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# WHY SALESFORCE VENTURES INVESTED IN SNOWFLAKE

Wisdomtree EU  
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One of the hottest Initial Public Offerings (IPO) this year – and the largest software IPO to ever come to the market – was Snowflake. In last week's Behind the Markets podcast, Wisdomtree hosted Matt Garratt, Managing Partner at Salesforce ventures who led Salesforce Ventures' investment in Snowflake.

First some background on Salesforce Ventures, which started with small investments about 10 years ago, but today has expanded to a global team of 25 people – with investment professionals in Japan, Australia, and London that have made over 400 investments on \$2.5 billion of capital.

**Platform Motivations:** Salesforce is a platform company that started investing a decade ago to support the ecosystem of users and application developers to enhance their platform. Their app market centre serves a similar role to the Apple store for enterprise applications.

Garratt's venture capital team starts with a strategic rationale for how they can make companies more successful, but they are looking to find the most innovative companies in the enterprise software space to see if they can create a unified and excellent customer experience.

**Pandemic Acceleration:** Q1 and Q2 were the most active quarters for Garratt's team. Digital transformation is a long term cycle and Salesforce Ventures is trying not to get too distracted on valuation in the near term. These companies are becoming much bigger than they ever have before – so one needs to focus on the long-term potential from them and not the short-term fears about multiples.

**Long-term cloud adoption:** In Garratt's view, currently only 10-20% of the software market has adopted cloud solutions and he anticipates we'll hit 100% eventually-- so there is a long runway ahead to for the cloud to transition from fragmented, on-premise solutions.

Salesforce ventures first fund was a 'Platform Fund' that leverages the Salesforce ecosystem, companies that can leverage their platform, but they also now have funds focused on Europe and Japan – two regions that often are not known for the technology and venture capital ecosystems.

It used to be that European companies would raise a Series A or B financing round and then have to move to Silicon valley- which caused them to lose some of their European identity. Some of current trends have them staying more local to Europe—especially with trends to distributed workforces.

Garratt has been going to Japan for the last 6-7 years. He sees mentality shifting – there was some hesitation to go to startups early in their careers. But now their portfolio has companies being started by people in their late 20s and early 30s and there are now a few billion SaaS companies in Japan. The other trend they see is more women starting companies- which was unheard of 3 years ago. The offices there now look like offices in Silicon Valley.

**Impact investing:** the shift to the cloud software has brought down the cost of spreading technology and Garratt sees that enabling the second wave of impact and ESG investments—such that they have devoted a fund to this space.

**Snowflake thesis:** digital transformation 1.0 was taking siloed and work flows and bringing them to the cloud. Digital transformation 2.0 is trying to take things from a silo space to a 360 degree view of client relationships. This type of progression unlocks new machine learning and AI to provide better analytics across a business. Snowflake is a data warehouse that lets you aggregate and analyze disparate data.

Salesforce previously acquired Tableau – and the combination of Snowflake with Tableau enhances their analytics platform. Snowflake’s infrastructure can take queries that would take minutes to hours to run and complete it in seconds – providing powerful querying abilities.

Many are concerned on valuations of cloud companies like Snowflake. Garratt focuses on the long-term. The cloud data warehouse market is massive and companies will use Snowflake as their data lake—literally, all the data they have. The client retention numbers for Snowflake were recently around 160% meaning Snowflake is up-selling their customers even more services.

This was a great conversation on all things tech, cloud, and themes Salesforce Ventures is investing around. To listen to the full conversation, go [here](#).

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