Seven Best Practices for Preparing Your SaaS Offering for Third-Party Distribution

AppDirect

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Introduction

The cloud services market is hot, particularly when it comes to Software-as-a-Service (SaaS). Successful companies in the SaaS industry are growing faster than ever.

Consider GuideSpark, an employee communications platform provider, which grew its annual recurring revenue from $1.5 million to $20 million in just two years.[1] Founded in 2008, New Relic, a company that provides application performance monitoring solutions, went public in 2014 and now has a market capitalization of $1.5 billion.[2]

Not only is this type of rapid growth desirable, it's imperative for independent software vendors (ISVs). According to McKinsey & Company, "super growers"— software and online services companies whose growth was greater than 60 percent when they reached $100 million in revenues—were eight times more likely than "stallers" (less than 20 percent CAGR) to grow from $100 million to $1 billion, and three times more likely to do so than "growers," which saw between 20 and 60 percent CAGR. Moreover, increases in revenue growth rates drive twice as much market-capitalization gain as margin improvements for companies with less than $4 billion in revenues. Most telling, the stallers had a 92 percent chance of going out of business within a few years.[3]

It's clear that for any young software company, revenue growth has to be the number one focus. However, it can be difficult to achieve the kind of rapid growth your business needs when you're doing it all on your own. By making your cloud-based software ready for third-party distribution, you can reach millions of business users through application marketplaces, significantly expanding your reach and creating new revenue streams through indirect channels.

DISCUSSION AREAS

› Taking Advantage of Cloud Service Marketplaces

› Readying Your Applications for Third-Party Distribution

› Technology Best Practices

› Business Best Practices

1   "How Has The SaaS Industry Changed Over The Last 5 Years?" Jason M. Lemkin, on Quora, October 9, 2014.
2   "New Relic's Growth Playbook from Startup to IPO," Morgan Brown, GrowthHackers, 2015.
3   "Grow Fast or Die Slow," Eric Kutcher, Olivia Nottebohm, and Kara Sprague, McKinsey & Company, April 2014.

This white paper—written for software developers, product managers, and business development/channel sales teams—highlights the ease with which ISVs can ready their applications for third-party marketplaces. It describes seven best practices to follow for streamlined integration and optimal business success with third-party distribution channels.

Taking Advantage of Cloud Service Marketplaces

For ISVs looking to grow rapidly, it can pay to expand distribution channels beyond their own, direct-sales capability. Third-party channels can lower the cost of customer acquisition while expanding your reach to a broader audience. In addition to greater revenue potential, indirect channels can also help you take advantage of specialized industry knowledge or expand into international markets. Increasingly these third-party channels take the form of cloud service marketplaces.

Red Hat's OpenShift Marketplace, the Samsung KNOX Marketplace, and the Salesforce.com AppExchange are just a few examples of cloud service marketplaces. These types of marketplaces give broad exposure to the applications they include, and the one-stop shopping approach makes it easy for buyers to purchase and use applications. For instance, the OpenShift Marketplace lets buyers shop for databases, email delivery services, messaging queues, application performance monitoring, and more—all in one place.

Aside from attractive benefits for buyers, cloud service marketplaces also provide a compelling third-party distribution channel for ISVs, particularly when the marketplace platform makes it easy to showcase products, update pricing and editions, and manage the customer lifecycle.

Readying Applications for Third-Party Distribution

To take advantage of a third-party cloud service or application marketplace, you will need to address both technical and business integration requirements. That may sound daunting, but don't worry: The effort to integrate can be fairly minimal and the business case extremely strong.

In fact, by following best practices and using open standards, most companies can accomplish the integration with marketplace platforms in two to six weeks' time based on the efforts of a single developer. Top-performing ISVs using agile development methods have accomplished the necessary changes within days.

The deciding factor when it comes to effort and easy integration is whether your software supports open standards and application programming interfaces (APIs). Using open standards and APIs enables you to integrate once to run on any

MARKETPLACE PARTICIPATION IS POPULAR

Sixty-eight percent of cloud service companies list their applications in marketplaces and 31 percent operate their own app marketplaces.[*]

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number of platforms, versus undertaking a development effort for integration with each individual platform or marketplace where you'd like your application to be offered. In addition, using APIs lowers the administrative burden of managing applications while allowing them to scale much faster. Finally, APIs can help you integrate your product beyond marketplaces, enabling other companies to resell your solution as well.

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There are a few standards in particular that you should plan to support if your application doesn't already:

> **OpenID:** OpenID allows users to use an existing account to sign into multiple websites or applications without needing to create new usernames and passwords for each. Supporting this standard enables your software to take part in a single sign-on (SSO) capability offered by a marketplace, which can improve both usability and security, while reducing efforts for application administrators.

> **SAML:** SAML (Security Assertion and Markup Language) is an XML-based open-standard for exchanging authentication and authorization data. SAML 2.0 is used to enable web-based authentication and authorization scenarios, including SSO.

> **RESTful APIs:** Representational State Transfer (REST) is a software architecture style for creating scalable web services. RESTful APIs do not require the client to know anything about the structure of the API; the server provides whatever information the client needs to interact with the service. Platforms for marketplaces can use RESTful APIs for services such as subscription and access management.

> **OAuth:** OAuth provides secure API authorization in a simple and standard method from web, mobile, and desktop applications.

Seven Best Practices for Making Your Software Distribution-Ready

Offering your software through third-party marketplaces creates some distinct differences in managing the customer lifecycle compared to when you sell directly through your own sales force or website. For instance, there are some aspects of the customer lifecycle that are now streamlined or eliminated for your company when selling via third-party marketplaces; user management is one example, which is handled centrally by the marketplace platform. Other areas of the customer lifecycle that are impacted include the business aspects of your software, such as contract negotiation, pricing, and offer bundling.

The following best practices can help you better understand both the business areas you need to think about as well as the technical integration process for enabling your software or service to participate in a cloud service marketplace.

Technology Best Practices

BEST PRACTICE #1: ACCOUNT PROVISIONING

One of the major benefits of a cloud service marketplace is that it provides one-stop shopping, allowing users to purchase, upgrade, downgrade, and cancel application subscriptions from one control panel. The speed and ease of provisioning your application is an important part of delivering a great customer experience in the marketplace. This means that your application should allow immediate provisioning once a business user has made the purchase. For this, you'll need to enable or develop an automated, synchronous API call to create an account and provision the user instantaneously.

Make it easy for the buyer by asking for as little information as possible upfront. A good best practice is to provision a new account with only first name, last name, and an email address. Then have users go through a set-up wizard the first time they log in to collect any additional information your company needs.

BEST PRACTICE #2: USER MANAGEMENT

Another customer benefit of cloud service marketplaces is that user management can be centralized, with one portal providing user management capabilities across all the customer's applications purchased via the marketplace. For instance, an administrator can assign permissions to users across applications without having to log into each individual application.

That's why it's become a best practice for ISVs to support centralized user management when distributing their software via marketplace portals. You can enable this capability through an API from the marketplace vendor.

BEST PRACTICE #3: ACCESS MANAGEMENT

Another benefit of one-stop shopping in cloud service marketplaces is the ability for the business to easily manage onboarding and account access. For instance, it takes one click to make a new CRM application available to the sales team or to give the marketing team access to a new email marketing solution. If a user leaves the company, the business can immediately revoke access to all relevant applications.

Using open standards such as OpenID and SAML, marketplaces allow users to take advantage of single sign-on (SSO), enabling users to log in once to access multiple applications. SSO can also simplify access by allowing users to use their Google or Facebook login credentials. If your software doesn't already support SSO, you should consider adding the capability. Working with marketplaces that support open standards such as OpenID enable you to add an SSO capability once and not incur substantial new development efforts for each subsequent marketplace integration.

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BEST PRACTICE #4: MOBILE CLIENT ACCESS

If your company also offers a mobile client, you'll want to make sure that the client is SSO-ready as well. Using OpenID to enable access from your mobile client makes it easy and seamless for users so that any core, downloadable product is quickly accessible to them.

BEST PRACTICE #5: SCALABILITY & AVAILABILITY

As an ISV with cloud-based/SaaS offerings, you're probably already keenly focused on the performance and scalability of your application. As you know, the availability and performance of your system has a strong impact on the customer experience. When you prepare your software for sale via a third-party marketplace, you also need to focus on performance, scalability, and availability as you prepare to potentially add significant numbers of new users to your application.

The best practice here is to make sure that you build the integration to the marketplace platform in a way that is highly scalable and provides high availability. From a development perspective, by dynamically accepting API calls instead of hard coding for a specific partner platform, you can make sure that you're not impacting performance of your application. Using API calls instead of hard coding integration for one partner also lets you avoid the incremental work required to support additional partners.

Business Best Practices

BEST PRACTICE #6: MERCHANDISING

When you offer your software via third-party marketplaces, you should strive to make the purchase process for business users as quick and painless as possible. To do this, you need to maintain consistency by offering the same pricing on app marketplaces as your own native website. If a potential customer sees that there

are different prices available outside the marketplace, it's no longer a one-stop shopping experience and instead becomes a bargain hunt, negating the benefits of the marketplace for centralized shopping, purchase, billing, subscription management, and administration of applications.

Another way to simplify the purchase decision and process is to consider bundling your products and capabilities into a single offering versus offering add-on modules or separate products and product options that might confuse the buyer or complicate the purchase.

BEST PRACTICE #7: BUSINESS OPERATIONS

Traditionally there have been long cycles for legal contracts when it comes to reselling software, but today's cloud service marketplaces should offer a shortened, automated alternative. This is particularly important as companies that offer these marketplaces grow their reseller networks, creating a multi-tier sales environment for your software. A multi-tier marketplace with global resellers increases the exposure for your solutions exponentially as the reseller network expands.

When making the partnering decision for integrating and partnering with a third-party marketplace, look for automation that supports multi-tier distribution through reseller networks as well as electronic contract capabilities featuring streamlined agreements. This will give you a push-button capability to add your software to additional marketplaces as they become available.

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Conclusion

Public SaaS companies grew at a rate of 28 percent in 2014 versus eight percent for on-premises-based software, while private SaaS companies have grown an astounding 37 on average.[4] If your company wants to grow at the rate its stakeholders need and desire, it may be high time to begin utilizing third-party distribution via cloud service marketplaces.

The best practices and open standards described here will help you prepare your software and your business for offering your SaaS applications via cloud service marketplaces. The best marketplaces will make it as easy as possible for you to integrate and reach a broader audience for your service. As the number of marketplaces grows, it's important to choose partners that make it easy drive revenue. With AppDirect, one integration can power global sales and distribution. Contact us to learn more.

4 "2014 Pacific Crest SaaS Survey – Part 1," Pacific Crest for For Entrepreneurs, October 9, 2014.

ABOUT APPDIRECT

AppDirect is the leader in cloud service commerce making software accessible globally. The AppDirect Cloud Service Commerce Platform unites providers, developers and consumers of cloud services into a single ecosystem. This makes it easy for businesses to find, buy, and manage cloud services from a central location and delivers new opportunities to distribute, sell, and market cloud services.

AppDirect-powered marketplaces, billing and distribution, and reselling services help providers—including Telstra, ADP, Samsung, Deutsche Telekom, Cloud Foundry, Rackspace, and others—connect millions of businesses to solutions from Google, Box, DocuSign, Intel Security, and more.

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