

Thin Clients and the Small Business Market—A Ripe Opportunity for the Vertical Application Developer

July Meeting Summary

Emily Sopensky and Nancy Humphries

Bill Kleinebecker pulled together an astute, prestigious panel moderated by Jim Seymour, columnist for *PC Magazine*. Members of the panel were Kenneth East, COO & CTO, Boundless Technologies; Doug Kellermann, VP of Value Added Internet Services, IXC; and Paul DeFuria, VP and CTO, CSC Financial Services Group.

Seymour noted that the vertical application developer has captured the high-end market that can afford its products, but is now eyeing smaller business clients. Obviously it's not the technology but the cost of sales that worries them. For the developer who wants to sell software by renting it over the Net, however, one advantage is that cash flow is evened out. Plus users are not using older versions. There are training advantages, too. "This is the way to get to the big boy tools; you need just a few seats to get that availability."

East listed several considerations that this type of developer is now facing: The thin client application services provider (ASP) is currently something that small companies should look at



Jim Seymour

because of the cost and the lower costs associated with renting software apps. The thin-client (versus PCs) has a much lower cost that can be bundled. Longer-term, upfront costs don't exist for the learning curve because the thin client is a plug-and-play module. On the strategic side, the next version can be introduced much more quickly, and the ASP model has a much higher livability with 24x7 support. You can get to your application 99.9% of the time. The ASP model gives access to software that cannot otherwise be purchased. It is also accessible to mobile users.

Kellerman thought that the biggest problem is the Internet for distribution. Many do not use the full potential of their software apps. "People are starting to become anti-technology."

DeFuria thought that revenue is usually more relevant, but painless upgrades are also a plus.

During Q&A, the audience raised questions about the need for lots of bandwidth. Panelists concluded that at 28K bandwidth could be a problem if the application were really "fat." But those applications designed from scratch for the thin client would be more successful than retrofits for the thin client environment.

They also agreed that pricing mechanisms for thin client apps most likely to succeed include

- ▶ Tiering service based on the revenue volume of the application for the client and licensing to reflect that credit against other products



Doug Kellermann

- ▶ Bundling hardware and software together
- ▶ "Renting," which includes thin client, app, isp connection, free PCs with a monthly service fee for access to applications, etc.

The panel felt that the ASP business, while good now, cannot maintain that edge forever and that applications folks would see better market potential over the long run; however, ASPs that offer multiple product solutions could continue to be players. Early adopters in the market will probably be health care, education, and ERP apps. Expect to see data collected from users to be a hook for selling additional services not only to the customer but to others about the customers.



The Council's Marketing Fun Committee committing to fun. Chris Cretu, Pam O'Neal, Steve Forrer, Brent Davis, Emily Sopensky