



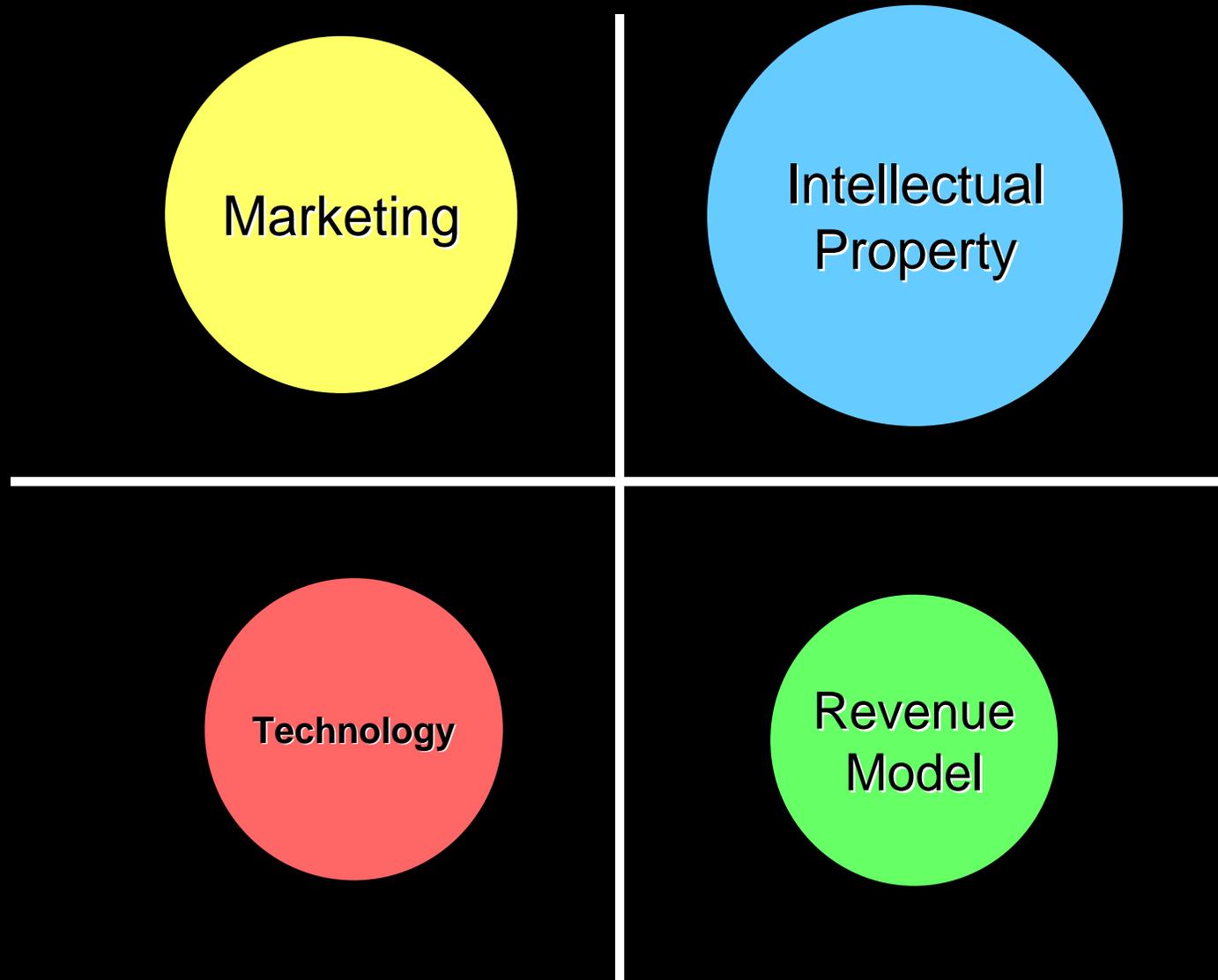
# Making Channels Work to Grow your SaaS / Cloud Business

*Presented for OpSource  
February 10, 2010*

# Agenda

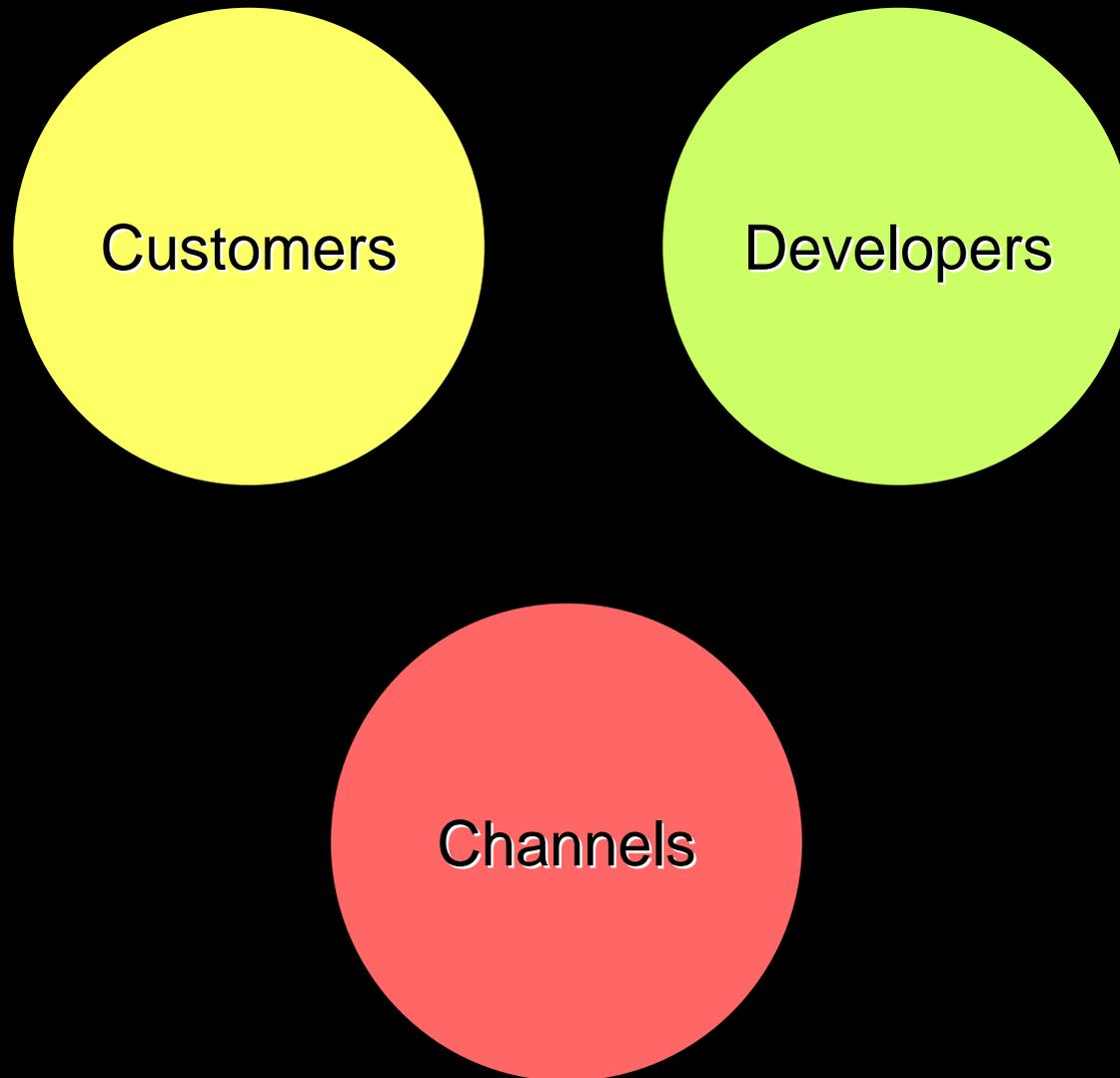
- **Setting the Stage**
- The Channel is Dead?
- Business Architecture Issues
- Opportunity Recognition
- Channel Motivation
- Partner Empowerment
- Legacy Disruption
- Transparency & Trust
- Customer Ownership

# Legacy Software Business Structure



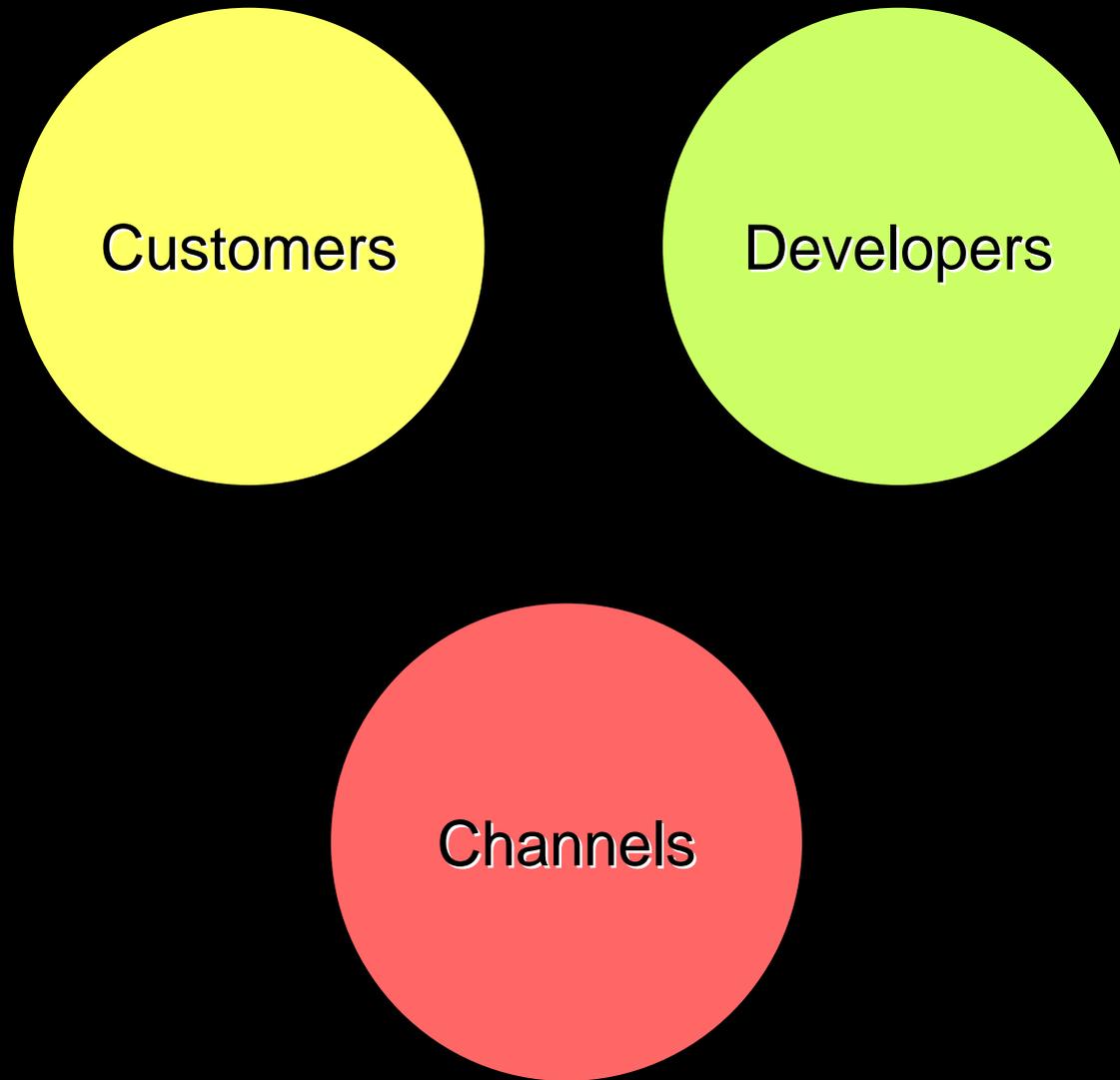
Loosely-coupled, at best

# Legacy Software



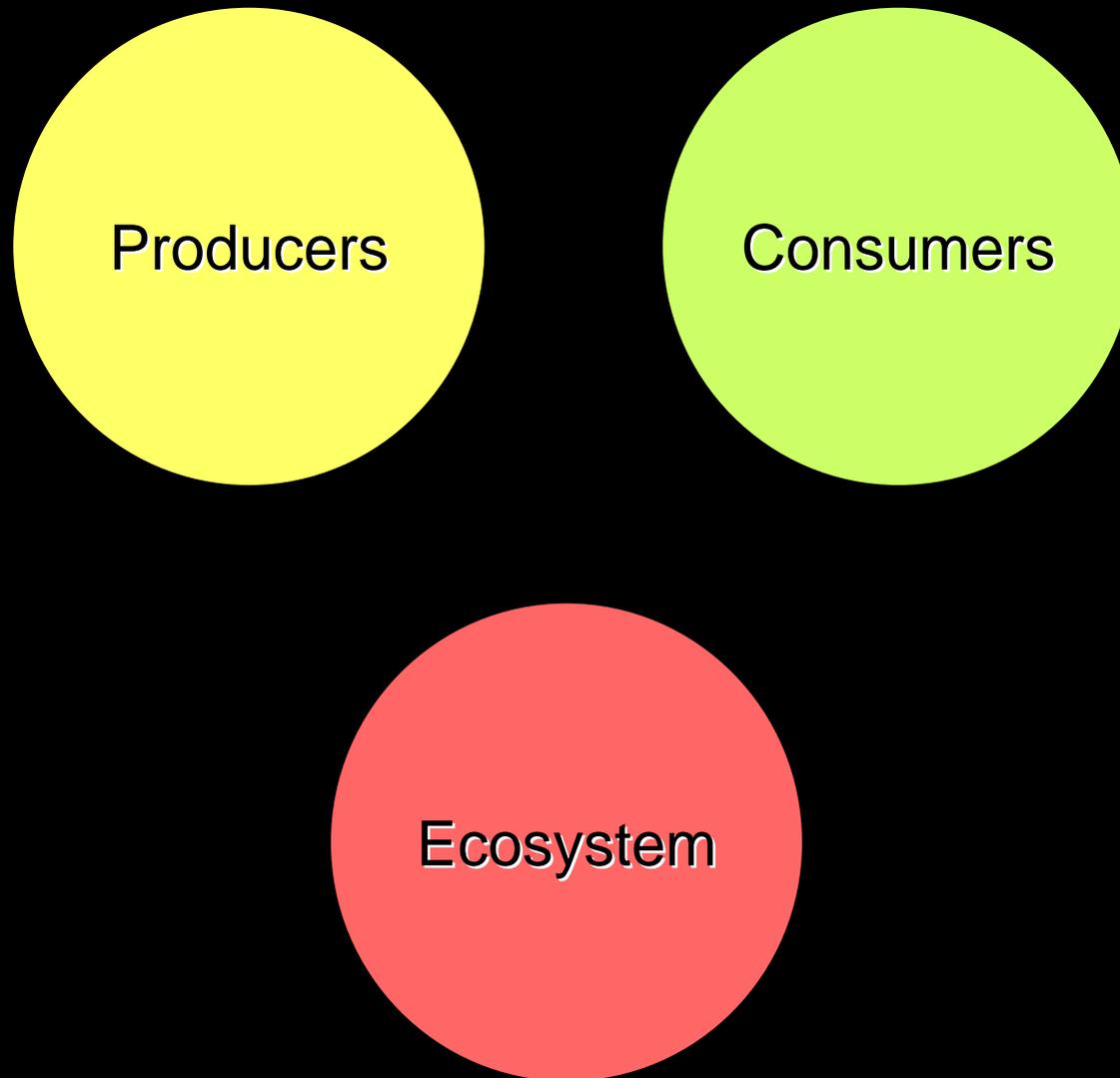
Three basic elements

# Software-as-a-Service (SaaS)



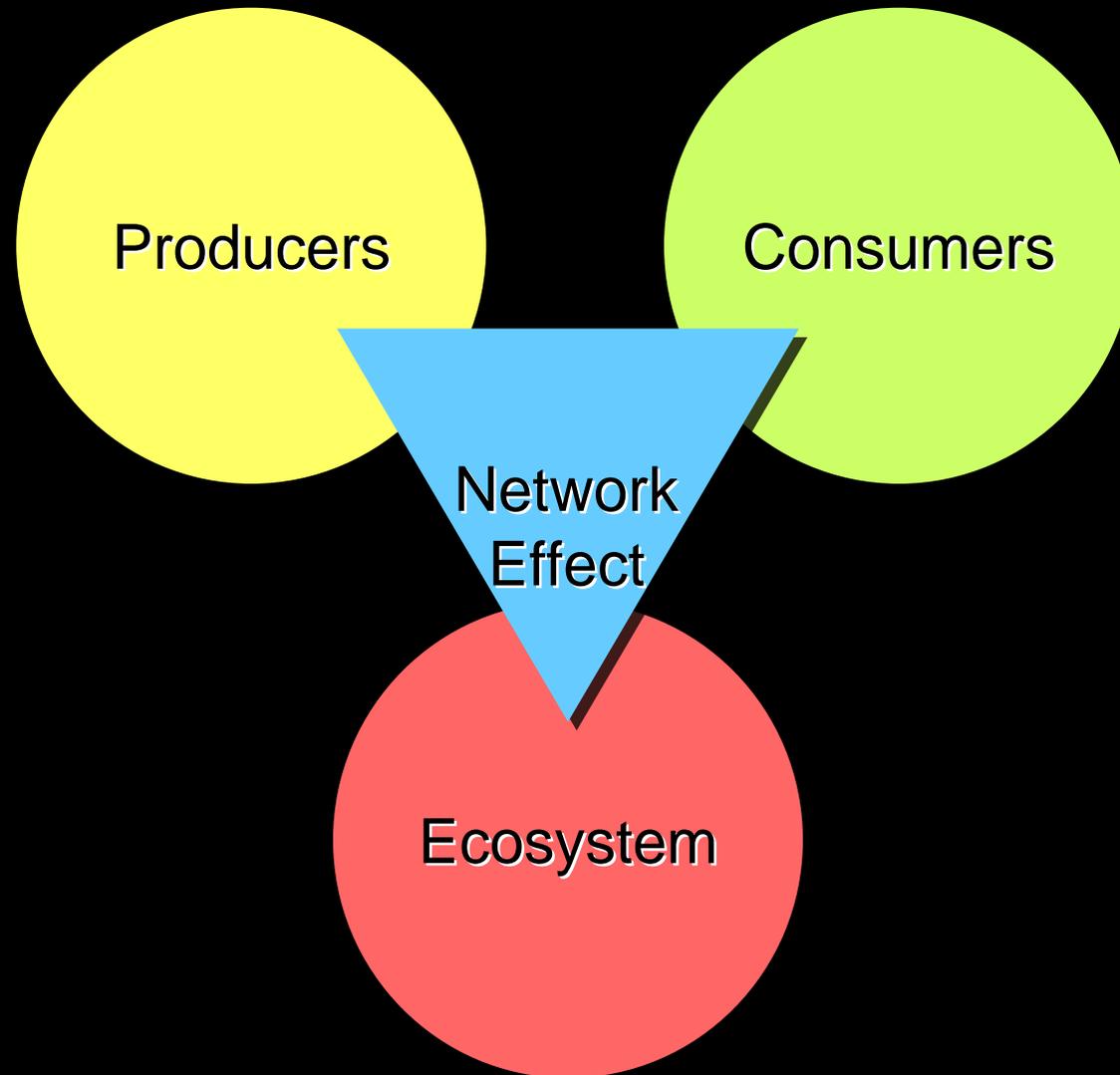
Same elements

# Software-as-a-Service (SaaS)



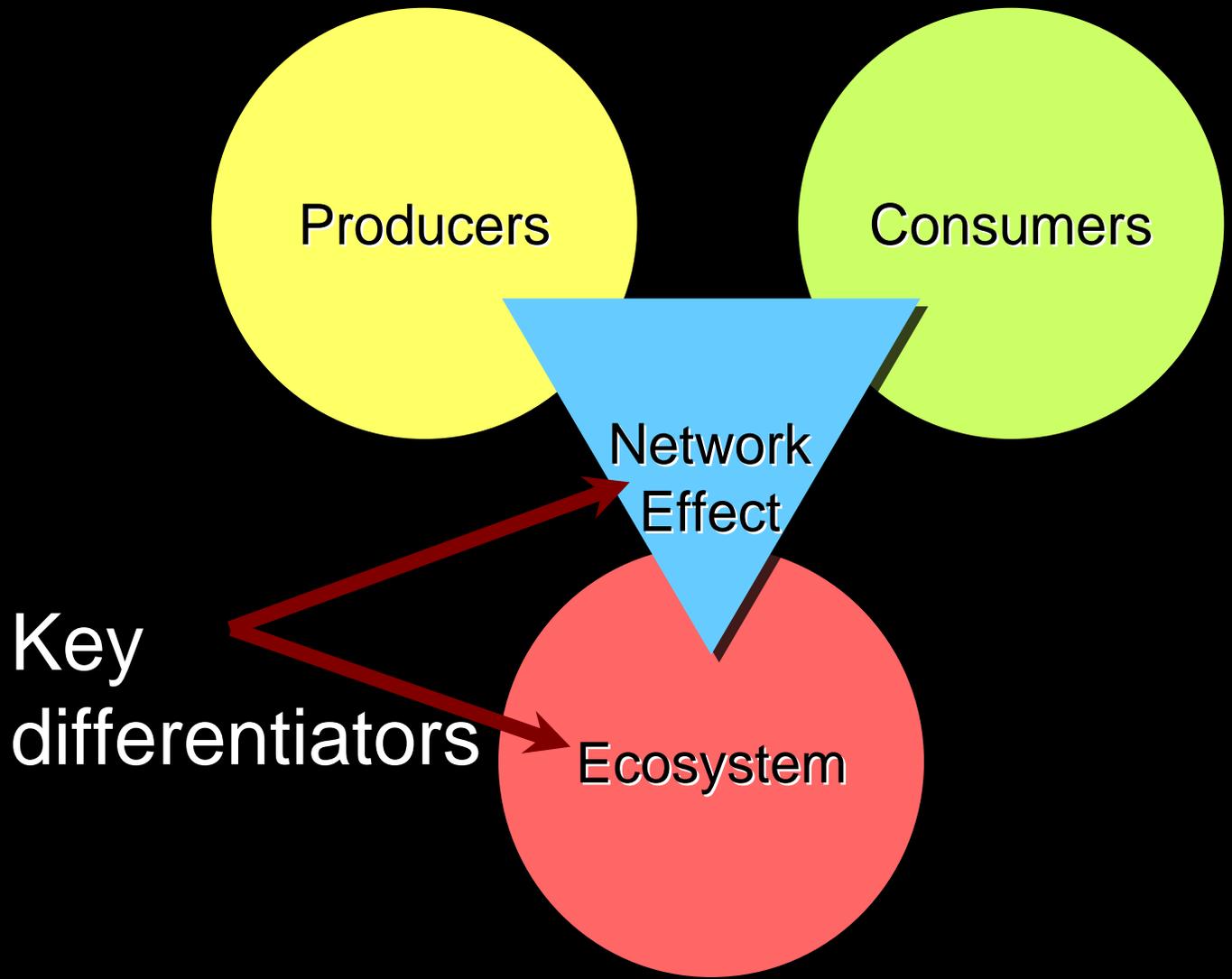
Different approach

# Software-as-a-Service (SaaS)

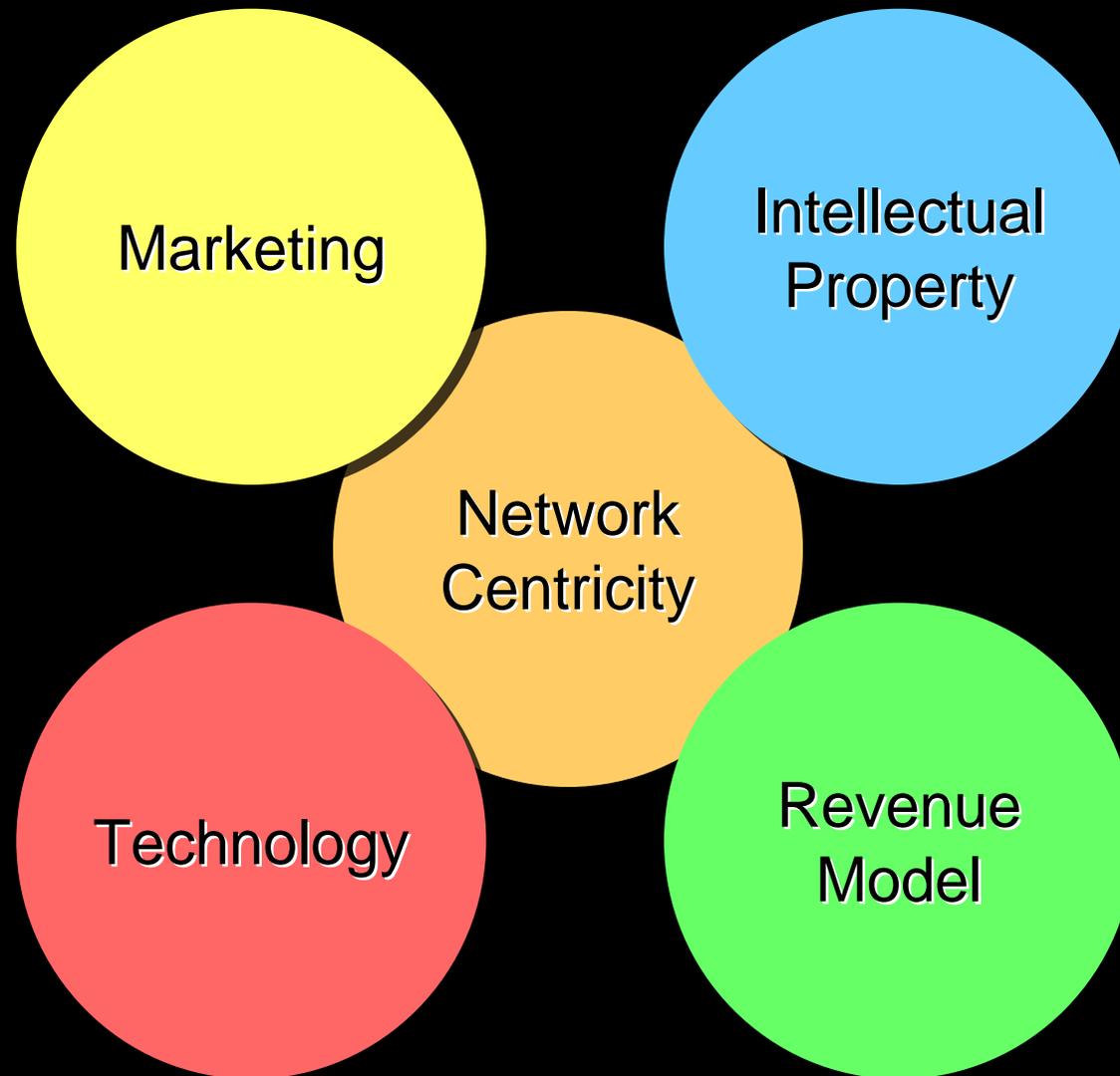


Very different approach

# Software-as-a-Service (SaaS)



# SaaS Business Architecture



All aspects are tightly coupled

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# SaaS Distribution - Channels are Dead?



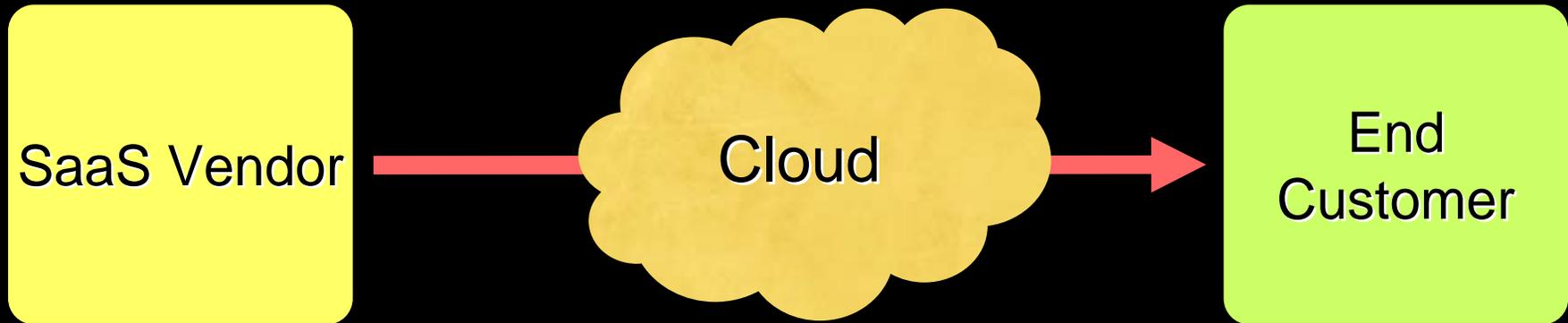
Value-added Resellers, System Integrators, etc.

# SaaS Distribution - Channels are Dead?



Traditional technology channels are having the hardest time with SaaS – no technology to manage and fundamentally mis-aligned business models

# SaaS Distribution - Myth

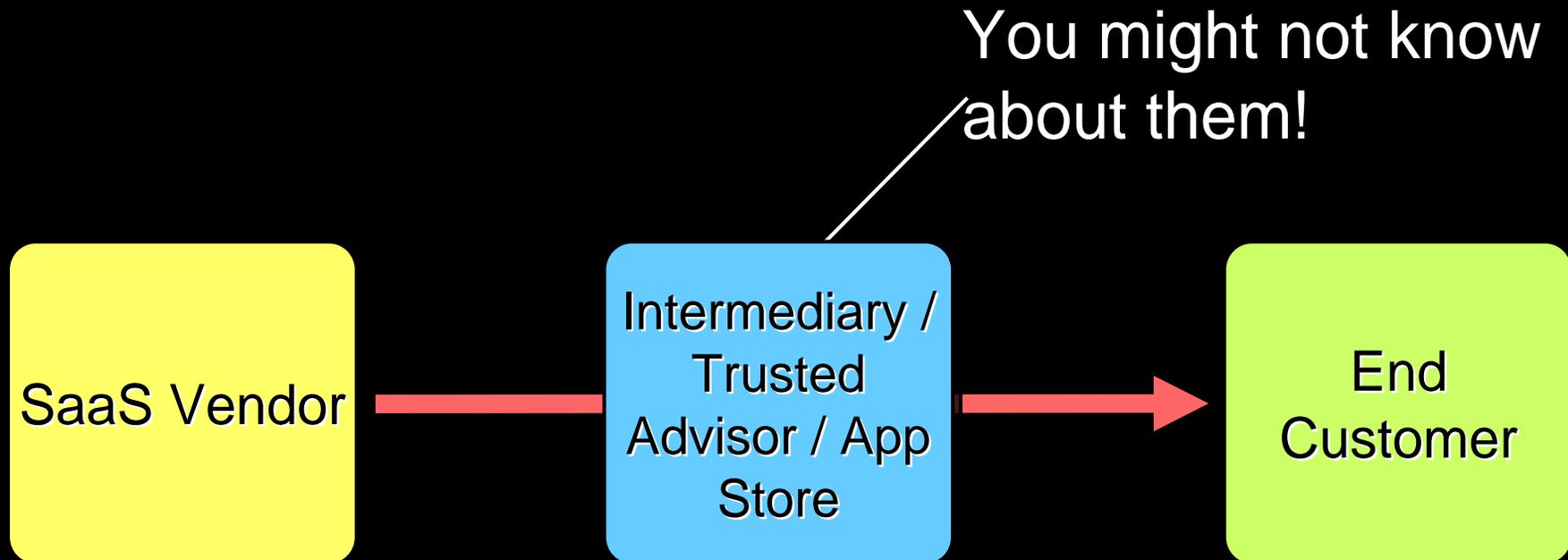


The common fantasy is since its “in the cloud” that the web is the distribution channel. Maybe, but you might want to explore that further; just to be sure.

# SaaS Distribution - Myth

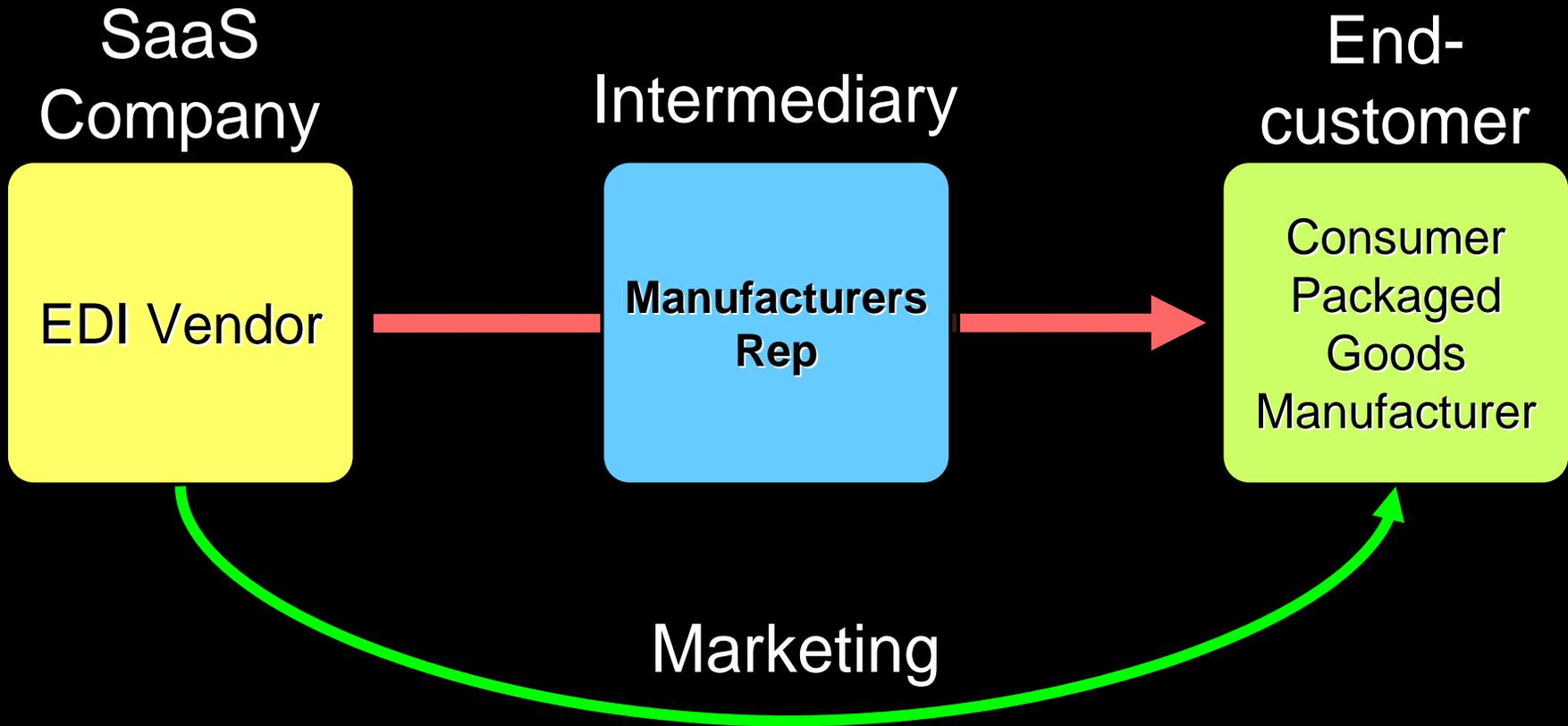


# SaaS Distribution - Channels aren't Dead, they are Just Different



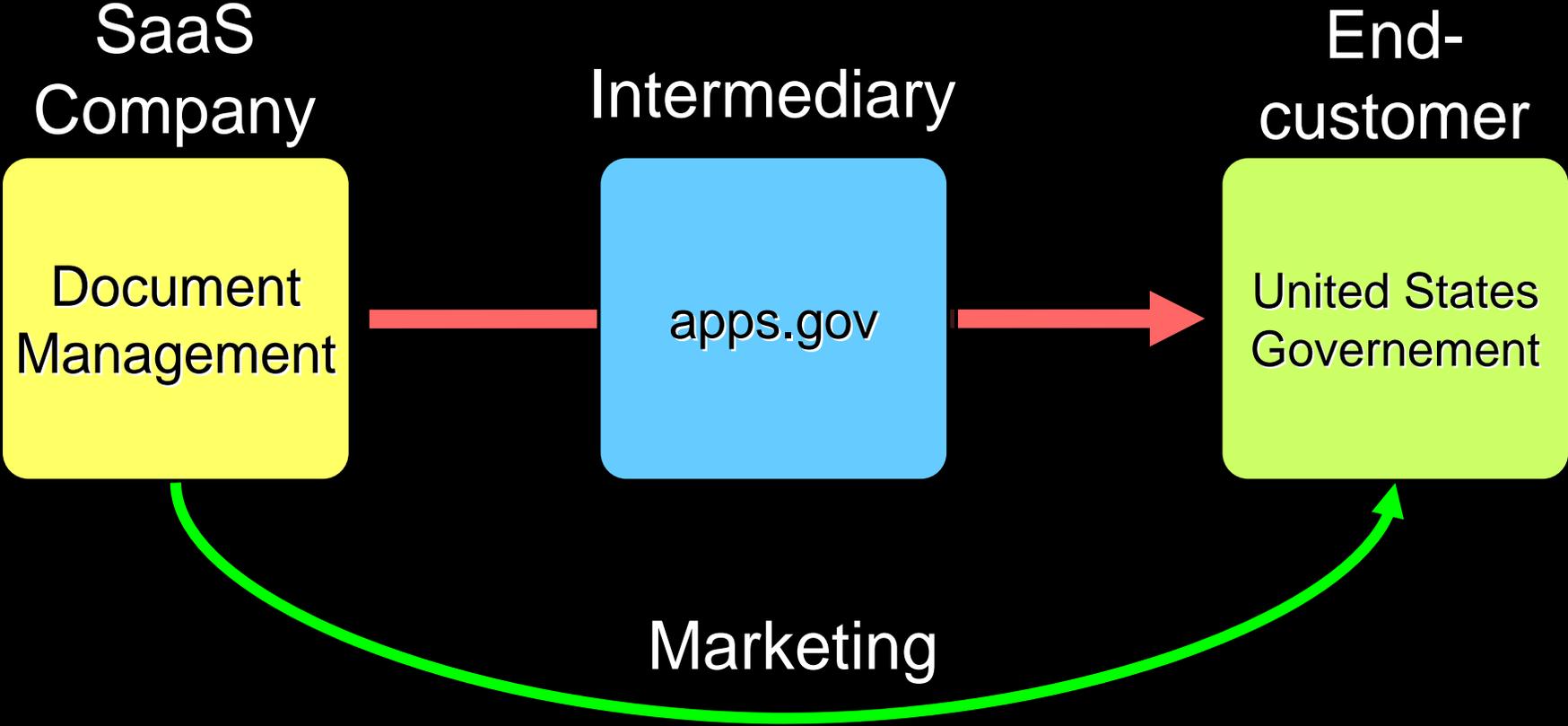
What if you don't have to use an intermediary? Can you? Its called leverage, but the key is to remember that rarely will you compel 3rd parties with only revenue share agreements for SaaS. The vendor should dig deeper and find out what they can solve for them.

# SaaS Distribution - Non-Technical Intermediary



Create value-pull by marketing directly to the End-Customer

# SaaS Distribution – App Stores



The end-customer cannot buy directly from you!

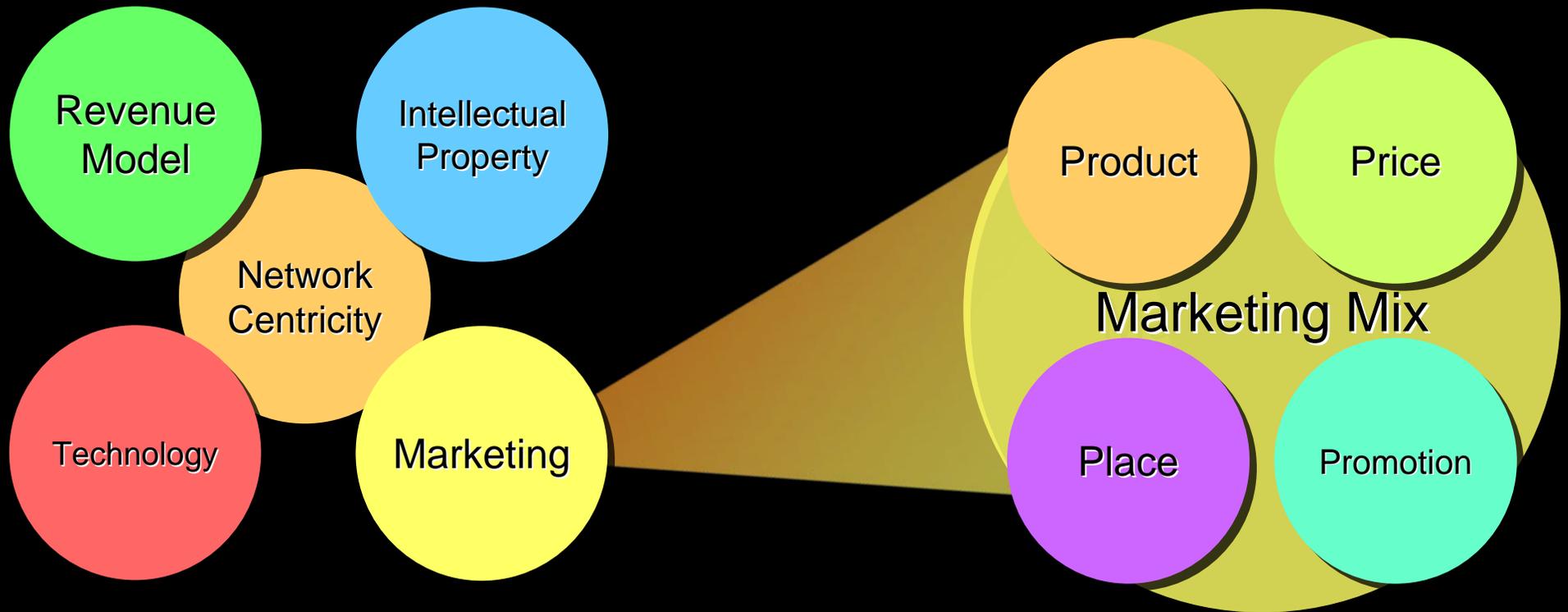
# SaaS Channel Strategy Equation for Success



# Agenda

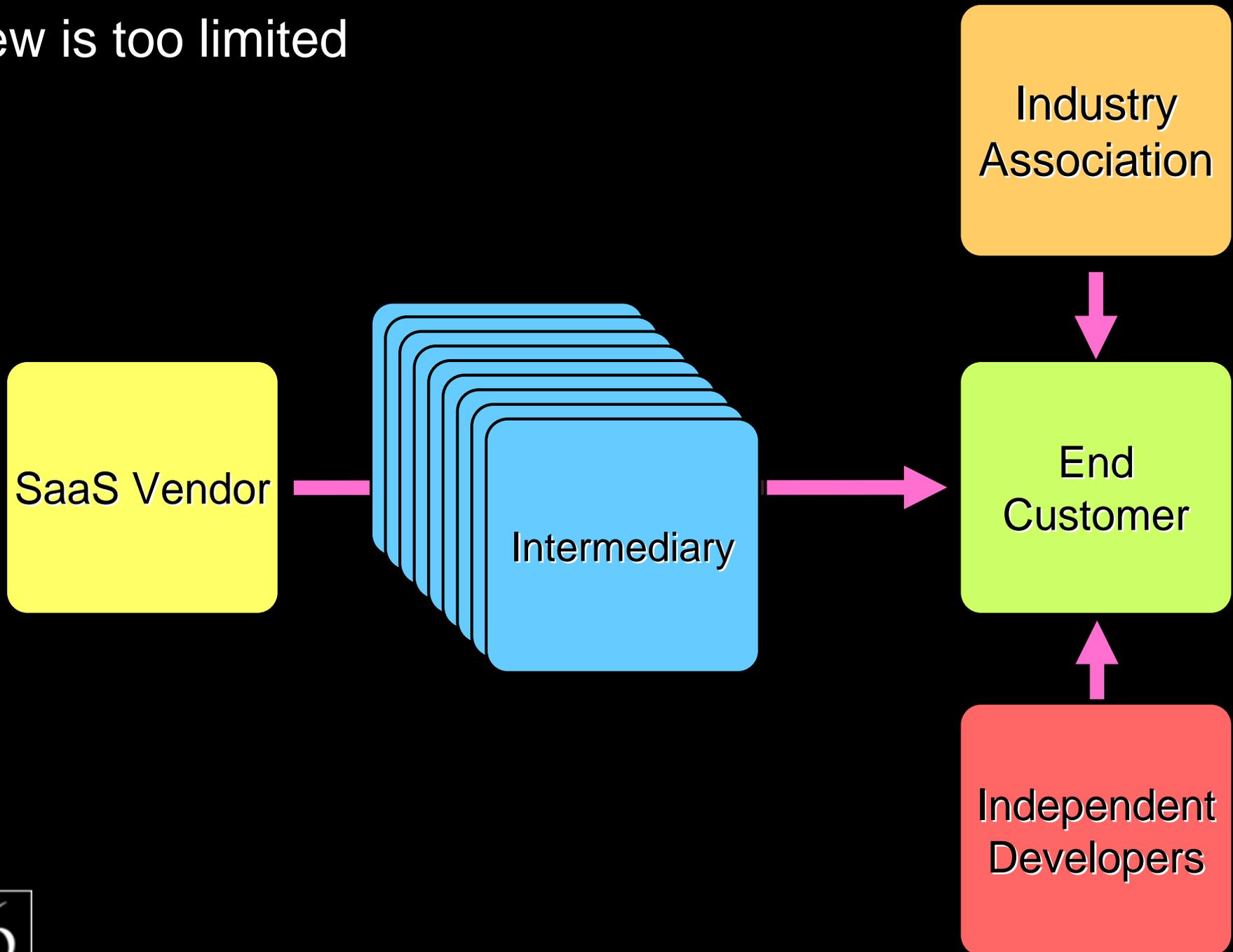
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# Business Architecture Issues

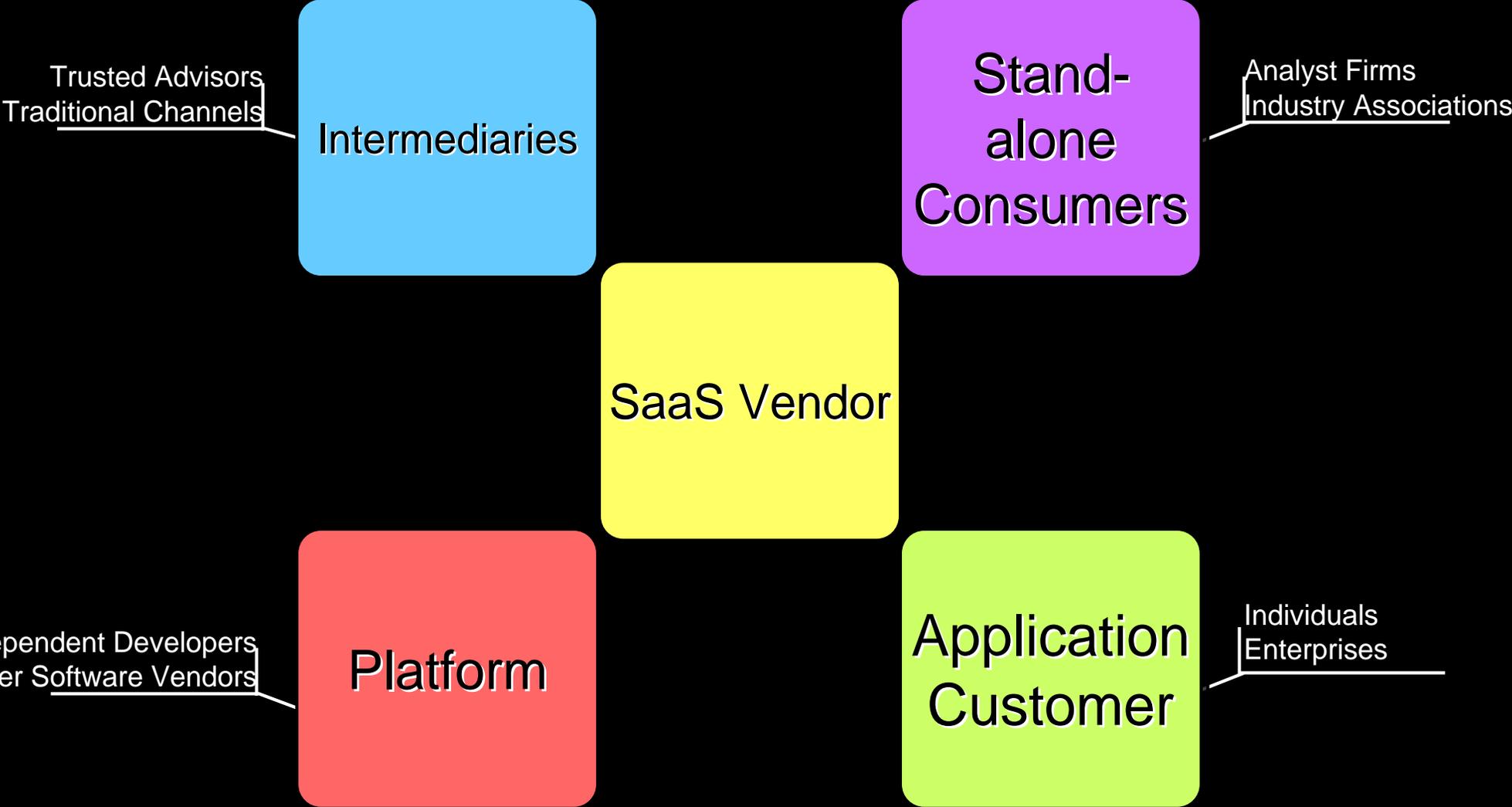


Distribution / Channels are part of Place & Promotion

# SaaS Distribution - Linear Value Chain view is too limited

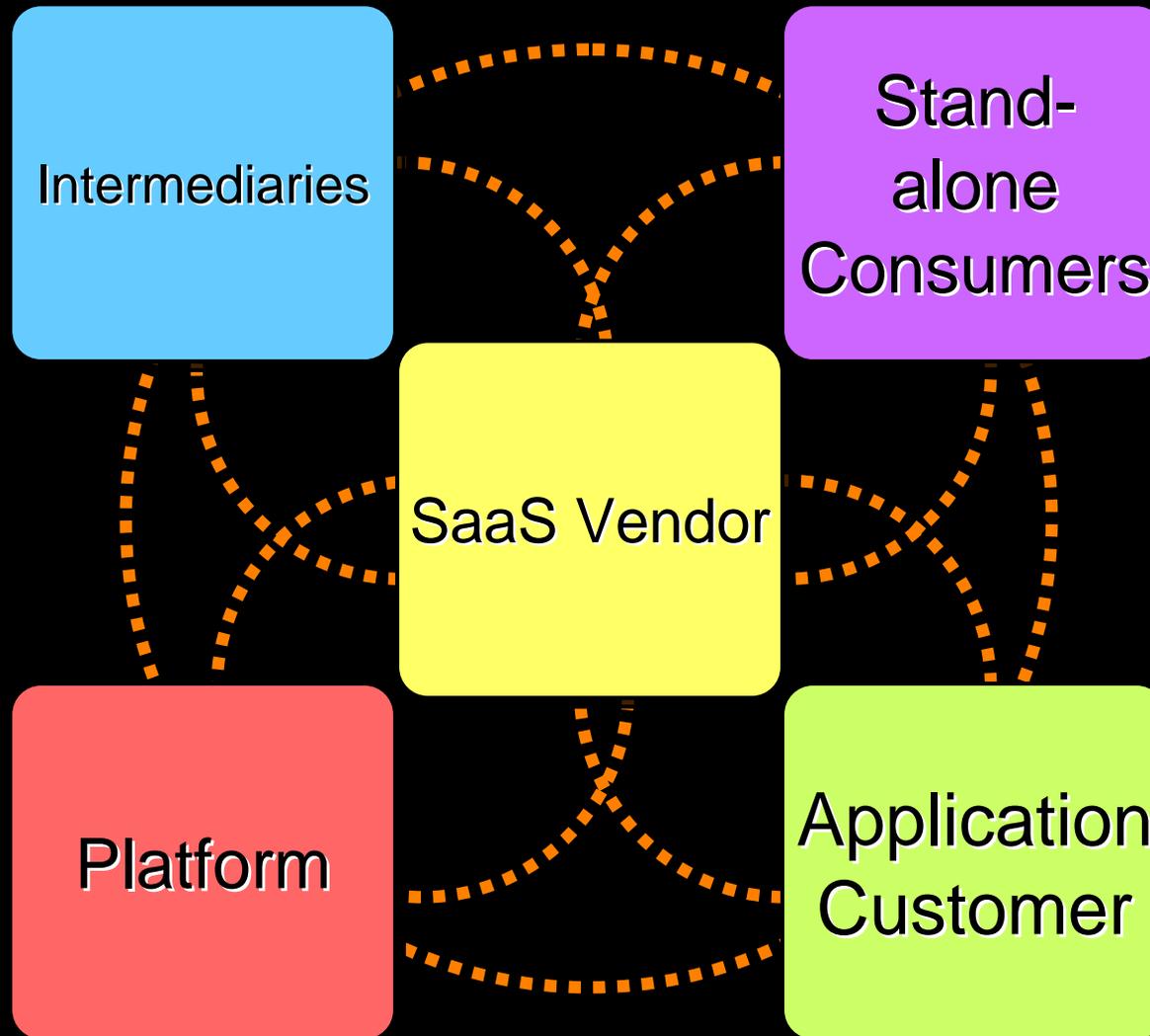


# SaaS Distribution - Value Network



SaaS Vendor sits in the middle of everything!

# SaaS Distribution - Value Network



The possibilities are endless!

# Multi-Tenancy in SaaS - Technical Deep Dive

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# Agenda

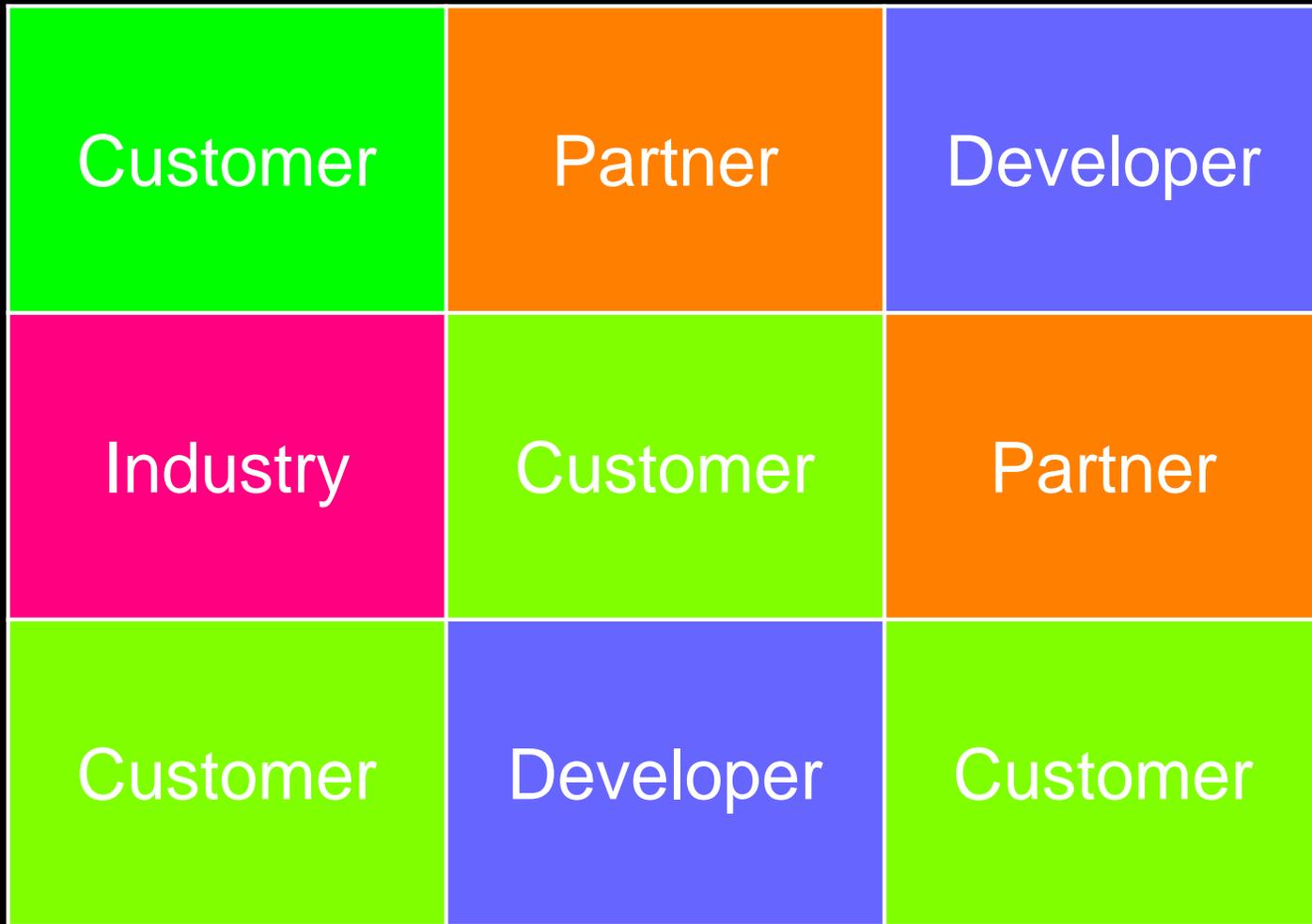
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# Multi-Tenancy in SaaS - Single Instance for all Customers

Customer	Customer	Customer
Customer	Customer	Customer
Customer	Customer	Customer

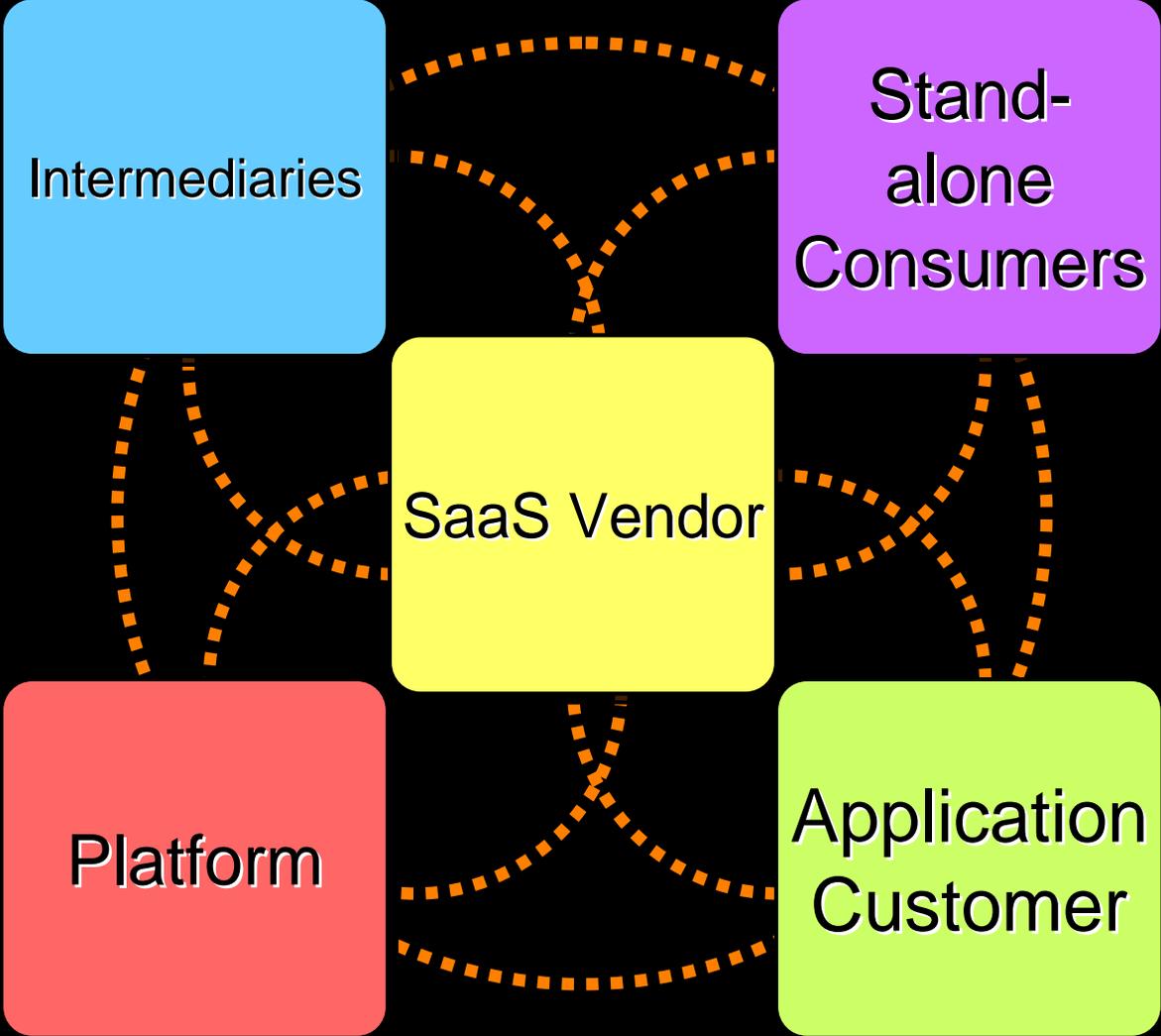
**Network Effect!**

# Multi-Tenancy in SaaS - Its not just Customers!



Ecosystem!

# SaaS Distribution - Value Network Reality



The possibilities are endless!



# 4 Questions to Change your Business!

- 1) What is your Target Market? What ancillary or adjacent markets might also have a problem that your product solves?
- 2) What companies or types of companies also have customers in those markets?
- 3) Who are the trusted advisors to those companies and the end-customers in the target and adjacent markets?
- 4) Who is interested in the behavior of all of those companies you've identified?

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# Historical Methods of Channel Motivation



- Discounts
- Revenue Share
- Spiffs
- Co-marketing funds
- Etc.



Are these enough?

# Difficulties with Historical Methods of Channel Motivation

- Hard to motivate channels with revenue-share for low-price or recurring-revenue products
- Many SaaS vendors have problems motivating internal sales teams let alone channels
- Spiffs and other motivators can be costly for the SaaS vendor; especially early-stage companies
- Often the SaaS vendor's business model is completely out of scale and alignment with the intermediary

# Historical Methods of Channel Motivation

- Existing methods aren't bad, they just might not be as powerful as they need to be to change behavior
- Some SaaS/Cloud vendors won't offer much direct monetary benefit to intermediaries
- Some could offer *huge* benefit to the core business of the intermediary
- What can you do to change your unique value proposition to intermediaries?

# Example of Deal Scale Misalignment

- Software that aggregates data from building management systems for Carbon Accounting
- Target market – Fortune 1000 companies, commercial real estate; owners, managers, etc.
- Intermediary - BMS installers and consultants
- Average deal size for them? \$25M w/ 10 year contract
- Software company's price? \$150k over 10 years
- Traditional rev-share? even at 25%, \$37.5k over 10 years or just shy of \$4k/yr

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# Tools for Channel Empowerment

- Add something else to the deal, like the ability for the channel partner to:
  - Benchmark against others in the industry
  - Have visibility into activities of end-customers
  - Anonymous aggregate data
  - Customer management tools
  - Integration with CRM, Accounting, etc.

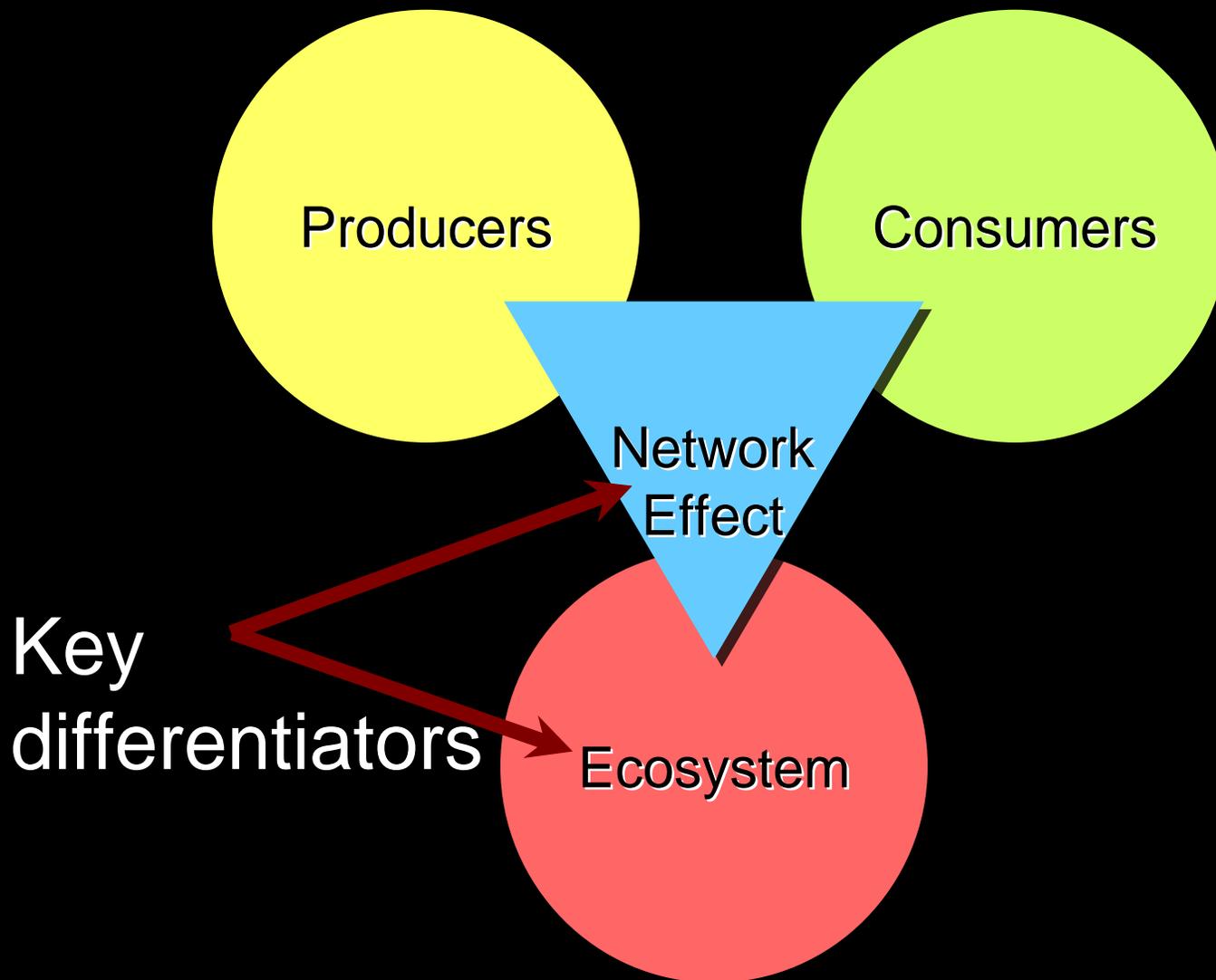
# Add Layers of Stickiness

- Get as deep into their business as you are in the end-customers
- Done properly, this helps reduce churn of the end-customer even more
- You have a champion in the value network that will encourage the end-customer's use of the product
- They might let the end-customer switch for a 10% cut but will work hard to keep them if there is additional benefits to them

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# Software-as-a-Service (SaaS)



## SaaS vs. Legacy Software

Leveraged properly, you can turn apples to apples comparisons...



vs.



SaaS vs. Legacy Software

# Into bowling ball to apple comparisons, in your favor...



VS.



## SaaS vs. Legacy Software

Bowling Ball Photo via [definetheline](#)

Apple Photo via [martinlabar](#)

# Change the focus to things legacy vendors cannot deliver!



S  
M  
A  
S  
H



## SaaS vs. Legacy Software

Bowling Ball Photo via [definetheline](#)

Apple Photo via [martinlabar](#)

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# Dealing with Pushback as a SaaS / Cloud Vendor

- Legacy vendors will spread FUD
- Trust is a big deal in SaaS / Cloud
- Intermediaries might not want to do business with you since they don't control what is ultimately being used by their customers
- Understanding your position vis-a-vi the competition is critical

# Transparency & Trust

- You can give the intermediary the access and tools they need
- Tools to help them manage and understand usage of the system by members of their team as well as their customers can help overcome objections
- Give the end-customer visibility, too, such as customer-facing status dashboard, etc.
- This can be the difference between getting a deal with a channel partner and not

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# Customer Ownership

- This is between you and your channel partners
- Existing relationships might need to be revisited
- Anonymous Data ownership should be maintained even after clients and partners leave
- Ensure your Terms of Service & Privacy Policies cover these things
  - Talk to your legal team; I am not a lawyer



# SaaS Revenue Modeling & Business Architecture



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