

## Standing on giants' shoulders, Appirio fills SaaS white space with products, services

**Analyst:** China Martens

**Sector:** Enterprise Software

Growing numbers of customers are gradually moving beyond their first successful adoption of a single on-demand product to consider software as a service as their preferred applications deployment option. But who's going to integrate different vendors' SaaS offerings? So far, on-demand applications vendors themselves have been slow to tackle this issue head on, opening the field to startups to provide the connectivity.

**Appirio** is one such company, offering customers a mix of products and services designed to help them get to grips with the ins and outs of the new deployment method and get SaaS applications up and running quickly. So far, Appirio has concentrated its efforts on two on-demand players – **Salesforce.com** and **Google** – but it's keen to work with other applications and platform providers in the future. As applications vendors begin to offer basic levels of connectivity with other SaaS products, the startup intends to provide more sophisticated offerings based on those integrations.

### The 451 Take

Appirio smartly has a foot in both the SaaS consulting and products camps. Those businesses can feed each other, particularly now that the vendor is raising the complexity of its products and charging for them. We do wonder how long the startup will survive before being acquired by either Salesforce.com or Google. Appirio's ties to the CRM vendor are particularly close, and Salesforce.com does tend to buy up existing partners. While there's clearly plenty of business around Salesforce and Google Apps implementation, we're keen to see who is next on Appirio's SaaS partner list. We'd expect it to be Amazon.com. We're also interested in the proposed Appirio PSA (Professional Services Automation) product, given the recent upsurge of vendor and user interest in service automation.

### Context

Appirio was founded in 2006 by a quartet of self-described 'reformed software executives,' industry veterans who'd worked for the likes of **Borland**, **SAP** and **webMethods**. While their employers only acknowledged the likely disruptive impact SaaS would have on the existing applications market, the four executives also saw a future business opportunity to provide customers with help to move to the on-demand world. From the get-go, Appirio decided to offer both products and services to boost SaaS adoption. To come up with the company name, the vendor took some liberties with the spelling of the Latin verb 'aperio,' which means to reveal or to make clear.

Appirio has its headquarters at Salesforce.com's AppExchange Incubator in San Mateo, California. Salesforce.com began renting out physical space coupled with technology infrastructure and business services to startups a few years ago to help support companies developing applications for its online marketplace. Appirio has around 70 staff, 50 of which

are in the US, and the other 20 are offshore developers based in India. The startup hopes to grow to 100 employees this year, some of whom would be consultants, and the others would be research and development talent.

At present, over 90% of Appirio's revenue comes from its services. The company has only recently begun to charge for some of its products; it previously gave away its connectivity software. The average services deal size is now around \$50,000-60,000, consisting of a mix of \$20,000-30,000 deals and other SaaS projects in the \$200,000-400,000 range. It's typical for Appirio to do a number of on-demand projects, perhaps as many as 12, for a single customer. Appirio doesn't comment on its financials, but according to a June 2007 Forbes article, neither confirmed nor denied by Appirio, the company last year was on track to earn \$480,000 on sales of \$4m.

Appirio has been mostly funded by its quartet of founders, but in March the startup received an investment of \$1.1m from Salesforce.com and a number of unidentified angel investors. We'd expect the vendor to seek additional funding as it expands the products piece of its business.

## **Products**

As we mentioned, Appirio provides a mix of services and products. The services cover areas including SaaS implementation such as company-wide deployments of Google Apps, custom application development and organizational change management. Appirio helps customers expand the capabilities of existing on-demand applications or build new ones based on Salesforce.com's Force.com platform or Google's AppEngine development environment. When it comes to Google Apps adoption, Appirio sees enterprises first experimenting with the collaborative products Docs and Sites and then later taking on Gmail and Google Calendar.

On the products side, Appirio began by providing several free sales and support widgets on Salesforce.com's AppExchange, linking Salesforce to iGoogle or **Yahoo** so users could display CRM data on their home Web page. Already an AppExchange partner, Appirio struck up a partnership with Google's Enterprise Group in May 2007 and then began focusing on integration between Salesforce and Google Apps. In April, the startup began selling an on-demand storage extension for Salesforce CRM customers. Appirio Cloud Storage for Salesforce.com uses **Amazon.com's** Simple Storage Service (S3) and lets users securely store documents and files in the cloud through the Salesforce CRM interface. Pricing for 5GB of storage starts at \$200 per month per organization. Customers signing up for an annual subscription get a 50% discount on the monthly fee and pay \$1,200. Users pay \$4,000 a month for 250GB of storage or \$30,000 annually.

Later in April, as Salesforce.com and Google expanded their relationship to enable the CRM vendor to sell a special version of Google Apps, Appirio was on hand to unveil some new integration products, including search, synchronization and dashboard offerings. Standard versions of the products linking Salesforce CRM and Google Apps are free and will remain so, but Appirio also offers premium paid versions and paid support.

Looking ahead, Appirio is looking to bundle up some intellectual property it has around professional service automation. That code would form the basis of a new product – Appirio PSA for Salesforce.com – giving CRM users hooks into sales and support customer information. It'll be offered on a per user per month subscription basis. While it provides combined products for Salesforce and Google as well as one, soon to be two, products for

Salesforce users, Appirio has yet to offer products for Google users, but those are on the road map.

Appirio is keen to consider other cloud computing companies, particularly those with some kind of established developer communities, and is working out which ones to approach. Given the existing hook into S3, Amazon.com would seem the next likely port of call. We'd also expect Appirio to look to provide integration between Salesforce CRM and other on-demand applications, like **Workday Inc's** ERP and **Xactly's** sales performance management software.

## Customers

Appirio has around 50 enterprise customers for its consulting and implementation services, including **Applied Biosystems, CRC Health Group, Dolby Laboratories, Genentech, Honeywell International, Network Solutions, Qualcomm, Solectron and VMware.** Typically, Appirio pitches its services to enterprise customers as defined by its on-demand partners. For Salesforce.com, that would be companies with 1,000 employees and above, while for Google, it's more like organizations with 3,000-plus staff. Appirio also has some services for customers at the upper end of the midmarket, with between 500 and 1,000 employees. Over the next few years, Appirio would like to establish 500-plus relationships with enterprises adopting SaaS.

Appirio's services customers are at different stages in SaaS adoption. Some are just starting to weigh the pros and cons of the deployment option, others just getting their feet wet with their first on-demand application – which tends to be Salesforce CRM – or keen to embark on a whole series of on-demand projects. Appirio is starting to see a few customers adopting on-demand platform development, for instance, choosing Salesforce.com's Force.com over **Microsoft's** .NET environment.

Appirio's products are aimed at companies of all sizes, and the vendor estimates 1,500 organizations are using its connectivity software at present. The products side of the startup's business can often generate leads for its services business, particularly following the launch of more complicated products like its Cloud Storage offering.

When wooing prospects, Appirio frequently uses its own infrastructure to demonstrate on-demand operations. The startup rents computing power from Amazon.com and runs its business on Google Apps, Salesforce CRM, QuickBooks Online Edition and KTBS Online.com. It's keen to become fully SaaS by swapping out QuickBooks in favor of the on-demand financials applications **Coda** is developing on Force.com.

## Competition

In terms of basic SaaS applications integration, Appirio expects that Salesforce.com and Google will do more and more of that work themselves, as seen with the two vendors' recent intensification of their joint work with the Force.com Toolkit for Google Data APIs. Instead of providing basic connectivity, the startup will look to build more sophisticated functionality on top of that integration. For instance, it'll create more hooks between applications to increase the business data a sales representative has access to from within their email or calendaring application. At the same time, as an independent entity, Appirio may be better placed to offer basic integration between competing SaaS vendors' applications. It's also possible that Salesforce.com or Google might look to acquire Appirio in a move similar to that taken by SaaS ERP startup Workday earlier this year when it bought its integration partner **Cape Clear.**

While many of the integration veterans like **BEA Systems** (now part of **Oracle**), **IBM**, **Software AG** and **Tibco** have yet to really address SaaS integration, some startups are already tying together a variety of on-demand applications with on-premise offerings. These players include **Boomi**, which just raised \$4m in its first round of institutional funding, and commercial open source company **MuleSource**.

On the services side, Appirio runs into the big systems integrators like **Accenture**, **BearingPoint**, **Capgemini** and **IBM**. At present, the startup has a partnership with **Deloitte**, but over time would expect that systems integrator to become a competitor as well.

Additionally, there are a number of larger and older companies than Appirio that have grown up around SaaS consulting, in particular in relation to Salesforce CRM implementations, that also offer some products. For instance, there's **Astadia**, **Bluewolf** and **Model Metrics**. There's also been some recent consolidation among players, with Astadia acquiring rival **Theikos** earlier this year and **Fujitsu** snapping up **Okere** in 2007.

Strengths	Weaknesses
<p>Appirio made its debut just at the right time as customers started to look in earnest for SaaS guidance and integration between apps. The startup has gained two powerful friendships, and its frequent public appearances with those allies – Salesforce.com and Google – are bringing it plenty of the right attention.</p>	<p>Tying its fortunes to two, albeit it two of the best-known, SaaS vendors might make it difficult for Appirio to establish similarly tight ties with other on-demand players. Trying to distance itself from Salesforce.com might be particularly tricky, given the close ties between the two organizations, with the CRM vendor both Appirio's landlord and one of its first investors.</p>
Opportunities	Threats
<p>As Appirio noted a few years ago, there's plenty of demand from customers for help in going on-demand, and the company's services and products business can fuel each other in terms of new prospects. SaaS is still a small piece of the overall apps market, but it is of great interest to many organizations, particularly enterprises.</p>	<p>Appirio faces a host of competitors, probably the most serious rivals in the long term are the more established on-demand consultancies. Those guys not only offer products, but have also already established relationships with other SaaS players beyond Salesforce.com and Google. Appirio is also a potential acquisition target for the CRM player or the search giant, should customers push them to directly supply sophisticated app integrations.</p>

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