

Bringing Order to the E-Services Universe

Agiliti Inc. has experienced the chaos of the emerging application-rental market firsthand, and the ordeal gave the company a mission. Agiliti was formed in 1999 to deliver its own custom software applications on a rental basis. In the space of a year, the company recognized the promise of renting broader-purpose business applications, and quickly became an application service provider (ASP) itself, offering Lotus SmartSuite and a variety of other business communications applications in addition to its own software. Eventually, Agiliti solidified a large user base through the acquisition of a Minneapolis internet service provider (ISP) called gofast.net.

By dint of its unique status as a software developer, third-party ASP, and ISP, Agiliti witnessed firsthand the confusion permeating all levels of the application-rental arena. Agiliti's management team, led by high-tech veterans Tom Kieffer and Mike Thomas, saw that this confusion was creating uncertainties and inefficiencies that were holding the industry back. They realized that bringing a sense of order to that chaos could boost Agiliti's success tremendously – and benefit the industry as a whole at the same time. A new mission was begun.

The Lens of Experience

Agiliti based its new goal on a handful of beliefs, formed through observation and decades of collective high-tech management experience.

➤ **Small and mid-sized businesses view technology as a means to an end.** Period. Most companies have no interest in technology for its own sake, and their managers are only concerned with technology if it solves business problems. They want to beat their competitors, make more money, and reduce their costs. And they want to understand technology if – and only if – it can do one or more of those things.

➤ **Web delivery is the new model for software and digital services.** The application service provider (ASP) business model, while still in its infancy, is gaining wide acceptance among

software vendors and business users, who readily recognize its advantages. For software vendors, the rental model lowers customer-acquisition costs dramatically and provides sustained revenue rather than sales that cycle with release schedules. For businesses, renting big-ticket software applications from ASPs significantly reduces costs – in terms of the programs themselves, the hardware they run on, and the humans who maintain it.

➤ **The ASP marketplace is dynamic and chaotic.** The obvious advantages of the ASP model have spurred a rush of entrants into the marketplace. Many software vendors, including titans Microsoft and Oracle, are maneuvering to deliver their software for rent. A raft of third parties is also setting up shop as hosts to one or more applications that deliver everything from mine-management to personal finance. The similarities between most of these service providers begin and end with the designation “ASP.” The result is confusion among business users and within the ASP community itself.

➤ **In technology markets, chaos equals opportunity.**

After experiencing the tumult of the ASP marketplace firsthand, Agiliti’s management team recognized that business users and the local providers who deliver most of their Web-related services needed help. Agiliti saw that sifting through the vast numbers of rentable software products, hosting companies, and service levels available to these suppliers would be a valuable service. Application developers and third-party ASPs, conversely, would also need a means of cutting through the clutter to reach businesses their products could benefit. By sowing order among this confusion, Agiliti realized it could provide a valuable – and lucrative – service.

Flashes of Recognition

Agiliti’s management team, saw that the ASP marketplace at the dawn of 2000 was strikingly similar to two markets they’d played in before. It resembled the dawn of the World Wide Web in the early 1990s, with its profusion of sites on every conceivable topic – and the difficulty users had in locating relevant pages. Even more, it recalled the nascent personal computer market of the early 1980s, which spawned countless vendors offering PCs, software, and add-on hardware – all struggling for access to consumers who, for their part, had to be truly resourceful to locate new products.

Agiliti recognized that in both of these cases, industry leaders emerged to bring a sense of order to confusing marketplaces: In the Web's earliest days, those leaders were Yahoo! and other search engines. At the dawn of the PC era, the leaders were distributors such as Merisel and Ingram, who provided a pipeline for hardware and software into retail stores nationwide. By helping end-users and vendors alike find sense amid chaos, these market-leading companies not only thrived, they outlived many of the vendors in their respective marketplaces. Their success, Agiliti concluded, was based on two critical factors: They added genuine value to both consumers and suppliers, and they seized market share quickly as early entrants in their segments. Agiliti rapidly decided to emulate the leaders of earlier eras, and to try to bring a sense of order to the ASP arena.

While continuing to build a customer base for rented business-productivity applications, Agiliti quickly and quietly began focusing its resources on becoming a rental-software aggregator. The company dedicated itself to bringing service providers one-stop access to a broad array of quality business applications, while helping developers and publishers of rental applications reach global audiences quickly.

New Tool for a New Paradigm

As Agiliti began plotting its new course, company leaders quickly realized that they had most, but not all, of the tools they would need to realize their vision. Years of experience convinced them that they knew how to find best-of-breed business software and combine programs into packages that would satisfy real-world business needs. They also knew, from their own experience as a successful ASP and Internet Service Provider (ISP), how to identify other providers who understood and solved their customers' business problems. The missing element was a means of helping software developers and service providers manage their administrative processes, by streamlining application-rental billing and providing meaningful data about application-usage patterns. Agiliti assigned a team of in-house programmers to build a tool that would do just that.

The fruit of their labors, which Agiliti has dubbed Virtual Private Application (VPA) technology, gives Agiliti a unique ability to provide secure, password-protected access to any Web-deployable application, housed on any Web server, on a "metered" basis. Agiliti VPA technology monitors application usage on a second-by-second basis and can even be used to track which features or components of an application are being used. The VPA model allows tracking of several programs simultaneously, even if

they're not located on the same physical server. It even extends to non-application Web content , allowing monitoring usage of news and information streams, multimedia, and other “e-services” as well.

Agiliti VPA technology gives service providers great flexibility. It allows them, for instance, to supplement applications they host themselves with complementary programs and e-services supplied through Agiliti. It even allows companies with no server infrastructure to offer customers a wide range of rental business applications from the Agiliti portfolio. It also gives providers lots of freedom in their billing. Some applications might be billed on a flat monthly fee, while others might be billed on an as-used basis. Providers could even offer some programs’ “basic” features on a flat-fee (or no-fee) basis, but bill for usage of the applications’ “premium” features.

For software vendors, Agiliti VPA technology promises access to large numbers of users and detailed information about how those customers use their software. Agiliti will capture and offer aggregated reports (without identifying specific users) about how much time users spend using a given application, what other applications they may use in conjunction with it, and which components or features they use most (and least). These reports will provide application developers with profiles of their customers and their work habits that would otherwise be available only through costly user testing.

Realizing the Vision

Armed with VPA technology, Agiliti is building a catalog of top-quality rental software and a sizable group of service-provider partners, whom Agiliti refer to as “e-sellers”. As its supply of great software and its network of skilled e-sellers grows, Agiliti looks forward to reducing the confusion that now swirls around the application-rental market, and to helping software developers, service providers, and customers alike realize the full benefits of the application-rental business model.