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## *JWI 531: Financial Management II*

### *Assignment 1*

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### **Assignment 1: Moat Strength Analysis**

**Due: Sunday, Midnight of Week 5 (20% of Final Grade)**

#### **Overview**

We began this course with a question: “How can we identify which businesses are *great*?”

In attempting to answer this, we have explored a number of concepts and tools that investors and financial managers have at their disposal. As we looked at these, we found that two terms, Value and Growth, were frequently used to refer to two broad ways of characterizing companies and investment approaches, but we noted that neither is mutually exclusive of the other in identifying a great company.

This assignment invites you to consider how these terms apply to Salesforce.com, and how one or the other may be a better descriptor of certain products or services of the business, depending on how one views the playing field in which the company competes. As you engage in this assignment, you will draw on financial facts presented in the report to formulate and defend your position. Merely presenting a number, ratio or trend will not be sufficient to earn a high grade.

#### **Instructions**

To complete this assignment, you will need to:

- Re-read the analyst report “**May the Force be With You: Wide-Moat Salesforce.com is the Newest Software Empire**”
- Read a section from the **Salesforce.com: 2016 Annual Report**, which is available in Weeks 8 and 9 of your online course. Read Pages 3-11.
- Review additional Salesforce.com valuation and financial data available on **Morningstar.com** by visiting this link: <http://www.morningstar.com/stocks/XNYS/CRM/quote.html>

Also, you will find it helpful to review the **Moat Analysis and Value Creation Checklist**, and the **Value Investing and Growth Investing Checklist**, as the categories for the questions below are summarized in those checklists.

This assignment is organized around the FIVE areas of analysis in the “**May the Force be With You: Wide-Moat Salesforce.com is the Newest Software Empire**” report. Refer to each section of the report as identified below and answer the questions that follow:

1. Review the section on “CRM Opportunity”
  - a. In what stage of the Competitive Life Cycle is the company?
  - b. What are the most significant barriers to entry that competitors face? Explain.
2. Review the section on “Sales Cloud Analysis”
  - a. What are the 5 key moat considerations that Salesforce.com must address in this market?
  - b. Which of these are most important? Explain.

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3. Review the section on “Service Cloud Analysis”
  - a. Briefly summarize how Porter’s Five Forces apply to this market.
  - b. What are the most important competitive advantages that Salesforce.com has in this market? Explain.
4. Review the section on “Marketing Cloud Analysis”
  - a. Briefly summarize the Lay of the Land in this market.
  - b. What are the most important customer advantages (product attributes, horizontal differentiation, etc.) to doing business with Salesforce.com? Explain.
5. Review the section on “Commerce Cloud Analysis”
  - a. What technology or process disruptions/disintegrations exist that could create challenges in this market?
  - b. Which of these present the most realistic threats/opportunities? Explain.

#### **Submission Requirements**

- Your work for this assignment is to be submitted in the format of an academic paper, including: cover page, executive summary, body, conclusion and references.
- The length of the body of your paper is to be between of 5 and 8 pages (double-spaced using 12-point font).
- Note that each topic of analysis has an (a) and (b) component to it.
  - For the first part (a), you are expected to provide a BRIEF SUMMARY in response to the question. This requires you to correctly identify the position in the analyst report and to craft a synopsis showing that you understand the facts of the author’s position.
  - For the second part (b), you must present and defend YOUR POSITION. Your opinion may be in line with positions held in the report or they may differ. What is most important is that your responses show you are thinking about what you are reading and that you are applying appropriate financial tools and concepts to explain *why* you hold the opinions you do.
  - You are encouraged to use charts, graphs, ratios, and figures in each section to defend your position.
  - As a general guide, each section of your paper should be approximately 1/3 for part (a) and 2/3 for part (b).
- For each of the five topics above, you must include at least one additional resource to support your position. These resources can include:
  - The textbooks from the course
  - <http://www.morningstar.com/stocks/XNYS/CRM/quote.html>
  - Salesforce.com Annual Report
  - Recent news articles

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**RUBRIC: Assignment 1**

<b>CRITERIA</b>	<b>Unsatisfactory</b>	<b>Low Pass</b>	<b>Pass</b>	<b>High Pass</b>	<b>Honors</b>
<b>1. CRM Opportunity Analysis</b>  <b>Weight: 15%</b>	No clear summary of the “competitive life cycle” of CRM opportunity; no opinion or analysis on barriers to entry	Clear summary of the “competitive life cycle” of CRM opportunity; plus opinion on barriers to entry, but no (or unsatisfactory or incomplete)	Clear summary of the “competitive life cycle” of CRM opportunity; plus opinion on barriers to entry, basic analysis to support opinion	Clear summary of the “competitive life cycle” of CRM opportunity; clear opinion on barriers to entry plus well-explained rationale to support opinion	Plus, very well-developed analysis bringing significant new insights to support position
<b>2. Sales Cloud Opportunity Analysis</b>  <b>Weight: 15%</b>	No clear summary of the “five key moat considerations;” no opinion or analysis on which are most important	Clear summary of the “five key moat considerations;” but no opinion or analysis on which are most important	Clear summary of the “five key moat considerations;” plus opinion or analysis on which are most important; basic analysis to support opinion	Clear summary of the “five key moat considerations;” plus opinion or analysis on which are most important; plus well-explained rationale to support opinion	Plus, very well-developed analysis bringing significant new insights to support position
<b>3. Service Cloud Opportunity Analysis</b>  <b>Weight: 15%</b>	No clear summary of how “Porter’s Five Forces” apply; no opinion or analysis on most important competitive advantage	Clear summary of how “Porter’s Five Forces” apply, but no opinion or analysis on most important competitive advantage	Clear summary of how “Porter’s Five Forces” apply, plus opinion on most important competitive advantage; basic analysis to support opinion	Clear summary of how “Porter’s Five Forces” apply, plus opinion on most important competitive advantage; well-explained rationale to support opinion	Plus, very well-developed analysis bringing significant new insights to support position
<b>4. Marketing Cloud Opportunity Analysis</b>  <b>Weight: 15%</b>	No clear summary of “Lay of the Land”; no opinion or analysis on most important customer advantages	Clear summary of “Lay of the Land” but no opinion or analysis on most important customer advantages	Clear summary of “Lay of the Land” plus opinion on most important customer advantages; basic analysis to support opinion	Clear summary of “Lay of the Land” plus opinion on most important customer advantages; well-explained rationale to support opinion	Plus, very well-developed analysis bringing significant new insights to support position

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<b>CRITERIA</b>	<b>Unsatisfactory</b>	<b>Low Pass</b>	<b>Pass</b>	<b>High Pass</b>	<b>Honors</b>
<b>5. Commerce Cloud Analysis”</b> <b>Weight: 15%</b>	No clear summary of disruptors or disintegrations; no opinion or analysis on most realistic threats or opportunities	Clear summary of disruptors or disintegrations; but no opinion or analysis on most realistic threats or opportunities	Clear summary of disruptors or disintegrations; opinion on most realistic threats or opportunities; basic analysis to support opinion	Clear summary of disruptors or disintegrations; opinion on most realistic threats or opportunities; well-explained rationale to support opinion	Plus, very well-developed analysis bringing significant new insights to support position
<b>6. Quality of Writing and Organization of Deliverable</b> <b>Weight: 25%</b>	Reader is unable to follow the student’s discussion or logic	Reader is able to follow the discussion and logic but organization is inconsistent and/or poorly formatted	Logics is clear; student uses conventions outlined in Instructions: Title, Executive Summary, Body of the paper includes headings and subheadings	Plus, includes accurate, visual supports such as charts, tables and/or and addendums	Plus, spells, constructs sentences, uses grammar and punctuates correctly in keeping with the expectations of senior executive

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