

# **Leveraging Digital Delivery**

to Strengthen Profitability



**intraware**



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## Executive Summary

Digital delivery is the most efficient, profitable method of distributing software and updates today. But while every software company depends on the delivery and renewals of their product to generate revenue, most companies do not consider software delivery and update management a core competency—and they have no compelling interest in developing and maintaining their own delivery and update process. As a result, software companies are outsourcing these activities, enabling their IT professionals to focus on more critical business: building innovative, value-creating software.

Acknowledged as the leading provider of digital delivery and update management, Intraware has invested over five years and \$20 million building a best-of-breed, Internet-based delivery and release management service, Intraware SubscribeNet<sup>SM</sup>. The service now supports over 350,000 IT professionals, a testament to its extensive impact and value.

Intraware SubscribeNet enables software companies to:

- Increase customer satisfaction and retention
- Improve customer data and understanding for cross-sell and up-sell opportunities
- Lower technology costs related to physical production and/or maintenance and construction of an FTP site
- Maximize revenue recognition
- Reduce call center volume by practicing proactive problem avoidance
- Ensure export compliance
- Accelerate time-to-market
- Invest human capital more effectively

In this white paper, we will examine these critical elements in detail, and you will learn how Intraware customers benefit from the company's SubscribeNet service, and why digital delivery is the only software distribution method that makes sense today.

## The Business Problem

In order to be successful in today's marketplace, software companies must focus on much more than the initial sale; they need to generate aftersales and repeat business if they want to achieve enduring growth. But how can they sell upgrades and service enhancements to their customers if they are unable to effectively manage the delivery of such offerings—or if they don't even know who their real customers are? How can they promise a rapid return on investment for their products when their own processes of software delivery fall below customer requirements?

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Today, software companies have the opportunity to build more powerful and profitable relationships with their customers. They have the potential to streamline software delivery and radically cut associated costs. Indeed, software companies can increase profitability 25-100% through simply a 5% increase in customer retention, according to research from Bain & Co. Moreover, the same research demonstrates that they can decrease operational costs by as much as 10% through a mere increase of 1% in customer loyalty.

But it won't happen unless they rethink their software delivery and distribution methods, and enable their employees to concentrate on business activities that promise the highest return—developing and selling quality software. In order to remain on the leading edge, software companies must focus on their core business, and outsource those activities in which they do not excel.

Most software companies do not consider software delivery and update management a core competency. While every software company depends on the delivery and renewals of their product to generate revenue, most software companies are not currently capable of managing these activities at world-class levels.

And software companies have come to realize that managing this complex process in-house is not usually a valid solution. "The rapid upgrade cycle requires higher quality and more comprehensive support services than most software companies are positioned to deliver," contends Steve McHale, Senior Analyst, IDC. The more customers that a company acquires, the more complex the process becomes. As a result, the distribution effort can be time-consuming and error-prone.

The point is clear—software companies have no compelling interest in developing and maintaining their own delivery and update processes. Outsourcing this activity enables them to focus on their core business: building innovative, value-creating software solutions. This is the only way to remain competitive in an era of dynamic and fast-paced technological change.

## Higher Profitability and Stronger Customer Relationships

The single most important benefit associated with outsourcing software delivery and update management is the opportunity to strengthen relationships with valued customers. Offering a better service and better understanding of customers, in turn, lays the groundwork for lucrative forms of up-selling and cross-selling. Opportunities for profitable customer relationship building go far beyond initial fulfillment.

At present, many software companies find themselves largely blind about the actual users of their software. Product and upgrades often get shipped to the wrong people, or even the wrong addresses. Why? Customers change their contact information, and often the purchaser of the product is not the actual user; software companies' product delivery processes are not designed around acquiring and maintaining such knowledge.

This is a precarious position for a leading company to be in. Lack of current customer knowledge undermines a software company's ability to generate new revenue and grow business. The software company's ability to gather insight into the customer's needs, concerns, preferences, and priorities is directly tied to its ability to generate repeat business. Customers expect the companies with which they do business to know them and their particular needs.

Of course, sophisticated customer management is a demanding proposition, and one difficult to manage for a company focused on developing and selling sophisticated technologies. Because such specialists are focused on managing customers for them, software companies are now turning to outside specialists to manage delivery and distribution. The specialist provider can focus on eliciting valuable knowledge about the customer including needs, concerns, and interests—knowledge which will help software companies better understand how their products are being used, what it takes to ensure customer satisfaction, and how they can generate greater revenues from their existing customer base. The fact that delivery of software and upgrades is outsourced remains invisible to the customer.

The customer, in such cases, has a better experience, and is more likely to remain loyal, enhancing the software company's brand.

## Intraware's Loyalty Effect

Recognized as the leading provider of digital delivery and update management, Intraware is focused on ensuring that its customers—software companies—are able to build more valuable relationships with their customers. This means greater revenue, higher growth, and reduced operating costs.

Intraware has invested over five years and \$20 million building a best-of-breed, Internet-based delivery and release management service, Intraware SubscribeNet. The service now supports over 350,000 IT professionals, a testament to its extensive impact and value. And it is global—more than 60 percent of downloads are made by international

customers. Many software companies are turning to Intraware for its expertise in enabling international exporting of software products.

iPlanet, an Intraware client, realized seven figure cost-savings and increased their subscription revenues by millions of dollars, simply by using SubscribeNet. According to iPlanet, four out of five of its customers prefer the ESD service to receiving CDs because it gives them increased control and functionality. Moreover, new customer demographic information has driven iPlanet product renewals from 40% to 75%. Through SubscribeNet, iPlanet has automated and optimized operational processes that previously were considered largely deficient.

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### **What is Intraware SubscribeNet?**

It is the leading Internet-based software delivery and update management service for software companies and their customers worldwide. This service supports any ecommerce, direct, or channel sales model. Features of Intraware SubscribeNet include:

- 24x7 global access to a personalized web-based software archive with seamless look and feel of existing website
- Proactive email notification of entitled software and updates to your customers within 24 hours of general availability
- Secure on-demand downloads with checkpoint restart
- Account history and activity tracking
- Integration with any CRM architecture
- Robust, web-based reporting for stronger customer analysis
- 24x7 download support call center
- Compliance with Bureau of Export Administration (BXA) software export regulations
- Translation and localization for international customers

Software companies that use SubscribeNet to distribute their software are now regularly experiencing return on investment in the range of 200% or more. And those rates are expected to remain quite high as Intraware continues to invest in enhancements to its world-class service. Intraware customer surveys demonstrate that 80% of users now prefer Internet-based software delivery to receiving CDs.

## Strength in Key Areas

Software companies use SubscribeNet to strengthen their position in several key areas across the company, including Customer Service, Sales and Marketing, Finance and Legal, and Operations and Development. Intraware SubscribeNet enables software companies to:

- Increase customer satisfaction and retention
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## Customer Service

Intraware SubscribeNet is designed to strengthen the linkages between company and customer. Software companies have the opportunity to reinvent broken processes that have hindered customer relationship building. Intraware SubscribeNet accomplishes this by accelerating and optimizing the release management process. Indeed, customers receive all relevant information within 24 hours of a release, enabling them to download new releases as appropriate. Additionally, Intraware provides front-line download support, ensuring there are no technical problems associated with accessing the software. Finally, Intraware's solution is complementary to existing customer relationship management (CRM) systems and is designed for close integration.

One indicator of the beneficial impact of SubscribeNet on Customer Service is the reduction of update-related customer calls. In fact, companies who use SubscribeNet have found that such calls have dropped by an average of 50%. Customers are also demonstrating high levels of satisfaction, which is contributing to higher loyalty and lifetime value measures.

## Sales and Marketing

At the same time, SubscribeNet enhances Sales and Marketing efforts by improving your knowledge of your customers. By using SubscribeNet, software companies acquire the ability to track customer activity and build more sophisticated, accurate customer profiles and contact lists. Software companies can in turn leverage this information to create more effective marketing campaigns for cross- and up-selling, increasing new sales and enhancing renewal efforts.

Without such customer information, software companies are often in the dark. Software delivery should be considered a critical, ongoing interaction with the customer. Rather than an annual "cold call" to an outdated customer contact, you'll be able to call the person who has been receiving your updates all year long.

Companies that use SubscribeNet can also audit recognized revenue immediately—as soon as the electronic update is made available to the customer. The acceleration of revenue recognition gives more flexibility to the sales staff, which normally might have to wait days or weeks for products to be physically shipped and received.

## Finance and Legal

In addition to enabling your finance department to maximize revenue retention, Intraware SubscribeNet enables you to ensure export compliance. As your business expands beyond the boundaries of the United States, it is critical for you to understand and comply with federal export laws. Penalties for non-compliance under the U.S. Export Administration Act include up to 10 years in jail, a \$250,000 individual fine, and a fine to your company of greater than \$1 million or five times the value of the exports.

More than 60% of daily transactions through Intraware SubscribeNet are delivered internationally. Intraware has passed a rigorous review process and received approval from the U.S. Department of Commerce to distribute software internationally. Intraware SubscribeNet will enable you to build deeper relationships with your international customers and more effectively penetrate new accounts overseas.

## Operations and Development

Intraware offers a highly scalable, automated, proactive process that minimizes the use of human resources. This is especially important to fast-growing companies, which have limited IT personnel. In order to replicate the capabilities that are provided by SubscribeNet, companies would need to devote a great deal of financial and professional resources to tasks that are not core competencies.

Of course, one of the benefits of relying on SubscribeNet is that it gives a software company access to leading e-business expertise. Intraware's people, processes, and systems are focused on solving the problems and embracing the opportunities associated with release management. Outsourcing the delivery process enables a software company to gain access to the best talent in the business with regard to this particular challenge.

One final operational benefit is a reduction in physical media distribution costs. Software companies can significantly cut costs associated with manufacturing, packaging, and shipping software products if they can move to Internet-based delivery. Digital delivery promises real-time accessibility without many of the challenges associated with physical product. SubscribeNet offers customized scheduling to minimize bandwidth constraints during business hours.

From a development perspective, companies using SubscribeNet can choose either to send their products out faster (even immediately) or to devote more time to quality assurance and product improvement. Our digital delivery solution enables a software company to eliminate the production lag that typically occurs once a release has been completed and the gold master production process has been initiated. Instead of waiting for the product to be packaged and shipped, digital delivery enables software companies to accelerate both the sales cycle and the release cycle.

## Ensuring the Customer's Success

Central to the success of any software company, of course, is the success of the customer. Sustained growth and profitability is highly correlated with customer satisfaction and loyalty. As noted previously, the single most important reason software companies outsource release management is the opportunity to build stronger customer relationships. Indeed, several important and immediate benefits will accrue to their customers—principally corporate IT professionals—as a result of the decision.

SubscribeNet saves IT professionals significant amounts of time by providing proactive notification of new releases, enabling them to download updates on demand, and by

providing client-side administrative features. Intraware makes it easy to manage new software on the client-side by enabling IT professionals to track product availability, usage, and needs. This is especially valuable in decentralized IT organizations. Instead of having to shuffle software CDs back and forth, IT professionals have immediate online knowledge of the software to which they are entitled. Moreover, CIOs can appropriately provide access control and administrative rights, delegating authority and responsibility within the IT organization.

And, by downloading software over the Internet, companies can eliminate a tremendous amount of their tax burden in certain territories. As long as certain countries, states, and regions continue to treat packaged products differently than they treat digital offerings, this issue must be factored into the overall value equation. In some cases, the savings can run into the hundreds of thousands—even millions.

With SubscribeNet, software customers gain much better value on their software maintenance purchases. Software maintenance is typically managed in a haphazard and unproductive fashion. This service enables the customer to quickly determine what solutions are needed and where they can be found.

## The SubscribeNet Implementation and Service

Software companies that decide to build their own processes for software delivery can expect to invest millions of dollars and a vast amount of their own precious human capital toward completing the endeavor. Even when the project is "completed," they will have committed themselves to keeping up continual improvements to maintain industry standards.

Intraware, by contrast, can take clients to new heights in terms of software upgrades and maintenance. Software companies looking to build a comparable software delivery system in-house face at least one year of development time, whereas SubscribeNet can be fully integrated within a matter of weeks. Moreover, Intraware provides a dedicated project team, freeing up the software company's technical talent to focus on more important challenges.

Finally, it's important to note that the software company that implements the SubscribeNet service can set the parameters for its use. Service, for instance, can be launched with domestic or global availability. It can be implemented to serve customers on a going-forward basis or retroactively.

The SubscribeNet offering includes requisite infrastructure and bandwidth (allowing unlimited users, notifications and downloads). Moreover, Intraware provides dedicated operations and customer service personnel. And while some software companies might be concerned that outsourcing such a service might undermine their brand-name recognition with clients, Intraware ensured that the user interface associated with SubscribeNet will incorporate the software client's own look and feel. The customer will never know they have left the software company's site.

## About Intraware

Intraware, Inc. (Nasdaq:ITRA) is a leading provider of Internet-enabled software delivery and information technology (IT) management solutions. Industry-leading software companies are already benefiting from Intraware's SubscribeNet solution, including: Bluestone (an HP company), E.piphany, Peoplesoft, iPlanet (the Sun-Netscape Alliance), Vignette, and Yahoo.

Intraware is headquartered in Emeryville, California, and can be reached at 1.888.797.9773 or [subscribenet-info@intraware.com](mailto:subscribenet-info@intraware.com).

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