Coastal Cloud

Overview

Version 2-1-2013

Mission Statement

- Help our clients be more successful by delivering cloud-based technology solutions through our unique, cost-effective, domestic service model.

    'Cost effective, high quality cloud solutions in the USA'

- Develop and retain outstanding employees by offering leading edge technology skills, interesting projects and a superior quality of life.

    'Live at the Beach, Work in the Cloud'

- Help establish Florida as an emerging technology hub

Our Team

- Founders & Managing Partners

  - Tim Hale – 25+ years in Technology Consulting
    - 22+ year career with global technology consulting company Accenture.   As a Partner, Tim worked with several Fortune 500 companies delivering complex technology programs using a global delivery model.
    - Co-founder of Graphene. Graphene is a 4+ year old Florida-based technology consulting company that has been profitable since inception.
    - BS in Commerce from the McIntire School at the University of Virginia

  - Sara Hale – 15+ years in Technology Consulting
    - 8 year career with Accenture. As a Senior Technology Manager, Sara worked with leading companies in the US, Canada and South America.
    - Co-founder of Graphene. Salesforce.com and cloud solutions expert.
    - BS in Computer Science from Duke University

- Senior Cloud & Information Technology Consultants
  - Jennifer Flake –25+ years in Consulting, 4 years with Salesforce.com
  - Lori Lenehan – 20+ years in Consulting, 5 years with Salesforce.com
  - Russ Nimura – 25+ years in IT, 10 years in consulting, Senior Architect

Market Summary

- Two major market trends in IT services creating a significant opportunity

  - Growth of 'Rural IT Sourcing' in the US

    - Offshore IT sourcing (India, China) backlash and unmet expectations (hidden costs, quality issues, employee turnover)

    - Cost advantages available in US non-metro markets with strong business, technical and language skills.

  - Growth of Cloud Computing IT services

    - Cloud-based solutions (Salesforce.com, Workday.com, NetSuite, Microsoft Dynamics, Google Apps, etc) are growing rapidly and disrupting the traditional on-site software industry (Oracle, SAP)

Market Summary

- Growth of 'Rural IT Sourcing' in the US

  - Several emerging companies in the Rural Sourcing space

    – Rural Sourcing Inc. (Augusta, GA)

    – Onshore Outsourcing (Joplin, Missouri)
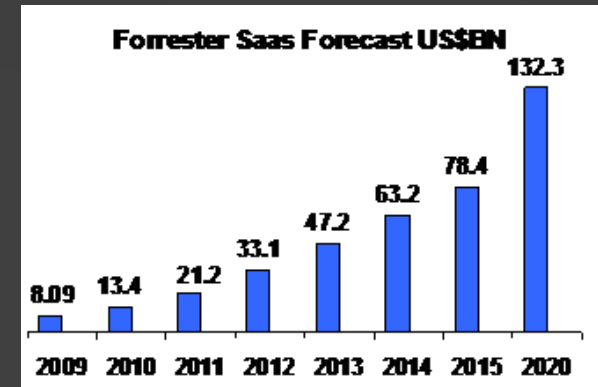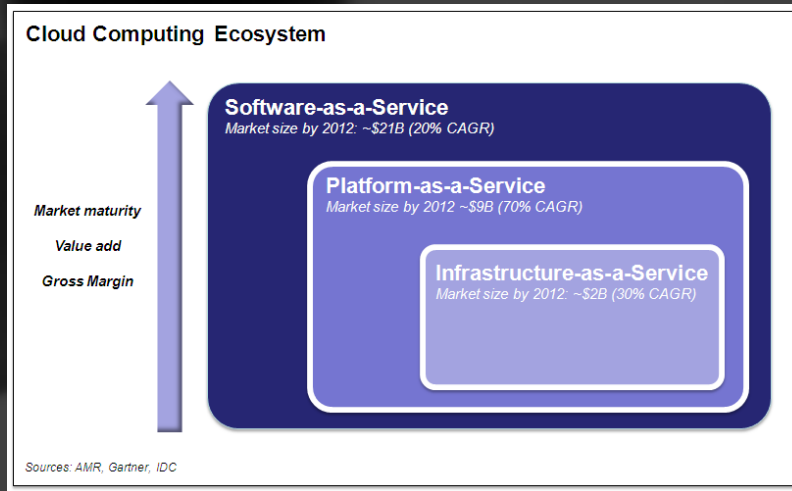
    – Cross USA (Eveleth, Minnesota)
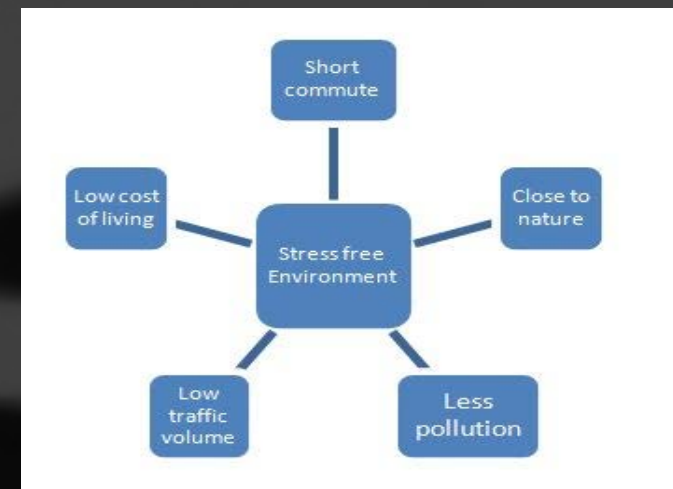
Market Summary

- Advantages of 'Rural IT Sourcing' versus Offshore IT

  ➤ Total Cost of Ownership (TCO) with Offshore IT (India, China) is higher than was anticipated

  ➤ Language, Business Culture and Time Zone issues

  ➤ Offshore IT staff attrition (up to 40%)

  ➤ High Collaboration required for 'agile' development activities used in Cloud computing projects

  ➤ Data Privacy Regulations and Intellectual Property risks

  ➤ Intangible Benefits – 'Invest in America'

  ➤ Visa Limitations & Political pressures

  ➤ Government Projects cannot be done offshore

Market Summary

- Dramatic Growth of Cloud Computing IT services ("Software as a Service" – SaaS)

Cloud Computing Ecosystem

Software-as-a-Service
Market size by 2012: ~$21B (20% CAGR)

Platform-as-a-Service
Market size by 2012 ~$9B (70% CAGR)

Infrastructure-as-a-Service
Market size by 2012: ~$2B (30% CAGR)

Market maturity
Value add
Gross Margin

Sources: AMR, Gartner, IDC

Forrester Saas Forecast US$BN

2009	2010	2011	2012	2013	2014	2015	2020
8.09	13.4	21.2	33.1	47.2	63.2	78.4	132.3

Total Software Revenue Forecast for SaaS Delivery Within the Enterprise Application Software Markets, 2007-2015 (Millions of Dollars)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	CAGR (%) 2010-2015
Content, Communications and Collaboration	1,649	2,069	2,402	2,759	3,244	3,837	4,611	5,416	6,332	18.1
Office Suites	51	56	69	106	234	334	593	732	840	51.2
Digital Content Creation	18	43	64	97	224	295	384	474	554	41.7
Customer Relationship Management	1,231	1,872	2,273	3,174	3,852	4,484	5,073	5,707	6,397	15.0
Enterprise Resource Planning	1,044	1,176	1,266	1,483	1,758	2,012	2,288	2,597	2,951	14.7
Supply Chain Management	582	688	799	998	1,276	1,581	1,944	2,324	2,753	22.5
Project and Portfolio Management	22	29	69	150	241	322	388	461	543	29.3
Other Application Software	710	861	984	1,200	1,460	1,724	2,043	2,180	2,308	14.0
Total Enterprise Software	5,308	6,794	7,926	9,968	12,290	14,589	17,324	19,890	22,677	17.9

Opportunities

➢ The nature of new, cloud-based solutions requires a different skillset – more business & analytical skills, less detailed technical programming. Faster cycle time of cloud-based solutions ('agile development') is possible but difficult using offshore delivery (time zone & communications challenges)

➢ The current US based cloud consultants are based in major metro areas. They are growing quickly but experiencing high turnover and are expensive for their clients.

➢ The Small & Medium Enterprise (SME) market is wide open – they are buying cloud solutions but US cloud consultants are too expensive. As a result, SMEs are under-achieving on the value possible from cloud solutions.

➢ Public sector market is opening up to cloud solutions but not offshore. Government agencies need a cost-effective, domestic solution.

➢ Persistently high unemployment has resulted in government incentives for job creators – especially in targeted industries such as Info Technology (IT)

Business Concept

- A cost-effective, domestic IT delivery center focused on cloud-based solutions. A 'hub & spoke' delivery model with the hub in a low cost, high quality of life location – Flagler County

- Leverage local universities & partners to train employees on cloud based solutions.

- Attract & retain people based upon superior quality of life coupled with interesting & rewarding technology careers.

- Operate at a lower cost structure (30-50% less) than metro area firms by taking advantage of lower cost of living and less competitive technology market

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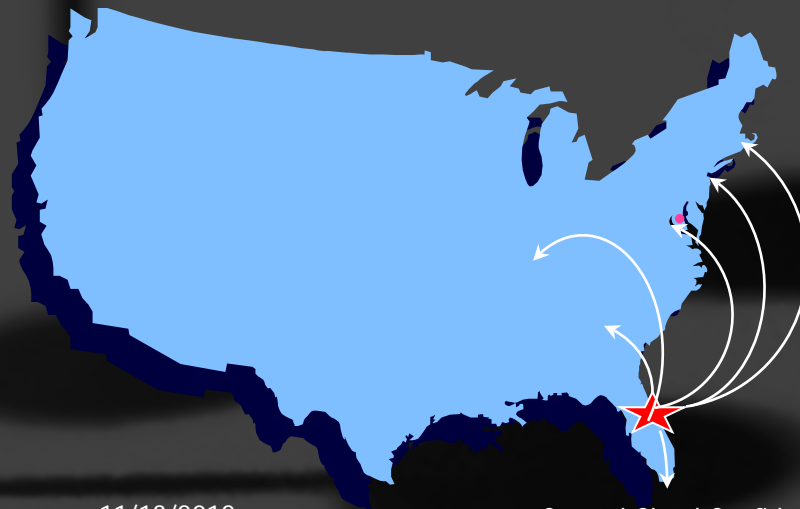
Competition

- 3 major types of competitors
  - *Global Consulting firms* – Accenture, Deloitte, IBM, CapGemini
  - *Offshore IT companies* – InfoSys, Tata Consulting, WiPro, Cognizant
  - *"Pure play" Cloud Consultancies* – Appirio, BlueWolf, Model Metrics

- *Coastal Cloud* advantages
  - 30-50% less expensive than Global Consulting firms and Pure Play Cloud Consultancies
  - Better 'total cost of ownership' than Offshore IT companies and better quality of service. No political risk. Greater scope of work possible (Government).
  - High quality team due to training investment and attractive quality of life / cost of living quotient

Goals and Objectives

- Become a market-leading provider of cloud-based technology solutions to Enterprise, SME and Public Sector clients across the US.

- Become a significant employer in Flagler County and help develop a technology competency reputation for the region

- Revenue & Headcount objectives

    - Year 1: $2m in Revenue – ~15 FTEs

    - Year 2: $7m in Revenue – ~50 FTEs

    - Year 3: $14m in Revenue – ~100 FTEs

Risks and Mitigation

- Can't find adequate skills/talent

    -> work closely with local colleges & universities and other sources (Workforce Florida, retired executives, personal networks, others?)

- Talent & Operations are not less expensive vs metro areas

    -> closely manage all costs

    -> invest in sophisticated ' professional services management' back-office (highly automated)

- Unable to sufficiently sell Coastal Cloud's services

    -> early focus on strategic alliances and proven sales team

    -> leverage local relationships/networks for local and non-local clients

Key Issues

- Near term

  - Identify entry level recruit candidates

  - Confirm process and funding for certification process

  - Address initial salary cash flow 'gap' before employees are billable

  - Sell projects

- Long term

  - Scalable sources of skilled people

  - Continuously improve delivery efficiency