

Salesforce Incubator Companies Reaching For The Cloud

Salesforce.com Inc. has built a business around its openness to third-party developers who customize the company's software-as-a-service products for clients.

Now that philosophy of openness extends to welcoming those developers right into its offices.

The publicly traded customer relationship management company is boosting start-ups with a program in which developers can license space in its AppExchange Incubator and work side by side with its employees and partners, leading to the relationships and economies of scale crucial to building a start-up.

Unlike traditional software, which requires on-premises installation, high upfront costs and major upgrades, on-demand enterprise services like those offered by Salesforce lower barriers of entry for companies.

"The platform-as-a-service model is really powerful for start-ups," said Steve Cakebread, Salesforce's president and chief strategy officer, in a keynote interview. "It allows them to take lower risk in a market that is uncertain and make enhancements. We start to lower the cost and democratize the solution."

And, Salesforce's open model creates opportunities for developers looking to customize its software. That's where the incubator program comes in. About three dozen companies have been involved in the incubator to date.

One of the first companies to join, in January, was Appirio Inc., which creates for its clients customized applications built atop the Salesforce.com platform, allowing a personalized interface for the client.

Appirio paid \$20,000 to be a part of the program, entitling it to office space, conference facilities and other services that make it more like a part of the

company – Appirio Chief Executive Chris Barbin is even part of Salesforce's orientation program for new hires.

Just as important, being in the incubator allows his company invaluable face time with people who can help it grow, Barbin says.

"It allows us to network with different Salesforce folks, engineering, sales and marketing and other incubator partners," he said. "It really allows us to experience all facets of the organization and have direct reach into the Salesforce organization."

Shared SaaS applications, Barbin said, are valuable for enterprises because they are more nimble and efficient than traditional software. It's the so-called cloud computing model, in which software is accessed from any location through the Web "cloud."

"It's a whole ecosystem that gives you the ability to innovate," Barbin said.

Cakebread said that recent moves by Oracle Corp. and Microsoft Corp. to move more in the direction of on-demand SaaS "validated the direction" that Salesforce has taken.

"When you go to on-premises software, you lose multi-tenancy," he said. "The power of multi-tenancy is that there is a sharing component. Developers fix bugs for everyone, and if there's added value they give it to everyone."

Appirio, which has expanded to take up about one-third of Salesforce's incubator space, is typical of companies that have built their business models to align with the Salesforce platform and who share the same "no software" philosophy.

"We've built a completely virtual company," Barbin said. "We'll never own a server. We've built our infrastructure in the cloud."



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