



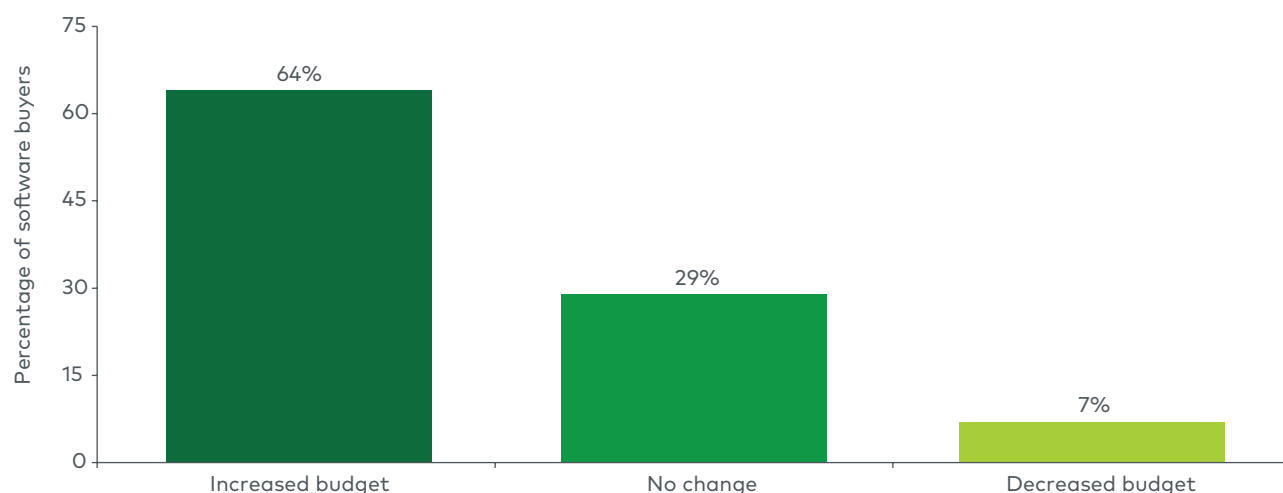
## Strengthening ISV Go-to-Market Strategies With Cloud Marketplaces

Inflation and other macro factors continue to drive changes in the go-to-market approaches utilized by independent software vendors (ISVs), including sales and marketing and pricing models. One notable trend is increasing remote delivery of services via cloud-based marketplaces. Through a cloud marketplace, customers — which may be users or IT staff, in some cases — can transact directly with ISVs in a more self-guided process.

To account for the rise in potential sales through marketplaces, many ISVs have turned to cloud services like Amazon Web Services (AWS) and review sites like G2 to put them in direct contact with potential new customers. A 2022 survey from marketplace Tackle.io found that 83% of ISVs indicated they had a plan to put more investment in the marketplace as part of their go-to-market strategies, while software buyers in turn are increasing their share of budgets allocated to purchasing cloud-based applications — 64% said they had increased their cloud budgets in the past 12 months (see Figure 1).

Relying on marketplaces for sales has several benefits for ISVs, including greater scale and reach relative to what direct sales channels can provide and a lower operational burden to support sales motions, thanks to the inbound-driven sales model. By considering how to best optimize their pricing, packaging and commercial approach, ISVs can ensure their spot in any marketplace is a lucrative one.

**Figure 1**  
Change in software buyers' cloud budgets (2022)



Source: Tackle.io; L.E.K. research and analysis

## Pricing it right

Successful participation in cloud marketplaces calls for a continuing evolution in sales and marketing approaches, and ISVs are feeling increasing pressure to provide greater transparency in pricing. In fact, the marketplaces themselves are a sort of forcing mechanism for price transparency, and this trend may result in implications for other channels.

The relative lack of discounting when selling through marketplaces requires ISVs to put extra focus on getting their list price in a sweet spot, since sales rep negotiations are not part of the process. This creates an opportunity to evaluate which products will be sold through marketplaces and which will go through direct channels, as well as to improve discounting governance in direct channels.

ISVs have other tools at their disposal to increase traffic in cloud marketplaces, including improving search engine optimization (SEO), writing compelling product descriptions, and actively soliciting and monitoring ratings and reviews to guide product optimization efforts. Attention to factors such as these should raise discovery of ISV solutions amid the noise of a large-scale marketplace.

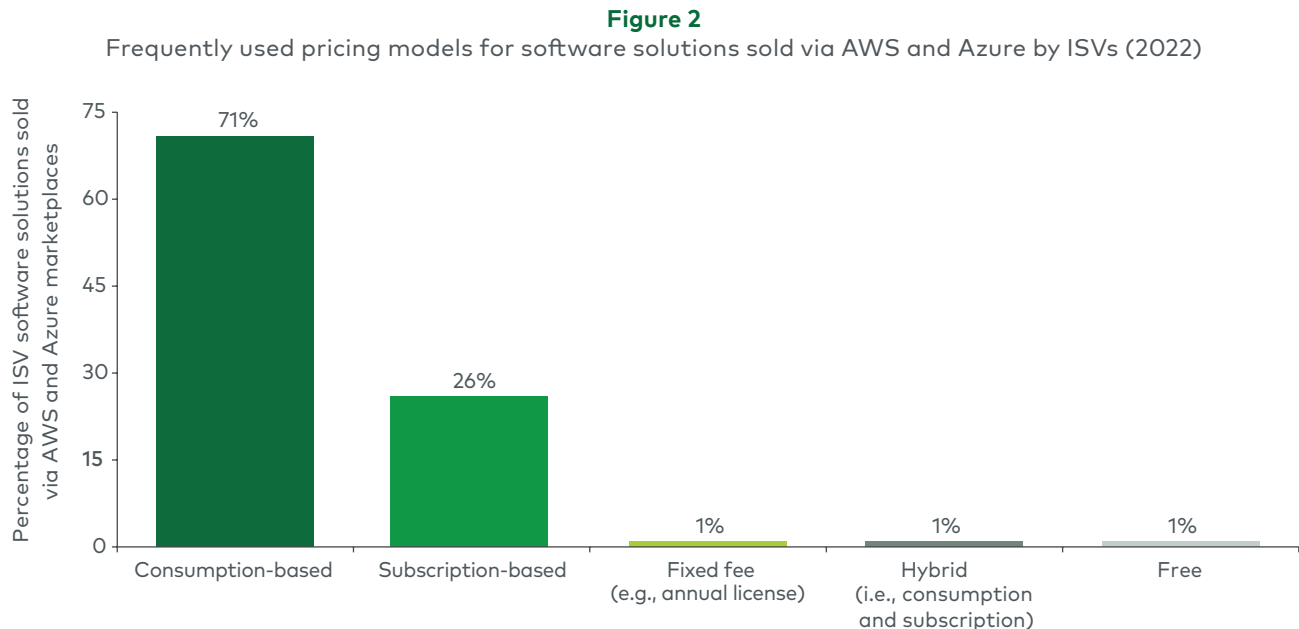
## Evaluating pricing models

As more ISVs list their products on cloud marketplaces, the intricacies of the impact this model has on pricing and selection become more identifiable (see Figure 2).

L.E.K. Consulting's analysis of software solutions sold via marketplaces shows that ISVs are continuing to shift away from fixed fee models like annual licenses, with only about 1% of solutions using this model. In contrast, the consumption-based model is becoming more

prevalent, accounting for approximately 70% of products. A consumption-based model better aligns to growth in operating cost as customer deployment grows (cloud computer usage is the most common usage metric for cloud-based solutions offered by ISVs in marketplaces).

Pricing models that include trials or demo periods can help customers evaluate solutions on a self-guided timeline; L.E.K. found that about 40% of ISVs offer both trials and demos within the analyzed marketplaces.



**A critical sales tool**

Participation in cloud marketplaces is becoming a more critical component of sales for ISVs, and the trend is expected to continue. Software businesses that are not currently utilizing marketplaces should reevaluate their strategies to include this channel in their go-to-market approaches.

The first key decision is choosing the right marketplace for the business — consider elements such as the customer base it attracts, the constraints it imposes, and its relative fees and take rates.

Ultimately, being part of a marketplace will expose an ISV to a broader set of competitors, but the transparency offered by the format means it will also serve as an excellent source of intelligence on competitors. Properly leveraged, a position in a marketplace can be a strong competitive advantage that brings increased prominence and visibility and should be thoroughly considered as a sales strategy.

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## About the Authors



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