

SaaS Integration Provider

Software as a Service (SaaS) is a tremendous opportunity for IT consultants to grow and increase the value of their businesses. Recurring revenue services coupled with low churn is a winning combination. SaaS gives your customers the opportunity to take advantage of business class applications without the cost and headaches associated with managing on-premise software. The challenge for companies is that they don't know what they don't know and need to lean on trusted advisors to educate them on productivity and cost reduction options.

Stand-alone SaaS offerings have been in existence for about 9 years, but SaaS Integration services are just recently starting to gain traction. Opportunities exist for first movers to develop profitable niches before the majority of IT consulting firms expand their portfolio of services to include SaaS applications. The opportunity is to be an early entrant providing bundles of SaaS applications to businesses and differentiating your firm from all the other IT consulting companies in your geography. Today, many IT consulting companies are offering managed services that, for most companies, involve managing their customers' on-site equipment. SaaS Integration services are the next step for managed service providers to further differentiate themselves.

You're probably asking yourself – what does a SaaS Integration Provider do? There are 4 main functions – (1) Requirements Definition, (2) SaaS Evaluation & Selection, (3) Implementation, and (4) Training and Fine Tuning. Business owners don't have the time to search for SaaS applications. They need help determining which applications are right for them and which providers they should choose. There is a perception that SaaS applications do not require any implementation effort from consultants. For the very small percentage of small businesses that have strong technical skills this may be true, but for over 90% of businesses this is not the case. They need consultants to configure the SaaS application so that their company can take full advantage of it. Fine tuning is critical because most of the questions from businesses arise during the first week following implementation. Plan for some time post-implementation to ensure your client is using the application effectively.

Challenges with On-Site Solutions

A majority of companies, if not all, rely on software to run their business whether an accountant, business consultant, real estate firm, or local retailer. But few have the technical staff to effectively manage in-house software – especially smaller businesses. For most small businesses, software is a necessary evil – they need it to run their business, but it's a headache to manage. Outsourcing computer systems is a popular strategy for larger businesses, but not something smaller businesses believed was an option.

Microsoft states that the initial purchase price accounts for only 5% of the total cost of ownership of a software application. And according to Gartner, 78% of customers' IT budgets are used to maintain their on-premise equipment and software. This number is likely higher for small businesses as they don't have the financial resources to purchase applications required to improve productivity, customer service, and reduce costs. Virtually their entire IT budget is used to keep what they have working – not a very effective use of their hard earned money.

Acceptance of On-Demand Solutions

SaaS offers significant benefits for customers. Smaller businesses can take advantage of more reliable software solutions with the added benefit of predictable IT costs. SaaS gives businesses the ability to “rent” software on a monthly basis paying only for what they need as long as they need it. Businesses that use SaaS typically do not need to install the software on their servers; they simply use the Internet to access the software eliminating all the headaches associated with buying, maintaining and upgrading in house software and hardware.

SaaS applications are hosted in tier 1 data centers providing better reliability, security, and disaster recovery - all for less money than companies would need to spend to implement and run on-premise software and hardware. The core competency of most businesses is not managing hardware and software, nor should it be.

Several important changes to the way people work, coupled with better access to the Internet have made SaaS rapid acceptance possible.

- Wide Area Network's bandwidth has grown drastically along with improvements in remote access techniques.
- Everyone has a computer: Most information workers have access to a computer and are familiar with conventions from mouse usage to web interfaces.
- Computing itself is a commodity: Today, people know it's the business processes and the data itself—customer records, workflows, and pricing information—that matters. Computing and application licenses are cost centers, and as such, they're suitable for cost reduction and outsourcing.
- Applications are standardized: People spend most of their time using standardized applications that are well suited for SaaS.
- Web systems are reliable: Improved web development technologies can handle much more complex systems.

Financial Benefits for Customers

Saving money and reducing headaches are the big reasons businesses are interested in SaaS applications. Most small businesses have a couple people at best that have sufficient IT skills. Businesses want to focus their resources on increasing revenue rather than performing IT tasks. The following data points highlight the benefits of SaaS from a cost and simplification perspective.

- **Saves money:** A recent study found the total cost of operating an on demand software package is **50% less** than installing, managing, and upgrading software on your in house computers.
- **Quick implementation:** SaaS applications are ready for configuration in as little as a few minutes. No need to spend days or weeks installing servers, operating systems, and software applications.
- **Scalability:** Pay only for what you use. When you hire people, simply select the services they need and you're done. When people leave, delete the services they used and you no longer pay for them.
- **Data Protection:** Over 2/3 of small businesses indicate data loss (stolen laptops, hard drive failure, etc.) would have a significant impact on their business – yet almost 50% of

small businesses do not backup their data on a regular basis, most likely due to cost and discipline. Data backup is built into SaaS applications virtually eliminating risk of data loss.

SaaS Market Opportunity

Virtually every analyst is predicting SaaS will gain significant market share when compared to sales of on-premise software. The benefits are compelling for end customers as described above. The benefits are equally compelling for the software development companies resulting in a higher percentage of future applications being developed as a SaaS model rather than on-premise. Significantly lower development costs, tighter relationships with customers, and predictable revenue streams with low churn - which is a big hit on Wall Street.

The following describes the SaaS projections from the key analysts.

- Industry analyst firm Gartner predicts that by 2011, software revenue from SaaS will reach \$11.5 billion. From 2007-11 the growth rate of SaaS will double that of enterprise software as a whole
- AMR Research shows that 78% of its survey respondents are either currently using SaaS or plan to in the near future:
- A 2008 study from Saugatuck Research indicates an 84% customer satisfaction rate for SaaS applications.
- Over 50% of VC funded software companies are building SaaS applications and the percentage is growing.

Opportunities for IT Consulting Firms

While SaaS applications are experiencing explosive growth, there are still many businesses, especially smaller businesses that are not aware of SaaS applications. Business owners are focused on running their business and don't have time to search for alternatives to on-premise solutions.

IT consulting firms traditionally generate revenue from on-site installations, break-fix services, upgrades, and in some cases managing on-premise equipment for their clients. While SaaS is not a fit for every client, there are clearly instances where a SaaS solution makes more financial sense than spending capital for an on-site solution. With today's credit crisis, more businesses are open to low up front and predictable IT costs. If you don't propose this option, your competition will.

The big question you're asking - How does my firm generate revenue? Expanding your business to offer SaaS Integration services has to be a win-win situation and must positively impact your bottom line as well as your client's. It's clear that your firm will generate billable revenue from selecting and implementing SaaS applications. Selling from a value perspective rather than hours will lead to significantly higher billing rates increasing your gross margin.

The majority of IT consulting firms only offer their clients on-premise solutions which require a significant up front capital expenditure and unknown IT maintenance costs for hardware and software. For illustrative purposes, let's assume a company wants to implement Exchange for 10 people. Based on discussions we've had with several IT consulting firms, an SBS 2008 installation is \$7.5k up front with about 15% going to your bottom line and the remaining 80 -

85% going to the hardware and software vendor. The installation time frame is about 2 – 3 weeks from the time the customer agrees to order the solution until installation is complete.

Let's take a look at a Hosted Exchange offering which is fully redundant with daily backups, includes upgrades, is housed in a tier 1 data center, and managed 24x7 by certified technicians. The customer does not need to purchase servers, software, or backup devices so capital expenditure is not required. However, they do need help configuring the service. If you charge \$1.5 – 2k up front to configure Outlook/Hosted Exchange, it is 70% less than the on-premise solution and they have a fully redundant around the clock managed environment. The on-going fee for Exchange is roughly \$140 a month with a portion of that going to your bottom line. Let's assume your firm's revenue (excluding hardware and software costs) for the on-site solution is \$1 – 1.5k, which is less than the revenue for your firm earned for the SaaS solution. Furthermore, the time required to configure SaaS the application is significantly less than an on-premise solution. As a result, your hourly rate increases dramatically and you have the added benefit of recurring revenue and an experienced staff managing the service.

The benefits for IT consulting firms to offer SaaS Integration Services include:

- Stronger customer relationships
- Increased billing rates
- Ability to interact with & influence customers at a business/application decision making level
- Predictable revenue stream not reliant on billable hours and projects
- Greater range of solution offerings to meet customer needs
- Options to significantly reduce clients' up front expenditures opening up new project opportunities

Why Partner with 19Marketplace

19Marketplace is an aggregator of on-demand business software services (a.k.a. SaaS). We offer a more convenient way to buy—and use—the name brand software services that power today's smart businesses.

We research the industry to find the best on-demand services. We never lock ourselves into one vendor. So you get the benefit of choice. And our unbiased reviews make it easier for you to make the choice that best fits your business needs.

Many IT consulting firms have shared with us that vendor management is one of the main concerns they have about partnering with SaaS application providers. They spend too much time vetting multiple on-demand providers and then on-going vendor management becomes a headache.

19Marketplace eliminates the vetting and vendor management issue. You get one single point of contact. Our support teams receive in-depth training on every service available through our aggregation platform. We also have direct hotline access to engineering-level support from each of our partners. So you can feel confident that no matter what your question or concern is – we can help you.

19Marketplace Partner Programs

19Marketplace offers two partner programs that allow your firm to generate recurring revenue. The first is a private label model for partners that want to brand the service as their own and control pricing. Our second program is an agent model where partners sell the service under our retail brand, Workplace2go, receiving a monthly commission. With either option, we provide the hosting infrastructure, customer billing (credit card processing, invoicing & collection), and end-user support, allowing you to focus on sales and service delivery.

Private Label	Agent
<p>Our private label program is ideal for partners that currently offer services through their own brand and are interested in quickly expanding their offerings. Private label partners purchase services wholesale and have the flexibility to set their own pricing. We'll setup a branded store for you allowing you to get to market without all the capital and labor costs associated with developing these offerings in house. We'll provide sales training, marketing collateral, sales support, and customer support.</p>	<p>Our Agent program is designed for partners who prefer to market and sell other provider's branded services and are interested in offering customers on-demand software services through our retail brand – Workplace2go (www.workplace2go.com). These partners, many of whom have expertise selling to small businesses, actively manage the sales and implementation process for our services. We'll provide sales training, marketing collateral, sales support, billing/collections, and customer support.</p>

Please contact us at **800.487.2188** or email at info@19marketplace.com if you want to learn more about how Software as a Service can differentiate your company from the competition as well as drive recurring revenue.