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CHOOSING SALES CHANNELS TO SCALE GROWTH IN A SAAS ORGANIZATION

– A look at an Enterprise Mobility Management
software sales company in growth mode

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— A LOOK AT AN ENTERPRISE MOBILITY MANAGEMENT SOFTWARE SALES COMPANY IN GROWTH MODE

Small and medium sized organizations around the world are increasingly adopting cloud software solutions, taking advantage of the benefits of these products and implementing them into various business processes. The shift to cloud software as a business model has opened new doors for many tech companies, especially for those in the startup and growth phases. Cloud software vendors are taking advantage of the new opportunities and are in turn growing their companies rapidly.

Rapid growth brings about new changes and challenges for the software vendor, and one aspect of this which is systemically overlooked in business literature is how to structure the sales channels required to go to market. This study provides an in depth investigation into the available sales channels, and draws from the empirical data of a Finnish SaaS company currently in growth mode.

The main findings of the study show a clear path from which to choose the sales model for expansion into secondary markets while keeping the operational expenditure low. In addition to minimizing financial risk, some other factors contributing to the decision were control of the sales process, cultural similarities between salesperson and customer, and physical proximity to the customers to maximize the speed of service in local time zones.

KEYWORDS:

SaaS, Software, Sales, Sales Channels, Growth, Enterprise Mobility Management,

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LIST OF ABBREVIATIONS (OR) SYMBOLS

| Abbreviation | Explanation of abbreviation (Source) |
|---------------------|---|
| EMM | Enterprise Mobility Management |
| GDPR | General Data Protection Regulation |
| HIPAA | Health Insurance Portability and Accountability Act |
| MDM | Mobile Device Management |
| MSP | Managed Service Provider |
| KPI | Key Performance Indicator |
| SaaS | Software as a Service |
| MRR | Monthly Recurring Revenue |
| CRM | Customer Relationship Management |
| YoY | Year over Year |

1 INTRODUCTION

Software as a Service (SaaS) has changed the landscape of software sales for both vendor organizations and the customers they reach. A traditional network of field salespeople and brick and mortar retail outlets has been replaced with an inside sales force along with an increasingly automated, and often self-service, business model. A perpetual license model consisting of a lump sum to purchase and own software has now shifted to a subscription license model with a recurring fee for the right of its use. The installation of software, once exclusively on premise, is now more likely to be delivered from the cloud over the Internet. A single sales channel has now grown into multi-channel strategies, designed to reach different segments of customer, in several different ways. With reports from Spiceworks (n.d.) that SaaS is now adopted in as much as 93% of businesses, small and medium sized SaaS companies can't afford to miss the mark when it comes to their sales strategies. Many of these companies are startups, and do not have a lot of experience or data to build on, and modeling the sales structures of bigger, well-established companies is difficult without understanding their roots from the startup stage.

Results of previous studies have found there to be evidence supporting the need to strategize which sales channels to use when selling software. Research into the subject of SaaS sales has looked to various indicators to guide the sales strategies. Sharma refers to segmenting customers by size (2007), and Tyrväinen identifies the four main factors in selling SaaS as the business model used, the target customers, the sales process and customer relationships (2011). This introduces the concept of the multi-channel strategy, allowing firms to increase their reach by combining channels used to serve the customer (Sharma, 2007). Sharma's study was able to produce a framework that can be used by the case company to analyze channels. The study also produced evidence for which channels to expand and which to contract. This approach calls for greater coordination by sales management, to avoid channel conflicts (Marone, 2005) and careful consideration of the complexity of the software to select whether the distribution is intensive, selective or exclusive (Zimmerman, 2009). Despite the acknowledgement that analysis of the sales channels can lead to strategies that give vendors a competitive edge (Chen, 2014; Sharma, 2007), Mehotra and Sharma also point out that the development of optimized multichannel strategies has been infrequently observed (2007). Multi-criteria decision making sciences have been used

successfully in China to evaluate Cisco's sales channel effectiveness (Chen, 2014) and an omni-channel marketing framework by Cummins (2016) explores the topic from the standpoint of communication, but both articles point out the scarcity of further frameworks.

For small to medium sized SaaS vendors, one particular challenge is defining a strategy to develop an optimal mix of sales channels to efficiently, and cost effectively scale software sales. There are multiple options available to the vendor, and this research aims to evaluate the effectiveness of these channels in Miradore, resulting in a framework to be used in developing a growth strategy. Can an optimal mix be found? We look at previous research into sales channels and Enterprise Mobility Management SaaS company data to seek the answer. SaaS companies can spend years developing state of the art technology with incredible potential, but struggle to find success selling to business to business (B2B) customers. Considerable time, money and opportunities can be spent on trial and error sales endeavors, and this research could contribute to the literature used to help model business plans for aspiring companies.

Research Objective:

Examine the effectiveness of the sales channels in use at Miradore Oy, and determine a strategy for adding resources to scale sales.

Research Questions:

- 1.) Examine and compare the effectiveness of the sales channels in use at Miradore.***
- 2.) Determine which sales channels should be added, removed, reinforced or decreased to scale sales growth?***

2 BACKGROUND

2.1 Miradore Ltd.

Miradore Ltd. is a Finnish software company, employing approximately 35 internal staff members, plus an additional 5-10 external staff. Established in 2006, the company develops two software products for the management of corporate device assets, such as computers, mobile phones and tablets. To date, Miradore's software is being used to manage over one million devices in approximately 160 countries around the world. Miradore turnover is €5 million, and the company is growing between 15-20% year over year. With the global dependence on smartphones, and with emerging technologies such as wearables and Internet of Things (IoT) making their way into the market, Miradore predicts the demand for its software will continue to increase in the coming years.

Miradore Online is the name of the SaaS solution at the centre of this research. This type of software is categorized as Mobile Device Management (MDM) or Enterprise Mobility Management (EMM), and is delivered to customers through the Internet, also known as cloud software. Miradore Online has a freemium business model, meaning the basic software is free to use, and premium packages that include additional features are sold to customers who pay monthly based on the number of premium licenses used. The key performance indicator (KPI) for the company is monthly recurring revenue (MRR). The software is used to enforce security policies in organizations, collect inventory data of mobile assets, control usage and automate redundant IT tasks related to the configuration of mobile devices and deployment of software. Examples of the software use case for a typical company would include forcing users to have a passcode on their device, being able to remotely wipe data from a lost or stolen device, configuring company email accounts and settings, restricting access to certain device settings and deploying company applications. Miradore Online software is meant solely for business use, and therefore, Miradore engages in business to business (B2B) sales.

Miradore Online customers are typically segmented by size, industry, location and the ideal customer profile. We look at each of these segments in more detail, followed by the sales channels in use at Miradore.

2.2 Customer Size

Miradore Online customers are small and medium sized businesses (SMB's). Gartner defines the SMB segments as businesses with fewer than 1000 employees, and under \$50 million revenue (<https://www.gartner.com/it-glossary/smb-small-and-midsize-businesses>) and this definition fits well with the Miradore profile. In the definition given by Gartner, this size of organization has different IT needs and budgets than that of Enterprise level business, and therefore, the solutions needed to satisfy this market are different than what is available for Enterprise sized customers (Gartner IT glossary, 2019). Miradore feels its software fits closely with the SMB segment because of its ease of use, affordability and flexibility. The SMB market is also attractive to Miradore since there are fewer barriers to entry, the sales cycles are fast and there is a vast number of potential customers. The focus on the SMB market has been a successful differentiator for Miradore, as customers also share that their experience is much better doing business with another small company, and they feel that the service received is of a higher level than it is when trying to compete for the attention from a vendor that is also working with Enterprise sized customers.

2.3 Customer Industry

Miradore follows the industries of the customers who use the product. There are 10 industries followed, plus an 11th category for those customers who don't quite fit in any group: IT Service Provider, Healthcare, Construction, Government/Public, Retail/Wholesale, Software Provider, Charity/Non-Profit, Education, Manufacturing, Financial Services and Other. The most important industry to Miradore is the IT Service Provider, also known as a Managed Service Provider (MSP). An MSP is a company that provides outsourced IT solutions to companies that either don't have an IT department of their own, or who require some external expertise to run certain systems. The MSP typically has many clients in various verticals, and when Miradore Online becomes a part of the service offering of an MSP, the sales of Miradore licenses can scale very rapidly. The business model of an MSP, working proactively to include Miradore software in their overall offering, makes them a Partner to Miradore. The IT needs of the additional industries are often either serviced by an internal IT department, outsourced to MSP's or a combination of the two. It is important to follow the industry trends as well as the

adoption of Miradore software, as this gives insight into the needs of the industry as a whole. When content such as success stories, testimonials and blogs can speak to the specific challenges faced by IT practitioners of each industry, it helps them to understand the need and start the process of evaluating options. In the broad scope, regulation and legislation such as the European Union's General Data Protection Regulation (GDPR) or the United States' Health Insurance Portability and Accountability Act (HIPAA) play a major role in influencing industry trends toward adopting EMM software.

Partners, also known as Channel Partners, are a crucial element in Miradore's sales strategy. Not only do the MSP's have an opportunity to scale license sales quickly, they also provide support to the end customers to help with the integration, training and operation of the software. Partners can also be Resellers, or Value Added Resellers, if they are selling the licenses either without the additional service, or with some service, but not as a total package of an outsourced IT solution. Miradore has recognized that the MSP has typically had much more success than the Reseller as a Channel Partner, mainly due to the fact that without being able to sell services to the end customer, there is very little profit margin in pure license sales.

2.4 Location

As mentioned, Miradore Online is sold in approximately 160 countries, however, the main markets for the software are large, developed countries or regions of Western societies. These regions include Europe, North America, and parts of South America and Oceania. The division of Miradore's monthly recurring revenue by top 15 countries as of December, 2018 is categorized as follows:

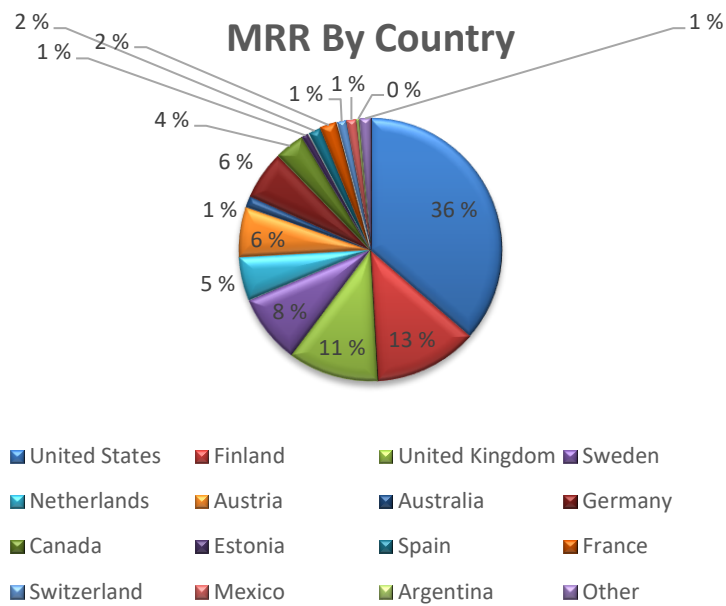


Figure 1: MRR by Country

2.5 Ideal Customer Profile

Miradore software is purchased for use across several different industries, in many countries, but there are two key differentiators between the purchasers of the software: whether the buyer is part of an IT department, or an MSP. Miradore has given a persona to each of these buyers. A buyer persona is a representation of the ideal customer, and is based on market research and real customer data. With the help of the marketing agency, Advanced B2B, in 2018, Miradore developed two buyer personas to help understand what kind of people buy Miradore software, differences in how they buy and things that are important to them, in order to help sales and marketing to better identify and support the buyer journey. Miradore's buyer personas are IT Ian and MSP Mike.

“IT Ian”

IT Ian is most likely an IT Manager working in a small to medium sized business. IT Ian leads a small team, and is responsible for everything related to IT in the company. Managing so many systems and mobile devices along with leading a small team, means that IT Ian is looking to solve challenges related to people, money and time. Success is

measured by low support requests, minimal costs and as little face time with colleagues as possible (Advanced B2B, 2018).

“MSP Mike”

MSP Mike is an IT Consultant, Service Manager or Engineer working for an IT Service Provider (MSP). His main role is providing IT services and support to small and medium businesses. Mike uses software from various vendors to complete the IT solution required by his clients. Success is measured by customer satisfaction, sales and response time (Advanced B2B, 2018).

2.6 Sales Channels in Miradore

Miradore reaches its clients via many sales channels. Customers find Miradore primarily through web searches, paid online advertising, word of mouth or press in technical publications. When a potential customer reaches the Miradore website, the goal is to guide them to register for the free software. These registrations are considered leads, or warm leads, since customers proactively start using Miradore Online. From this point, the sales team reaches out to the customers to try to understand their needs, and sell the upgrade to the paid license models. Miradore receives an average of 1500 leads per month. Depending on the region, a different sales business model is used.

Self-service

Miradore Online has a large number of low/no touch customers, a customer that finds the software, registers and upgrades to a paid plan on their own, without interaction with the sales team at Miradore. This type of customer is very important for Miradore's business. Not only are the sales overhead costs low, this also shows that the customer is finding answers to their questions on their own, and understanding how to use the software without guided help. In a perfect scenario, the majority of sales would come through the self-service channel.

Internal inside sales

This is a full or part-time Miradore employee, earning a salary plus commission. Miradore uses employees based out of its Finnish and Swedish offices. Part of the reason for only using employees in these regions involves the legalities surrounding foreign employees in different countries, such as United States, without having an office and registered company in the country. Miradore's internal inside sales use telephone, email, live chat, web meetings and occasional travel to support customers in various regions; notably in UK, Netherlands, Belgium, Italy, Australia, New Zealand, Spain, Mexico and Singapore. Inside sales works with any size of customer, and most often need to provide some support to customers needing 50+ licenses, in slightly more complex sales cases.

External inside sales

This is a full or part-time salesperson employed by an outsourced company, earning a salary from their own company. In the United States and Canada, Miradore hires an outsourced agency that provides sales and support staff. The company, based in New York, invoices Miradore and pays their employees' salaries. The employees act, and are treated, as Miradore employees.

Inside sales agent

This is an external salesperson or company, working on a contract basis with Miradore, earning a commission of sales. Miradore uses 2 sales agents: one in the German speaking regions of Germany, Austria and Switzerland; and another in the Baltics, covering Estonia, Latvia and Lithuania. These are self-employed individuals, and they invoice Miradore for a percentage, approximately 20-30%, of monthly recurring revenue in their respective regions. Miradore has slightly limited control over the activities of a sales agent, however, the cost structure is advantageous when scaling these regions from very low sales. Sales transactions are conducted directly between Miradore and the end customer, with the agent being a facilitator.

Channel partner

This is a third party MSP or Reseller, earning a margin on licenses sold to their customer base. All Miradore salespeople are working to support Channel Partners in their regions, and Miradore has a defined Channel Partner Program structure to support the onboarding and growth of third party companies that can sell Miradore software. Channel Partners buy Miradore licenses at a reduced price, and invoice their own customers for the use of the licenses.

Channel Partners are a crucial element in Miradore's sales strategy. Not only do the MSP's have an opportunity to scale license sales quickly, they also provide support to the end customers to help with the integration, training and operation of the software. Partners can also be Resellers, or Value Added Resellers, if they are selling the licenses either without the additional service, or with some service, but not as a total package of an outsourced IT solution. Miradore has recognized that the MSP has typically had much more success than the Reseller as a Channel Partner, mainly due to the fact that without being able to sell services to the end customer, there is very little profit margin in pure license sales.

Field sales

This is a full or part-time salesperson employed by Miradore, earning a salary plus commission. Miradore Online field sales are conducted in Finland and Sweden, where the customer base is geographically close, and personal face to face relationships can be leveraged. Field sales are generally working with larger customers, on bigger cases that have a slower sales cycle. These customer cases have smaller chances of closing, but larger dollar values than through other channels.

3 LITERATURE REVIEW: CHOOSING SAAS SALES CHANNELS

3.1 Introduction to the Literature

Channels are the ways in which selling organizations reach their marketplace (Marone, 2005). Literature related to software sales suggests that companies should look to multi-channel strategies for increased awareness, reach and sales, however, vendors also need to decide if this is the right strategy for them, which channels should be used and how many channel partners a firm should seek? (Sharma, 2007).

Related to the Software as a Service (SaaS) marketplace, a few researchers have begun looking at the various changes this business model has brought about compared with the traditional on premise method of deploying software (Boillat, 2013). The SaaS business model brings with it a new level of complexity in the already complicated sales landscape. Channels used to reach customers such as direct sales, indirect sales, self-service portals, agents and distributors, along with the tools used to manage the sales cycles need to be understood before considering a choice in a go-to-market strategy for selling organizations.

The following review attempts to capture the current state of literature on the topic, to help with better understanding and choosing the channels in which Software as a Service is sold.

3.2 Software as a Service

Software as a Service (SaaS) is a software product that is operated by a software vendor, delivered through the Internet and consumed in a standardized format on a demand basis by consumers, typically through a web browser (Tyrväinen, 2011). For the user, adoption of SaaS can be seen as a way of outsourcing the activities related to their IT management (Ojala, 2011). Traditional software business models were much more similar to typical distribution channels for physical goods. Produced by the manufacturer, the traditional software was sold through a strong network of partners who assist in customer-facing activities like sales, evaluation and installation (Boillat, 2013). For SaaS

vendors, the model has shifted to become a highly automated product business, but also a service business in the management of customer relations (Ojala, 2011). By delivering the software through the Internet, and charging a license fee during the period of use, customers can easily access the software and begin to use the product without having to install any infrastructure in their own environment, and generally without having to pay a large license fee up front (Yan, 2012). The shift to cloud computing has caused software vendors to focus more on online channels to manage their customer relationships like support and implementation, and has also opened up the customer segments to include small and medium sized businesses (Boillat, 2013). Vendors of SaaS products use cloud storage to host the software, hosted internally or outsourced to hosting companies, and provide access to customers. There are some changes to the cost structure and risk level of the business model depending on whether the software is self-hosted or outsourced (Boillat, 2013). Typically, as the usage increases, the cost for the vendor decreases, making SaaS generally cost efficient, as long as vendors can control sales and marketing costs (Tyrväinen, 2011). The SaaS business model has undoubtedly interrupted the traditional software delivery channels, but the new age of SaaS is likely to see new distributions channels designed specifically for the cloud (Burns, 2012).

Through which channels is SaaS delivered from the vendor to the consumer?

3.3 Direct Sales Force

Research of SaaS businesses has pointed to direct personal selling as a main sales channel in the software business, which is often supported with the use of online marketing and communication (Tyrväinen, 2011). The direct approach refers to the use of salespeople employed directly by the selling organization, and engaging in the sales process with the actual end users of the software. The direct representation of the vendor is an advantage, along with the ability to adjust quickly to new innovations and changes in the market (Riekici-Odle, 2010). Within the direct sales channel the face-to-face, or field sales, force is effectively used to build deeper, longer-lasting relationships with the customer (Marone, 2005). In addition to the field sales, inside sales teams that are based in an office or home-office setting and primarily using the phone, email and web tools to communicate with customers are another element of the direct sales team (Marone, 2005).

Field Sales

The field sales role works best with the larger clients, in a consultative manner. Due to the fact that a field salesperson is regularly traveling, plus with the limited number of accounts they can manage at a time, this position represents the highest cost of sale for the organization (Marone, 2005).

Inside Sales

Marone's research of organizations pointed to a description of the inside sales force as field sales who do everything over the phone. Compared to the field sales, however, the inside sales team was often charged with lower value accounts. Even though the value of the account may be lower, there are often many more accounts, and the inside salesperson is also expected to build and maintain long-lasting client relationships (Marone, 2005).

From a strategic viewpoint of leveraging the investment in the direct sales force, Marone's research found no dominant deployment strategies within the studied organizations. The only consistent factor between the companies was the constant restructuring of the salesforce and the ever changing demands of the customers (Marone, 2005). In addition, with an increasing number of direct salespeople working from a home-based office, there are cultural implications facing organizations. Where aforementioned benefits exist for a company to hire its own employees, remote workers might be more likely to use inconsistent and uncoordinated processes and may struggle with leveraging organizational strengths without an effective onboarding process (Marone, 2005). Despite the inconsistencies noted by Marone of the structure of the direct sales force, Boillat recognizes this channel as the key to the customer relationship in cloud services (2013).

3.4 Indirect Sales Force

In Zimmerman's 2013 book *Business to business marketing management: A global perspective*, a need for a combination of direct selling along with intermediaries to get the product from its source to the customer is investigated. Such intermediaries make up

the indirect channel and include the likes of resellers, service providers, distributors and agents. Zimmerman simplifies the indirect sales force into merchants and agents, where the merchants buy the product and then sell it, as opposed to the agents who facilitate the transaction between vendor and customer without having to purchase the product (2013). In order to compete on an international level, firms are likely to need strategic partnerships for market entry and international development (Kennedy, 2009).

The idea of transferring ownership of the product to merchants represents a loss of control for the SaaS vendor, and some may prefer to retain ownership and control by using agents (Zimmerman, 2013). Software vendors have historically taken a short-sighted view of indirect channel partners, often only focusing on the immediate return rather than the long-term partnership (Riekici-Odle, 2010). Even with the increased vendor focus on online channels of direct sales, new types of partner relationships have formed, allowing vendors to leverage the partner solutions (Boillat, 2013). An example is indirect partnerships allowing for new foreign entry opportunities for the vendor, impacting the speed of adoption and reducing the risk of entering markets independently (Kennedy, 2009).

We've seen the variations in the direct sales force, let's also look at the different indirect stakeholders.

Solution and/or Service Provider

Firms that specialize in early adoption of third party technologies will resell the technologies to their client base, however, they generally package different technologies together and offer a complete solution, including their service work to the customer (Riekici-Odle, 2010).

Reseller

Resellers are companies that invest in a market when a technology has enough demand for consistent and repeatable transactional sales. Resellers rely mostly on a profit margin in the license fee but may offer some services for basic installations (Riekici-Odle, 2010). Profit margins can be based on the entire value of the

agreement or on the transactional price, and range from 10 – 50% of the revenue (Tyrväinen, 2011).

Value Added Reseller

The Value Added Reseller (VAR) may serve resellers or distributors or the vendor itself. The role of the VAR is to provide after-sale services along with the product in the form of training, maintenance or support (Gupta, 2016).

Distributor

Distributors also sell, but often repackage or white label the product with their own branding before selling to their own customer segments (Marone, 2005).

Agent

Agents or Outside Sales Agents are usually contracted to represent an organization, but do not work directly for the organization (Marone, 2005). A major differentiator with an Agent is that they facilitate sales without actually buying the software products as an intermediary, and as mentioned previously, this means there is an additional level of control available to the vendor in the sales process (Zimmerman, 2013).

Mobile Network Operator

Carriers of mobile services such as cellular and data plans have been experimenting with SaaS delivery with a business model resembling that of the service provider, reseller or distributor (Goncalves, 2011).

This has changed the role of the Mobile Network Operator from a supplier, to a service provider (Goncalves, 2011):

3.5 Self Service

With a change in the business model that allows for software to be delivered easily through the Internet, smaller SaaS providers may enable sales in a self-service model through their website, lowering the cost of market entry (Tyrväinen, 2011). Tyrväinen's observations saw SaaS companies ranging from small to mid-market to enterprise, and the self-service model was mainly only an option with the small vendors (2011). However, given its low breakeven point, firms should attempt to maximize the number of self-service sales with their SaaS products (Sharma, 2007). In one study, customer retention and the length of the overall relationship were shown to be stronger with clients who purchased online, opposed to those who purchased directly through a representative (Eizenberg, 2016).

3.6 Multi-Channel Strategy

Multi-channel strategies allow firms to combine channels in order to engage with customers in multiple ways, increasing the SaaS companies' reach. Depending on the size of the end customer, Sharma observed that different channels were used to reach each segment. Small companies were reached with the help of self service, small dealers or distributors; medium sized customers engaged with a firm's direct sales force, or through resellers, and; enterprise customers were served with the field sales force (Sharma, 2007).

Because some distribution channels are better at reaching different segments of customers, and also because customers have their own preferences about where they prefer to buy from, the multi-channel strategy ensures that the vendor gets its products out in front of as many customers as possible (Sharma, 2007).

Conversely, Sharma also warns that a blanket approach to the market is not necessarily always a wise choice. The addition of multiple indirect channels may dilute the market, or cause a decreasing return on sales, since the original partners effectively go after the low hanging fruit in the market. The remaining customers may be less valuable, or harder to sell to. The second factor that could lead to declining sales results is the conflict that could arise from competing partners (2007). The potential for conflicts is echoed by Marone, who reinforces the importance of sales management to possess conflict

management skills and to develop strategies tailored to each channel. If a member of the direct sales force contacts the same customer that a member of the indirect sales channel is contacting, the result could be inefficiencies for both the buyer and sellers (Marone, 2005).

To avoid conflicts and increase the productivity of the multi-channel strategy, the vendor must ensure that their channel programs are both well designed, and well governed (Marone, 2005).

A choice also exists for the vendor about whether they require intensive, selective or exclusive distribution (Zimmerman, 2009). The intensive approach involves adding as many partners as possible, and is suitable for a low touch product, that can be easily adopted by end users. Selective distribution through a small number of carefully chosen partners works for more expensive products, and those requiring a higher level of support to use. Exclusive distribution would be through one specific partner, for a highly specialized product (Zimmerman, 2009).

3.7 Software Complexity

As the delivery of software has moved from on-site installation to SaaS delivery through the Internet, the end customers can largely handle the subscription process on their own. Despite this fact, the likelihood of end customers to be able to evaluate and install the software without some assistance is relatively low. Software is critical to the operation of the end customer's business, therefore, direct and indirect channels will remain important to the end user (Boillat, 2013).

To help classify the sales model, Hans Peter Bech discusses the three different levels of touch as it relates to SaaS in his book *Building Successful Partner Channels: in the software industry*. The level of touch refers the amount of contact between the sales channel and customer, and ranges from low/no touch to medium touch and finally high touch (2015).

Low Touch

The low touch business model may or may not require some interaction with a sales channel. A SaaS product in high demand that is relatively easy to use, or has

enough documentation to support the implementation does not require a field sales touch. Rather, a self-service model, or a channel like phone, email or chat for customers to use should be enough to convert sales. Furthermore, purchase decisions are usually made quickly and at a low transaction cost, meaning that fewer decision makers are likely required (Bech, 2015).

Medium Touch

Medium touch business models often have a sales cycle of less than 12 months, but have a more complex sales process than the low touch transactions. The complexities increase the need for some inside or field sales from the vendor. The transactional cost also increases along with the complexity, and for this reason, there now comes an opportunity for a selling organization to better their chances at winning the deal by sharing some profit margin with an indirect partner. The partner may have geographical or cultural similarities to the customer, or auxiliary services that add value to the end customer (Bech, 2015).

High Touch

Highly complex software implementations with long sales cycles, few transactions per year and large deal values are considered high touch. The level of product knowledge, patience and likelihood of needed product customization all point back toward the direct field sales model. Here the field salesperson will rely on the strong relationship they have built with the customer to increase their chances of winning the sale. For indirect sales channels, the sales cycles are too long and complex for these high touch implementations to be viable (Bech, 2015).

A business to business marketing consulting firm recently presented the *SaaS Mission Matrix* to conceptualize the relationship between the complexity of the software, size of the customer organization and the sales strategy by the SaaS vendor:



Figure 2. SaaS Mission Matrix (Ford, E. Advanced B2B, 2018).

The model depicts Small to Medium Sized Businesses (SMB's), Mid-Market and Enterprise firms as target companies along the horizontal axis, and matches the sales strategy with the vendor's No or Low touch, Mid touch and High touch sales resources on the vertical axis (Advanced B2B, 2018).

3.8 Motivating Channel Partners

We've seen that the use of indirect channel partners can be a cost effective and productive way to reach a larger audience of customers, especially in areas with barriers to entry, however, it is important to understand the depth of resources required to enable, motivate and manage the indirect channel (Marone, 2005). In this sense, vendors must extend their range of sight and carefully analyze the business models to ensure success (Riekici-Odle, 2010). Additionally, there could be potential downfalls in using the indirect networks, especially as it relates to after-sales service (Gupta, 2016). It can be very difficult for vendors to monitor the service quality delivered through their indirect network (Yan, 2012), and with 84% of customers willing to recommend a vendor after a great experience, and reputation of vendor being a major decision criteria (Klie, 2013), managing the value that is delivered through the indirect network is required to protect the brand value (Gupta, 2016).

In order to ensure that the channel partners are delivering superior value, and have the motivation to promote the software to their customers, the vendor should have a framework in place, designed to help the partners to grow their business (Bech, 2015). Management must also commit significant time and resources toward nurturing the relationship (Kennedy, 2009). As echoed above, a framework requires investment from the vendor, and adequate resources dedicated to coaching partners, but, ultimately, the level of success depends on the partner themselves (Bech, 2015). It can be a major challenge to find proactive partners that are willing to make the effort to find new opportunities (Kennedy, 2009). Perhaps more needs to be done to motivate channel partners than just investing large amounts in training and coaching. Pelsler proposes that gratitude and indebtedness play positive and negative roles in the partner motivation process, respectively, and that in order to improve the performance of partners, vendors should take actions that prevent partners from feeling indebted to the vendor (2015). The avoidance of an exchange relationship with partners, where “we did this, you owe us that” as well as being careful not to have entitled partners are both shown to increase the levels of gratitude in the partner relationship and positively affect the performance as such (Pelsler, 2015).

Profiling the characteristics of successful channel partners, such as recording corporate demographics, geography, specialties, types of clients and other products carried is an effective way to benchmark the type of new channel partner for the vendor to seek out (Mirani, 2001). Vendors should also be asking important questions about the amount of attention they can expect to receive from the partner, and how that partner realistically plans to contribute to the sales of the product (Riekici-Odle, 2010).

Zimmerman also offers some criteria for selecting the right partners to enable, and ways to motivate them to have success in your partner program:

1. Asking current or potential customers to recommend channel partners that they might already work with, or have worked with. This could help identify partners who deliver strong value.
2. Try to match the culture of the partner company to that of your own. For example, a vendor may want to avoid a high pressure approach from a partner, if that doesn't represent the long-lasting relationship building goals of the vendor, as the customer experience would likely suffer. A mismatch could also mean communication and strategic disagreements between partner and vendor.

3. If possible, meet the partners in person, and allow them to have access to some important personnel in the vendor organization. This could help to strengthen the relationship, and also keep the partner up to date with new developments.
4. Visiting or meeting with end customers along with the partner. Partners can increase their relationships with their customers by showing that they have support from the vendor.
5. Deliver training and support in a personalized manner, allowing the partner to learn about the vendor company's culture, in addition to the products (Zimmerman, 2013).

Partner Relationship Management (PRM) software can also be used to support and enable a vendor's channel partners (Bech, 2015). Vendors have typically managed the communication process with channel partners in inefficient, fragmented and labour intensive ways (Mirani, 2001). The goal of the PRM is to improve the relationship between vendor and partner by making the partner an extension to the virtual sales team and can enable the delivery of better strategic information in a more timely fashion (Mirani, 2001). Delivering training information, market insights, resources and deal registration quickly and easily to partners through a PRM is one key to keeping the partners motivated (Bech, 2015).

Partner Account Managers in the vendor organization will also facilitate the starting, growing and management of indirect channel partners (Bech, 2015). The element of human communication has been shown to be a major success factor leading to better overall experiences (Klie, 2016).

3.9 Understanding How Businesses Buy

When thinking about choosing a sales channel for your SaaS product, vendors should also consider the purchasing processes and preferences of their eventual customers. It's rare for a purchasing decision to be made entirely by one individual in an organization, and when the decision-making process becomes formalized by involving many people, the result is the decision-making unit (DMU) (Zimmerman, 2013). The DMU is not a standardized group, but can be formed randomly and potentially consist of:

- Initiators: Those who discover a challenge or opportunity that needs to be addressed.

- Gatekeepers: Ones who control the flow of information or knowledge – either by proactively sharing, or limiting which information reaches certain stakeholders.
- Buyers: Source the software and conduct the negotiations.
- Deciders: The final decision makers. Deciders may never actually engage with a selling organization at all, but rely heavily on the information shared by the DMU.
- Users: The people who will actually use the product. Possibly also the initiators.
- Influencers: An advisor to the decider. The influencer's opinion could have a significant impact on the final decision of the decider. (Zimmerman, 2013)

In addition to the roles of the DMU, the purchasing organization may be sensitive to other environmental factors, such as distance, technological challenges, economics, political influences, as well as ethical and cultural boundaries (Zimmerman, 2013).

When the purchase of SaaS is a brand new endeavor, the purchasing decision itself can be very complex considering the sourcing of different vendors, evaluation of products and negotiation of pricing. Previous relationships with vendors and indirect suppliers play a major role in these decisions, and new vendors with no relationship to the organization can easily be screened from the process early on (Zimmerman, 2013).

3.10 Choosing the Channel Strategy

Deciding how to get the product from the software vendor to the end customer requires a strategy that should be empirically driven. Data available from the organization and then analyzed, even with simple tools, can lead to strategies that give the software vendor an edge over their competition (Sharma, 2007). A more complex analysis is required when considering multiple channels, as opposed to one single channel (Chen, 2014). The vendor should consider the touch levels required in selling their software (Bech, 2015) as well as the relationship factors, like trust, satisfaction, loyalty and engagement of their customers and relate these to the strategy of delivering products directly or with the help of other channels (Cummins, 2016). Different types of customers require different types of service, and the way that customers are segmented will also influence the distribution channels (Zimmerman, 2013) so a thorough understanding of the customer profiles will help to guide the strategy.

Vendors must also understand the profiles of the ideal partner, and one way to achieve this is to validate the partnership using a partner scorecard (Riekici-Odle, 2010). Using

a scorecard, vendors can start to understand the business model of the partner organization from an early stage, and benchmark against the profiles of existing successful partners. Some questions that the vendor must seek answers to are: Whether the partner organization is financially able to invest in the partnership? Do they have the technical skills to deliver service to the end customer? Is there support from the management team for the partnership? Where does the partner fit in the competitive landscape, and are they well known, respected? (Riekici-Odle, 2010).

Another critical consideration of the strategy is the cost structure for the vendor, as sales, service and marketing represent the most significant costs in the software industry, aside from the actual product development (Boillat, 2013). For a company looking to scale their sales without hiring all of their own salespeople, the indirect channel could be a fit, but the resources required to manage this are not to be overlooked (Zimmerman, 2013).

If looking to sell through multiple channels, using multi-criteria decision making (MCDM) sciences can help the software vendor to take a challenging problem, consider the important variables and align the solution with the organization's strategic goals (Chen, 2014). Chen developed a MCDM framework to evaluate the distribution channels in Cisco in China, and found that Cisco placed more value in its own direct staff, when actually the value added distributor was better suited for reaching potential customers (2014).

This type of decision making framework should be considered when looking to multiple channels, unfortunately, the presence of such frameworks available for organizations to model are extremely scarce (Chen, 2014). In reviewing the literature, one other relevant framework was identified and looked to omni-channel research from a marketing perspective (Cummins, 2016).

3.11 Conclusion

The literature related to choosing SaaS sales channels is noticeably limited. For a simple channel setup, this review helps to define the relevant aspects of SaaS sales, including the most common sales channels, multi-channel strategy, software complexity, motivation of channel partners, and understanding of how businesses buy and choosing the sales channel strategy. Given the shortage of relevant research frameworks for the

multi-channel strategies, and considering the many variables related to these, there is a gap in the research for additional studies related to SaaS and the selection of sales channels.

4 METHODOLOGY

The following chapter presents the methodology followed for this research. The methodology supports the working environment in which the research takes place, and the style of the researching practitioner (Dahlberg, 2010). The goal of this research is to examine the effectiveness of sales channels in use in the software company, Miradore Ltd., and to determine a strategy for adding, removing, increasing or decreasing sales channels in order to scale sales growth. The nature of the study is qualitative as it is based on inductive logic to explain the outcomes, however, it relies on the inclusion of quantitative data, as it seeks to explore qualitative changes to produce measurable results.

4.1 Action Research

Action research is the chosen methodology for the project. The research is taking place in an organization, looking for actionable results, and being conducted by the practitioner. These are fundamental matches for the chosen style of research. We are looking at a real life scenario, where the solution may not be obvious, but instead be a selection of the best options available, which according to McNiff (2002) reflects new values in research. The actual research portion of action research involves a process of observation, monitoring and reflection, and this resulting reflection begins to produce a theory (McNiff, 2002).

4.2 Action Research Process in Miradore

The research steps can be narrowed to: plan, act, observe and reflect; or narrowed even further to looking forward, then looking back (French, 2009). Our theory can be implemented in Miradore and we can follow the progress to test its validity. Miradore has inside sales employees, inside sales external employees, sales agents, field salespeople and channel partners already in use, so the data from which we want to produce our framework exists already in the organization. Due to the existence of data from various sales channels, the pathway for the research uses an established approach, however, general research on the topic is limited, making this exploratory as well (Baban, 2009).

4.3 Data Collection

According to Lancaster, secondary data should be reviewed before a researcher turns to new data collection methods, citing the time and cost of new data collection, as well as the inefficiency of collecting new data when it already exists (2005). Internal secondary data is collected from the case company, Miradore Ltd., such as personnel records, sales figures and historical data. External secondary data is collected from other SaaS organizations and publications. The relevant data from within Miradore are sales figures showing the growth trends in monthly recurring revenue, sales expenses of the different types of sales structure and forecasts of sales in different markets.

5 SALES CHANNELS

5.1 Examining the Effectiveness of Sales Channels in Miradore

The plan for conducting the research can be divided into two sections, based on the research questions posed: examining the effectiveness of the existing channels, and; determining which channels to add, remove, increase or decrease.

Miradore has sales data from the sales year's 2016, 2017 and 2018 for Miradore Online. Sales data can be split by salesperson, which also includes the division of geographies. We identify the type of sales model in this data as well, and focus on: Inside Sales Agent, Internal Inside Sales, and External Inside Sales. It should be noted that Channel Partners are working with all types of Miradore salespeople, and are treated as a customer segment, rather than an own sales channel in Miradore.

In Table 1, the Year over Year (YoY) growth, measured by the monthly recurring revenue (MRR) figures per salesperson is analyzed and compared with the average expense of using the sales channel. Average expense is considered to be salary or commission model of the salesperson, including all insurance and taxes that an employer in Finland is responsible for paying. In the case of the external inside sales, this also includes the retainer, plus commissions. The expense, divided by the MRR gives us the expense to sales ratio for each salesperson. Excluded from the calculations are marketing costs related to the overall activities in the different regions, demographics of the regions themselves and YoY sales growth for 2016, since there was no data from 2015.

Expense to sales ratio is an important metric since it helps to understand the profitability of the sales channel, where the lower ratio indicates higher profitability. The formula used to calculate the ratio is: $\text{Sales Expense} \div \text{Net Sales} \times 100 = \text{Expense to Sales Ratio}$. The expense to sales ratio had not previously been calculated for the various sales channels in Miradore, meaning this data can now be used internally. In addition, the year over year sales growth percentages provide an important performance metric which, when coupled with the expense to sales ratio, form a more complete understanding of overall effectiveness.

| TYPE | 2016 SALES MRR | % GROWTH YoY | AVG EXPENSE | EXPENSE TO SALES RATIO |
|-----------------------|----------------|--------------|-------------|------------------------|
| Agent | € 834 | N/A | € 180 | 22% |
| Internal Inside Sales | € 3 500 | N/A | € 4 586 | 131% |
| Internal Inside Sales | € 4 766 | N/A | € 4 035 | 85% |
| External Inside Sales | € 8 188 | N/A | € 6 397 | 78% |
| TYPE | 2017 SALES MRR | % GROWTH YoY | AVG EXPENSE | EXPENSE TO SALES RATIO |
| Agent | € 4 622 | 454 % | € 1 080 | 23% |
| Internal Inside Sales | € 11 100 | 217 % | € 6 087 | 55% |
| Internal Inside Sales | € 11 002 | 131 % | € 5 500 | 50% |
| External Inside Sales | € 19 922 | 143 % | € 12 094 | 61% |
| TYPE | 2018 SALES MRR | % GROWTH YoY | AVG EXPENSE | EXPENSE TO SALES RATIO |
| Agent | € 15 904 | 244 % | € 3 570 | 22% |
| Internal Inside Sales | € 17 317 | 56 % | € 8 094 | 47% |
| Internal Inside Sales | € 22 090 | 101 % | € 10 055 | 46% |
| External Inside Sales | € 45 946 | 131 % | € 16 646 | 36% |

Table 1: Sales Channel YoY Growth and Expense

The Miradore sales agent has shown the highest percentage of year over year growth, with the smallest expense to sales ratio of the models compared. Because the agent commission is always increasing with the addition of new sales, the figures used to calculate the expense to sales ratio were the final MRR of the last recorded sales month in the year, and the last commission payment of the recorded sales month in the year.

Miradore's two inside salespeople produced varying results over the years. The expense to sales ratio was based on an average salary and commission payment over the number of recorded sales months in the year. The expense for these employees remains more constant, so as MRR increases, the expense to sales ratio is expected to decrease. Miradore employees also take more responsibility for non-sales related tasks, such as planning, content creation, marketing and support work.

The external inside salesperson has performed consistently during the years. The calculation of expense to sales ratio, like the agent, is based on the last retainer and commission payment of the last recorded sales month of each year. Like the agent, the external inside sales share of commission increases month by month, where the retainer remained fixed at approximately €4500 in 2016, and €9000 in 2017 and 2018. It is expected that the expense to sales ratio will also decrease slightly over time, as the share of revenue increases.

5.2 Measures Taken to Add, Remove, Reinforce or Decrease Sales Channels

Miradore has had positive sales growth in all of its existing regions of focus. These regions have typically been large, western countries, such as United States, or groups of similar countries, German speaking, for example, with a dedicated salesperson to manage the activities related to sales. In planning to grow sales, Miradore needs to identify similar regions around the world in which to focus.

To avoid making large, uncertain investments in external or internal salespeople, the data from Figure 1 suggests that Miradore should find sales agents living in, or native to, the regions of focus. We can see that the expense to sales ratio is the lowest in the agent model, and there are cultural advantages to having local knowledge from the region, such as language.

There are two regions of particular interest for Miradore to grow into. Both regions are large, with a western culture and have modern needs with regard to corporate IT technology. Both regions also have individual challenges that make them difficult for internal Miradore salespeople to have success in.

France is a modern nation of approximately 67 million people. Located conveniently within central Europe, the country has a strong economy and is also bound by the same GDPR regulation, which has helped with Miradore's success in German speaking countries. Miradore's management team sees the potential to recreate our German region success in France.

Miradore has also had sales of its software in France, from organic searching by IT managers and IT service providers needing a solution to manage their corporate devices. These sales are important, since they show that there is an appetite for Miradore software, without direct advertisement and support in the local language. The other advantage to having MRR in the region, is that a percentage of this can be used for agent commission, making this a valuable opportunity for an agent.

Customers in France mainly speak French, and since Miradore has not had any French speaking employees, we assume that customers choosing vendors of MDM software might select ones with regional support in their local language. Based on the known facts thus far, and the hypothesis of the agent model, Miradore brought in a France agent to the team on November 1st, 2018.

Australia and New Zealand are grouped together as a region because of their geographical proximity to one another, and regional similarities such as language and western culture. The combined population is smaller than Miradore's higher performing regions, at approximately 30 million, however, the organic traffic that Miradore sees in terms of registrations for its product is within the top 15 regions globally.

While the business language does not pose any threats to Miradore, the main challenge with Australia and New Zealand is the time difference. Australia's population is gathered mainly along the East Coast, making it a seven to nine hour time difference from Finland. New Zealand is situated some 4,000 Km to the East, extending the time difference a further two or three hours.

The expectation is that a local agent working in the same time zones will be able to positively impact sales, by engaging more easily with customers, and contacting them during business hours. Miradore signed an agent working out of New Zealand to support sales in both regions, starting December 1st, 2018.

5.3 Following the Progress in Miradore

At time of writing, Miradore's French and New Zealand sales agents have been on the job for one and two months, respectively. This is an obvious limitation in the research, yet we are still provided useful information in this short time period, plus we have observations from our agent with a longer tenure in Miradore. The language and local time difference benefits are immediately recognized, while the expense to have representation in these regions of opportunity is minimal. Both agents are receiving direct contact from local sales opportunities, and in France in particular, the agent has sold a large order with sales support in French being a major contributing factor. Sales are expected to develop rather slowly, as we have observed with all new salespeople, regardless of sales type. The most important observations made thus far are centred on virtual teamwork and communication, control and motivation.

Virtual Teamwork & Communication

Teamwork is an important factor in any team's success, and the same goes for a sales team. Distance adds challenges for a team, and working together requires a modern approach. Of particular importance is the onboarding process, when a new salesperson starts with the company and begins to learn their role and the ways of working within Miradore.

A number of tools and processes are in place to keep the team working, and to enable effective communication. During the initial period of contract talks, video communication was heavily utilized so that all parties were able to see their counterparts, get a feel for the people behind the voices and take notes of non-verbal communication signals. Normal day to day communications happen through multiple tools, such as WhatsApp, Microsoft Teams, Skype, Email and phone.

Regular web meetings are held amongst the different teams in the organization, such as a weekly sales meeting with regional team members in attendance, monthly global sales meetings with all salespeople in the meeting and annual sales events like conferences and company sponsored activities with most team members from around the world attending in person.

When thinking about the agents, it is especially important to try to include them in as much communication as possible. It's very easy for an agent to feel like an outsider, since they are technically only contractors, and often miss the typical workplace cultural aspects in their work. During all stages of working with our agents, Miradore makes sure that many different internal employees, from pre-sales to developers to human resources are in contact. This has led to an increased ability for the agent to find answers to important questions, and also form workplace bonds as if they would be physically present in the office.

Control

In working with sales agents, Miradore maintains a higher level of control over the sales activities and deal negotiations than typically observed with channel partners, such as software resellers. Since the company leads are inbound, Miradore sees the leads from origination and throughout the sales process. The use of a shared customer relationship

management (CRM) tool provides visibility into the progression of the sales case. The CRM also shows important information for forecasting and gives sales managers insight into the communications between agent and customer, since case notes are required and emails can be saved here.

Motivation

Salespeople require a certain level of motivation, consistent with the output expected of them, in order to do the job at hand. Most often, the motivation is financial. When we look back to Miradore's agent depicted in the expense to sales ratio, the ratio of compensation to sales output was approximately 22%. The same commission model was followed with the addition of the France and New Zealand agents, and has looked to be sufficient up to the point of writing. Both France and Australia/New Zealand regions had an established base of MRR, meaning the agents start with a commission that is equal to approximately 10 paid hours of salaried work per week. With the commission increasing with each new sale, the long-standing benefits of this model need to be communicated up-front to ensure the mutual understanding of the opportunity. Both agents are aware of this, and seems to be motivating them to work on sales activities, along with other unpaid steps to successful selling such as product knowledge training and weekly meetings, both of which are difficult to engage channel partners with.

6 DISCUSSION

The purpose of this research was to examine the effectiveness of the existing sales channels in use in Miradore, and to choose which channels to add, remove, reinforce or decrease. Reflecting back on the decision based on our data to add two new agents to the sales team has confirmed our hypothesis that this was the correct sales channel to add, in order to scale our growth. Sales are increasing in the regions, and customers are benefitting from the local service and the additional capacity these new salespeople have to support the customer use cases.

One challenge we observed was an inefficiency in having Miradore pre-sales support be available to answer technical questions and book meetings together with the agents. The process of sending emails quickly became a burden, and slowed the sales process down between the agent and customer. We addressed this by creating two new group chats in Microsoft Teams, one for France and one for Australia/ New Zealand. These groups have been active, and the feedback from the agents is that this has been a positive change.

The main findings of the study show a clear path from which to choose the sales model for expansion into secondary markets while keeping the operational expenditure low. In addition to minimizing financial risk, some other factors contributing to the decision were control of the sales process, cultural similarities between salesperson and customer, and physical proximity to the customers to maximize the speed of service in local time zones.

While the results of the study have proven to be accurate thus far in the case of Miradore, other organizations looking to enter new markets and determine the appropriate sales model should also carefully consider several details of the desired market, including language, population and maturity of the market in relation to adoption of technology. Limitations to the research include the time spent observing the new sales agents, and the lack of quantifiable sales results to apply the expense to sales ratio.

This study has the possibility to contribute to research into the selection of sales channels for SaaS companies in startup and growth modes. Future research into the topic could include further evaluation of the target markets, and include more criteria for key performance indicators of the salespeople.

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