

Salesforce.com buys InStranet for US\$31.5M



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Salesforce.com (NYSE: CRM) Wednesday announced its Aug. 4 acquisition of privately-held InStranet of Chicago, the market leading "knowledge management software" for business-to-consumer call centres, for US\$31.5 million. The acquisition includes the assumption of InStranet's \$4.2 million in cash, brings the actual price down to \$27.3 million, but still makes the acquisition Salesforce.com's largest.

Salesforce.com of San Francisco (DEMO 2000) plans on releasing quarterly earnings at 2 p.m. PT/ 5 p.m./ET today. At 1 p.m. ET, Salesforce.com stock was up by 49 cents a share to \$65.97 a share on the acquisition news.

The acquisition gives Salesforce.com a key knowledge management functionality missing from its current customer relationship management (CRM) database - the ability to quickly provide call center agents specific, relevant information about a customer's problem to make its resolution faster and better, said Andrew Zinger, InStranet's marketing director.

Knowledge management systems are central repositories for all non-transactional information such as product information, company policies and procedures, and frequently-asked questions. CRM systems typically rely on 1990s-era keyword searches that often don't provide the best contextual information to agents, and can make answering customer questions slower and less thorough, Zinger said. Speed in solving customer's questions saves money and thoroughness builds loyalty.

"InStranet's Dimensions technology is a killer, world-class application that puts context around information so data appears quickly and is relevant. And it can be implemented at scale," said Bruce Francis, Salesforce.com's vice president of corporate strategy.

In addition, "InStranet gets customers up and running very quickly, and we are very big on getting customers up and running quickly rather than putting them through some two-year slog," Francis said.

InStranet's 44 employees, including its management team lead by Alex Dayon, co-founder, president and CEO, and Jean-Noël Grandval, co-founder, executive vice president of operation, will join Salesforce.com. Most of InStranet's employees are based in Paris, where the company was started in 1999 by a research and development team spun out of Business Objects.

InStranet and Salesforce.com have been co-marketing their products since 2000, but the tipping point for the acquisition is today's growth of the customer service and support part of the CRM market - now \$3.5 billion worldwide.

The deal promises to give Salesforce.com an edge over CRM competitors Clarify, Oracle, and SAP, Francis said.

"The acquisition of InStranet will throw gasoline on the fire we have got going in a marketplace that is prime for growth," Francis said.

InStranet brings with it giant telecommunications and financial services customers including Verizon, TMobile, Comcast, and the French telephony company Orange. While the company doesn't release financials, Gartner Group and Patricia Seybold Group peg its quarterly sales in the \$3 million to \$4 million range. It competes in knowledge management against Kana, Right Now, and Inquire.

(Disclosure: Salesforce.com's founder, chairman, and CEO Marc Benioff is a member of DEMO's Advisory Board)

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