

Trends in Software Distribution – transition to SaaS

Software-as-a-Service ... Challenge or Huge Opportunity?

Marc Kriegs
EMEA Sales Manager
CeBIT 2013

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Your presenter



Marc Kriegs – EMEA Sales Engineer

- Thirtysomething
- Grew up with a vinyl record player, a C64 and a b&w TV
- Now: two smartphones, a tablet, a 2-monitor-PC and three notebooks
- 9 years international experience in E-Commerce (Sales & Project Management)
- Sales Engineer at Avangate BV since 2011
- Based in Hamburg, Germany

The Agenda

Trends in SaaS & Software Distribution

- The (short version of) the rise of SaaS
- SaaS – the market, the customers
- What can it mean for software vendors & publishers?
- SaaS use cases
- recommendations

SaaS ...

...and where it came from

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It's everywhere

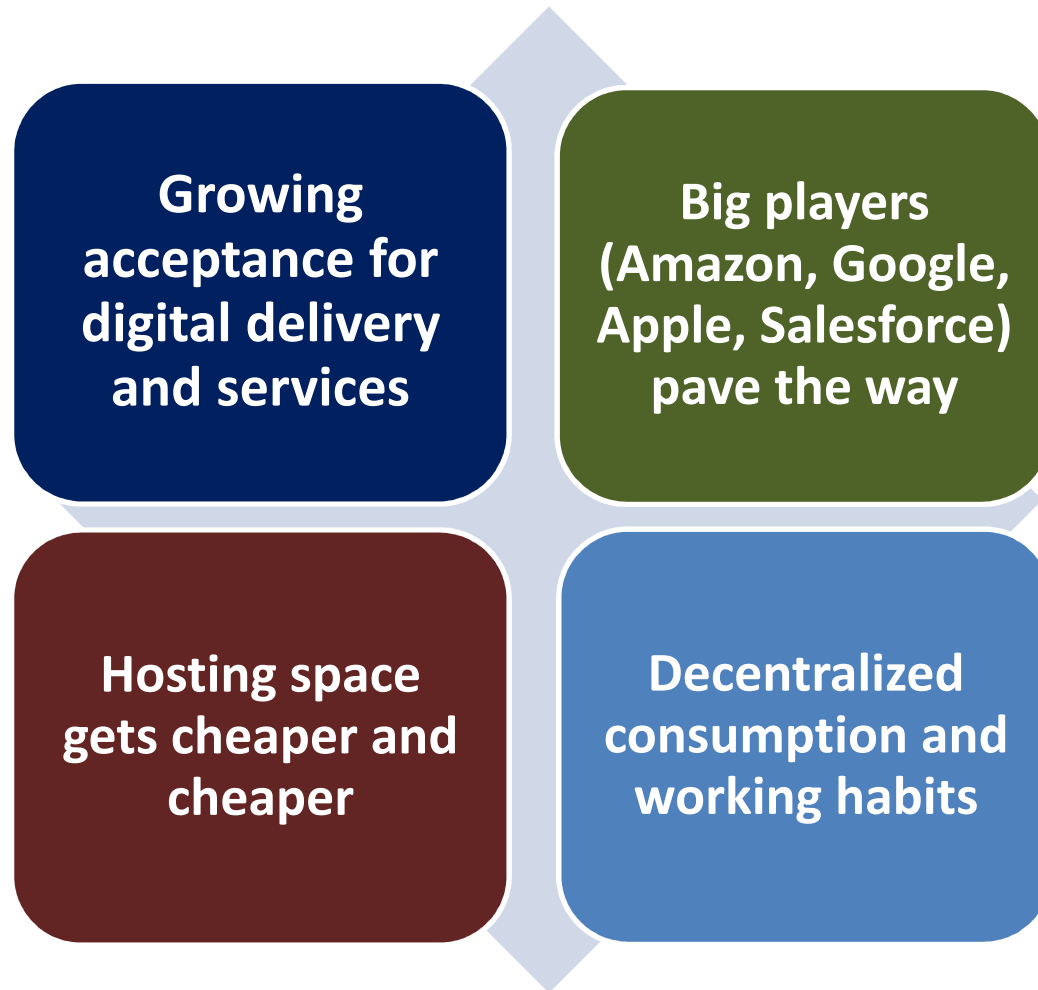


The image shows a screenshot of a Bloomberg news article. The Bloomberg logo is at the top left, with navigation links for 'Our Company', 'Professional', and 'Anywhere'. Below the logo is a dark navigation bar with links for 'HOME', 'QUICK', 'NEWS', 'OPINION', 'MARKET DATA', 'PERSONAL FINANCE', 'TECH', 'POLITICS', and 'SUS'. The article title is 'Gartner Raises Projection On Cloud Computing' (partially visible). The author is Ketaki Gokhale, dated Jul 9, 2012. There are social media icons for Facebook, Twitter, LinkedIn, and Google+, along with a '0 COMMENTS' button. The main headline is 'Cloud Computing: the 4th IT Industrial Revolution!' with a ZDNet logo to the right. A summary states: 'China is projected to be on par with the U.S. as a future technology innovation leader -- and the next big breakthrough is predicted to come from cloud and mobile.' The author is Gery Menegaz, dated July 6, 2012. A 'Follow @GeryMenegaz' button is present. The article text begins with 'Global spending on information technology is forecast, to \$3.6 trillion this year as Gartner Inc. (IT) said.' and continues with 'The estimate compares with Gartner's forecast for 2012. Stamford, Connecticut-based research firm Gartner said that cloud services may rise to \$109 billion from \$100 billion in 2011. In a recent article in Communications World Weekly, a leading Chinese technology news outlet, they noted that Cloud Computing was the fourth IT Industrial Revolution, after Mainframes, PCs, and the Internet. In a related article, KPMG, noted that China is projected to be on par with the U.S. as a future technology innovation leader. And according to the survey that KPMG conducted, the next big breakthrough is predicted to come from Cloud and Mobile.'

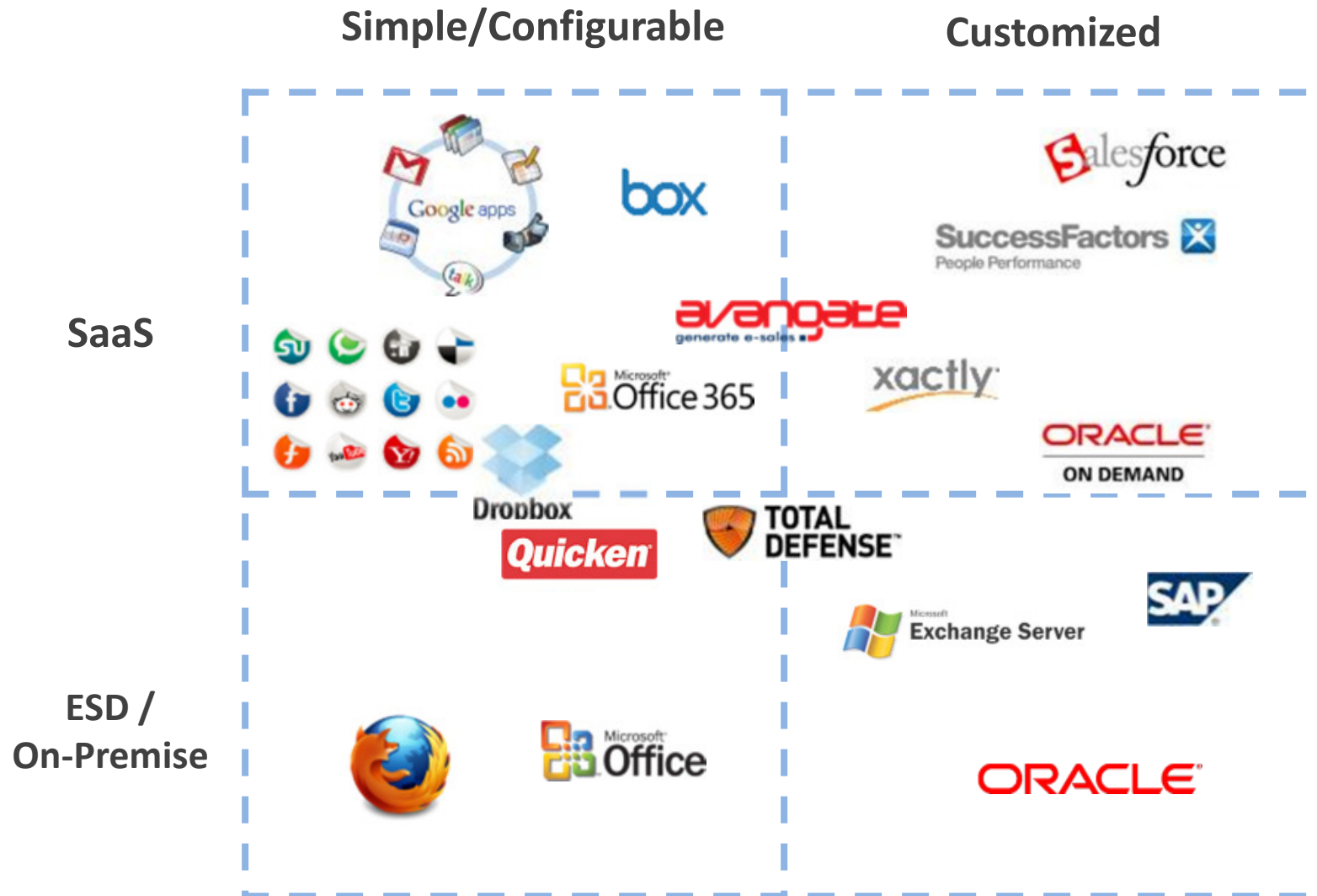
The “evolution” of software distribution



The rise of Software-as-a-Service



Both Simple and Customized Markets “SaaSify”



SaaS ...

...and the impact on the software industry

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Software vendors I:

Some retrench in current business models



Software vendors II:


35% are in process of trying to move to SaaS -

Saugatuck Technologies

66% of those will offer some portion of their application via SaaS within a year – *Gartner*

8 out of 10 new software ventures are starting on SaaS – *IDC, 2012*





About half of **SVs** worldwide plan to create a separate entity or BU to being the migration to Cloud and SaaS – *Saugatuck Advsiors*

50% will **FAIL ONCE** before rolling out a successful SaaS strategy - *Montclair Advisors*

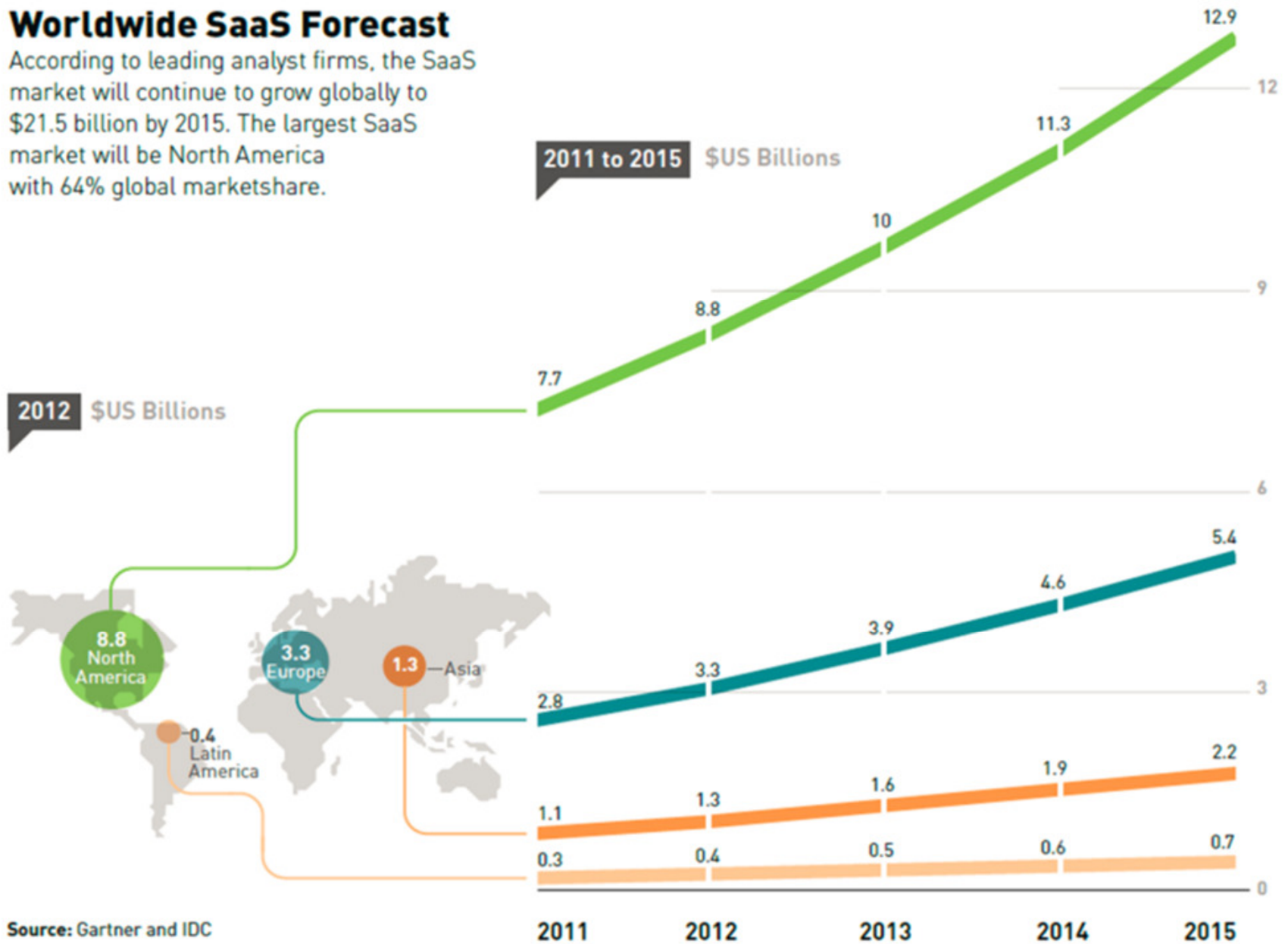
SaaS ...

...market and customers

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Worldwide SaaS Forecast

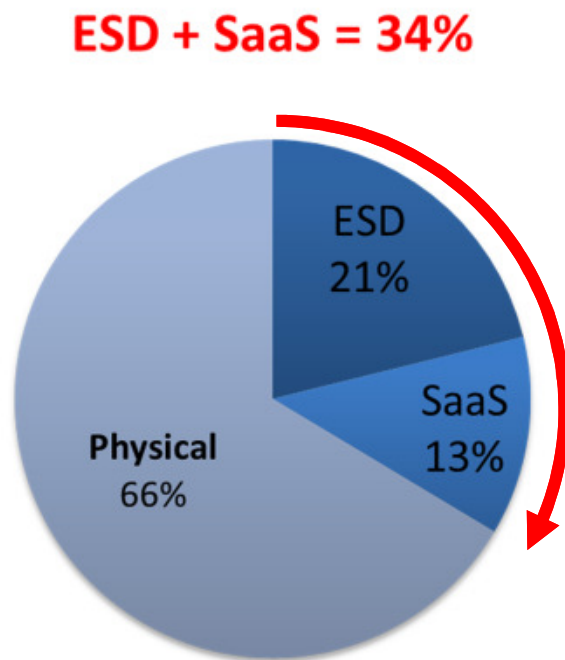
According to leading analyst firms, the SaaS market will continue to grow globally to \$21.5 billion by 2015. The largest SaaS market will be North America with 64% global marketshare.



Source: Gartner and IDC

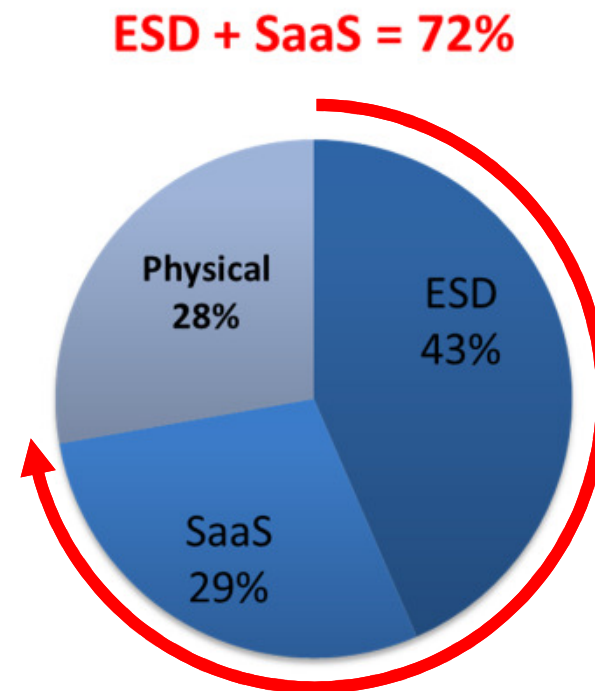
The Shift Of Applications To SaaS & Online

2010 Applications Market



Applications Market, \$133B

2014 Applications Market

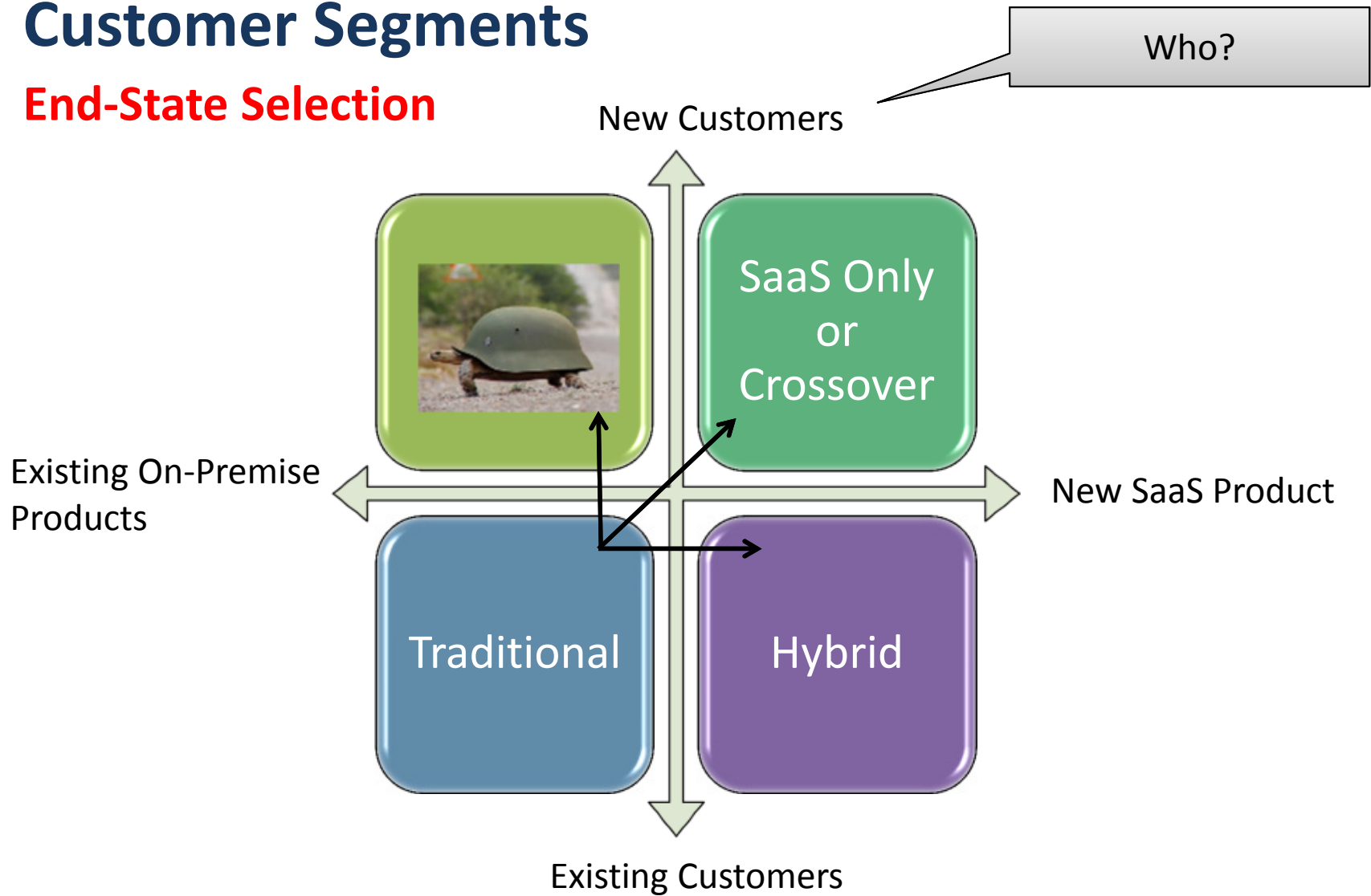


Applications Market, \$167B

Source: IDC WW Electronic Software Distribution, 2010-2014 Forecast, IDC WW SaaS 2010-2014 Forecast and 2010 Vendor Shares, 2010, Avangate Analysis

Customer Segments

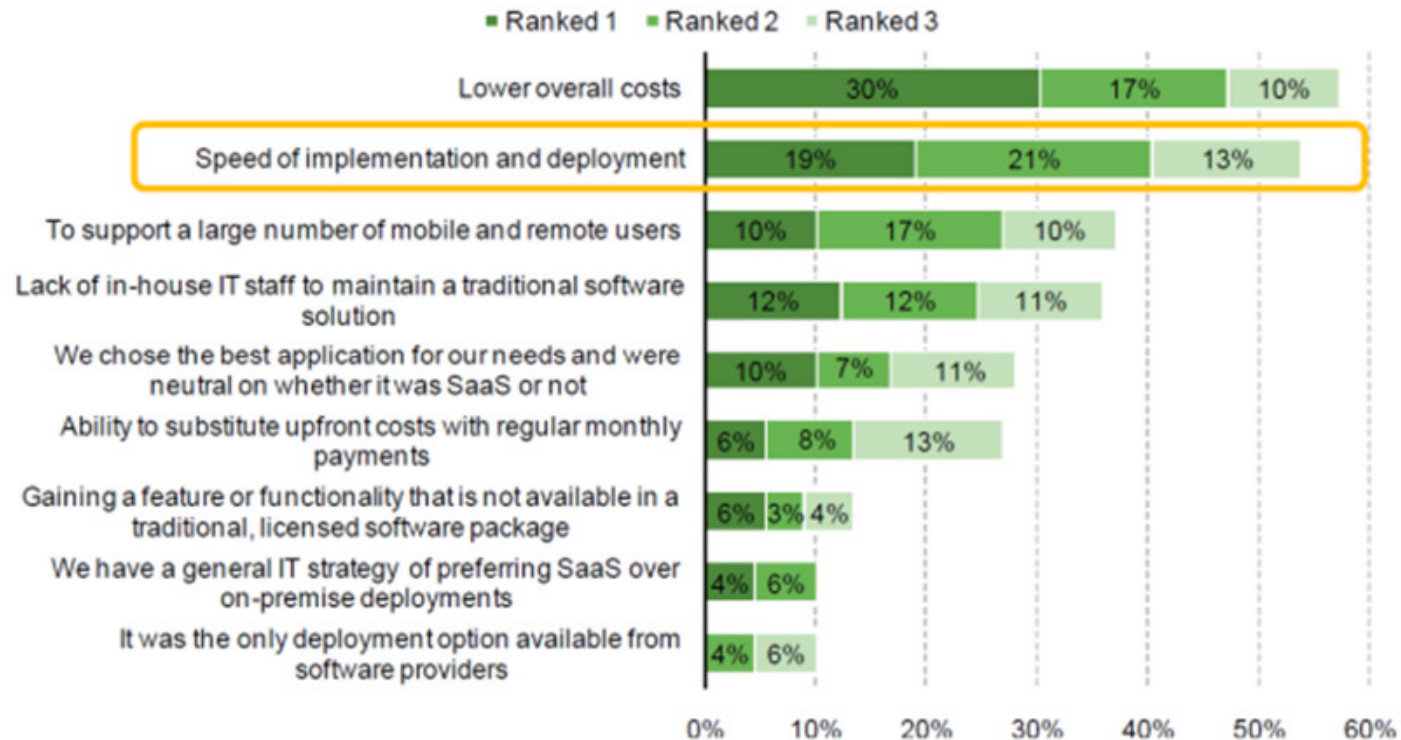
End-State Selection



The call for SaaS

Customers Want Low Costs, Speed, Control, Anywhere

"In general, what would you say were the top drivers in your firm's decision to adopt software-as-a-service (SaaS)? Please rank up to three drivers, in order of importance"



Base: 89 US and EU software purchase decision-makers at organizations using SaaS software

Forrester Research, 2011

Consumers Already Used To Accessing SaaS / Cloud Services Everyday ... although too often assume that it should be FREE

Why SaaS? Why Now?

A summary

➤ Customers are ready

- More acceptance for on remote data - less security / integration concerns
- Mobile / Access anywhere
- Collaboration / Sharing becomes more common
- Consumerization of B2B decisions

➤ Simplify/Accelerate Product Evolution in fast changing markets

➤ Benefit from **scale economics** in high growth markets

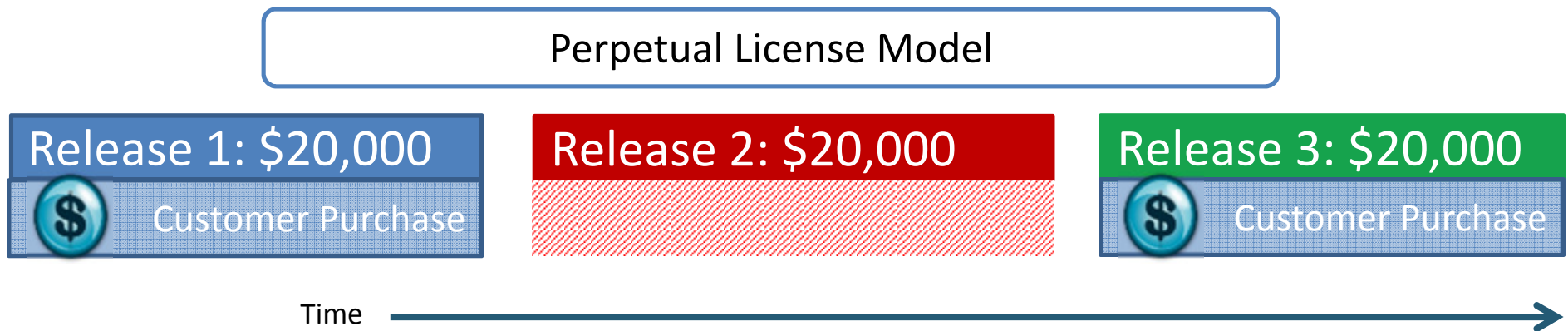
➤ Monetize the **long tail** (*“Farewell, Pareto!”*)

SaaS ...

...and possible consequences

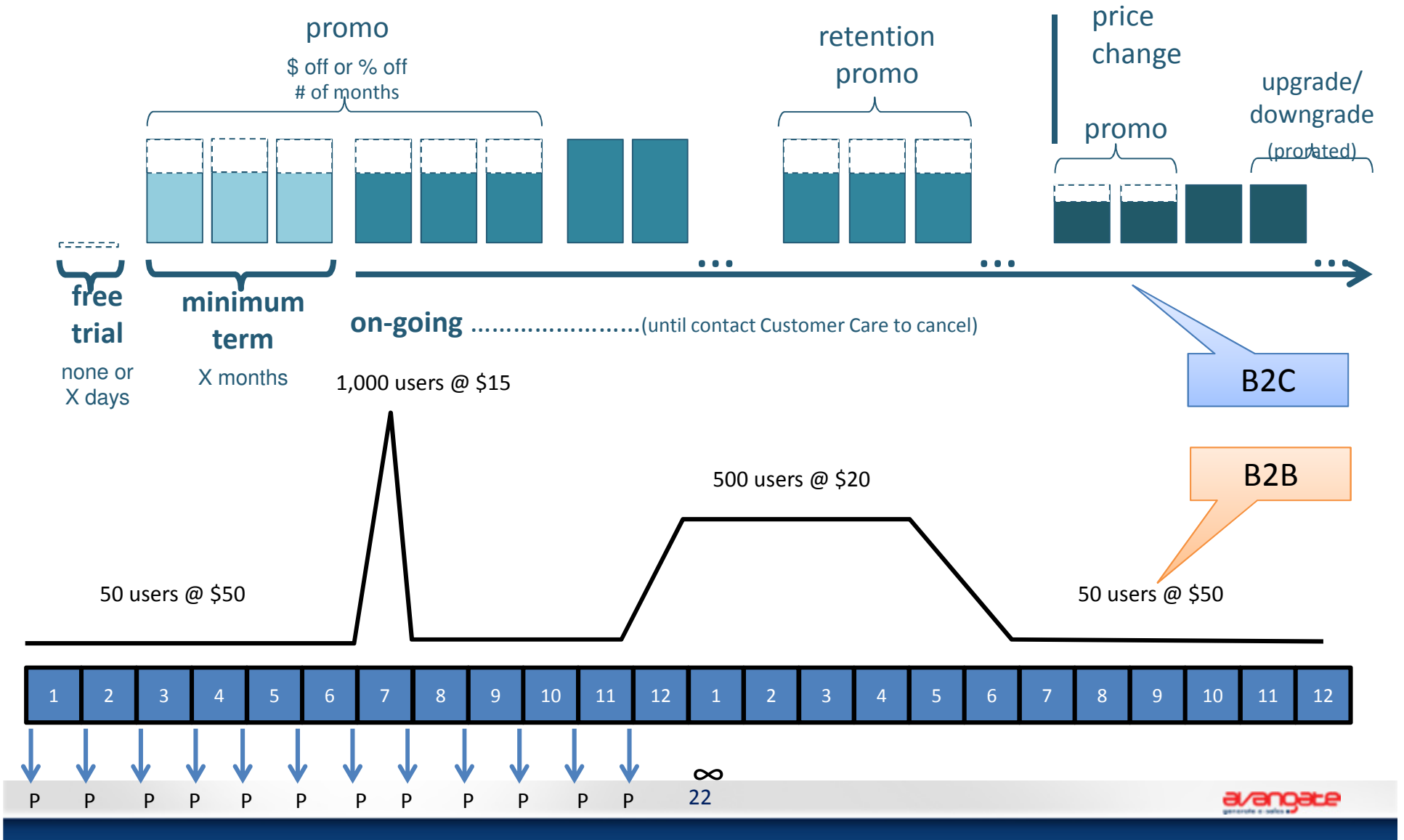
Perpetual License Model

How Your Software Looked Yesterday/Today



Subscriptions

The Model of Tomorrow



SaaS ...

...and how to monetize it

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Avangate Introduction

Avangate is the agile commerce-as-a-service provider trusted by thousands of Software and SaaS companies to accelerate their online revenue worldwide



Avangate Helps Sell More Software. Globally.

Over 2,700 Customers. 4,000 Resellers. 37,000 Affiliates.

- Rockin' and rollin' since 2006
- Deep focus on software and cloud services
- Consistent growth of 75% per year
- US headquarters in Redwood Shores, CA
- EMEA headquarters in Amsterdam, NL
- Global team of 120+ Employees



SaaS ...

...and if / how to get there

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The question: **How To Get There?**

Sales Comp

Product

Strategy

Financials

Service

OPS



To SaaS...
or not to SaaS
– that is the
question!



Transition Is Hard

More Than Delivery Mode ... Cross-Organizational Impact



➤ Goto Market

Deal volume (Lower GM) → Acquisition / Adoption, Measureable (Cost to Acquire), Simple solutions → Competition, Channels/ Resellers For Distribution



➤ Sales Focus

Telesales, Shorter Sales Cycles With Longer Term Contracts Paid Over Time, Compensation, Beyond The First Sale (Sell Service, Not a Product)



➤ Product / Architecture

Scale, Integration of On-Premise / Cloud, Sensitive Data, Customization, **10%+ of Revenue**



➤ Development

Acceleration of Cycles Changes Everything – Comp, Hiring, Staffing, Ecosystems no longer around 12-36 month traditional cycle



➤ Operations / Support

Multiple Business Models, Service @ Every Touch Point, SLA's, Expanded Support (No Longer 3rd Parties for Success), Automating Revenue Systems

Slide 29

MN4

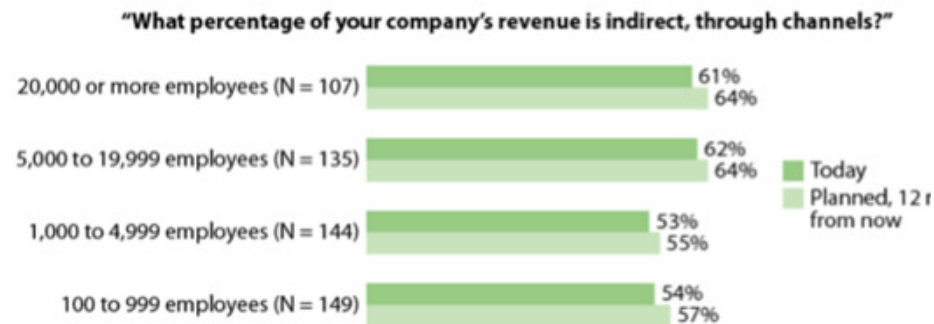
Add transitions to add each line and graphic one at a time

Michael Ni, 7/10/2012

Transition Is Hard

Channels Still Important ...

- Channel accounts for **over 50% of tech industry revenue**



Base: B2B high-tech marketing executives at companies with 100 or more employees

Source: Q4 2011 B2B Marketing Organizations And Investments Survey

- Tech vendor Channel marketing budgets **increased by 30% in 2012**

... Pressured to Consolidate

- Traditional roles of implementation lose value
- ... shifting to Systems Integration & education / process Expertise
- Already becoming **hybrids** (15% self-identify as MSPs, 52% have a MSP business)
- Average # of strategic partners increased from **4 (2011) to 5.8 (today)**

Case Studies

A Journey To Embrace New Revenue Models



Reezaa Software

- Traditional, Subscription Business Model, Operational Support Systems



Total Defense

- Hybrid, New SaaS Product as Part of Total Solution



TeamLab

- Pure SaaS Start-up, Spin-Out From Traditional Shareware



Reezaa (Traditional / Shift To Subscriptions)

Reezaa Media is a software development company whose flagship products include Multimedia/PDF Converters. Other products include multimedia rippers, encoders, cutters, splitters, and joiners



Certified By



Reezaa is a mp3 converter Converts all formats Video and Audio to MP3, WMA, WAV, OGG, FLAC, AMR, AC3, AAC. Reezaa supports AVI, WMV, MOV, 3GP, MP4, FLV, RM, RMVB, VOB, DAT, MPEG, WAV, WMA, ASF, OGG, RA and all DVD formats. Features include Drag-Drop Software, Convert Audio Files to MP3, Convert Video Files to MP3, Convert Youtube Videos to MP3, Change and Edit MP3 Bitrate, Rate and Audio Channel, Batch Convert Mode, and Online Send Feedback and Questions.



Embracing New Subscription Model ...

... With Traditional Download Product

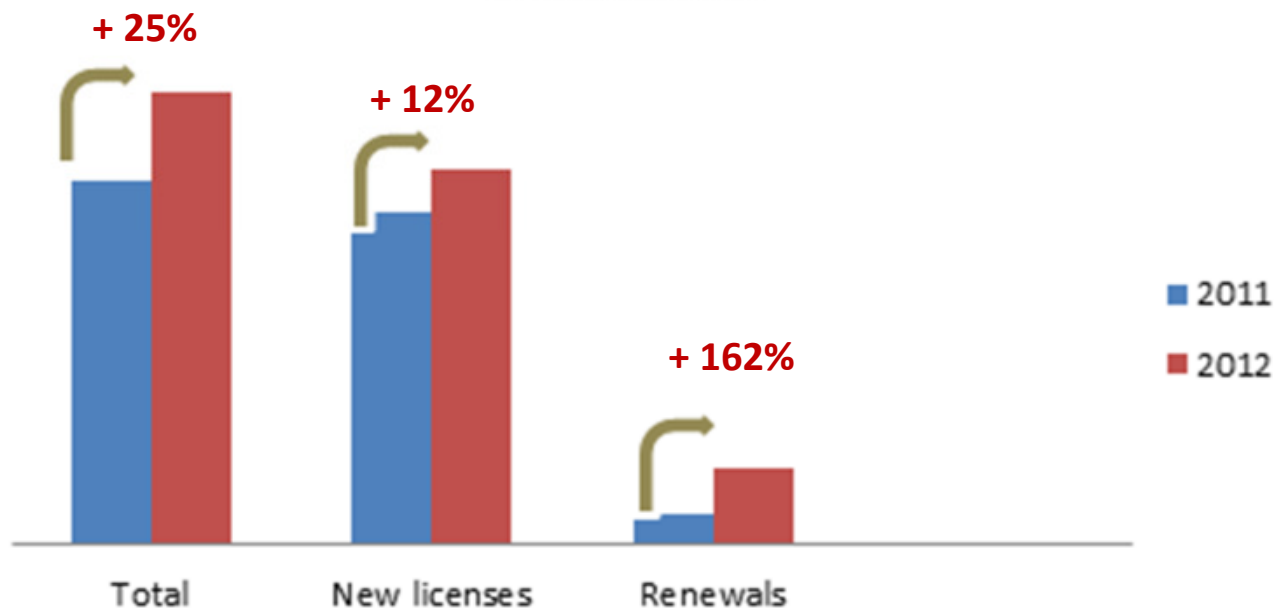
- **Target:** Existing B2C customers
 - **Customization:** None
 - **Objectives:** Longer-term customer relationships, capture value of updates
 - **Market:** low pressure for change
 - Used to purchase utilities
 - Virtually no costs for installation and running
- 
- **Strategy / Financial:** traditional product, switch from perpetual to to subscription licensing.
 - **Product:** No change, except providing updated versions.
 - **Operations / Support:** Subscription billing, expanded account management, notifications



Subscription Model Success

Total Net Income Up 25% Due To 162% Increase In Renewals

Reeza Sales Split - New Licenses vs. Renewals



Traditional Delivery Model (ESD) still makes sense, even as customers shift from Pay Up Front to Pay As You Go models

Total Defense

Hybrid - Both Download and SaaS For Current Customers



A Global Leader In Malware Detection And Anti-Crimeware Solutions.

Over 50,000 businesses across a wide spectrum of industries have deployed the company's solutions, including some of the most sophisticated buyers of security technology worldwide, and over four million consumers worldwide use Total Defense's products.

Market Opportunity Driven

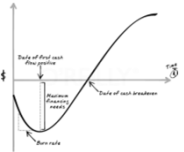




Cloud / Mobility Creates Customer Need For SaaS Solution



- **Target:** Current B2B customers, future B2C
- **Customization:** Mixed with rules configuration for mobile solution
- **Objectives:** Penetrate with whole solution, block competition, extend the life of the current platform
- **Market:** Edge, **non-core**, mobile, offloading infrastructure
- **Channel:** Resellers play key role in education, configuration, success ... *distribution* B2C easier

Embracing The New Model

Lessons Learned ... and Still Learning Them

| | | |
|---|-----------------------------------|---|
|  | <h3>Strategy/ Financial</h3> | <ul style="list-style-type: none"> • Experienced Exec Team • Accelerated past dip w/ M&A |
|  | <h3>Goto Market</h3> | <ul style="list-style-type: none"> • Sub-segmented customers • Enabled existing channels to handle / renew |
|  | <h3>Sales Focus</h3> | <ul style="list-style-type: none"> • Accelerated – rapid trials vs. IT barriers • Servicing – away from acquire & renew cycle |
|  | <h3>Product / Arch</h3> | <ul style="list-style-type: none"> • Completely different team → M&A • Everything measurable – reporting 'aaS' |
|  | <h3>Operations / Support</h3> | <ul style="list-style-type: none"> • Worldwide SLA delivery • Beyond transparency – proactive comm |

TeamLab (Pure SaaS)

A multi-function online service for business collaboration, document & project management



TeamLab Extras Features Blog About English Sign in

Create Your Web Office in the Cloud

Boost your business using our tools [Registration](#)

Projects
All the essential import features to manage projects efficiently.

Documents
Online editor, file sharing, access rights management, many other useful options.

Description
TeamLab is an open-source platform for business collaboration. Features include: Projects, Documents, Milestones, Task Manager, Instant Messenger, Document Management, etc.

Update Notifications
john.doe@gmail.com

User Ratings
89% RECOMMENDED 27

Additional Project Details

facebook Search for people, places and things

ONLINE SERVICE FOR YOUR BUSINESS

www.teamlab.com

TeamLab **TeamLab.com**
6,650 likes - 209 talking about this

Product/Service
TeamLab is a multifunctional online service for business collaboration, document and project management. Visit us: <http://www.teamlab.com/>

Project Management **Video tutorials** **Blog** **Likes** 6,650

NetworkWorld
"The TeamLab software is incredibly intuitive and easy to use."

Business Insider
"Best of all, TeamLab is completely free."

makeuseof
"The service is perfect for small businesses."

About **Photos** **Video tutorials** **Blog** **Likes**



Collaboration & CRM ... SaaS Fit


For B2B, Collaboration (& CRM) Early SaaS Adopters

- **Target:** B2B & prosumers
- **Customization:** Configuration, not customization centric
- **Objectives:** Enter new, high growth market in 2010 pivoting from server-based product
- **Market:** Low cost, rapid innovation, shared resources, social, broad access, fast implementation, low barriers for global expansion
- **Channel:** Distribution-centric for awareness generation

The screenshot displays the TeamLab website interface. At the top, a navigation bar includes links for Home, Features, Blog, and About, along with a language selector (English) and a login option. The main heading reads "Create Your Web Office in the Cloud". Below this is a "Features Overview" section with six categories: Project Management, Business Collaboration, Document Management, Calendar, Customer Relationship Management, and Mobile Version. Each category includes a brief description and a "Learn more about" link. On the right side, there is a "Registration" form with fields for First Name, Last Name, Email, and Portal Address, followed by a "Free Sign Up" button. Below the registration form, there is a social media section showing a Facebook "Like" button and a "Get started with TeamLab" video player with a "Watch Video" link. At the bottom right, there are sections for "Outside Publications" and "Live Enterprise".

TeamLab - Fully Embracing SaaS

Lessons Learned ... and Still Learning Them

| | | |
|---|------------------------------------|--|
|  | <h3>Strategy/ Financial</h3> | <ul style="list-style-type: none"> • Created / funded new company • Aligned for new market penetration |
|  | <h3>Goto Market</h3> | <ul style="list-style-type: none"> • Freemium / Trial → Usage Tier monetization • Shift to benefits, not tech → online marketing |
|  | <h3>Sales Focus</h3> | <ul style="list-style-type: none"> • Channel / evangelist-reseller focused to gain broad awareness, acquisition, monetization |
|  | <h3>Product / Development</h3> | <ul style="list-style-type: none"> • 6 month prototype, rapid market iterations • Voice of the customer guidance |
|  | <h3>Operations / Support</h3> | <ul style="list-style-type: none"> • Security / Privacy around the world • Multi-channel user feedback – user voice |

SaaS ...

Transition Recommendations

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Transition To SaaS

#1 – Start with the End in Mind

- Choose the model best fits **your need**
- Segment your customers
- Understand your **costs**
- Shorten **order to cash**
- Leverage **other 'aaS'**



Transition To SaaS

#2 – Think Customer

- **Model** to how customers will use your solution and then measure ...
 - Renewals and increased usage is the lifeblood
 - Can package entitlements to maximize revenue
 - New metrics - CAC (acquisition cost), MRR, Cohort Analysis, ACV, CSR (satisfaction rate)
- Customer community w/ internal customer **champion**
- Include **communication paths** - notify & tell users given the constant deliveries
- Service at **any touch point**



Transition To SaaS

#3 – Build a Lead Machine

- **Offer** something for free - trial / test drive ... one of the “magic 3” and aligned with “rapid time to value” needs
- **Land and Expand**
- **Make advocates.** Customers are your best salespeople - customer testimonials, ROI, metrics
- **Make friends.** Partners for distribution, awareness, acquisition.
- **Put Lead Gen on Auto Pilot** ... low touch (online marketing, self-service, telesales), high qualification (when needed)



Transition To SaaS

#4 – Sell a Service, Not a Product

- **Shift your mindset** - not just leaving a piece of code behind for 3rd parties to implement and make successful
- Separation of **Hunters from Farmers** – incent on retention
- Plan to deal with **security & downtime** - show track record
- Explore **SLA** to address customer objections & concerns
- **Automate Revenue / Administration** – subscriber mgmt, licensing / entitlements, billing, payments, reporting

Transition To SaaS

#5 – Drive Customer Success

- Deliver programs to drive **customer adoption & success**
Free initial training, on-going webinars, online resources, events best practice from peers.
- **Measure satisfaction** and **resolve complaints** quickly
- Setup self-service portals or communities to **keep costs down**
- Consider dedicated customer **success teams**
- Motivate customer facing employees with **bonuses** against customer success metrics

So you can say:



Thank you!

*...and join us at the Avangate dinner:
eCommerce Park - Hall 6, K18 – 18.00 h*

Avangate Inc.

Redwood Shores CA., USA
Tel: (650) 249 - 5280

Avangate B.V.

Amsterdam, The Netherlands
Tel: +31 20 890 8080

info@avangate.com
www.avangate.com

Marc Kriegs

marc.kriegs@avangate.com

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