M)*	\$62	\$84	\$108	\$154	\$169	\$219	\$425
Donated value (2019–2024)	\$21	\$28	\$36	\$51	\$56	\$71	\$137
Direct jobs added	411	529	703	1,018	1,114	1,337	926
Indirect jobs added	652	855	1,117	1,626	1,805	2,158	1,506
<i>Ecosystem if-sold ratio to Salesforce.org revenue</i>	3.0	3.4	3.7	4.0	4.4	4.6	
<i>Ecosystem ratio to Salesforce.org revenue after discount</i>	3.5	4.0	4.6	5.1	5.6	6.1	
Western Europe							
Nonprofit funding/capacity created (\$M)*	\$666	\$973	\$1,258	\$1,952	\$2,276	\$3,034	\$6,161
Donated value (2019–2024)	\$230	\$330	\$422	\$647	\$749	\$992	\$1,992
Direct jobs added	3,913	6,135	8,235	13,254	15,403	20,401	16,488
Indirect jobs added	7,89	12,456	16,146	25,862	29,726	38,324	30,430
<i>Ecosystem if-sold ratio to Salesforce.org revenue</i>	2.8	3.1	3.4	3.7	3.9	4.2	
<i>Ecosystem ratio to Salesforce.org revenue after discount</i>	3.3	3.7	4.2	4.7	5.1	5.5	

TABLE 1

The Salesforce Economy

	2019	2020	2021	2022	2023	2024	Gain Since 2019
Rest of World							
Nonprofit funding/capacity created (\$M)*	\$727	\$1,071	\$1,409	\$2,031	\$2,867	\$4,197	\$7,942
Donated value (2019–2024)	\$250	\$363	\$472	\$673	\$943	\$1,372	\$2,573
Direct jobs added	18,681	26,399	34,186	46,004	61,850	84,847	66,166
Indirect jobs added	31,194	43,818	55,505	74,240	99,329	134,684	103,490
<i>Ecosystem if-sold ratio to Salesforce.org revenue</i>	1.7	2.0	2.2	2.4	2.6	2.9	
<i>Ecosystem ratio to Salesforce.org revenue after discount</i>	3.5	3.9	4.4	4.9	5.3	5.7	
Worldwide							
Nonprofit funding/capacity created (\$M)*	\$4,148	\$5,812	\$7,665	\$11,686	\$13,596	\$18,149	\$36,168
Donated value (2019–2024)	\$1,429	\$1,970	\$2,569	\$3,875	\$4,472	\$5,934	\$11,678
Direct jobs added	35,448	51,623	70,189	105,938	128,632	169,387	133,939
Indirect jobs added	56,783	82,851	109,670	164,158	200,130	261,155	204,372
<i>Ecosystem if-sold ratio to Salesforce.org revenue</i>	2.6	2.9	3.2	3.4	3.7	3.9	
<i>Ecosystem ratio to Salesforce.org revenue after discount</i>	4.1	4.6	5.0	5.4	5.8	6.2	

Note: Nonprofit funding/capacity created (\$M) from the use of cloud computing provided by Salesforce.org and its ecosystem

Source: IDC, 2019

About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,100 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For 50 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.

Global Headquarters

5 Speen Street
Framingham, MA 01701
USA
508.872.8200
Twitter: @IDC
idc-community.com
www.idc.com

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