

# Best Practices for App Marketplaces: Assisted Sales

How Sales Organizations Can Boost Conversions in the  
Cloud

## Introduction

### Sales and the SMB Software Revolution

Today's small and medium-sized businesses (SMBs) are driving a software revolution. Just a few years ago, these companies went to retail locations to buy software, install it, and configure their systems to run it—or hire someone to do all of this for them. Now SMBs can simply go online to purchase and use powerful cloud-based software solutions.

In fact, more SMBs than ever before are turning to these cloud solutions. Recent research indicates that 60 percent of SMBs currently use cloud services, a number that is set to grow rapidly within the next few years.<sup>1</sup> Sparked by this growth, the worldwide market for SMB cloud computing is predicted to reach \$40 billion by 2014.<sup>2</sup>

Software providers are already starting to see real evidence of these trends. In late May 2013, Microsoft announced that the cloud-based version of its flagship productivity suite, Office 365, reached one million subscribers in 100 days, faster than Dropbox and Facebook. Microsoft's numbers translate to an average of more than one Office 365 subscription sold every second for three and a half months.<sup>3</sup> (Office 365 is explored in greater depth later in this paper.)

**SMBs crave the assistance of a helpful, knowledgeable sales team when making software purchasing decisions.**

Despite this shift in buying habits, the fundamentals of software sales remain the same. Half of all SMBs still prefer to purchase software from providers with local personnel, and fully a third believe this is critical. In other words, SMB cloud adoption has been strong, but it could be even stronger with the right type of sales resources in place. In short, SMBs crave the assistance of

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<sup>1</sup> Spiceworks, "State of SMB IT 1H 2013: Semi-Annual Report On Small And Midsize Business Technology Plans & Purchase Intent"

<sup>2</sup> McKinsey & Company, "Recall No. 18: Outlook-Overcast and Bright: How the Cloud Is Transforming IT for SMBs," 2011

<sup>3</sup> techradar.com, "Microsoft's Office 365 Home Premium races past one million users," by Kane Fulton, May 31st, 2013

a helpful, knowledgeable sales team when making software purchasing decisions.

SMBs claim they want a personalized buying experience, but does this approach translate to cloud service marketplaces and help to drive sales? This white paper discusses several key aspects of this question, including:

- Conversion rates for retail, e-commerce, and cloud service marketplaces
- Opportunities for increased revenue created by assisted sales
- Tactics to enable assisted sales
- Potential for large, multi-year contracts using Microsoft Office 365 as an example
- Options for building an assisted marketplace sales program

After exploring these issues, the conclusion is clear: Assisted sales play a critical role in driving marketplace revenue, as well as helping to educate customers about the benefits of using cloud-based software. This white paper presents information on how assisted sales can drive successful marketplace monetization, and details strategies for implementing assisted marketplace sales cost effectively.

## Marketplace Demand Rises, but Success Isn't Guaranteed

As SMBs increase demand for cloud-based apps, cloud service marketplaces are increasingly common. According to Gartner, 50 percent of the top 100 service providers will offer cloud services to their customers by 2015.

### Inbound Versus Outbound Assisted Sales

When discussing assisted sales, it is important to make the distinction between outbound and inbound sales. This paper focuses exclusively on inbound assisted sales. For these types of sales, effective teams often follow best practices that include:

- Fielding inbound customer interest with live sales and support
- Training sales team members on the value proposition of core applications
- Providing customer data that allows sales team members to suggest applications
- Enabling sales team members to include free application trials with popular core services

These stand in stark contrast to costly, time-consuming outbound assisted sales activities, such as:

- Cold calling prospects
- Creating large, expensive outbound sales teams
- Isolating assisted sales from existing sales channels

Since providers often have large existing customer bases, outbound sales tactics are less necessary. Using the inbound assisted sales best practices outlined above will often yield the best initial results.

“Service providers really do not have a choice,” the analyst firm adds, “but must offer cloud services to protect their current market and to stay connected to their customers.”<sup>4</sup>

Despite the surge of marketplaces, SMBs still face challenges purchasing and managing cloud-based applications. Almost 60 percent of SMBs say they lack the resources to implement new technologies, while 57 percent say they simply don’t have the time to do so.<sup>5</sup>

For these reasons, service providers are ideally positioned to become SMBs’ cloud partner of choice. These providers already serve an important role for SMBs, offering essential business services—including Internet, voice, and mobile—that companies rely on. For busy SMBs, the option of turning to a trusted provider for cloud solutions can not only save time, but also make cloud adoption less intimidating.

Despite this interest and rising demand, simply launching an application marketplace doesn’t guarantee it will thrive. As any businessperson knows, there’s more to success than setting up shop and waiting for customers to appear. Whether a major retail chain, a startup e-commerce site, or an app marketplace, every business needs a strategy to attract prospects and convert them to paying customers.

### Cloud Services Brokerage Opens Opportunities for Providers

Cloud services brokerage (CSB) is a model where providers add value to cloud services to help consumers utilize these services more effectively. CSBs help customers aggregate, integrate, and customize cloud-based services from multiple vendors and deliver them as a whole solution to end users—through application marketplaces, for example—streamlining the experience across the board.

To do this, CSBs can unify and simplify numerous other processes, such as single sign-on (SSO), so end users can access a number of different services from one portal, as well as invoicing, payment processing, customer tracking, and more.

By 2015, CSBs will represent that single largest revenue growth opportunity in cloud computing, with the overall global CSB market growing to \$10.5 billion by 2018, a 46 percent increase over 2013.

*Source: Talkin’ Cloud, “Cloud Services Brokerage Company List and FAQ,” by Joe Panettieri, March 15, 2013*

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<sup>4</sup> Gartner, “Predicts 2012: CSPs Need to Redefine Their Business Scope and Focus on the Operational Efficiency,” November 15, 2011

<sup>5</sup> Microsoft Report: SMB Business in the Cloud 2012

## The Question of Conversions

What makes people buy? A host of multi-billion dollar industries—from advertising, to market research, to user testing, and more—have sprung up to answer this all-important question. For brick-and-mortar stores, decades of observation and experimentation have generated volumes of data on how to maximize sales. Loss leaders, endcap placements, altering the flow of foot traffic; these are just a few of the methods that retailers have found to be effective.

More recently, technologies to optimize e-commerce have bloomed. Armed with data and the ability to tweak the buying experience with unprecedented speed, web-based retailers can rely on a mountain of best practices to improve purchase flows, conduct A/B testing, craft content for search engine optimization (SEO), conduct search engine marketing (SEM) campaigns, and more.

In contrast, reliable information on driving sales in application marketplaces is much harder to come by. This is partly because the technology is so new—the first mainstream marketplace, Apple's App Store, was launched in 2008—and partly because they are unique buying environments. While app marketplaces incorporate elements of ecommerce, they are also part of larger ecosystems whose boundaries are determined by end-user devices, including smartphones, tablets, and web browsers, and operating systems such as Android, iOS, and Windows.

### Retail vs. Web Conversion Rates

A broad survey conducted in 2012 found that the average conversion rate for retail chains was 2.7 percent, while the average for web-only retailers was 3.4 percent.

*Source: InternetRetailer.com, "Catalogers book the highest conversion rate in the Top 500," by Kevin Woodward, April 29, 2013*

The nature of application sales adds even more layers of complexity. Free mobile apps, for example, have an average conversion rate of 10 percent, significantly higher than the average one percent conversion rate for paid apps. For cloud-based applications—also called Software-as-a-Service (SaaS) apps—industry data reveal differences between apps that require a credit card at sign up and those that do not. For credit card-required SaaS

apps, the average conversion rate is about two percent; for non credit card SaaS apps, the rate is about 10 percent, similar to free mobile apps.<sup>6</sup>

With these complicating factors in mind, it can be difficult to determine successful marketplace conversion rates, let alone chart a strategy to increase them. However, utilizing assisted sales to sell applications is proving to be an extremely effective strategy for marketplace owners.

## The Power of Assisted Sales for Marketplace Products

A skilled sales team can be a powerful asset in almost any sales situation, including selling SaaS apps through a web-based marketplace. In fact, as more SMBs transition to the cloud, creating a "white glove" experience will be one of the most valuable services providers can offer. Rather than just making a one-off sale, the ability for sales teams to be expert cloud consultants to their SMB customers will be an increasingly important differentiator for service providers.

At first, assisted marketplace sales may seem counterintuitive, since online sales of any kind are often considered to be low touch or even completely self service. However, buyers still need expert guidance when it comes to selecting cloud services. SaaS may seem confusing or technically daunting to customers who are used to installing disk-based software on local computers and servers.

In fact, assisting customers with SaaS purchases can drive conversions—and revenue—in a number of ways. Specifically, assisted sales allows providers to:

**As more SMBs transition to the cloud, creating a "white glove" experience will be one of the most valuable services providers can offer.**

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<sup>6</sup> Totango, "2012 SaaS Conversions Benchmark," PDF report

## **1. Gain access to new customers and channels**

SMBs are among the most eager adopters of cloud services, outpacing enterprises by 10 percentage points.<sup>7</sup> By utilizing assisted sales to sell cloud services, providers can rely on their existing teams to reach new customers far more quickly than building an organization from scratch.

## **2. Sell more complex, lucrative marketplace products**

Cloud-based applications can be sophisticated, enterprise-grade software solutions with complicated pricing structures to match. Buyers need assistance to determine which products best meet their company needs, including how many seats they require, how many gigabytes of storage they may use, and similar SaaS-specific considerations. These sales can often drive average revenue per user (ARPU) significantly higher.

## **3. Enable sales to larger SMBs**

When a business has one or two employees, the decision to use cloud-based software is often easy, since the customer doesn't need to worry about app provisioning, password management, and other headaches that can plague bigger companies. For larger SMBs, uncertainty about these issues can be a major barrier to widespread cloud adoption. A knowledgeable sales team can answer questions for customers like these and serve as a point of contact as they move more of their business operations to the cloud.

## **4. Increase conversions by directly educating customers about the value of SaaS**

Even though SaaS has been a reality for a more than a decade, SaaS applications were once considered to be enterprise-only solutions. In recent years, an increasing number of SaaS providers have started catering to SMBs, but many of these small to medium-sized companies are not fully aware of the value that cloud-based apps can deliver. Explaining how cloud-

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<sup>7</sup> McKinsey & Company, "Recall No. 18: Outlook-Overcast and Bright: How the Cloud Is Transforming IT for SMBs," 2011

based applications work and the types of benefits they offer—from lower costs to time-savings and more—can help substantially boost conversion rates.

## 5. Drive future online sales by encouraging legacy buyers to self serve at marketplaces

Buyers may need some assistance to purchase and get SaaS applications up and running, but after the initial process, many will be able to return to the management portal to purchase additional seats and provision users on their own. In this way, assisted marketplace sales are not only an effective way to increase conversions, but also showcase how easy to manage SaaS apps can be.

**After the initial assisted sales process, many customers will be able to return to the portal to self serve and purchase additional products.**

These possibilities are compelling in theory, but can they actually be achieved? The next section describes several key tactics to make these advantages a reality.

## Tactics for Assisted Sales Success

There are several key tactics that service providers can implement to help ensure success with their assisted sales efforts.<sup>8</sup> They include:

### 1. Direct integration with the call center

As an API-driven solution, the AppDirect platform can be easily integrated with a range of existing technologies. A provider's call center systems can be integrated to the AppDirect platform, which allows phone representatives to use technology that they are already familiar with to sell marketplace applications. Moreover, the integration makes it possible for customer and billing data to be kept up to date in real time across the provider's and AppDirect's systems.

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<sup>8</sup> Tactics assume the use of a sophisticated, feature-rich cloud service marketplace technology, such as the AppDirect platform.



## 2. Offering well-known anchor applications

The AppDirect Network offers more than 120 high-quality applications that service providers can sell on their marketplaces, including cloud solutions from Symantec, Box, Microsoft, and Google. Given the flexibility of the AppDirect platform, providers can also integrate new applications from almost any software vendor they choose.

Instead of offering as many apps as possible, many service providers realize greater benefits from concentrating on a limited number of leading business applications. This curated approach encourages customers to purchase a small number of anchor products. With only a few well-known apps to choose from, users do not feel overwhelmed and have greater confidence in their purchase decisions. Moreover, some customers may already be familiar with these apps, increasing their comfort level even more.

**Instead of offering as many apps as possible, service providers may realize greater benefits from concentrating on a limited number of leading applications.**

## 3. Investing in product and sales training with software vendors

When considering SaaS applications, cloud-wary customers often not only have questions about how web-based apps work in general, but also want to know the ins-and-outs of particular solutions. Training is essential to help sales teams address a broad spectrum of questions and concerns.

Working with software vendors to train sales teams can be an extremely effective. Steeped in knowledge directly from the experts, provider sales teams are well positioned to tout the features of each application as well as answer any additional questions customers may have.

# Overcoming Sales Team Objections

## The Example of Microsoft® Office 365

When many people think “apps,” they imagine 99-cent games you play on your smartphone. Sales teams may have the same impression, which means they might balk at selling such low-ticket, low-commission items. Given this

perception, some salespeople may resist selling apps even with a powerful marketplace platform and proven selling tactics.

However, business applications are in an entirely different class than one-off mobile app downloads. Business app sales can be large, multi-year contracts that provide recurring revenue. To see just how much business application sales differ from mobile apps, consider Microsoft Office 365.

**Business app sales can be large, multi-year contracts that provide recurring revenue.**

Launched in 2011, Office 365 is the cloud-based version of Microsoft's widely used productivity suite. Office 365 is a complex product that offers different applications (such as Word, PowerPoint, Excel, Outlook, and more) and different editions (Enterprise, Education, and Government, among them) that are priced per user.

Take Office 365 Enterprise edition as an example. This version is priced at \$20 per user per month and requires an annual commitment, which means the yearly cost per user is \$240. Even a relatively small enterprise—with, say, 30 employees—will spend \$7,200 per year on Office 365, a sizeable contract. Going further, an enterprise with 100 employees will spend \$24,000 on Office 365, a company with 500 employees will spend \$120,000, and so on.

With larger dollar amounts like these at stake, most businesses will be hesitant to switch from the familiar disk-based version of Microsoft Office to the cloud-based version without advice and assistance. Clearly, the sales team is an essential part of the purchase process.

To facilitate complex sales like these, sales team members need to be educated about SMB concerns, general issues surrounding SaaS, and have a deep knowledge of the particular apps, like Office 365, that a marketplace offers. As mentioned above, this is an area where partnering with software vendors to conduct trainings can be particularly useful.

The provider and its sales team also need to consider customer expectations. With the “traditional” version of Office, customers are accustomed to installing the software, entering a license key, and having immediate access to the application suite. Providers should ensure that its sales team can provision cloud-based software in a similarly fast and easy way. Again, as mentioned previously, integrating the marketplace platform with the call center is one way to provide a seamless experience for both sales and the customer alike.

## Building Your Marketplace Assisted Sales Program

### Options to Consider

Rather than build out a new team to find and develop new prospects, relying on your existing sales organization can be a much more effective strategy. Members of your sales team can then develop in-house knowledge and expertise to sell SaaS applications to customers that already turn to them for trusted advice.

However, if implementing a fully integrated assisted sales program seems daunting—particularly if your organization is large or distributed globally—it may be a better idea to consider the options for a phased rollout approach.

In fact, there are a variety of options across several important areas that require different levels of time and investment of resources. Outlined in the matrix below, these variables help providers find the level of commitment (or “weight”) that works best for their sales organizations.

### Build a Marketplace or Work with a Provider?

Even with skilled in-house technical resources, building an application marketplace platform from the ground up can be a difficult task. Recruiting staff with the right skill sets, competition from other projects, securing executive buy-in—all of these can be obstacles.

Working with a Marketplace-as-a-Service (MaaS) provider can eliminate these barriers. Similar to other “as-a-Service” (XaaS) offerings—such as Infrastructure-as-a-Service (IaaS) or Platform-as-a-Service (PaaS)—a MaaS solution allows companies to configure and launch cloud service marketplaces quickly while avoiding the cost of additional staff and hardware.

However, not all MaaS solutions offer the features and functionality that providers need to be successful. Carefully consider a MaaS provider's technology, expertise, and experience before making a decision.

In-House Development	Marketplace-as-a-Service
Need to recruit skilled development staff	Platform is pre-built by expert team
Must devote resources to continuous updates and improvements	All maintenance and upgrades completed by provider
Distracts from core business, competing projects	Allows IT to focus on mission-critical projects
Need to purchase, deploy additional infrastructure with risky CapEx investments	Hosted offsite, no capital expenditures needed with a predictable OpEx model

For example, looking at the “Initial offering through channel” row heading, a lightweight option would involve selecting two or three anchor applications to sell through the marketplace. This would be the easiest choice to start implementing an assisted sales program.

The middleweight option, on the other hand, would be to sell these anchor products as well as product bundles, offerings that could be used to target certain customer segments and would potentially offer discounts. Finally, the heavyweight option would involve offering anchor products, bundles, as well as other applications available through the AppDirect Network or integrated separately. This would be the most time- and labor-intensive choice because it would not only require the most integrations, but also the most resources devoted to training.

**Rather than build out a new team to find and develop new prospects, relying on your existing sales organization can be a much more effective strategy.**

	Lightweight	Middleweight	Heavyweight
<b>Training on product &amp; platform</b>	<ul style="list-style-type: none"> <li>Partner trains on products and marketplace</li> </ul>	<ul style="list-style-type: none"> <li>ISV trains on product</li> <li>MaaS provider trains on marketplace</li> </ul>	
<b>Initial offering through channel</b>	<ul style="list-style-type: none"> <li>2-3 anchor products</li> </ul>	<ul style="list-style-type: none"> <li>2-3 anchor products</li> <li>Bundles</li> </ul>	<ul style="list-style-type: none"> <li>2-3 anchor products</li> <li>Bundles</li> <li>All other</li> </ul>
<b>New vs. existing customers</b>	<ul style="list-style-type: none"> <li>Existing customers</li> </ul>	<ul style="list-style-type: none"> <li>New customers</li> </ul>	
<b>Order support / provisioning</b>	<ul style="list-style-type: none"> <li>Call in order for CSR to enter into sales portal</li> <li>Follow-up call to review</li> </ul>	<ul style="list-style-type: none"> <li>Complete integration to enable reps to enter orders into their own tools</li> </ul>	
<b>Commission structure</b>	<ul style="list-style-type: none"> <li>Utilize existing commission structure</li> </ul>	<ul style="list-style-type: none"> <li>Adapt NRC and MRC commissions to reflect multiple user emphasis</li> <li>Emphasize initial penetration of account</li> <li>Emphasize penetration of sticky anchor product</li> </ul>	

With a phased approach, additional, heavier-weight options can be implemented over time, a strategy that gives provider sales organizations, as well as companies as a whole, time to adjust to new processes and products.

## Conclusion

As the SMB software revolution continues to gain steam, assisted sales will play an important role in both driving marketplace revenue and helping customers find the most relevant, useful solutions for their businesses. With the best practices discussed in this paper—including tactics to enable assisted sales as well as options for implementation—any provider can begin to develop a practical plan to make assisted sales part of its cloud service marketplace strategy.

## Learn More

AppDirect has worked with trusted providers around the world to launch application marketplaces and implement best practices to help them succeed. To learn more, contact an AppDirect sales representative by emailing [sales@appdirect.com](mailto:sales@appdirect.com) or calling (415) 852-3919.

#### The AppDirect Advantage: Industry Leading Platform and Expertise

AppDirect is the leading cloud service marketplace company. Our innovative platform offers the advanced functionality that companies need to launch and manage their cloud service marketplaces effectively. With AppDirect, companies can launch a fully branded, customized application marketplace without the time and expense associated with developing a solution in house. We power application marketplaces for trusted enterprises around the world, including Staples, Deutsche Telekom, TeliaSonera, Swisscom, and more.

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