

White Paper



ISV Strategy for Revenue & Customer Growth

Online Store @ Cloud

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Abstract

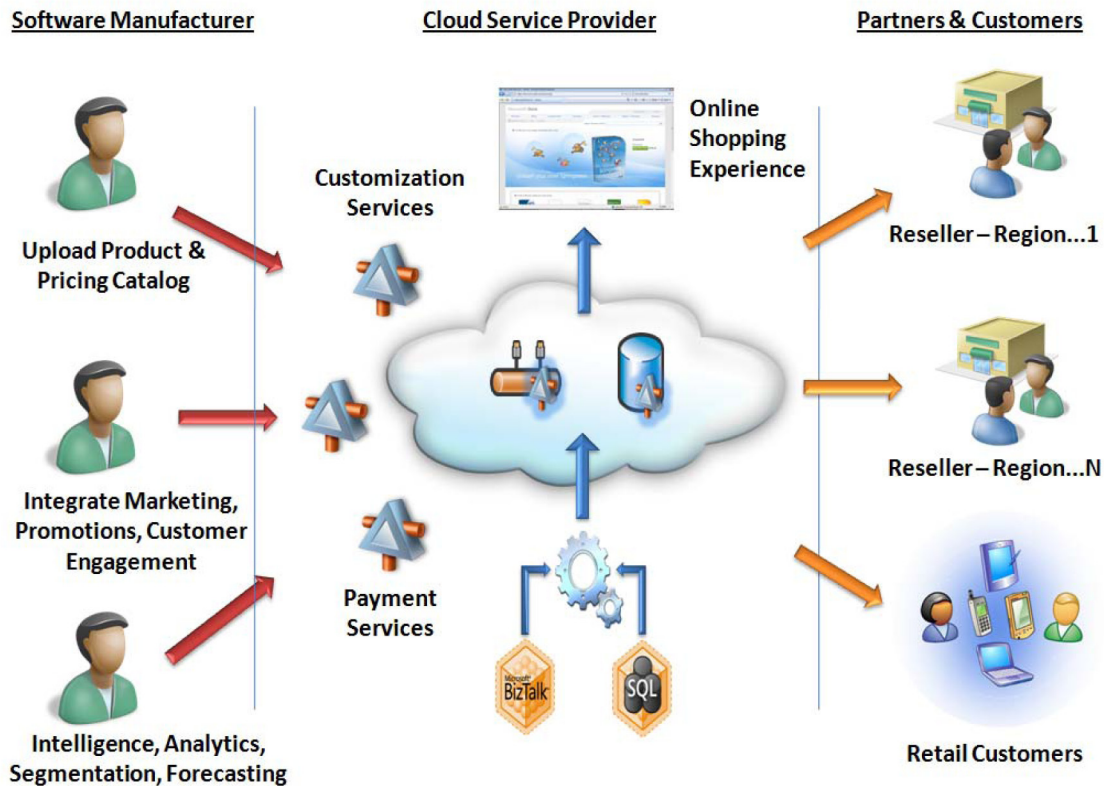
On-demand software distribution & retail e-commerce is one of the key growth strategies for software manufacturers to significantly enhance online revenues & increase market share. The online store(s) presents unlimited opportunity for expansion - across the globe - to reach-out to the end consumers directly which fuels revenue & customer growth. The cloud computing technology brings fundamental capabilities in terms of promising quality-of-service: scalability, availability, reliability, storage & performance - these qualities are essential to mitigate the risks of running online software distribution & e-commerce business. The cloud computing technology also brings flexible pricing, services and business models to significantly reduce the overall cost and more importantly – reduce liabilities of such online software distribution & e-commerce operations. In this paper, we will discuss the case for cloud computing technology to transform the business of software distribution & related e-commerce through highly scalable online stores integrated with marketing & promotions strategy.

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Overview

The shopping-cart internet applications and online retail stores offering personal computers, laptops, digital cameras, books, apparels, air tickets etc are the most common & popular form of e-commerce over internet. It has proven itself an excellent growth story. However, the online purchase of software is relatively new, but definitely in great demand and has significant growth potential in the next wave of internet e-commerce.



The online purchase & downloading of software products is termed as Electronic Software Distribution (ESD) & e-Commerce in business taxonomy. It is not new for many software manufacturers – however, the recent trend – i.e. Microsoft launched a whole new Online Store Experience in November, 2008 – suggest that it is one of the key focus & improvement areas. With improving maturity levels, the modern software distribution & e-commerce system is no longer an isolated shopping cart, but it has integrated marketing & promotions features along with various proactive customer engagement tools to improve customer acquisition & retention. It is also powered with advanced back-end customer intelligence, market analytics, customer targeting and demand forecasting tools to improve market penetration.

Key Drivers for Software Distribution Business Transformation

The software manufacturer's vision is to increase market share, get competitive edge over others & lead the industry through differentiated services. One of the key strategies for growth and differentiation is modernization and transformation of software distribution & related e-commerce business. The latest business & technology trends such as Web 2.0, Social Networking, SOA, SaaS and Cloud Computing are the key drivers & enablers for such transformation to achieve desired business goals with high efficiency. From business perspective, the key goals & drivers for such transformation are:

Business Goal	Success metric in context of software distribution
Increase overall growth	Increase online revenue and customer base through online retail stores, online reseller management systems and direct connection with customers. Increase total market share by expanding operations globally.
Improve customer satisfaction	Improve customer satisfaction index leveraging Web 2.0 & social commerce concepts; improve customer's online shopping and after-sales experience. Improve customer acquisition & retention rate through innovative customer engagement tools
Reduce total cost of ownership	Reduce total cost of ownership by reducing overall IT liabilities, leveraging economical business & services models, making global operations efficient & effective
Achieve higher business agility	Reduce time-to-market for new product offerings, accelerated regional & seasonal promotions, flexibility of packaging / bundling multiple products, facilitate up-sell, cross-sell through online customer interactions
Achieve competitive edge & industry leadership	Integrate business operations - marketing, promotions and integrate analytics, intelligence, forecasting, segmentation, targeting etc concepts with software distribution

The following are the key business & technology trends and its impact on the business goals:

Trend	Achieve Profitable Growth	Improve Customer Satisfaction	Reduce TCO	Higher Business Agility	Competitive Edge & Industry Leadership
Web 2.0	Medium	High	Low	Low	High
Social Commerce	High	Medium	Low	Low	High
SOA	Medium	Low	High	High	Medium
SaaS	High	Low	High	Medium	Medium
Cloud Computing	High	Medium	High	Medium	Medium
Process Modernization	Low	Low	Medium	High	High
Analytics & Intelligence	High	Medium	Medium	Low	High

In the following section, we will discuss how cloud computing and related technology trends can help realizing the identified business goals.

Cloud Value Proposition for Next Generation Software Distribution & Commerce

Based on the above analysis, it is expected that the next generation online store for software distribution will be built leveraging combination of latest technology & business trends. In this article, we will elaborate the benefits offered by SaaS and Cloud Computing technology in context of software distribution.

In general, SaaS brings business value in terms of flexible & economical business model rather than a "real technology value". The cloud computing technology complements it by realizing these flexible business models through "physical mapping of resources consumed" – that includes: software, hardware & IT services. The cloud computing technology brings a huge amount of virtualized hardware, required software and IT staff. The cloud environment and hosted software applications

are fully owned, managed, supported & serviced by the cloud service provider. The cloud computing environment can be dedicated partly (shared cloud) or fully (private cloud) for a given client and managed by cloud service provider. The cloud service provider and the client negotiate the terms for pricing, quality-of-service, service level agreements (SLA) and operations level agreement (OLA). It implies that cloud computing technology makes it feasible to realize the flexible business models offered by SaaS through physical means.

In context of software distribution, the challenge is to balance IT investment for global expansion with actual growth through online stores. Even for large software manufacturers, it is almost impossible to proactively plan IT scalability for global operations. It is also not practical to block large investments in terms of hardware, software & operations when the operations size is relatively small initially. What is required is a dynamic and on-demand scalability of IT assets & related services - as the online store operations grow across the globe. The SaaS and Cloud Computing bring flexible business models and dynamic scalability together to realize the business value and facilitate growth, economically. The following are the value proposition of next generation software distribution & commerce platform that will help realizing the business goals identified earlier:

Value Proposition	How this value proposition can be leveraged?
Economical Pricing	The SaaS offers flexible business & services models: pay-per-use, pay-per-click, monthly rentals, pay-per-transaction, pay-per-download, pay-for-computing power, pay-for-storage etc. The software manufactures can evaluate different pricing models and frame optimal strategies
Unlimited Scalability	The cloud computing technology brings on-demand IT scalability that helps easy expansion of online stores across the globe. The capacity for scale can be purchased on-demand from cloud service provider.
Reduced IT Liability & TCO	The cloud service provider owns, maintains, manages and services the cloud environment on which the online stores are hosted. It reduces the IT liabilities and related cost of the business organization drastically by making the online stores available as a service.
Improved SLA & OLA	The cloud service provider is accountable for requested quality-of-service: performance, availability, reliability & scalability according to service level agreement (SLA) negotiated with client. The cloud service provider is also bound to adhere to the operations level agreement (OLA) for managing clients operational requests.
Improved Business Agility	The traditional IT environment has various lock-in – software, hardware, vendor etc. The cloud service provider model eliminates such lock-in and provides tremendous flexibility and agility in terms of software, hardware and business models to reduce time-to-market
Improved Customer Experience	Leverage latest business & technology trends that includes - web 2.0, social commerce, integrated marketing, promotions and customer relationship systems, deploy customer engagement tools to facilitate rich & interactive shopping & after-sales experience

Although, the benefits sound attractive, there are several challenges in realizing the cloud based online stores - key being - availability of matured & proven cloud technology platform and software commerce system. The cloud computing technology is still on the hype-cycle but has excellent potential; there is also a very high commitment by large software & hardware vendors. The key challenges to realized cloud computing technology for practical business operations are summarized as below:

Challenge	Details
Cloud technology platform maturity	The cloud computing technology is still on the hype cycle; also many of the cloud offerings are not yet production ready / mature enough. The large players are still building the “right” cloud platform that can be serviced economically with quality assurance. There are open issues around data security, data ownership, infrastructure standardization, and enabling applications (billing etc) which needs to be addressed for practical realization.
Cloud service provider maturity	The cloud service provider value chain is driven from the internet service providers (ISPs), lot of them have got some experience in providing SaaS and application service provider (ASP) services to their clients. However, they still lack maturity in managing cloud computing infrastructure and may fail to deliver desired quality of service.
Cloud compatible software distribution system availability	There are several service providers who offer SaaS based offerings for software distribution and commerce. Many of these providers also have more matured, business oriented, integrated and value added, analytics & intelligence powered systems. However, the compatibility of such systems on cloud environment is not yet tested to realize the true benefit (unlimited scalability) of cloud technology.
Emerging business models	The SaaS business models are new and still evolving, trying to prove its place to be a default option for many software manufacturers. The above factors – lack of mature technology platform and service providers - are the key roadblocks in realizing widely acceptable SaaS business models.
Higher adoption risk	The above constraints result into lower adoption rate and thereby increased implementation risk for practical purposes. It requires courage, passion and leadership from the organizations to make it successful to realize the desired business goals.

Conclusion

The cloud computing technology has a great potential to directly influence software distribution business growth. It offers tremendous business value in terms of flexible business models, on-demand IT scalability and reduced IT liabilities. There are several service providers who offer SaaS based models for electronic software distribution & commerce platforms – for e.g. Digital River, Avangate etc. These service providers also offer value added services & related systems for integrated marketing, promotions, intelligence, analytics, forecasting and segmentation etc along with customer engagement tools.

However, the cloud computing technology platform, the service providers and the compatible software systems are still evolving and yet to mature for all practical purposes. We suggest the software manufacturers to balance the practical constraints with upcoming trend and come-up with a future-proof feasible solution. The option of iteratively migrating existing systems to cloud environment can be evaluated. It is also suggested to architect and design the new systems to comply with cloud infrastructure in addition to the other technology trends to deliver smart & scalable online shopping and after-sales experience.

Resources

1. Microsoft Integrates Electronic Software Distribution Into Updated Windows Marketplace
<http://www.microsoft.com/presspass/press/2006/aug06/08-28ESDIntegrationPR.msp>
2. How Cloud Computing Is Changing the World
http://www.businessweek.com/technology/content/aug2008/tc2008082_445669.htm
3. Digital River is a leading provider of global e-commerce solutions
http://corporate.digitalriver.com/store/driv/en_US/ContentTheme/pbPage.Homepage/sectionName.home
4. Avangate provide e-Commerce platform and results-driven online marketing service
<http://www.avangate.com/online-payment-solutions/>

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