



TILSON
TECHNOLOGY MANAGEMENT

Software as a Service (SaaS)
Tech Maine Conference
December, 2008

This presentation

1. Brief introduction to Tilson Technology Management
2. General observations, facts, history
3. Role play, consulting engagement
4. Construction-specific examples, discussion

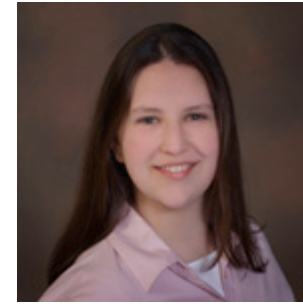
Who we are



Josh Broder



Carl Carlson



Kim Girard



Michael Swartz

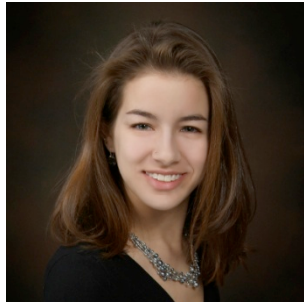


Ben Birney



John Coolong

Who we are



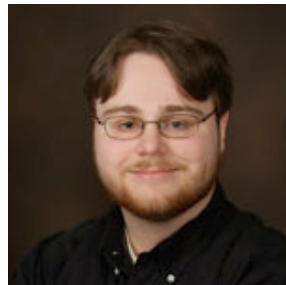
Caroline Breton



Jay Ford



Roland Ingrisano



Jason Carpenter



Karen Simonds

Who we are -- INDEPENDENT

1. IT Project and Management Company
2. Nominated for the Tech Maine “Gazelle” Award 2008
3. Turnarounds/Organizational change in IT
4. Very “horizontal” business: construction, banking, distribution, consulting, etc...
5. Not a reseller/VAR
6. 60% of income from Maine-based clients
7. Employees plus specialized contracted support
8. Share profits/growing benefits for core team
9. Active projects: 10-15. Web, Security, Network, ERP, etc...
10. Doubled volume each year for last three years
11. Close to \$2 million/year in revenue
12. Between \$150k and 200k sub-contracted to other Maine-based technology companies. Refer probably same amount again.

What is SaaS?

A hosted application providing some service to customers across the internet or private network

What is SaaS?

Business objectives:

- Reduce or eliminate IT “white noise”
- It should be as easy as electricity and
- Be as reliable as a utility

Economic drivers:

- On-premise software requires upfront capital investments
- To lower costs, many companies hold back on their capital investments to mitigate their risks, especially in current economic climate
- Pay as you go model allows for scalability, and moves human resource risk to provider, who can compress cost with the economy of scale of leveraging the same code base for many clients
- Hosting is now a mature commodity, you can't do it cheaper in-house

This is new?

Hello?

- 1960's, '70s...been there, done that.

A few simple examples:

- Netsuite
- Salesforce.com
- Hosted exchange
- Vendor Managed Inventory
- Web delivered applications of all kinds (i.e. Google/Google maps)
- Microsoft Azure

Role play/scenarios

- Scenario one:
 - Upgrade Exchange -- in house

Outcome

- Entrenched IT manager/job protection
- More hands-on
- Stuff in house
- Drove three states to get a BES server
- Still buried in the IT department
- Unpredictable costs to maintain physical environment, network, servers, software
- Vendor management

Role play/scenarios

- Scenario two:
 - Upgrade Exchange -- SaaS

Outcome

- Hurricane hit Houston, no loss of service
- Working on encryption technology
- Working on core business platform
- Vendor management

Post script

- Major changes needed, owner is hampered
- Other business is more flexible
- Management's view of IT is changing

Construction -- a vertical market view

- 7.3 million people employed
- 8% of GDP (over \$1 trillion/year)
- Over 6,000 firms in Maine alone, 778,000 nationwide
- Somewhat risk averse related to technology
- Data from <http://www.agc.org>

Construction -- technology

- We've been in probably close to 100 construction companies, looking at their technology
- Often very basic, very few regulatory requirements which drive technology
- Very heavily client/server
- Field work force is changing, but slowly...technology differences between young and older workers becoming acute.

Construction -- SaaS candidates

- Infrastructure: email, telephony, file sharing
- Collaboration
- Accounting
- Building Information Modeling

Construction -- SaaS barriers

- Capital costs/opex culture. Owning equipment
- Data security/ownership
- IT staff resistance
- Client/server applications installed base/slow-to-move and undercapitalized software vendor community
- Unique history of failure in the industry

Construction -- SaaS next steps for Tilson Technology Management

- Continue to support SaaS vendors...help the market grow
- Show cost/benefit to management with reasonable assumptions
- Collaborate with IT managers/make the case for fighting the fear of control/technology shift
- Experiment/pilot...take appropriate risk

Some free advice

- Do good due diligence
- Negotiate a good contract, with scalability as well as exit strategies
- Assess the personnel landscape -- take the time, explain, create options and educate. IT staff can be biggest advocate.
- Beware of fads...listen to your internal and external clients. Find true revenue or true cost savings to fund.

Questions

Thank you

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