

Parature, Inc.



DUKE M. CHUNG, Chief Executive Officer of Parature, Inc., co-founded the company in 2000, with a vision to provide superior customer support solutions accessible via the Internet. Mr. Chung is recognized as one of the top up and coming entrepreneurs in the Northern Virginia region. In 2002, *Washington Techway* magazine named Mr. Chung as one of the area's top under-30 technology executives. He was also selected to the 2002 MindShare Class, an exclusive, by invitation only program for CEOs of the most promising, high tech, start-up companies in the Greater Washington Metropolitan region. Throughout his career, Mr. Chung has had the insight to recognize the true benefits of providing a service over the Internet. Prior to

Parature, he co-founded Limespot, a company focused on providing students with vital campus information over the Internet. While at Limespot, he saw firsthand the benefits of delivering an application over the Internet, as apposed to delivering installed software, due to the reduction in infrastructure cost and human requirements. The realization of strategies in which the Internet could improve the way business is done became the foundation for how Parature would be built. Mr. Chung holds a BS in Operations Research and Industrial Engineering from Cornell University.

SECTOR – APPLICATION SOFTWARE

(ABL603) TWST: Can we start with a little history and an overview of Parature?

Mr. Chung: Parature evolved from a group of four software engineer students from Cornell who developed a software product that could be used to effectively support customers coming to a company's Website. With the limited resources available, our online support product had to be self-sustaining, capturing complaints and feedback while allowing our clients to focus on their core business.

Parature was founded in mid-2000. Our support solution began with an online real-time chat component that enabled mom and pop shops with a Web presence and an added channel of support. The real-time chat added a communication channel between their customers and themselves during the pre- and post-sales cycle. Currently our modular product offering includes: customizable support portal, a robust knowledge base, advanced ticketing system, discussion boards, chat capabilities, asset system, product catalog, contact management, e-mail management, surveys, reporting, activity scheduler and document management tools. All modules are integrated together to complement the unique feature sets of the other modules, giving our clients a complete support solution.

In 2002, we released our complete on demand hosted support solution to the marketplace. Companies began to utilize our solution as an added channel of support to their existing support offerings. We closed the year of 2004 with over 250 clients, and are proud to have observed a 98% retention rate.

Parature has continued to maintain a steadfast commitment to delivering innovative customer service and support software on demand. Our unique corporate culture centers on our commitment to provide excellence in customer service, which serves as a foundation for integrating the suggestions and feedback from our clients into our products.

TWST: Who's the target audience?

Mr. Chung: We target companies and industries of all sizes that have an online business model and are looking to complement their online presence with our online support solution. Typically companies have a telephone and e-mail support measure in place. Our solution extends those offerings, by providing companies the ability to deflect repetitive calls and e-mails through our support portal technology that enables their customers to self-serve their support issues 24/7 via the Web.

Our main focus of late has been to focus on small and medium sized businesses (SMB). We feel that this marketplace has been relatively underserved. Historically, the cost has been too high for these businesses to adopt a full-fledged or full-enterprise support solution, and the time of deployment is too long for them to wait to get something up and running. Our concept of providing a hosted application for them really helps them reduce the cost and, at the same time, gets them up and running much faster than traditional enterprise CRM solutions. We do this by providing access to their support application over the Web as a service.

TWST: What's been the alternative?

Mr. Chung: SMBs usually implement their own solutions they have created in-house. A lot of businesses are realizing that the costs associated to maintain such solutions are very expensive, and being able to keep up with leading edge technologies is costly. Therefore they are outsourcing this component to software vendors, such as Parature.

Customer support has traditionally been managed internally by a small team of support representatives who log and track each support request that comes from phone and e-mail inquiries. Customers would then have to call a 1-800 line to receive updates to their support issues. In fact, much of these support efforts are in supporting the status of each customer support request.

TWST: So they're finding that it's easier to let somebody else do it?

Mr. Chung: Exactly. We focus on enhancing the communication between the support representative and their customers by allowing them to submit and track their trouble tickets right through the web via a support portal. With the help of the Internet, this is the new generation of how support will be provided. We are able to provide new releases/updates to all of our clients all at once, rather than implementing them on a per client basis.

We allow our users the ability to access our support application from anywhere, as long as they have Internet access, whether you're at Starbucks, the airport or at home. What's especially unique about our model is the fact that we host all the accounts for our clients at our company, so there is no need to go on-site to install anything. After we set everything up, our clients can log in right away through the Web and get access to the software. So it's really an easy way to get up and running quickly without having to deal with the hassles of installing and maintaining a new software program.

TWST: Who are you competing with in this market?

Mr. Chung: Today, most of our competition is going to be the homegrown support solutions.

We classify our competitors into three groups: traditional ERP vendor which provides customer-service solutions; then there are your traditional CRM vendors that offer client-server applications finally, the new generation of on demand, hosted providers.

We use our client feedback, competitive research and analyze industry trends to stay ahead of the technology curve. We have strong account and support management teams to collect feedback from our clients. 80% of the technology that goes into our development is for building better software to address any issues, problems or solutions that our clients might have. We have built our business to make our relationship with them long term.

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TWST: What was their business model?

Mr. Chung: Most of our competitors are in the business of deploying an enterprise-grade support solution that's installed into a support team and is loaded on every computer. Deployment roughly takes six to eight months to get up and running and tested before the solution can go live. It's an enormous investment up front. It's a lot of time to get the solution up and running and in many cases it fails to meet the expectations of the company during the implementation process.

TWST: How big is this market and what kind of growth is it experiencing?

Mr. Chung: The small to medium sized marketplace is estimated at 15 million businesses alone in the United States. We are certain that in the next several years, every business will have a complementary online business. Companies are beginning to realize that an online support solution is critical in customer retention and loyalty. Therefore, in addition to their company's best practice, they will have to have an online support mechanism to complement the product/service offering to ensure customer satisfaction.

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TWST: Given the size of this market, what are the barriers for the competition?

Mr. Chung: We see new companies emerging that focus on particular features we provide. In order to meet the demands of their customers, we are noticing that more and more companies are partnering with one another to piece together the "best-of-breed solution."

In our case, all of our solutions have been built from the ground up, and seamlessly integrated with each other, which is our competitive edge against a lot of these up and rising companies that are trying to provide a single method support tool.

TWST: Is that an appropriate way to go?

Mr. Chung: In a lot of ways these smaller companies are looking for more core expertise, building stronger functionality in one area, and looking to partner with other companies to deliver an entire support solution. From the feedback we receive from our clients, we're really looking at building and providing an entire on-line support solution. Our end to end solution is a one-stop-shop for all of our clients' support needs. Our strength to date is the ability to provide all 12 product modules in the marketplace.

TWST: Is that enough to meet the needs of your customers?

Mr. Chung: We feel that our solution has a strong feature set; however, we are continuously developing a pipeline of products and are looking forward to introducing them into the marketplace over the next several years. It is an advantage to be able to stay on top and really look to our clients to see what products we can develop to help them solve problems within their support organization.

If a support representative has found he/she is receiving repetitive trouble tickets regarding the same issue, he/she can, with a click of a button, suggest the question and answer to the knowledge base, which then is automatically transferred into the knowledge base workflow to be published to the customer base. Our solution is enriched with many integrated features, such as

this, to give our clients a support experience that is as seamless as possible.

We recognize that providing superior support goes beyond one action; it is through the many tasks that must occur simultaneously to provide excellent customer support. It is through this acknowledgement and development of 12 support modules that best exhibits the innovative nature of our solution.

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TWST: What are the goals that have been set for the company for the next two or three years?

Mr. Chung: Our goal is to obtain a percentage of the SMB marketplace. Online support solutions will continually serve as an important business practice for businesses that wish to achieve a high level of customer retention and loyalty. For those businesses that have already initiated an online business model, it makes perfect sense to add an online support solution that can complement their existing business.

In addition to SMB market penetration, we would like to continuously seek out strategic partnerships. There are many technology platforms available; in order to ensure our clients are receiving the best support solution available we will open our doors to partner with these companies through the release of our new version Parature 6.0.

Partnering with the right technology platforms enables your infrastructure to build and deliver a strong product offering. For example, not being able to easily integrate with other products will cause a lot of potential problems because it costs the company the initial investment to build custom adaptors to make it work. However, if a company is able to select a technology platform early enough that they can scale with, and be able to open doors later on to integrate with other companies, that natural capability will always encourage the opportunity for strategic technology partnerships down the road.

TWST: What is the cost advantage, in general?

Mr. Chung: When you look at the ROI analysis for a hosted versus in-house/installed solution, it really is apples to oranges. When implementing an installed solution, companies need to keep in mind the total cost of ownership. With installed solutions you typically have costs associated with purchasing hardware and software. In addition, a company typically will need to hire an internal network IT person/team to manage the hardware and software that is involved in an in-house/installed solution to monitor, maintain and provide support as needed. So you’re talking about investing into an entire team to maintain an in-house/installed support solution that could cost several hundreds of thousands of dollars if not more. We’ve observed implementations that cost well

over \$1 million just because of all the resources required to maintain that installed solution.

By selecting a hosted support solution, such as Parature, you avoid all of these costs, saving you thousands, while still providing world class support.

TWST: Do you have the management team in place to handle all this?

Mr. Chung: I have been fortunate to have been able to assemble a management team that demonstrates the drive, vision and, most important, experience to succeed in this marketplace. A few of our all stars include:

Ching-Ho Fung, who serves as our Chairman and President, is a successful entrepreneur who comes from a wealth of experience in building startup companies. Prior to Parature, he started a company called Performix, which was later sold to Rational Software in 1995.

Calvin Lam, a co-founder and our Chief Technology Officer, is responsible for the great vision behind our support solution and the exciting future release of version 6.0, which is set to be announced this year in Q3. Parature 6.0 will completely revolutionize the way people view support solutions and be rebuilt from the ground up into a Microsoft. Net platform.

A recent hire is Lee Wang, Vice President of Sales, who comes to us from Blackboard, which specializes in e-learning software. Lee was one of the original employees of Blackboard Inc. During his tenure, Blackboard grew from a startup attempting to gain market share to a growing public company that dominates its market. Lee has experienced the many phases of a growing software company. His insight and direction has already become a vital element to the growth of our company.

And finally we have Cynthia Ogle, who is the Vice President of Marketing and comes to us with an extensive background in establishing companies as market leaders. If you look at our company relative to other support solutions in this on demand space, we see ourselves ahead of the curve in regards to branding and market penetration due to her instrumental marketing leadership.

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TWST: How would you describe the culture that you’ve tried to develop at Parature?

Mr. Chung: The management team acknowledges that the people working at Parature are our most important assets. Our corporate culture exudes an energetic and vibrant environment that strives to enable our employees the ability to be creative when developing new features, marketing and selling our software. We have a strong belief that if we invest the necessary resources and tools needed, our employees will succeed in achieving and accomplishing great things.

TWST: Do you have the financial resources to go ahead with what you want to do?

Mr. Chung: We've raised funds primarily through angel investors who have been very generous, and thus the results of our revenues have continued to grow from year to year since our inception. We are always looking to expand our operations, so we are investigating other avenues for capital. Strategically, when we feel the timing is right, we will seek those avenues. Until then, we will focus on continuously generating revenue from our business model.

TWST: What's the risk? What can go wrong?

Mr. Chung: As a hosted solution, the key risk involved is with Qwest Communications, our hosting provider. Should Qwest's operations be shut down temporarily or even permanently, our support solution would follow suit, leaving our clients without a support solution. We have taken the proper measures to ensure that our hosting facilities are backed up and are properly monitored. In addition to these measures, we have a protocol set in place that backs up all of our client's data.

We stand by our hosted delivery method by assuring our clients will receive an availability rate of 99.5%. Our belief is, since our clients depend on us daily for our technology, we hold ourselves responsible. Therefore we have invested a state of the art infrastructure to ensure that they receive our support solution 24/7/365.

TWST: And you're comfortable with your alliance with Qwest?

Mr. Chung: Absolutely. We are confident that Qwest along with Microsoft and our other technology partners deliver top notch products to ensure our clients are more than satisfied with our complete online support solution.

TWST: Is there anything else we should touch on?

Mr. Chung: As I had mentioned before, what built the success of this company has been the enormous talent we were able to employ. We have been fortunate to hire the right individuals who are passionate and energetic to make Parature's solutions work. This is the key to our success. With the culmination of our talent and product, I know we're ready to make a huge impact on the market for years to come.

TWST: Thank you. (TJM)

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