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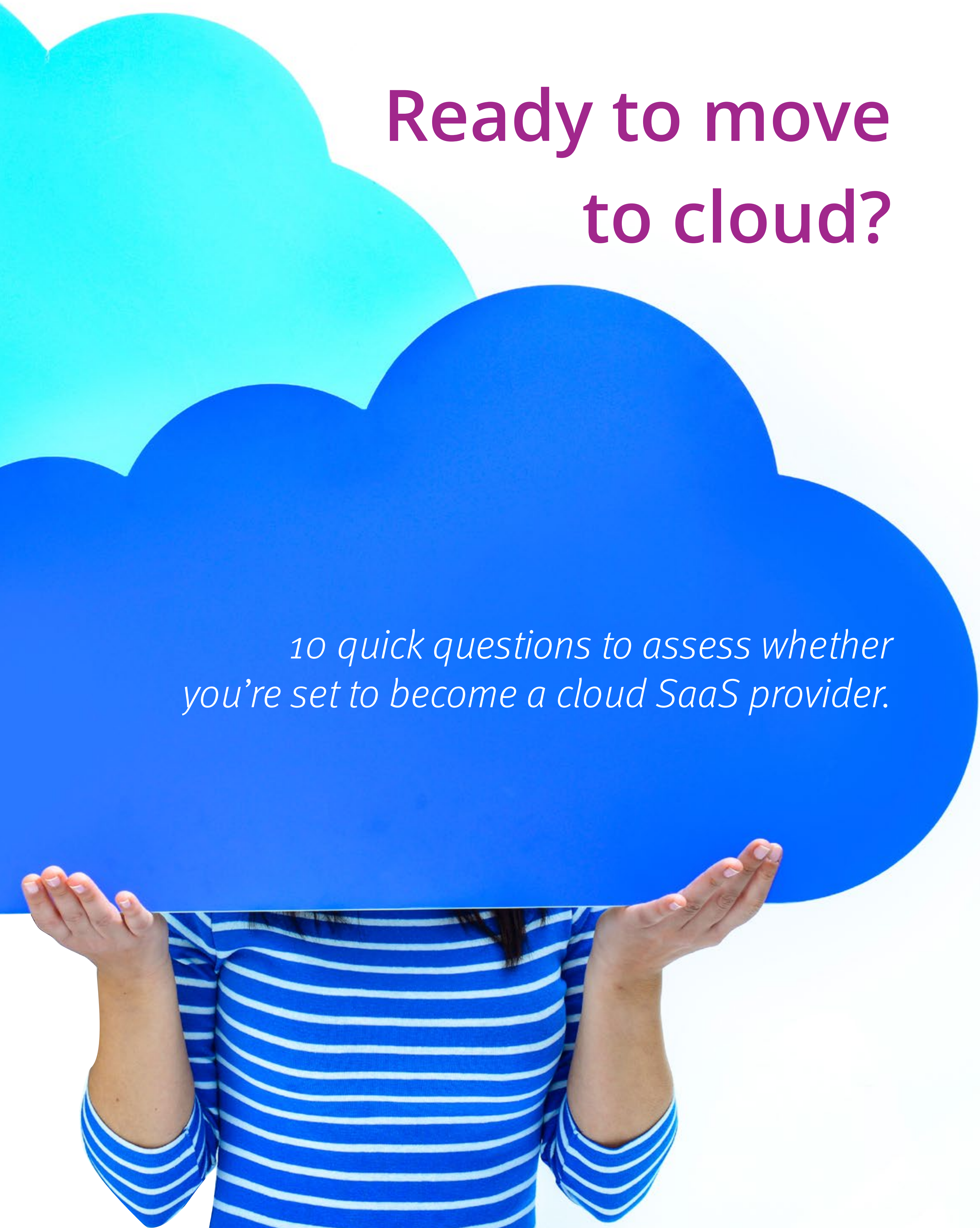
The Global Channel Ecosystem

Ready to move to cloud?

10 quick questions to assess whether you're set to become a cloud SaaS provider.



Welcome to our quick guide to becoming a cloud SaaS provider.

This e-Book will ask you 10 simple, but crucial questions to consider in order to make the best, most strategic move to a cloud subscription or consumption model. It can be a difficult but necessary change for IT companies, to help keep their products and services relevant and profitable.

1

Have you thought about what business model your cloud product looks like?

The cloud product you adopt will depend on your existing product or service type and can be structured as a fixed price or consumption price model. Usually these would be charged out on a monthly basis.

If selecting a consumption model, you will need to consider the implications of managing the consumption or usage based data as well as ensuring the billing mechanisms are well established.

A fixed offering or monthly subscription is slightly easier than a consumption usage offering as the charge amount is the same every month.

2

Will you create a new business unit or manage it under an existing one and simply transition your customers over when their renewal is due?

This question relates to how you are going to move your customers across to your new cloud portfolio. Special consideration must be made as to how quickly customers will migrate to the new model. Some customers may respond really well, but it may potentially alienate others that are not yet ready to take this step.

Setting up a new business unit to help transition customers across is probably the best way to keep both sides happy. However, while this approach provides the greatest flexibility for customers, it can come with cons. For example, it can slow the rate of adoption, and add to your operational costs, not to mention having sales teams selling the same product/service with different revenue models.

3

Will your cloud offering affect the way you deliver your product or service?

Inevitably implementing a cloud offering will affect the way you deliver your product or service based on the fact that customer expectations will change. With the introduction of a cloud-based product, customers will generally expect 24/7 availability, higher uptime guarantees, as well as online security and disaster recovery plans to minimize disruption. Having these service delivery metrics and plans already in place will ensure a smoother transition.

Also, it's important to note that under the subscription or consumption model there is a greater risk of losing a customer, unless you offer minimum contract terms. Which is why providing exceptional service delivery and customer success is essential for customer retention.

4

What changes are involved in your product-development and engineering functions?

Cloud-based technology allows users to seamlessly download your products or use your services live on the web. This also translates to a higher expectation from users that new features, fixes and enhancements will be released on a more regular basis than a typical annual update. Developing a robust release process that connects your product development and engineering teams with your QA and product release teams is an important part of being a cloud SaaS provider.

In addition, you will need to ensure the appropriate protocols exist for users to download and administer the applications, as well as enabling them to view their access rights and authenticate content.

5

What incentive structure will you need to motivate staff to sell your new cloud products?

In the cloud SaaS world, there is a greater emphasis on service and support delivery, which may require upskilling your staff as well as creating new incentives.

Many organizations have traditionally paid out commissions based on a percentage of the value of the net new product sales, however moving to a monthly-based commission structure may be more appropriate for cloud products. These would be paid in line with the customer's subscription and should include retention metrics.

Planning and preparing your affected teams through early consultation and collaboration is essential in ensuring sales momentum is maintained. Regardless of how you approach the situation, high-quality service and support will lead to high renewal rates.

6

Have you thought through the data management implications?

When transitioning to cloud, there is going to be a large increase in the volume of data consumed and more transactions to manage on a more regular basis. Developing robust procedures to streamline the collection and processing (including billing) will help prevent potential data management issues.

In addition, clean data is critical for accurate billing, so adopting a process to ensure your data is regularly cleansed will prevent any data issues in the long run.

There is a leverage gap with easy to reach data. Even though 94% of service organizations have access to purchase data, 50% of these organizations do not leverage this data to improve services.

TSIA article

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What applications are currently managing your renewal programs and are they scalable?

Renewal teams who build renewal quotes via a minimum of 3-4 systems will need to consider whether these systems can cope with the extra volume. They will need to identify if they can automate parts of the renewal process, to help reduce workloads. For example, can they identify late/overdue/delinquent, overages, un-attached or tech refresh opportunities?

Ensuring your renewals program can support and adjust to this is crucial for a successful transition.

8

How will your new cloud offerings affect your channel sales organization?

In much the same way you prepare your internal teams, treat your channel as an extension to this. Marketing, sales tools and other product support information will all need to be disseminated, which can easily be done through your traditional partner programs or perhaps a specialized channel learning program.

Also like internal staff, you may need to consider what incentives will help motivate your channel partners to sell your cloud offerings.

9

Have you thought about how you will forecast your cloud revenue?

One great thing about cloud revenue is that it is more predictable and consistent over time than one-off product sales, so it should be easier to predict and forecast your recurring revenue.

Forecasting how product adoption will affect your revenue can be built around metrics such as subscription growth, annualized recurring revenue or average revenue per user. Include other professional service offerings that may be required for implementation, on-boarding or other customization efforts.

10

Do you have a plan to communicate these changes to your investor community?

Typically, moving to an annuity income stream from lumpy annual revenue sales may result in a drop in first year revenues, however this can depend on the timing of your current invoices. It's important to communicate and prepare your investor community of these changes, and outline the risks and rewards that can result from this type of change.

For example, the main risks include a reduction in revenue and the resultant decline in cash flows, as cloud-based products are usually less expensive. However, this potential decline in revenue can be partially offset through cost reductions such as a decrease in large commissions, and faster conversion rates with the elimination of lumpy upfront cash payment barriers.

In addition, highlighting positive non-financial growth metrics such as subscription rates, renewal and retention rates and average revenue per user to your investors can help alleviate many concerns about the health of your financials.

Conclusion

As demonstrated throughout this guide, becoming a cloud SaaS vendor involves a lot of preparation, planning and forecasting as it requires a significant change in strategic direction. Bringing together the right people, developing the right processes and managing the data is critical for a successful transition.

If you're embarking on this change, and you are encountering any of these questions, our dedicated consultants have experience helping Fortune 500 companies deploy these models by tapping into our expertise in designing and developing processes, managing large volumes of data, and implementing the appropriate change management programs through direct and channel partner organizations.

Contact us today at iasset.com to learn more about our consulting and technology solutions.

Want to learn more? Contact us at info@iasset.com or visit www.iasset.com

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