MaRS Market Insights

SaaSy Startups

Insights on enterprise IT and the effects of consumerization

MaRS is a member of

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Content Lead and Market Analyst:
Neha Khera, MaRS Market Intelligence

Advisors:
Krista Jones, Advisor and Practice Lead, ICE Practice
Mark Zimmerman, Senior Advisor, ICE Practice
Ryan Poissant, Senior Advisor, ICE Practice

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Alex Blom, CEO and Co-Founder, Saleschoice
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Kirk Simpson, CEO and Co-Founder, Wave Accounting
Krista LaRiviere, CEO and Co-Founder, gShift Labs
Mike Saniga, President and Co-Founder, Quant Interpretations
Sandy Gibson, Co-Founder, ConnectedN
Terry Woloszyn, CTO and Founder, PerspecSys

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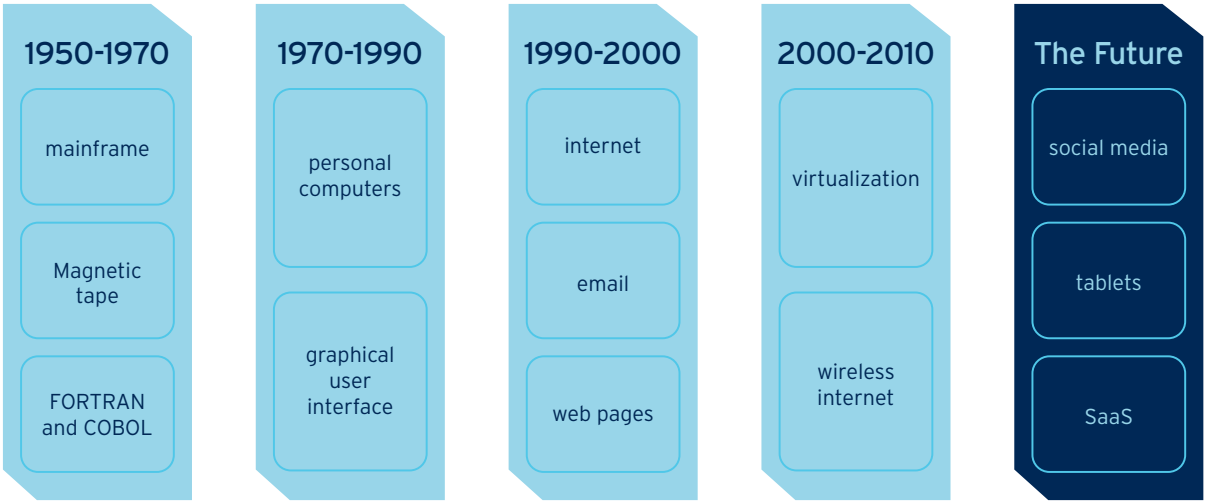
Consumerization of Enterprise IT

From the past to the present

Information technology within the enterprise can be traced back to its earliest roots, when telegraphs and punch cards made their debut and began to streamline business processes. Technology continued to evolve over the years, from the introduction of the mainframe to portable programming languages to personal computers and the Internet. These innovations enabled knowledge workers to become more productive and companies to expand their product and service offerings across the globe.



Evolution of IT within the enterprise[1, 2]

With each passing year and each new technology, it was usually large public agencies and enterprises that were the first to adopt new systems and devices.[3] The personal computer, wireless data cards and Blackberry smartphones all made their entrance into the enterprise space.[4] As these technologies matured, they began trickling into small- and medium-sized businesses (SMBs), after which they finally landed in the consumer space.

Today, that trend has reversed. It is now consumers who drive advances in enterprise IT as they embrace new technologies in their personal lives. From innovations such as social networking, online video, tweeting and blogging, the consumer market has bypassed the enterprise market in terms of technology innovation, and companies are now struggling to catch up.

A survey by Yankee Group found that 34% of business professionals currently use consumer applications (such as Google Docs, Dropbox and Yahoo! Messenger) for business use, while an astounding 54% of employees use their personal mobile phone for business purposes.[4] In the end, these workers are bypassing IT and deciding what technologies makes the most sense for them.

Recognizing these trends, enterprise technology vendors are now starting to draw inspiration from the consumer space to formulate their solutions. As we shift to the next decade of IT, we see enterprise applications getting gamified and more social, moving into the cloud and being designed for the end user, not the IT department. The clear distinction between enterprise and consumer technologies is beginning to fade as we witness the phenomenon known as the consumerization of enterprise IT.

What's driving these new trends?

The rapid adoption of consumer-targeted devices, such as iPads, iPhones and Android smartphones, is undisputed. But their increasing ubiquity is only half the story of why these devices are cropping up within the enterprise. The other half of the story is who is bringing the devices to work. An IDC survey finds that over 40% of the time it is C-suite and senior management pushing for these devices,[5] leaving IT no choice but to support them.

The influence of new hires is also very strong, as Gen Y makes its way into the workplace. Gen Y encompasses those born between the 1980s and late 1990s—the first generation to grow up with computers, the Internet and mobile devices. Most of them have never owned a landline phone, they rely more on texting than email or voice, and use social media to stay connected with their networks.[6] Already representing close to 30% of the workforce in Canada,[7] there is no doubt that this generation is pushing companies to adapt their IT offerings. According to Forrester research, 69% of this generation of workers wants input into the technologies they use in their jobs.[8]

But there is more to this than just a generational shift. Consumers in general are becoming much more technology-savvy in their personal lives, and, since an employee is ultimately a consumer, they bring their experience and expectations into the workplace. Gartner refers to these tech-savvy employees as rogue warriors: workers who feel they know more than the IT department.[6]

Do employees have a valid claim in wanting to choose the applications and tools they use in the workplace? Many will argue that the consumer technologies they leverage enable them to be more productive. It goes without saying that document collaboration is more efficient with Google Docs than with emailing a Word document, and file-sharing is easier with DropBox than with an FTP server. With the rise of software-as-a-service, employees can now freely choose their applications through a simple connection to the web, without involving the IT department. Whether these efficiency and convenience arguments should trump the legitimate technical and security concerns of the CIO is moot. The fact is they are in a growing number of organizations. The challenge for business and IT leaders is how to enable employees to use the technologies they choose while minimizing the risks that these technologies introduce.

How Ontario entrepreneurs are leading the move to consumerization

MaRS Market Intelligence profiled eight startups that have leveraged consumer technologies to develop innovative applications for the business world. They are thought leaders in their own right, shaping the new landscape of enterprise IT in different ways.

Companies like gShift and Saleschoice are influencing how applications are designed, by focusing their products on what the end user, the employee, wants. Ventures like Wave Accounting and Rypple are changing how applications are priced. They are succeeding with the "free" business model that consumers have readily embraced.

These companies have a great deal of insight to share, based on their success as well as the challenges they've faced. Interestingly, their insights are not consistent, which leads to the conclusion that the consumerization of the enterprise is still in its early days, with no clear answers as to what trends will stick. Vendors need to be cognizant of this and continue to remain nimble as the industry evolves.

Where opportunities lie for startups

Daniel Klass of Klass Capital—a fund focused on investing in Canadian SaaS-based businesses—believes it's an incredibly exciting time for vendors and businesses alike, as consumer technologies take the enterprise by storm:

We're seeing a lot of social in the enterprise space, as companies find ways to improve employee engagement. It may sound fluffy, but there's a whole new generation of employees that foresee their jobs lasting two to three years, and this turnover becomes a massive cost to companies.

Klass says he's "shocked" at how few SaaS companies in Canada have over $5 million in sales, and attributes this to the infancy of the market.

There are a lot of interesting businesses in Canada, but my concern with SaaS vendors is that I often see a very specific tool to solve a problem vs. a full solution.

As for future-state of IT,

I think the next biggest thing is not SaaS, but Platform as a Service. I think people are going to start taking all these products and putting them together and providing a platform instead of a product. Up until now, vendors have been focused on little niches, but I think they realize it's confusing and it leads to too many disparate systems. A more complete solution is what's needed.

In conclusion...

A complete picture of what the next decade holds for enterprise IT is impossible to predict. But we are confident that the days of standardized hardware, locked-down software and inferior enterprise user experiences are numbered. Employees have spoken and they demand change. Businesses need to decide how to embrace the change and balance productivity gains with security and regulatory requirements. As Ontario startup ConnectedN sees it, "the jump from being a consumer-driven product that is easy and simple to one that adds a ton of value is a difficult problem."

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Eight companies striving to consumerize enterprise IT

Information technology within the enterprise can be traced back to its earliest roots, when telegraphs and punch cards made their debut and began to streamline business processes. Technology continued to evolve over the years, from the introduction of the mainframe to portable programming languages to personal computers and the Internet. These innovations enabled knowledge workers to become more productive and companies to expand their product and service offerings across the globe.

With each passing year and each new technology, it was usually large public agencies and enterprises that were the first to adopt new systems and devices. The personal computer, wireless data cards and Blackberry smartphones all made their entrance into the enterprise space. As these technologies matured, they began trickling into small- and medium-sized businesses (SMBs), after which they finally landed in the consumer space.

Jason Y., Jason T., Kevin W., Sean K.

nulogy

Consumerization effect: Shifting control of applications

Cloud computing has led to significant changes in the consumer space in how people store, share and access information. Its rapid adoption and popularity comes as no surprise, as cloud applications relieve users of being tied to one machine. They also cost significantly less than traditional software, are device agnostic, and require no updates or maintenance from the user's end. Consumers are forgoing control over their applications and data, enabling their emails, documents, pictures and music to all move into the cloud.

While swiftly accepted on the consumer side, the adoption of cloud computing has been slow on the enterprise side. One key reason is that it requires IT to relinquish the same amount of control (i.e., control of managing hardware, hosting data and performing updates). In Canada, over 50% of companies are still not convinced that the cloud will benefit their business or IT strategy,[12] particularly when many cloud vendors are small and lack credibility. Adopting the cloud means trusting a third party to manage sensitive data.

Jason Yuen, Jason Tham, Sean Kirby, Kevin Wong, Donald Tham

Nulogy is pushing these boundaries by offering a supply-chain SaaS solution for manufacturing companies specializing in packaged goods. Their solution is best utilized when paired with a mobile device, such as a tablet, so that personnel can access data in real time.

How were your clients managing their supply-chain activities prior to adopting Nulogy?

We replaced a lot of spreadsheets and custom databases. Those who were using a large enterprise system often had it focused on one area. That is, one software program was specialized in warehousing, another in manufacturing, another in estimating, and so forth. These systems functioned like silos and resulted in inefficiencies due to data re-entry and no real-time communication.

Supply-chain management is a mission-critical application. How do you address your clients' concerns around adoption of a SaaS solution?

First, we try to be pre-emptive. We write a lot of papers about what we do regarding data security, data back-ups and 24/7 availability. We have also invested in the best data infrastructure available today.

Secondly, we try to be transparent. We invite our customers to come see our data centre—and to host the data themselves if they feel they can replicate our infrastructure. Ten times out of ten, they do a tour and realize there is no way they can replicate what we've built. That is when they realize their data will be secure.

If we had not invested in such solid infrastructure, we would not be as confident. Convincing clients to adopt our solution would become a harder problem to solve.

Do you see uncontrollable downtime being a limitation of SaaS applications?

This is certainly something we're concerned about, but we always set expectations with our customers. If you think an application will never go down, that's not true. The question is how you handle it.

We feel the benefits of SaaS far outweigh the limitations, such as not being in control. Our service agreement stipulates 99.5% uptime and we have maintained that track record. In fact, our customers tell us their applications are never up 99.5% of the time when they host it themselves! While our system has been down before, it is never more than the estimated downtime. Customers are now aware that downtime is possible, but they trust that it will never be above the estimated amount. To us, being open, honest and transparent is key.

Nulogy is optimized when accessed from a mobile device, such as a tablet. How do your customers react to the use of these devices within the enterprise?

Many of the large companies we deal with have policies around not providing consumer-based devices and applications to their enterprise users. For example, if an employee wants to use a new browser, it has to be authorized first. For the companies that do provide such devices, they tend to want to lock them down so that a staff member cannot access websites that are inappropriate for business use. Control becomes a very big issue.

This was a major challenge for us last year, but we have since introduced an education process that has helped make device-adoption much better.

So where do you see enterprise IT in 10 years?

If you look back 200 years, companies that needed power were situated by a river so they could generate their own hydroelectric power. Today there is a grid that you can plug into for power when needed. That to us is SaaS. We see SaaS as being an on-demand grid utility that will power business. When companies need it, they will call on it. When they don't, they will turn it off. This will allow companies to focus on what they do best, whether it be branding, advertising, or manufacturing. We think there's a big shift that will occur from the mentality of having to make and do everything yourself once the grid is available and acceptable by a wider array of businesses.

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Alex Blom & Cindy Gordon

SalesChoice

Consumerization effect: Empowering the business to drive IT decisions

As an individual consumer, one has the freedom to decide what one wants to use and how one wants to use it. From email applications to music players to document editors, web applications are all personalized and customized.

This freedom of choice is beginning to encroach on what Forrester terms the "informal buyer" (non-IT employee)[14] within enterprise. These non-IT users with technology needs and a budget are propelling cloud-adoption within companies.[14] This is a shift from the traditional model, where IT would select a solution and push it down to the business. Without any incentive to use the mandated applications, the adoption of HR databases and CRM tools, amongst others, would often fall by the wayside.

Recognizing this, SalesChoice has built a sales management tool that integrates directly with an organization's existing business processes, limiting the amount of manual data entry and improving the accuracy of data records.

Alex Blom

What do you see as the underlying problem of sales management tools today?

The software today is not being adopted by salespeople and, as a result, data is not being entered. When the data is actually entered, it is only about 40% accurate. Quite often the challenge is that enterprise software does not understand the end-users' needs. At the end of the day, end users need to see value in their tools.

When we talk to sales reps about this, they say they see these tools as being something that slows them down rather than helping them sell more.

How can SalesChoice change that?

Too often we are forced to use software within an organization that changes how we work instead of software that adapts to how we already work. SalesChoice works with the business processes and applications that an organization already uses. It integrates into their local applications and lives where a salesperson lives as versus forcing them to log into a separate portal.

Large companies tend to have very established CRM applications. How do you overcome that hurdle?

We don't see ourselves as being a traditional CRM application and actually partner with many established products. We focus purely on the sales-pipeline-management side and believe that a dedicated focus on this user will yield the greatest results. We ensure there are integration points with existing applications and systems, as

migrations can be costly and time consuming. The best way to overcome a sales hurdle is to communicate far higher value and opportunity to the organization.

Enterprise software vendors often fail to distinguish between their end user and their buyer (unlike B2C, where this is the same individual). We spend a lot of time talking to end users to understand their language and pain points and how our integration with existing systems can be of benefit to them. Thus, when we pitch to customers, our pitch is results-focused rather than product-focused.

Do you see the future of the enterprise as a place where employees and business units can choose their own applications?

Many IT departments are starting to focus on understanding their end-user needs and are working to bring the business group to the table. That being said, I do think the next generation of enterprise software is just like what we saw with the shift to Web 2.0. Instead of people connecting to a system, they're connecting to other people and finding new efficiencies that way.

Why do you think innovations like Web 2.0 are more prevalent in the consumer than the enterprise space?

Historically, it was enterprise technology that was more innovative and drove a lot of the things we see in B2C today. Part of the problem today boils down to funding. If I were making a couponing app right now, I could probably raise a million dollars. For the entrepreneurs who want a quick exit, they will go into B2C.

I think this is due to too many people thinking of one side (B2C) and not recognizing the other (B2B). Once there are a few more big enterprise players out there, you'll likely see a lot more B2B companies get funded. That's the point at which I think innovation will move back into the enterprise.

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Sandy Gibson & Brad Milne

ConnectedN

Consumerization effect: Changing how customers engage with a company

The proliferation of social media has changed consumer behaviour in how they access, interpret and share information about a company's products or services. A company's website has become one of the last places customers go when they have questions. They are happier conversing on blogs, forums and review sites.[10] In the US last year, consumers made 500 billion impressions on one another about products and services.[9] With this level of connectivity, consumers demand a deeper level of engagement with a brand and want to make it their own. They want to be heard, they want to provide feedback and they want to help spawn innovative ideas.[9]

As your client base moves into the social media space, so must you. Engaging with your customers and having discussions in real time is what will ultimately separate the good brands from the great ones.

Sandy Gibson

ConnectedN has developed a solution which helps companies do just that. ConnectedN is a marketing platform focused on the B2B space. It enables professionals within an organization to share timely and relevant news and commentary with their clients via blogs, email, Twitter, Facebook and LinkedIn.

In your view, why is it so important that B2B companies engage with their customers?

Credibility is a critical part of sales nowadays, and clients look for the credibility of a company and the people inside of the company when making their buying decisions. One of the best ways to elevate this is to have experts and leaders in the company publishing consistently.

What are some of the challenges companies face today in engaging clients via social media?

You need a lot of relevant content to create good social media campaigns and good social networks. Unfortunately, this is extremely time consuming and it's often hard to get people to participate within an organization. We decided to focus on the content creation problem because that wasn't happening fast enough or well enough within companies.

Another problem is that companies typically restrict publishing to senior people or to marketing staff. The marketing department generally doesn't have interesting information, so they end up publishing marketing-y stuff. The most interesting information is stuck with the experts in the company. However, companies want very sanitized content for these non-senior experts to publish.

Companies are locking down social media sites internally, yet their customers are in this channel. Are you witnessing this tension?

Almost half of our sales come without the social media side. Rather, our customers are choosing email as their preferred choice to engage with their clients. B2B is a bit different. Our customers' clients (i.e., CEOs) are not sitting on Twitter to consume content. When you're dealing with executives, their primary source is still email.

In general, I don't think social media has been bought into heavily in the enterprise, just because there have not been many good-use cases for it. We see companies wanting a low-risk proposition and valuing a product/service if they believe it will guarantee the success of the project. Social media sounds to a lot of decision-makers like a project that will not go well. What companies need is better data around the value of this new technology, apart from it just being a brand tool.

Moreover, we witness many companies being worried about the regulations and risk associated with social media. You have to manage a huge amount of user behaviour, which companies are worried about.

How do Canadian companies fare in terms of social media adoption?

In general, our Canadian clients are more willing to adopt social media. For example, we have a client whose Canadian office is allowed to follow people on Twitter, while the American office is not. The Canadian counterpart saw the benefit of the tool and championed for it. Oftentimes it's about having the right champion to push for these things, and in Canada this is more prevalent because social media use in the consumer space is so high.

Key insight or lesson learned?

Our biggest challenge is sales—proving the value of our product, which is a new concept for most companies. If we could make our product easier to adopt, by getting a use case pre-established in an organization and then selling it, it would make things easier. That consumer style of enterprise sales, the "try before you buy" model, is where we see the future heading.

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David Stein & Dan Debow

Rypple

Consumerization effect: Changing how applications are designed

David Stein & Dan Debow

Enterprise software has been known for many great things, but simplicity and ease-of-use are certainly not amongst them. As Eric Schmidt, former CEO of Google, so eloquently put it, "enterprise software has traditionally been built around a model of control and licensing." Referencing Microsoft specifically, he believes "they did a brilliant job of making sure the hardware guys did not innovate around them."

Now compare that to the consumer market, where intuitive design is at the forefront of products. Apple has taken that approach by eliminating all complexity from its products and focusing solely on the end-user experience. Schmidt believes "if you organize around the consumer, then everything will follow." This approach is now making its way into enterprise, where vendors are innovating new applications focused on the end user, or employee.

Cue Rypple, an innovative social performance management application. It enables real-time feedback, coaching and goal-setting so that employees stay more connected and engaged within their organization. This is all made possible through the use of social software.

What is the core problem that Rypple is trying to solve?

The world at work has changed so much, but companies keep doing the same thing as fifty years ago with respect to performance management—that is, having employees fill out a form and meet with their manager on a periodic basis. We noticed that people hate these performance reviews. They look at it like going to the dentist or having to speak in public. We thought we could come up with something better.

We didn't start by knowing the answer to this problem. Instead we asked ourselves, "what if we could do just one thing for people—that is, let them get feedback in a safe, anonymous way when they wanted it?"

So how did you design a product around this one idea?

We started out with one feature and, not knowing what else the product should be, put it on the Internet for free. People started using it and getting emotionally engaged. Then they started telling us what else they wanted.

We kept iterating the product quickly, making changes and trying to figure out what Rypple should be and how the end user wanted to use it. Since that time, we've released hundreds of versions of Rypple. We didn't have a big epiphany one day. We had a general idea about the problem and worked with end users to design a solution that made them happy.

You keep talking about the end user. Who is your customer: the employee using the product or the company purchasing it?

The vast majority of our marketing and product design efforts are targeted at and for the end user: employees. We feel traditional models haven't taken these users' needs into account. Traditional performance management software has been very focused on the buyer/gatekeeper (which is HR in our case). By doing that, they design a product that is oftentimes not what the end user wants.

The most common vector for us to get into a company is through some manager feeling the direct pain of wanting to get more feedback or wanting to coach their team better. They will sign up using Rypple's freemium model and start to use the product. We will then notice that usage and use it as a sales lead.

What are your thoughts on the use of social software within a company?

We believe social networking is not just a fad, but rather a massive phenomenon—because it is a much more efficient way to communicate. In an enterprise context, it's better for productivity: you can go faster and innovate more quickly.

The problem is when you take features of social networking and put them into an environment where those behaviours are not already apparent. For example, people don't naturally write on each other's walls in the office, or publicly announce what they're working on. Those are new behaviours.

The key is to look at underlying behaviours that you can then use social software to amplify and make more powerful.

Key insight or lesson learned?

If you're serious about consumerization, then you need to take seriously the way that consumer companies design their products today. A good piece of advice is to hire people that have actually built consumer products before!

Mike Saniga & Brad Ross

Quant Interpretations

Consumerization effect: Changing how applications are designed

Consumerization effect: Making data more accessible

Information is the currency of the Internet. As a medium, the Internet is brilliantly efficient at shifting information from the hands of those who have it into the hands of those who do not.[13] Remember the days of using the phone book to find a phone number or an oversized map to get directions? In many ways, Google has pioneered open-data access, much of which stems from their goal of "organizing the world's information and making it universally accessible and useful."

But the same does not hold true in the enterprise space. Whether it is information on competitor pricing, consumer purchasing habits or customer demographics, data is still too difficult or costly to access.

Mike Saniga & Brad Ross

Vendors such as Quant Interpretations are working to increase transparency within the business sphere. Quant seeks specifically to democratize access to customer data by making it accessible to all companies, large or small, to speed up and improve decision-making.

Why is accessing customer data such a big problem today?

It can cost hundreds of thousands of dollars and take months to access the kind of quantitative research that we provide: demographic segmentation, purchase behaviour and other behavioural attributes. There are only four firms in Canada that provide this data today. Unless you're one of the bigger companies in the market, you're going to have to rely on less reliable means, like guessing.

Moreover, there is no consistency in the interpretation of that data. If you get a bunch of analysts into a room, one will interpret the data very differently from the next.

Where Quant has stepped in is in creating a solution that allows you to find out who your customers are, how to talk to them and how to find additional prospects—all in seconds and at a tenth of the cost of traditional methods. It enables you to make better decisions because you can spend more time on your "so-what's" since the interpretation of the data is consistent.

What stops your competition from mimicking what you do?

The problem with the competitor firms in Canada is that they are very resource-heavy and have very manual processes. Because of this, they have an average sales price of $50,000. To suddenly drop their price would either force them to displace a lot of people or do inordinate harm to their P&Ls.

Our strength is really in the technology and the interpretation of the data. People aren't out there buying a drill: they want to make a hole. Similarly, people aren't out there looking to buy data. They want to have insight so they can make better and more confident decisions.

Have you considered the open-source model and providing the data for free?

We struggled with this a lot. First, our biggest challenge is legitimacy. People cannot believe they are able to get information so quickly and cheaply. In reality, the data we purchase is incredibly expensive and we do not want our customers to question its validity or discount the value if it's too cheap.

By making this and other types of data more accessible, what do you see as the impact on business in the long term?

We think it is going to level the playing field. The days of a large company beating out a smaller company will start to dwindle. Like publishing or music production, the move is away from big companies toward either smaller players or people doing it themselves. Companies in general will be able to make better decisions, save money and better target their customers. It will really improve the competitiveness of businesses.

Another impact will be around the mass personalization of advertising. Companies will be able to develop very customized solutions for people like you and me on a mass scale, almost as easily as they would be able to put an advertisement on TV. We're working with a lot of direct marketing agencies that want to target specific market segments; for example, Southeast Asians who are Gen X-ers with kids older than nine years.

What about the data on social media sites like Twitter?

The jury is still out on the relevance of social media in relation to business. You can't really tie a tweet to some sort of return. However, people will likely get much more sophisticated in using that data, especially if they're able to link someone's tweet to a postal code. Everything ties back to where you live, because people who live in the same area tend to behave in the same way. That's how businesses today roll out their products and services.

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Chris Adams & Krista LaRiviere

gShift™ Labs
Web Presence Optimization

Consumerization effect: Displacing the subject matter expert

With the rise of web applications comes the ability to become experts in our own right. It includes diagnosing our medical symptoms instead of seeing a doctor, or booking our own vacations instead of calling a travel agent. Innovative web services are empowering the non-experts to essentially serve themselves.

Self-service tools are becoming increasingly valuable within enterprise, in order to reduce the reliance on subject matter experts who are often unavailable or unaffordable.

This is where gShift steps in. gShift provides search engine optimization (SEO) software for the non-SEO professional, enabling organizations to have better insight and control over their web presence.

Chris Adams & Krista LaRiviere

Where did the idea for this startup come from?

We know the SEO space very well as we've been serving clients for about 12 years. We identified the gShift opportunity because we felt the pain of being an SEO consultant, where it's impossible to scale a business by just offering the service model. There's a real need to automate the process with SEO software.

Why is it so important for non-SEO experts to manage their rankings?

Five years ago, SEO professionals were focused on optimizing the content on their website, and they could win that way. Nowadays, that's only the first step. The next stage of SEO is being committed to producing content on a regular basis though press releases, blogs and social media. This is a function that belongs with a content writer or marketer, rather than an SEO expert.

SEO is really just another marketing tactic. When a marketer has better control and understanding over their web presence, they can spend their time more wisely and optimize their advertising campaigns. We feel a marketer should have control over their SEO campaigns just like they have control over their email marketing campaigns and paid search.

SEO can be quite complex. Do you really feel a non-SEO expert using gShift can be as effective as an expert?

Yes, we do. There are many moving parts to a web presence that affects SEO. Our software distills this data down into manageable parts that can easily be tracked, managed and measured by a marketer.

We also have a "client-success" team, where every client is connected with one of our managers whose goal it is to make sure they obtain value from the software. We also pick up the slack wherever the client needs us, be it distributing press releases through the appropriate channels or coming up with a blog strategy. We're there to coach and to help, but ultimately we want to give them the keys so they can do it all.

Also, we have been focused on making sure our software is built for the non-technical person (i.e., a marketer). We've also focused on making it turnkey, by allowing a customer to get up and running without any roadblocks. We spend a lot of time talking to our clients and listening to them, to understand how they want to navigate the system as opposed to how we want them to navigate the system.

At the end of the day, you can give software to anyone, but if they don't use it, they're not going to get the value out of it and they're not going to succeed with it.

Google has really paved the way in terms of building easy-to-use web applications, including Google Analytics. Do you see them entering the SEO space?

No, we don't. Google's core business on the organic side of search is to make sure searchers are finding the most relevant results. To achieve this, they continually tweak their organic search algorithm. This is a good thing. Google has acknowledged the entire SEO consulting space, and you can find content written by them that helps businesses select reliable SEO services. But we don't anticipate them getting into the SEO business itself.

With over 200 clients, gShift has certainly proven its reliability. How did you go about doing that?

When we launched our beta product, we did not offer the product for free. In fact, our first beta client and every client since has paid for the software. That worked in our favour because it proved the value of the software that much faster for current and potential investors and we got a lot of traction very quickly. We were also able to weed out those who sign up for free services but who don't really use them and are not committed to them.

We personally feel the freemium model undervalues software in general.

Terry Woloszyn

apps in the cloud
PerspecSys
data at home

Consumerization effect: Addressing concerns with the cloud

Consumerization and the advent of SaaS deliver enormous benefits to companies, but they also come with their fair share of drawbacks. According to IDC, the top concerns Canadian companies see with cloud applications are security and privacy.[15] Moreover, over 30% of businesses claim they are very unlikely to use cloud providers that store their data outside of the country.[14] One can only wonder whether these concerns are what's causing Canadian businesses to lag behind the US and Europe in cloud adoption.[14]

Recognizing this, PerspecSys has developed a platform that enables companies to leverage cloud-based applications while controlling data privacy, as well as residency and security regulations. It is a hybrid cloud offering that segregates sensitive data from the rest of an application.

Terry Woloszyn

What do your clients struggle with regarding cloud adoption?

On the one hand, companies want to foster and promote the productivity gains and benefits of a connected workforce that is made possible through the cloud. But at the same time, they have regulatory, compliance or data-security requirements or some blocker to adoption that is forcing them to keep the mission-critical applications behind their firewall and under their control.

Some of our clients are unaware that their users are not only using cloud applications, but that their sensitive data is leaving the enterprise. Others are concerned about natural disasters and having no Internet connectivity in order to continue doing business.

Where are you seeing cloud adoption being the most prevalent?

Economically, Europe wants cloud. Especially as economies crumble, organizations need to do more with less and the cloud offers that opportunity. Unfortunately, adoption is being hindered by the movement of data across jurisdictional boundaries, especially since most of the cloud vendors are popping up in North America.

We're seeing a lot of interest from financial institutions, specifically banks and insurance companies. At the same time, this is one of the most sensitive sectors in terms of information management. In fact, they sometimes have lines of business that can't even share information with their other lines of business.

When is regulation vs. paranoia driving your conversation with clients?

We do see a certain level of paranoia when it comes to cloud adoption, especially around the absolute security of intellectual property. For example, the concern might be that "my cloud vendor is American-based, but they in turn are using cloud services that wind up in Russia or China where the IP laws are different."

There's a certain level of paranoia around hack attacks as well, especially with the increased level of sophistication in hacking. A hacker can target one or two organizations, or, for the same amount of time, hack a cloud vendor and get information from 600, 10,000 or 80,000 organizations.

As SaaS increases in popularity, do you see regulations or paranoia lifting?

I don't think they will anytime soon. The reality is you will always have nation-states identifying information that is sensitive and private. Hence the rise of private clouds. This sounds contradictory in terms but is quite heavily adopted in the intelligence communities and the public sector.

As far as public-cloud adoption goes, the more people freely put their lives online, the more acceptance will bleed over into their work. It's actually going to be incumbent upon the enterprise privacy, security or risk officers to determine what information is appropriate to put out there.

With the increased adoption of SaaS, where does that leave IT?

It leaves them at a very high level, managing cloud adoption and the applications themselves. IT's numbers will likely dwindle from what we saw build up around the mainframe to a handful of individuals who manage applications and maybe set policies that cloud vendors and end-users can adhere to.

I think there's also going to be a very dramatic change on the application vendor's side. If you're not cloud then who will you be selling to after a while? It's going to become a very limited market.

References

14 Forrester report, Navigating The Shifts In Computing Infrastructure Markets, March 2011

15 IDC report, The Next Form of Outsourcing: Cloud Computing in Canada, June 2011

James Lochrie & Kirk Simpson

James Lochrie & Kirk Simpson

Consumerization effect: Changing how applications are priced

Traditional enterprise software often comes at a steep price, based around a licensing model and tied to a complex contract. Months of negotiations can ensue in order to agree on maintenance terms, a payment schedule and customized modules. In Canada last year, companies spent close to $4 billion on enterprise applications alone.[11]

This stands in sharp contrast to the consumer space, where nearly all web applications are free. Internet companies use creative revenue models tied to advertising and data syndication rather than license or membership fees. Over the years, consumers have come to expect everything on the web to be free of charge, and it is this mentality that is starting to influence the enterprise space. According to IDC, companies are starting to believe that the cost of software is disproportionate to the value it provides.[11]

Picking up on this trend, Wave Accounting has developed a completely free financial management application targeted at small-business owners. With an easy-to-use interface, it takes away the pain of manual entry by importing information automatically from existing financial accounts.

Why free? Why not charge your users to use Wave?

In North America, there are about 29 million small businesses with nine employees or less. Based on our research, we believe two-thirds of them are using spreadsheets and shoeboxes to manage their financial life. These are the organizations that don't have a CFO or VP Finance, yet who want to take better control of their companies. In a lot of ways, these people have been forgotten by traditional accounting applications.

We thought there was a lot of room on the product side for innovation and saw "free" as being a key driver of sign-ups. Building scale fast is more important than making a few dollars on subscription price. This is what we took advantage of with Wave.

So how does your 100%-free business model work?

What we're able to do is show our customers special offers for products or services, based on aggregated, non-personally identifiable data points. Through this process, everybody wins. We get revenue from advertisers, advertisers get access to very targeted users, and our users get access to offers that they wouldn't normally find on their own.

Many companies are looking at SaaS as being a great new distribution model that cuts out the middleman and with it the fees, including stocking fees, sales commissions, etc. Those are all really good things, but we also think that SaaS is a complete game changer from the sense that a SaaS vendor is hosting the data. To us, data is much more valuable over the long term than the subscription price.

Are companies comfortable with you using their data in this way?

We make no attempt to hide exactly what we're doing and what we're not doing with the data. We are not selling it to anybody. In fact, we're asking for as little personally identifiable information as possible on purpose. During the sign-up process, customers never give us their name, for example, because there is no reason for us to have it. Customers who are concerned enough to dig into the details of our privacy policy will discover that personally identifiable information in Wave is always protected—no exceptions.

Does having a free product devalue it in any way?

We've heard a lot that free is great in the consumer space but that once you get into SMB people want to pay. They want to feel like there's value. We call that complete rubbish.

The bottom line is that people love things that are free, and with the consumerization of the business market, these small businesses act more like individuals and less like companies. So free plays very well with them.

We've seen this play out with our levels of adoption and the feedback we get from our users. We've never heard from anyone that our free price point was a barrier to them giving us a shot. In 10 months we have secured over 60,000 customers in 194 countries, and have tracked $34 billion in assets and $2 billion in transactions. I think that's a testament to the fact that free can work.

Key insight or lesson learned?

The free model is one that you see more in Silicon Valley or New York because their access to capital is so much greater. In Canada, it's usually about taking a path toward monetization much more quickly. However, we believe access to capital in Canada is getting better, and more and more VCs from large markets are beginning to invest in Canadian startups because they know that the access to engineering talent is here. We intend to prove that Canadian companies can set an ambitious vision by onboarding a lot of people before proving out the monetization.

References

11 IDC report, Canadian Enterprise Applications 2011-2015 Forecast, June 2011