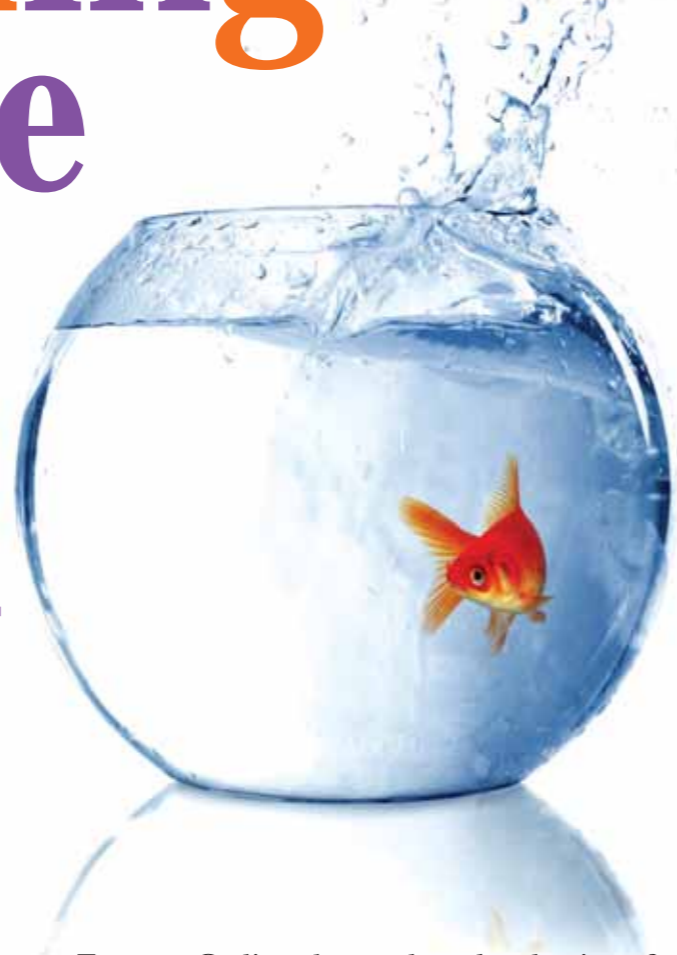


Paul Black, co-founder of sales-i, is swimming with the big fish, courtesy of entrepreneurial software development and partnering with the right hosting and infrastructure companies.

Swimming the big pond



In the choppy waters of the software market, sales-i is a minnow that is making big waves. But its move into the exciting world of software as a service might have hit the rocks were it not for the role that Microsoft's SaaS Incubation Center, and its partner NTT

Europe Online, have played. sales-i co-founder Paul Black says: "As a scaleable hosted SaaS solution, sales-i can deliver the service on a low cost subscription based commercial model, making it accessible to even the smallest manufacturing or distribution business."



The adoption of the software as a service (SaaS) delivery model has profound consequences for the IT industry as a whole. It's not just the hosting companies who provide SaaS offerings to their customers, or the software vendors themselves, who will be affected. Microsoft, for example, has a huge ecosystem of independent software vendor (ISV) partners whose applications use the company's technologies to deliver specialist solutions to particular target groups. As Microsoft moves towards the SaaS model, the way these ISVs go about their businesses will be entirely altered.

On the most basic level, ISVs who resell Microsoft's products as part of their solution will need to adopt a subscriptions-based pricing model, rather than charging for licenses, as they have probably done in the past. And there are technical issues too.

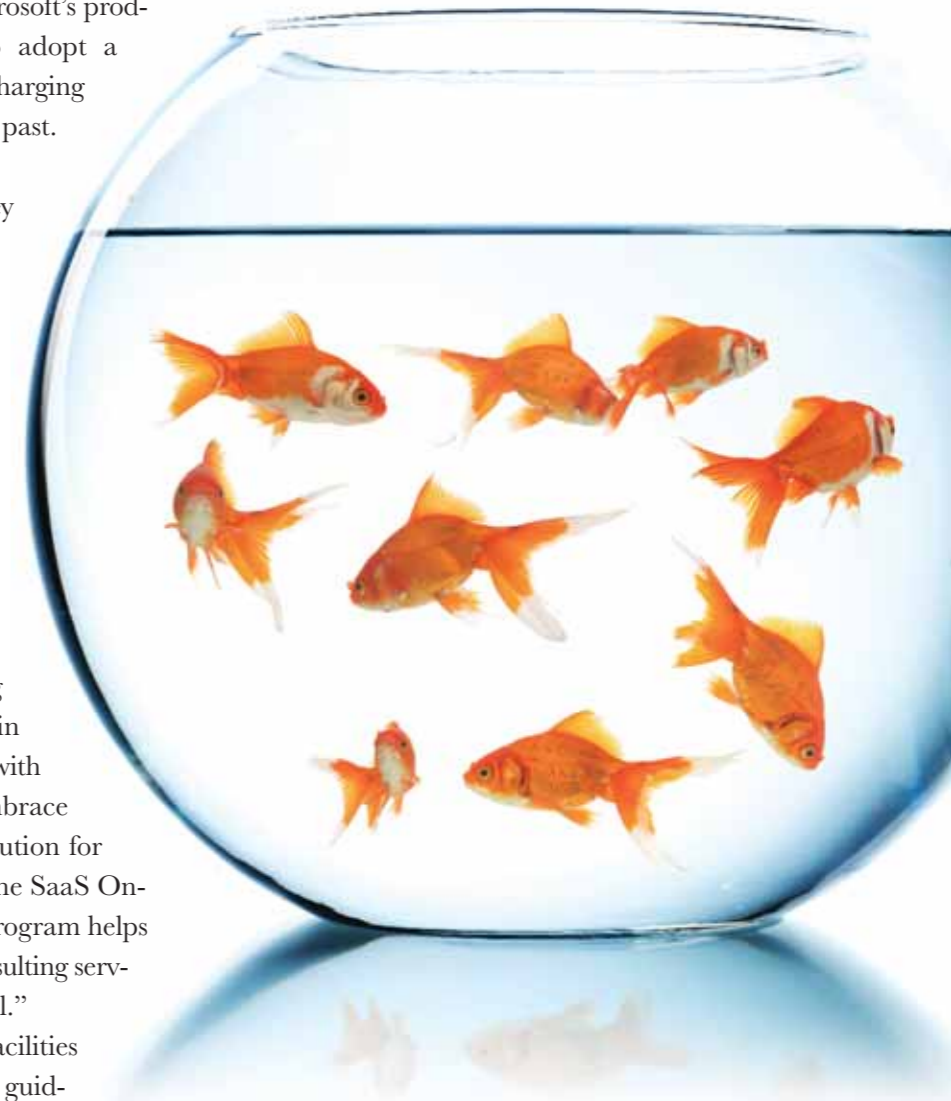
That's why Microsoft, working closely with key hosting partners around the world, has created a program to help ISVs adjust. The Microsoft SaaS Incubation Center Program, is a global initiative which provides ISVs with business and technical guidance, consulting services, and access to an established hosting channel.

"The growth projections for software delivered as a service present ISVs with significant opportunities, as well as new challenges," says Microsoft's John Zanni, the company's managing director of Worldwide Hosting. "Through the SaaS Incubation Center Program, hosting providers combine their traditional expertise in managing infrastructure and delivering services with business and design guidance to help ISVs embrace this new model. Building on the Microsoft Solution for Windows-based Hosting for Applications and the SaaS On-Ramp Program, the SaaS Incubation Center Program helps bring together the world-class infrastructure, consulting services and partnerships ISVs need to be successful."

The program has established a number of facilities operated by Microsoft partners, where ISVs are guid-

ed through a structured series of business and architectural consulting sessions to help ensure their business model and applications are ready for the challenges of service-based delivery. This ultimately allows ISVs to provide a strong service-level agreement (SLA) to end users — a critical component of online service-based delivery.

One of the first companies to join the SaaS Incubation Center program was hosting firm NTT Europe Online (NTT), which, as part of the Japanese NTT group, belongs to the world's largest telco. Microsoft and NTT Europe Online set up a SaaS incubation lab in early 2006 and the service was officially launched in fall 2006. Robert Steggles, NTT Europe online's marketing director, explains that his



Intelligence Service

Co-founder Paul Black says that sales-i is the result of observations made when working in the sales intelligence and business intelligence field. There were lots of issues about why sales intelligence quickly became shelfware and expensive business intelligence was only available to big companies. Even then, it was not used to its full potential because users needed to be very well educated to master the type of questions to ask to get useful results.

Black says: “sales-i fundamentally disrupts the traditional software world by proactively delivering a sales intelligence service to low tech salespeople via the most basic of technologies—e-mail and text. One click then automatically takes the user to an easy to use dashboard providing all of the information they require about product mix, range gaps, link-sells and product leakage.”

There was a gap in the market that sales-i wanted to fill and the company decided to bring the application to market as software as a service (SaaS). Black says: “SaaS was the perfect outlet for us. We can distribute widely around the world, we can train customers more easily, we can register what they are doing with the software and what they aren’t exploiting properly.”

British Telecom supplies a white-label product based on sales-i and the two companies are working on new developments involving BT technologies such as voice enablement and location tracking by satellite. (See article on page 10)

company has been tracking the on-demand world for a long time and was involved in some ASP implementations. He adds that the contextual environment has changed so much since then, especially with wide broadband availability. Steggle says: “We offer the managed hosting infrastructure in a reliable, secure and stable way. Financial and business considerations are also key for SaaS developers, but are often overlooked.” Microsoft’s Service Provider License Agreement (SPLA) allows software vendors to manage a subscription service and NTT has matched this with ‘pay as you grow’ licenses.

UK-based sales acceleration software provider sales-i can testify to the benefits of the SaaS Incubation Center service. Co-founder Paul Black says its offering is ideal for the SaaS model. He explains that true SaaS has to have a strong service element in the offering. sales-i, for example, is giving a service. It interrogates the data of the customer, finds valuable information and sends it to the sales professionals wherever they are, by email, SMS or instant messaging. To be true SaaS, Black says: “The customer must be able to cancel the contract. Otherwise it’s just software on demand.”

There’s a huge difference between traditional applications and SaaS when it comes to updates and flexibility. In the traditional world, the user has to go to a Web site and download and install an update. sales-i updates its software on a daily basis. “If there are issues with the software, we can fix them on the spot,” says Black. He adds that sales-i can develop a new feature in days rather than months, test it more quickly, distribute it more quickly and get feedback from users more quickly.



sales-i undertook a two-day business development session (BDS), delivered by NTT, which goes through business and financial aspects of selling a SaaS product, including marketing, strategy and online advertising. Black says: “Our BDS was different from many organizations, as we were not transferring from having a legacy software application but we were creating a SaaS company from the start. The BDS confirmed a lot of our thinking and changed some of our views and directions in other areas of our business plan, as well as our broader marketing and sales plan.”

Steggles points out that, depending on which analyst you believe, between 10 and 35 percent of software will be consumed as SaaS over the next few years. That means the traditional ways of delivering software will remain side by side with SaaS for a long time. However, SaaS challenges conventional ways of sourcing software for small businesses and individuals and Steggle suggests that departments in large companies may ‘fly under the radar’ of the IT department to source SaaS that they want to use immediately. For the moment, SaaS is in its infancy, a long way from the old ASP model and with so many ideas and opportunities. Black adds that it’s important to find pure and true SaaS, not just applications turned into on-demand versions.

SaaS has technical advantages, says Steggle, through its multitenanted architecture, and a raft of new tools that are available. Microsoft and NTT try to capture this in a companion session to the BDS which is primarily for technical personnel. During this session, they take the SaaS program and the platform and work out the best hooks between them.

“We couldn’t do it ourselves,” says Black. He says that technical resources are required from Microsoft, and during the time that sales-i has grown, Microsoft has grown in the world of hosting and has brought on board things to help SaaS partners.

Black is clear that outsourcing is the best route for the true SaaS seller and, indeed, is the only way to provide certain aspects, such as security, that make the sales-i business viable. The application involves working with customers’ accounts data. “When I talk to a financial director or managing director about using accounting data, they start to ask questions about security. I can point them to the NTT security policy and say talk to them,” says Black.

Steggles says sales-i is typical of the half of NTT’s SaaS customers who want to outsource everything; the other half want to retain some control. He says that the advantage of smoothing out costs is often overlooked. Independent software vendors (ISVs) can get the benefit of pricing models to suit their business situation and don’t have to raise capital for equipment or staff. He asks: “If you are growing very fast, how are you going to add capacity?”

Black says that it makes business sense. “Because our income is by subscription on a monthly basis, it’s best to pay out in the same way.” NTT is happy to take care of the backroom tasks. sales-i is happy to outsource in order to concentrate on developing and selling its SaaS application. ●●

SaaS is ready to boom

sales-i is just one of many business that are embracing the software as a service (SaaS) model. Analysts Gartner Group recently predicted that the global market for SaaS reached \$6.3 billion last year in 2006 and is on track to reach \$19.3 billion by the end of 2011.

“The market for software as a service is predicted to more than treble in size over the next four years, as more companies recognize the strengths of SaaS in reducing risk and enabling rapid adoption and adaptation of applications,” said Michael Korbacher, hosting lead for Microsoft International. “sales-i has benefited greatly from the SaaS Incubation Center Program, including being given help with business development, managed hosting consultancy and more technical aspects such as architecture design. More than this, the program has also given sales-i the chance to work with service providers, creating a new channel to market.”