directscale

Build or Buy?
Does Building Your Own Multilevel Marketing Software
Platform Make Sense?

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Introduction

The cloud is the new standard in business.

IDG surveyed CIOs in their annual "CIO Tech Poll: Tech Priorities 2019," and discovered 67 percent will be increasing their budget for cloud computing.[*]Cloud computing and cybersecurity strategies were anticipated to see the largest budget increases by these CIOs.

Another proof point of the wholesale acceptance of the cloud is the exponential growth of the three foundational elements of the modern information technology stack: Platform as a Service (PaaS), Software as a Service (SaaS) and Infrastructure as a Service (IaaS). This migration to the cloud prompts companies like Microsoft and Oracle halt future development of new standalone software and focus almost exclusively on cloud and hybrid-cloud technology innovation. [*]

The cloud isn't exclusive to scrappy, cash-poor startups either. Both startups and established enterprises, and everyone in between, anticipate that by 2020 they will be considered "majority SaaS."[*]

More proof: Gartner predicts the cloud marketplace will grow to $278 billion by 2021.[†]

In IDG's research, the adoption of a predominantly cloud computing environment (defined as above 80 percent of corporate applications running in the cloud) grew from 38 percent in 2016 to 58 percent in 2019. That's a 20 percent increase, and IDG predicts this will rise to 86 percent in 2021.[*]

Ten years ago, suggesting moving your enterprise computing to the cloud would have been met with mockery.

But in a rapid departure from the norm, leading companies now use the cloud as a competitive advantage to run their business. Discussions among technologists go so far as to say pure cloud will be required for basic corporate survival in the future.

Cloud computing is now accepted as the technology foundation in almost all modern businesses. The velocity which companies, brands and technologies launch and grow compared to a generation ago is remarkable thanks to the cost-effective and scalable solutions powered by the cloud.

Herein, we'll discuss the cloud in the context of Software as a Service (SaaS) and direct selling companies. Gartner defines SaaS as "a broad collection of application infrastructure (middleware) services (including application platform, integration, business process management and database services)."[‡]They consider it one of the three key elements of the cloud; the other two being IaaS and PaaS, as mentioned above.

Why SaaS?

The cause of much of this technology revolution has been the introduction and wide-spread adoption of SaaS.

Speed of deployment and the availability of customization are seen as key drivers of SaaS growth and adoption.

Other drivers include the lessening IT management tasks and responsibilities, eliminating hardware capital expenditures, decreasing software costs and easier customization.

But SaaS has put many business leaders and technology managers in an uncomfortable place. This model of cloud computing challenges the IT tradition of a centralized information technology department that builds the required internal infrastructure, of both hardware and software, to answer the unique needs of the enterprise. This infrastructure and onsite software required a large team of network specialists, programmers, engineers and developers. And a technical management layer to ensure it all worked.

SaaS changed this and created a cloud infrastructure that drastically reduces the need for expensive hardware and complex, expert-intensive onsite software.

Build or Buy?

This digital disruption and path to adoption of the cloud computing model is still surging, but trends show that some managers still struggle with the decision to either build a solution internally, the "do-it-yourself" approach, or to rely on a vendor partner to provide a scalable platform to address the enterprise's needs.

In other words, despite the unparalleled adoption of the cloud and the obvious advantages it delivers, some business managers are still reluctant to "trust the cloud." There might be good reasons for this: regulatory or compliance issues, a unique market approach unlike other competitors, or a legacy system so entrenched in the business strategy that new technology directions may be seen as impossible or cost prohibitive. These are a few of the perceptions, but there are many more.

A key sticking point in this decision process in direct selling companies is often the perceived "uniqueness" of a company's information technology needs.

Unique Needs of Direct Selling

Here's a thought on being unique. Today, the "uniqueness" factor is less a concern to direct selling companies seeking a cost-effective computing layer to their business than it was in the past. The direct selling model is mature, and success often comes from efficient execution and speed of deliverability.

There are multiple, financially stable direct selling SaaS vendors servicing literally hundreds of thousands of companies in the space. Open source software that's easily integrated with flexible, open direct selling platforms can eliminate the fears of IT leaders that a chosen cloud technology will lock them in to an inappropriate technology and ill-fitting commercial vendor.

Direct selling companies, at a minimum, require a technology platform, cloud or onsite, that enables:

- Integration with front- and back-office legacy systems
- Connectivity to Customer Relationship Management platforms
- Orders and payments handling
- Real-time analytics and reporting
- Robust eCommerce
- Distributor management and reporting
- Marketing and Sales tracking
- Interoperability with partner technologies such as logistics, taxes, merchant processing, etc
- Easy API development
- High availability and business continuity
- Integration with third-party clouds and other mission-critical SaaS applications
- Scalability to service tens of thousands of new distributors almost instantly

- Near-instantaneous customer support

This is a partial list, but you get a sense that direct selling companies place a lot of trust in technology to be successful.

Let's Build

Let's look at the "build-it" approach to building a bespoke multilevel marketing software platform.

Most direct selling companies want to quickly adapt to growth and scale their business. Elements most direct sellers require as a foundation are

- real-time business reporting capabilities
- ecommerce; collaboration tools, such as integrated text, email and internal communication; sales and marketing tools
- training libraries
- education tools for staff, vendors and distributors
- social media integration
- simple integration with existing front-end and back-office business applications

Supply chain, operations, manufacturing, accounting, customer support, HR and sales reporting may all need to be integrated into this platform to support your workflow. Typically, this is not a light development lift.

Basic Needs

Data security is obviously a concern. Regulatory and compliance issues may also be a factor. Disaster recovery and business continuity are also important as you engage in ecommerce at scale. So you need to calculate your downtime risk as you build your platform.

Cost-effective and sophisticated open-source tools are available to build your platform, but then you'll need full-time staff, or external technical experts and consultants, before you can focus on what you do best instead of platform development or integration.

Ambitious companies need these elements to be seamlessly integrated so that important metrics and analytics create a single view into business performance. This is

not reactive reporting, but real-time analysis that puts meaningful data at your fingertips at the time you need it.

The realities of a project of this scale typically spans months—maybe years—before launch. Then you'll have ongoing support and maintenance. Continual development and continuous integration are no longer simply buzzwords; they are your reality. Troubleshooting and maintaining a platform is time consuming and complex—and very expensive. The sustained investment required for planning, building, deploying, maintaining, securing and scaling a bespoke direct selling platform may be surprising and eventually cost prohibitive if project planning is off.

Third-party development partners are available to the few adventurous DIYers, but even then, the technical experts within those firms will often be spread out servicing other clients. And direct selling business expertise will probably also be thin. But analyzing the budget using a development partner to create your own platform is a direction some companies take.

The Build-It Plan

Another critical point to consider is this: Can you also create a DIY platform that will deliver a cost-effective and competitive advantage over your industry competitors that are using a commercial cloud platform? Also remember that SaaS platforms need small teams and shared resources to support you 24/7; your business doesn't go to sleep just because you go home at night.

Here's the bespoke platform problem: while you create the DIY platform, you also need to create the support structure, training tools, and documentation for your users. DIY often encourages tribal knowledge, with sparse documentation and decentralized code repositories.

A DIY solution also requires expertise about the industry. That's the easy part. The harder part is pulling together the development team and creating the plan according to budget and then building out the functionality and required integrations to make it all work. Then you have to scale to meet the demands of your distributors and their customers. Sometimes this expertise resides in-house, but more often, it requires outsourcing of expensive developer talent. Then full-time employees are often

required to maintain and support the continuous development required to support a potentially fast-growing operation.

Hidden costs in platform development is the norm and should be built into the project plan.

Building, maintaining and continually improving a platform for an enterprise is a heavy lift. And often development and IT operations teams are already pushed to the limit. Most technology organizations don't have extra bandwidth and require outside sources for support and backfill when projects grow.

This legacy approach can be compared to building a cloud-platform development team in your own company. It can work, but the risk is very high.

Do you have the required technical expertise in-house? Do you have trusted services and development partners who can support your goals? Do you have the required budget to outsource large, ongoing development and testing? And, perhaps most importantly, do you have the time?

If yes, proceed cautiously.

If no, or even if you're unsure, you should seriously consider some SaaS direct selling platforms that can meet your requirements. Finding a path to leverage your legacy systems is how you can realize your roadmap to modernization— it's often not an either/or project. Migrating to a cloud platform can be done cost effectively in phases, with a focus on learning and customizing the platform as needed.

The "build-it" option is possible, just not advisable given the number of robust and reliable commercial platforms available to direct selling managers.

The Buy-It Approach

Let's look at using a commercial SaaS direct selling platform.

Your team has the required industry expertise but looks to gain a competitive edge by eliminating expensive onsite hardware and software, and the layer of required technical experts, developers, engineers, consultants and managers needed to create and maintain a modern direct selling platform.

Most commercial platforms can flexibly meet the needs of the direct selling enterprise or startup. The development lift is light. You are relying on a platform-vendor expert at building a platform for you from which you can launch all or just parts of your technology goals. Open platforms integrate efficiently and easily with your favorite direct selling management solutions.

Basic Requirements

Out-of-the-box integration should be quickly achievable with applications and services for:

- Distributor back offices
- Merchant & tokenization
- Fulfillment & payment
- ERP integration
- Commissions
- Invoicing
- International & third-party logistics
- Onboarding & training
- Taxes and accounting
- Sales and marketing enablement tools
- Customer relationship management (CRM)
- Human resources
- eCommerce
- Analytics and reporting for both company and distributors
- Artificial intelligence and machine learning
- Supply chain and operations
- Mobile access and field applications
- Prospecting and social media

….and much, much more.

Building these elements in a DIY scenario, or simply integrating them in a cohesive way, can take months—or years—of development. In a typical SaaS approach it typically takes less than 2 weeks.

Testing the Platform Vendor(s)

Once you define your feature requirements and integration tasks, either internally or with a proof-of-concept approach with your selected vendors, your development team collaborates with your commercial vendors to better understand the technology fit and chemistry. This evaluation period will help you understand budgets, timeframes and an eventual launch horizon. It can also differentiate vendors as far as customer support, responsiveness and direct selling industry expertise.

SaaS migration from legacy systems, or complete foundational build, again should take weeks—not months. Migration speed should be a platform-vendor consideration. Modern direct selling platforms have well-tested workflows, and professional services and support teams that should be able to cost-effectively get you to deployment quickly.

And after you launch, they become your support and troubleshooting team as well. So the evaluation period is a testing period to evaluate the vendor.

The benefits of SaaS become obvious during vendor evaluation. The larger expenses you avoid with a commercial SaaS direct selling platform vendor are the human resources required to plan, build, operate, maintain, secure and scale the platform to meet the changing needs of your distributors.

The commercial direct selling platform should offer a complete solution and a roadmap to integrate your legacy systems, creating a complete platform solution in an economical and phased approach.

What Should You Do?

It's possible to build your own direct selling platform, but staying up to date with technology innovations is crucial— not to mention, difficult.

Going predominantly cloud may be impossible for some direct selling companies, but defining a path to leverage and integrate best-of-class direct selling solutions is possible and should be a priority in either approach. The goal should be a cohesive integration of tools, apps and even other clouds to answer your unique business needs, which can be accomplished in-house or with a platform provider.

The investment required to build your own solution is high. Some vendors will offer support services that fail to identify unknown or hidden project requirements. Find business and technology experts in the direct selling world to start your journey or evolve your current direction. Whether you build or buy, you'll need direct selling experts to help you identify workflows and integrated technology that makes sense for you, your distributors, and your unique compensation structure.

Forrester, in the recent past, surveyed corporate applications purchasers and identified the drivers for SaaS adoption and came up with the following list of benefits these decision-makers seek[§]:

- Improved business agility
- Ability to focus resources on more important projects
- Speed of implementation and deployment
- Faster delivery of new features and functions from SaaS vendors
- Lower overall costs
- Ability to convert capital expenses to operating expenses
- Support for remote and mobile users at scale
- Decreased workload on inhouse IT staff to maintain legacy onsite applications
- Eliminate the need to hire or source large teams of experts to develop, support and maintain the technology stack
- Centralize the management and administration of the platform, and
- Make the management and administration of your technology platform user friendly

This list is an excellent starting point as you consider the "build v. buy" decision in front of you.

Questions to Ask If You Build It

1. Can you budget for a team to support, maintain and evolve it?
2. Can your selected vendor provide you with support and industry experts?
3. Can you scale it as thousands and thousands of distributors and customers are added to your ecosystem?
4. Can you ensure business continuity and uptime? What is the cost to your company of an hour of downtime? A day's loss of digital business? How about a week's worth of eCommerce disruption?
5. Do you have access to IT expertise to integrate, support and maintain your development?

Ultimately, the key question is: Can your team—and budget—

1. handle the requirements to manage onsite applications,
2. store and secure your data,
3. create appropriate reports and analytics in real-time,
4. maintain the hardware and networks (virtual or physical), and
5. keep it all running 24/7?

Questions to Ask If You Buy It

1. Does your platform vendor really understand the direct selling space?
2. Can your SaaS partner lower overall costs?
3. Can your direct selling platform provider improve your business agility and scale to meet your growth expectations?
4. Can your SaaS platform partner provide the customer support and professional services support to scale your direct selling platform as needed, behind the scenes, invisible to your distributors, partners and customers?

Conclusion

Unless you have deep development expertise, or reliable access to it, and a corresponding budget to build a development and support infrastructure that includes development operations, customer support, QA, project management and networking and hardware expertise, it will be likely that using a proven direct selling cloud solution

is the most cost-effective, scalable and fastest route to deployment and launch. A commercial infrastructure platform will give you flexible tools and technology to scale your direct selling business and equip your distributors at scale with the tools they need to effectively partner with you.

You'll get integration capabilities that will make your distributors faster and more responsive.

Your distributors should be able to access sales and commission reports, and sales enablement tools in the office and in the field via mobile devices—all on a single platform with a single log in.

The Direct Selling Solution of Choice

DirectScale was built from a place of passion for innovation and excellence. With years of experience in the direct-selling industry, they saw an opportunity for improvement.

So they set out to build for the future. Learning from the best SaaS companies out there, they incorporated simple, intuitive (and mobile-friendly) design and built their solutions into their own powerful, modern and extensible platform to manage a direct selling company end-to-end, from the Corporate Office to distributor Web Offices to front-end, customer facing eCommerce sites.

To see what DirectScale can do for your business, request a demo at directscale.com or call 866-321-3842 to speak with one of their direct selling technology experts.

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