

## [ServiceSource's steep growth path](#)

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By Patrick Hoge

Sometimes it pays to hire a pro.

That truth is propelling scorching revenue growth for San Francisco-based ServiceSource Corp., which is increasingly taking over the service and maintenance sales operations for hardware and software companies and resellers.

It has been growing by an average of 38 percent for the last five years, and after a slowdown last year, expects revenue to grow 38 percent in 2010 to \$155 million.

"We're well on our way to a \$200 million-a-year-run rate," said ServiceSource Chairman and CEO Mike Smerklo, who anticipates reaching that goal this year.



The runway for growth is far bigger, however, according to Smerklo and industry watchers. Bob Igou, a research director for software support services at Gartner Inc., said ServiceSource is pioneering what could be an enormous market.

Gartner predicts that this year's spending on service and maintenance agreements will total \$142.4 billion, including \$84.6 billion on hardware agreements and \$57.8 billion on software.

ServiceSource, founded in 1999, claims \$5.5 billion in contracts under management and projects hitting \$500 million in revenue in 2014. Clients include HP, IBM, VMware, Avaya and Microsoft.

One competitor is publicly traded Rainmaker Systems Inc. of Campbell, which had revenue last year of \$47 million, but Smerklo said ServiceSource's main competition comes from companies believing they can do the job in-house. ServiceSource faces firms like San Francisco-based Encover Inc., which sells a platform for in-house operations, although Encover also targets outsourced services and can complement ServiceSource.

ServiceSource expects to hire 200 people by the end of the year, about 20 of them at the company's SoMa neighborhood headquarters, where the headcount is 250. Many of the other hires — which will total 500 over the next 12 months — will be in new service centers in Liverpool, U.K., and Kuala Lumpur, Malaysia.

The company already has 1,300 employees, up from just over 800 a year ago, with offices in Denver, Nashville, Dublin, Ireland and Singapore, which opened last year and now has 150 people.

Paul Lopez, general manager of corporate service operations for NEC Corp. of North America, said that 18 months ago he started experimenting with ServiceSource on smaller contracts. The improvement was so significant that Lopez last fall gave ServiceSource all of sales of NEC's Cisco-related maintenance and service business.