

2014/2015

How to Sell SaaS

The definitive guide to understanding, selling, and marketing Software-as-a-Service in a Web 2.0 world

The software sales channel has long been defined by a business model of packaged, value-added software, delivered and integrated at the client site. This model is rapidly changing as software vendors move towards a hosted model, and those in the business of selling software must be prepared for the shift.

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Introduction

Software-as-a-Service (SaaS) presents an enormous opportunity for companies seeking to save money, and for providers of all types, including integrators, VARs, telecommunications carriers, software vendors, and any entrepreneur looking for the next wave of technology. Marketing SaaS calls for a different approach though, since it represents a major departure from the traditional, “mainstream” way of selling software, and as such, there are a lot of obstacles to overcome before you can make the sale.

Software-as-a-Service is a simple concept. Users, instead of purchasing multiple licenses for each software package, hosting the software on their own servers, and managing the software in-house, relegate all of those functions to a third party. The advantages are immediately obvious. The true cost of software lies not in the retail price on the box, but in the total cost of operation (TCO), which includes ongoing maintenance and installation. As any IT manager knows, this cost can be substantial over the lifetime of the software.

At the same time, the advantages are countered by drawbacks, both real and perceived. IT managers are notorious for wanting to maintain control over their environments. The IT manager is reluctant to allow anybody, no matter how much of a “power user” they may be, to install their own software, make their own upgrades, or configure their own PCs in any way; and rightly so. Without maintaining this level of control over the network environment, the door could be opened to misconfiguration and security breaches that could shut down the network and rack up costs that could be disastrous. The IT

manager is therefore often reluctant to turn control over the application environment to a third party. Of course, there are answers to these concerns, which will be addressed later in this book.

The reason for the recent upswing in SaaS offerings can be attributed to three different participants: software vendors, end users, and channel partners. The needs and demands of all three have converged at the same time, making this an ideal time to move into the SaaS marketplace. Major software vendors, as shown later on in this paper, have started to roll out prominent SaaS initiatives. End-users have started to demand more of these types of offerings, having finally gotten accustomed to the idea of hosted services thanks to the dynamics of Web 2.0 technology and mobile computing. And finally, channel partners, facing increasingly narrow margins on traditional hardware and software offerings, are looking for new alternatives to supplement their sales efforts.