



Putting the Cloud Within Reach

How Service Providers Can Succeed with Business Application Marketplaces

Introduction

Few topics in technology seem to generate as much buzz as cloud computing. For small and medium-sized businesses (SMBs), however, the cloud is far more than just the latest trend; it's a tool that is fundamentally reshaping how many SMBs run their companies and the results they can achieve. By delivering cost-effective, on-demand computing power and capabilities, the cloud is dissolving the advantages long held by enterprises, and leveling the playing field for millions of SMBs around the globe.

This trend presents a tremendous opportunity for telecom companies and other service providers (SPs) of all sizes. Faced with tough resource constraints, SMBs need partners who can help them find and manage cloud services effectively, and SPs are ideally positioned to provide this assistance. But how can SPs serve SMBs when they, too, often have to contend with limited time, budgets, and other resources?

The answer is simple: cloud service marketplaces provided “as a service.” These web-based application stores—where users can find, purchase, and manage cloud-based software and services—are an ideal solution. Application marketplaces enable SPs to get to market quickly and launch a marketplace with a software delivery platform in a matter of months, instead of the years required to develop a portal from scratch.

This white paper will explore SMB cloud adoption and explain why SPs are perfect candidates to become SMB partners of choice for cloud solutions. It will also detail the elements of a successful cloud service marketplace as well as the technical challenges that SPs need to consider. Finally, the white paper will discuss the pros and cons of developing a solution in house versus working with an application marketplace platform provider.

SMB Cloud Adoption and Opportunity

More SMBs than ever before are using cloud-based software and services. Given the benefits that cloud computing offers—lower costs, easier management, and time savings, among many others—it's no wonder that more SMBs are moving their operations to the cloud, or at least exploring the possibility. In fact, recent research has found that 44 percent of SMBs are using paid cloud services, and 65 percent plan to use cloud software in the next two to three years.¹

SMBs are also proving to be eager cloud adopters. Far from nervously testing the waters, small businesses are jumping in feet first and using multiple cloud-based tools. Current cloud users have adopted an average of four services, a number that's set to rise to six services over the next two to three years. Moreover, a recent survey found that 80 percent of SMBs that use at least one cloud service will go on to adopt multiple cloud tools.² Based on these numbers, it's not surprising that SMB cloud adoption is outpacing enterprise cloud growth by almost 10 percentage points.³

All of these facts and figures culminate with one key statistic: By 2014, the global market for SMB cloud computing is predicted to be \$40 billion.⁴ Clearly, the SMB cloud will continue to enjoy explosive growth. For service providers, this presents a tremendous opportunity to provide SMBs with, and facilitate the use of, cloud-based software and services.

Service Providers: Ideally Positioned for the SMB Cloud Opportunity

Despite their enthusiasm for the cloud, many SMBs still face challenges procuring and deploying cloud services. Almost 60 percent of SMBs say they lack the resources to implement new technologies and applications, while 57 percent say they have the resources but simply don't have the time to start using cloud-based services.⁵ To overcome these barriers, SMBs need partners who can make it easy to purchase and manage cloud tools.

Service providers are in an ideal position to become SMBs' partner of choice for cloud-based software and services. SPs already serve an important role for SMBs, delivering essential business services—such as Internet, voice, and mobile—that many companies rely on. For busy SMBs, the option of turning to an established provider for cloud software can not only save valuable time, but can also make cloud adoption seem less daunting. For this reason, it should come as no surprise that most SMBs believe it's important to buy technology services from providers with a local presence, presumably because local partners may be more trusted and provide more hands-on guidance. In fact, 31 percent of SMBs feel this is critical.⁶

Service providers have extensive customer support resources that can provide the localized experience SMBs crave. Beyond that, SPs have several other advantages that make offering cloud services a natural fit for their industry. Thanks to the types of business services they provide, SPs often have a sizable SMB customer base and experience addressing its concerns.

SMB Cloud Adoption

- 44% of SMBs currently use cloud services
- 65% of SMBs will use cloud services in the next 2-3 years.
- SMBs use an average of 4 cloud services.
- SMBs will use an average of 6 cloud services in the next 2-3 years
- 80% of SMBs that use at least one cloud service go on to use multiple services
- The global market for SMB cloud computing will reach \$40 billion by 2014.

Sources: Microsoft Report: SMB Business in the Cloud 2012; McKinsey & Company; "RECALL No. 18: Outlook-overcast and bright: How the cloud is transforming IT for SMBs," 2011

A Recent Survey of SMB Found

SMBs are hungry for partners who can help them find and use cloud services.

- 60% lack the resources to implement new applications
- 57% have resources but lack the time to deploy new technology
- 31% prefer to obtain technology from local providers

Source: Microsoft Report: SMB Business in the Cloud 2012

Moreover, SPs operate robust infrastructure that allows them to offer strong end-to-end service level agreements (SLAs) and give SMBs reliable, secure connectivity and service.

For SPs, adding cloud solutions to their selection of SMB products and services—or better yet, bundling them together—is more than just a smart business decision; it is an essential strategy that is defining the future of the SP sector. According to Gartner, 50 percent of the top 100 SPs will offer cloud services to their customers by 2015.⁷ To underscore its prediction, Gartner adds, “[SPs] really do not have a choice, but must offer cloud services to protect their current market and to stay connected to their customers.”⁸

As Gartner makes clear, the idea that service providers should offer cloud services is not really in doubt. Instead, the question is this: How can SPs deliver cloud-based software and services in a way that appeals to customers and fits in with larger business strategy, all while remaining cost effective?

“[SPs] really do not have a choice, but must offer cloud services to protect their current market and to stay connected to their customers.”

Grego Petri and Alex Winogradoff, Gartner

Source: Gartner, “Predicts 2012: CSPs Need to Redefine Their Business Scope and Focus on the Operational Efficiency,” November 15, 2011

Cloud Service Marketplaces: Creating the Ecosystem for Effective Software Delivery

Before the emergence of the cloud, business software distribution was relatively labor intensive. Larger companies would often work with third-party resellers to purchase and implement software solutions, while small business owners would drive to a store, pick up a shrink-wrapped software package, and install it themselves. Both of these approaches present obvious headaches, from the time and effort required to vet and consult with resellers, to the hassle of procuring physical software and installing it.

Cloud-based distribution, on the other hand, has revolutionized the way people find, purchase, and manage software. For an illustrative example, look no further than your mobile phone or tablet device. Consumer application stores—like Apple’s iTunes and App Store, or Google Play for Android devices—have made software distribution and management incredibly easy, sparking a multi-billion dollar industry where millions of people around the globe download thousands of games and productivity apps every minute of every day.

Web-based application stores have been around for a decade or more, but their recent success has depended on two critical factors: one, the creation of strong application ecosystems, and two, improved application management.

The Application Ecosystem

Today’s successful application marketplaces engender ecosystems that streamline software

distribution and consumption. In these ecosystems, channels launch application marketplaces to engage developers who sell their software via these web-based stores. The diversity of high-quality apps attracts customers, which in turn attracts more developers. In a consumer context, think of a channel, such as Apple, engaging Rovio, the makers of Angry Birds, to sell its hit app in the iTunes store. Customers then flock to iTunes to download Angry Birds onto their iPhones, iPads, and iPods. This model encourages rapid growth in the number of customers, applications, and last but not least, revenue.

A similar model can be applied to business applications. In this scenario, an SP launches a cloud service marketplace that offers quality applications that are relevant to small business users. As more SMBs turn to the marketplace for software and services, more developers are compelled to integrate their applications, thereby creating an ecosystem that helps the marketplace—and the players that are a part of it—thrive.

Improved Management Features

The second factor that has been essential to the success of cloud-based software marketplaces is the improved management capabilities they offer. Here, again, consumer app stores prove to be instructive. Many of these marketplaces allow you to use one username and password to log into a single portal and view which applications you've downloaded. Moreover, you can often see a summary of your billing information that includes how much you paid for each app.

For consumers, features like these are nice to have and can explain the popularity of many app stores. For businesses, on the other hand, solutions that are easy to use and manage are an absolute must. For this reason, cloud service marketplaces must offer several key management functions to be successful:

- **Single sign-on** – Single sign-on (SSO) means just what its name implies: the ability to use a single username and password to sign onto multiple applications. SSO is critical because it lowers barriers for end users; instead of creating and managing credentials for every application, users simply have to remember one set. For marketplace owners like SPs, SSO also provides more control, keeping end users inside the branded application store experience, or “walled garden,” instead of sending them to different sites.
- **Unified billing** – Buying one-off application downloads, like Angry Birds, is simple; purchasing business applications is much more complex. Users may subscribe to services, incur additional charges for overages, request refunds, and other complicated use cases. Unified billing will tie all of these transactions to a user, and allow business owners to see billing and payment history in a way that provides greater visibility into operational expenses.
- **Single management portal** – Multiple software solutions often create multiple hassles. Chief among them is the need to keep track of and deal with a variety of vendors. A marketplace that offers a single management portal eliminates this problem. A portal should allow SMBs to log in, view all of the applications they subscribe to, add or delete users from within their own companies, as well as manage invoices and billing.

Developing Cloud Service Marketplaces

Key Considerations

Single sign-on, unified billing, and management portals are essential parts of a cloud service marketplace, but they are just the beginning. There is a range of other factors that SPs must consider, from integrating with a billing engine that can process complex transactions, to ensuring rigorous security standards. Here are the top challenges that SPs face in providing a robust, user-friendly marketplace:

Product and Technical Challenges

- Seamless integration with core products – Top-tier service providers can offer a number of different value-added products to SMB customers that will ultimately be the key differentiator in cloud services. Any company can provide a marketplace, but few can offer the breadth of products that an SP can deliver. For example, a bundle that includes DSL and Microsoft Office 365 is a compelling offer for SMBs, especially given the convenience of purchasing these products from one trusted provider. The platform an SP chooses must make this type of product bundling and integration easy.
- Usability – Thanks to their experience with consumer app stores, many SMBs expect marketplace technology to be well-designed and easy to use. A marketplace platform should not only offer a superior look and feel, but should provide tools that even non-technical administrators can use to make changes to the storefront. For example, the ability to feature particular applications and provide product reviews.
- Security – Data privacy concerns are among the most frequently cited reasons why SMBs hesitate to use cloud services. For a cloud service marketplace to earn the trust of SMBs, it must follow strict, industry-standard security policies and procedures. These include data security standards, such as PCI DSS, as well as data center best practices that include failsafe systems for data replication and backup, as well as physical security.
- Billing and subscription management – A marketplace platform should be sophisticated enough to handle complex billing relationships between users, service levels, billing intervals, free trials, one-time fees, introductory pricing, upgrades, renewals, and more. In addition, the platform should empower SMBs to manage their subscriptions and provision users within their own companies on demand.

Application and Developer Challenges

Building a catalog of applications – Selecting the right suite of applications to offer in a marketplace is one of the most difficult challenges providers face. The success of a marketplace depends on the quality and relevance of the software it provides. To compound the problem, finding and vetting best-of-breed applications can be a time-consuming process.

Managing integrations – Integrating applications into a marketplace clearly requires expert technical know-how. However, it also requires a tremendous amount of effort to build and maintain business relationships with application developers. Negotiating contracts and reseller agreements with each developer can be incredibly complex, and again, a major time drain.

Marketing and Support Challenges

Simply launching a cloud service marketplace doesn't mean that customers will use it. Educating SMBs and helping them understand the benefits of cloud-based software is essential to the success of a marketplace. Moreover, SPs must provide expert support to answer questions, address concerns, and help SMBs get the most out of their cloud services.

Clearly, there is a wide variety of challenges inherent in creating a successful cloud service marketplace. The question then becomes whether SPs should build their own marketplace platforms, or work with a partner to launch a marketplace for cloud software and services.

Marketplace-as-a-Service: The Key to Launching Quickly and Cost Effectively

Service providers often have in-house technical resources to tackle a range of development needs. However, building an application marketplace platform from the ground up can be a difficult task, even for the most adept in-house team. Recruiting staff with the right development skill sets, competition from other projects, securing executive buy-in for large resource expenditures—all of these can be major stumbling blocks. Not only are they expensive, but they can delay the launch of a marketplace by months, or even years.

For these reasons, working with a Marketplace-as-a-Service (MaaS) provider is an ideal solution for SPs. The MaaS model follows the basic outline defined by other "as-a-Service" (XaaS) offerings, such as Infrastructure-as-a-Service (IaaS) or Platform-as-a-Service (PaaS). XaaS offerings enable companies to pay a fee to use solutions without needing to install, host, or maintain them. Thus, a MaaS solution allows companies to configure and launch cloud service marketplaces quickly while avoiding the cost of additional staff, hardware, and other resources.

However, not all MaaS solutions offer the features and functionality that SPs need to be successful. Careful consideration of a MaaS provider's technology, expertise, and experience is necessary before making a decision.

The AppDirect Approach

AppDirect is the leading cloud service marketplace company and provides the industry's most advanced MaaS solution. Developed by cloud marketplace experts, the AppDirect platform offers all of the state-of-the-art functionality that a marketplace needs to be successful. These features include rigorous security protocols, single sign-on, a sophisticated billing engine that can accommodate complex usage scenarios, and more.

In addition, the AppDirect platform offers flexible deployment options that are ideal for

In-House Development

- Need to recruit skilled development staff
- Must devote resources to continuous updates and improvements
- Distracts from core business, competing projects
- Need to purchase, deploy additional infrastructure

Marketplace-as-a-Service

- Platform is pre-built by expert team
- All maintenance and upgrades completed by provider
- Allows IT to focus on mission-critical projects
- Hosted offsite, no capital expenditures needed

service providers of any size; the solution can be hosted on site or in the cloud, and can be integrated with existing offerings to allow SPs to bundle clouds tools with Internet, voice, and other services. Moreover, as a white-label solution, an AppDirect-powered marketplace can be fully branded and customized.

Before launch, SPs can stock their marketplaces with applications from the AppDirect Network, a catalog of relevant business apps that have already been vetted and integrated. Or, SPs may choose to work with new developers who can seamlessly integrate their products into the marketplace using a branded developer center environment. In the latter case, the AppDirect platform provides a painless, best-of-breed integration process and API functionality that makes adding apps fast and easy. This not only serves to attract more developers to the marketplace, but also gives SPs the flexibility to add new software to their marketplaces as the needs of their customers change.

These features and functionalities enable SPs to launch marketplaces quickly and cost effectively, accelerating time to market and enabling service providers to reach SMBs with vital cloud services much faster than developing a solution in house.

Conclusion

As more SMBs adopt cloud-based software, service providers have a unique opportunity to become the cloud provider of choice for small business. Application marketplaces are an ideal way to deliver cloud services to SMBs, but launching a solution that offers robust functionality and is easy to use can seem daunting.

Fortunately, SPs that are interested in creating an application marketplace don't have to code one from scratch. An expert Marketplace-as-a-Service provider like AppDirect can help you launch a robust marketplace without needing to invest time and resources in building a solution from the ground up. An AppDirect-powered marketplace can boost customer loyalty, reduce churn, drive revenue—and help service providers position themselves as cloud leaders in the SMB sector, and beyond.

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, Comcast, Deutsche Telekom, Bell Canada, Swisscom, and more.

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