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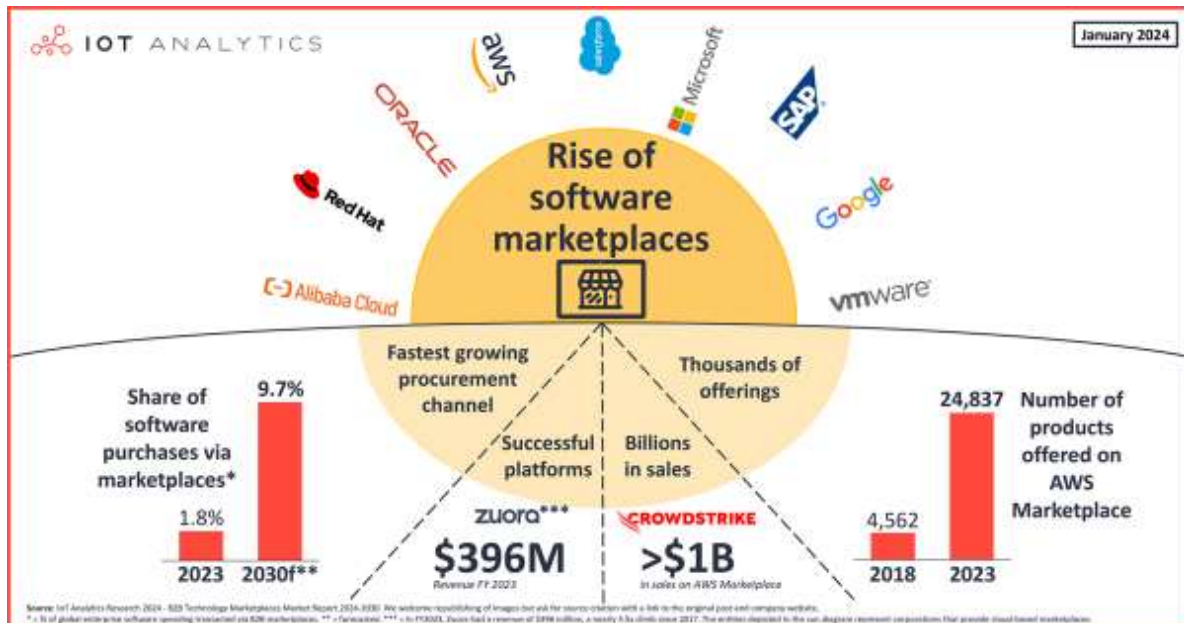D-20359 Hamburg   www.iot-analytics.com

FOR IMMEDIATE RELEASE

The rise of B2B software marketplaces: A shifting paradigm for enterprise procurement

Hamburg, Germany, January 22, 2024: IoT Analytics, a leading provider of market insights and strategic business intelligence for the Internet of Things (IoT), AI, Cloud, Edge, and Industry 4.0, published an analysis based on the 216-page "B2B Technology Marketplaces Market Report 2024–2030" report and reveals the rise of B2B software marketplaces and their impact on enterprise software procurement.

Key insights

- According to the 216-page B2B Technology Marketplaces Market Report 2024–2030, organizations are in the early stages of a paradigm shift in how they procure software – moving from traditional direct-sale to software marketplaces, a subset of B2B technology marketplaces.
- B2B software marketplaces are rising:
  1. They are the fastest-growing procurement channel: B2B software marketplaces are expected to make up 10% of all global enterprise software purchases by 2030;

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2. Dedicated platform providers are successful: Marketplace platform provider Zuora, for instance, grew their revenue nearly 3.5x in the last 6 years;

3. Sellers make billions: CrowdStrike has seen over $1 billion in sales just from their AWS Marketplace listings;

4. Marketplaces have become big: AWS Marketplace has grown to nearly 25,000 unique offerings.

- The shift to marketplaces has changed industry dynamics; e.g., it has challenged existing seller-reseller relations and allowed new co-sell partnerships among vendors.

Key quotes

Knud Lasse Lueth, CEO at IoT Analytics, remarks: "*We are witnessing a fundamental shift in the dynamics of both software sales and procurement, moving towards a more efficient, subscription-based model. Marketplaces are emerging as central to this trend. Although marketplace procurement currently accounts for less than 2% of enterprise software spending, it is highly attractive to organizations. This is because it enables the aggregation of various vendors into a single purchasing experience and facilitates the management of subscription-type purchases for a large user base, including the related renewals. We anticipate the emergence of a significant number of meaningful B2B marketplaces in the coming years, and we expect the share of marketplaces in enterprise procurement to increase fivefold in the next six years*."

Justina Alexandra Sava, Analyst at IoT Analytics, adds that "*B2B technology marketplaces have already started to change the procurement dynamics within the technology industry. The shift to a subscription economy, the ability to co-sell and place marketplaces at the center of partnerships, and the efficient streamlining of procurement processes through B2B technology marketplaces will establish new benchmarks in marketplace governance and redefine business models*."

[The full research article is attached below]

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Intro to B2B software marketplaces

We are witnessing a paradigm shift in how organizations procure software, according to the 216-page B2B Technology Marketplaces Market Report 2024–2030, which looks at not only B2B marketplaces for software but also hardware and services. Driving this shift is an ongoing transition from traditional direct-sale procurement to a simpler means of channeling procurement through B2B software marketplaces.

In 2023, 1.8% of global enterprise software was purchased via B2B technology marketplaces. As discussed in this article, the research shows a strong future for B2B technology marketplace procurement as companies and sellers alike embrace the subscription economy and, with it, new revenue streams, dedicated cloud budgets, and co-selling opportunities.

What is a B2B software marketplace?

To define B2B software marketplaces, it is helpful to define B2B technology marketplaces first. For the purposes of the B2B Technology Marketplaces Market Report 2024–2030 and this article, IoT Analytics defines B2B technology marketplaces as a business model that facilitates commercial transactions of technology products through an online platform, from one business to another.
This definition excludes B2C marketplaces, as they focus on consumer transactions, not enterprises. This also excludes non-technology B2B marketplaces, such as third-party business services or supply procurement, and single seller B2B marketplaces, which are considered e-commerce websites.

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Thus, B2B software marketplaces are focused on the provision of software solutions that enterprises can procure to meet their needs.

The dawning of B2B software marketplaces
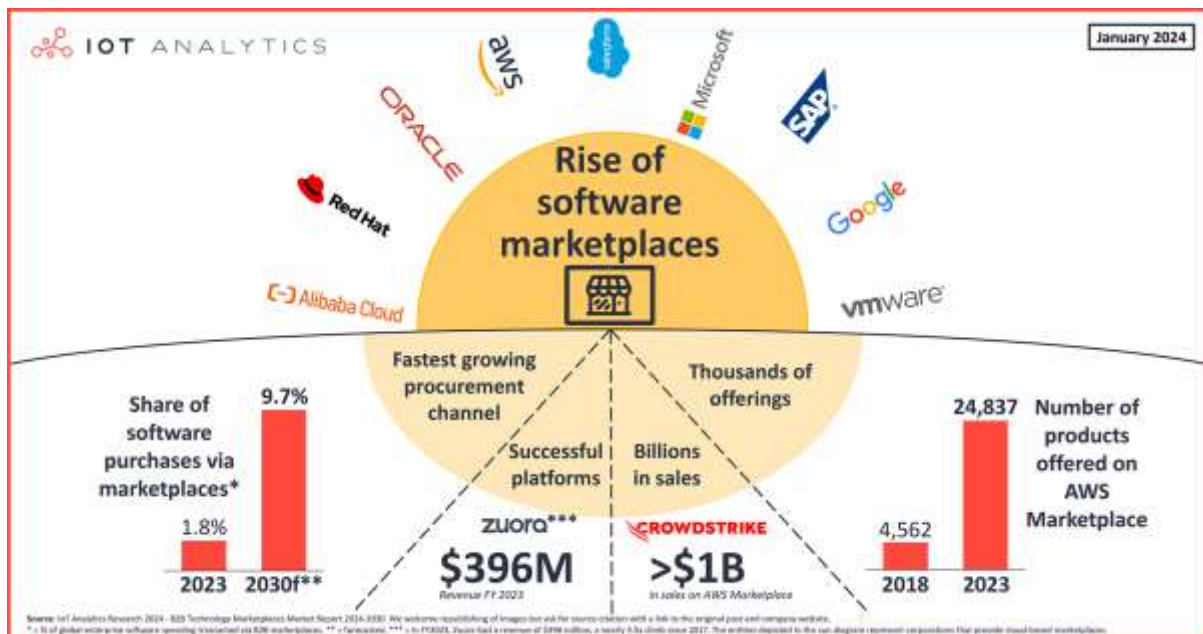
In 2006, **Salesforce** was one of the first companies to introduce the concept of a cloud marketplace through its AppExchange platform. The platform allowed third-party sellers to build and sell apps that integrated with Salesforce's CRM platform. Since then, other major technology players have entered the marketplace game through the years.

Nearly 18 years after this concept developed, software marketplaces are beginning to gain traction as a procurement channel option for enterprise IT departments globally.

The following four statistics highlight the rise of B2B software marketplaces:

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1. Marketplaces are the fastest-growing procurement channel for software
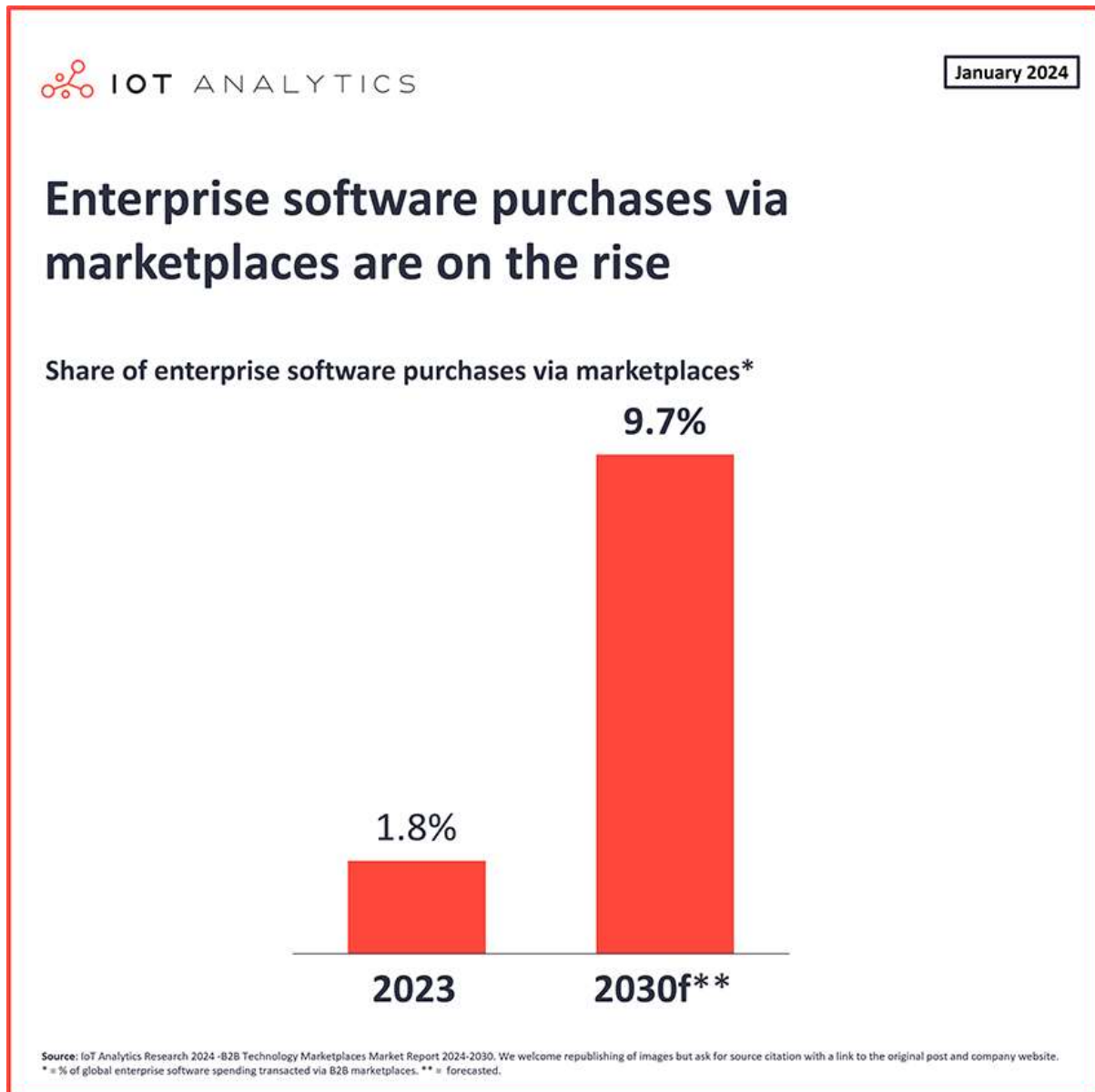
In 2023, B2B software marketplace revenue grew 90% year-over-year (YoY), according to the report. No other procurement channel achieved this growth. The report predicts that software procurement via marketplaces will account for nearly 10% of global enterprise software spending by 2030—more than five times the current spending (1.8% in 2023).

Cloud hyperscalers (e.g., **AWS** and **Microsoft Azure**) and other large IT vendors (e.g., **SAP** and **Salesforce**) are leading factors in this projected growth. They already have a head start in the software marketplaces market due to most enterprises already having cloud budgets that can be used to acquire software on their marketplaces.

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Additionally, IoT Analytics research estimates that in the most probable scenario, 60% of enterprise workloads will run in the cloud within the next two decades. This shift will likely strengthen hyperscalers' marketplace positions as enterprises seek streamlined software and cloud solutions, leading to strong market growth.

2. Dedicated B2B marketplace platform providers are successful

B2B marketplace platform providers are companies that develop dedicated software that helps other companies operate their marketplaces, including seller integration, transactions, and ratings.

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According to the report, the largest of these providers is **Zuora**, a US-based enterprise software company founded in 2007. In FY2023, it had a revenue of $396 million, a nearly 3.5x climb since 2017. Further, it supported 773 customers that hold annual contract values (ACVs) of at least $100,000.

Zuora has recently shifted its focus from massive growth to profitability. Yahoo! Finance analysis forecasts that Zuora will have its first profitable year in (calendar) 2024.
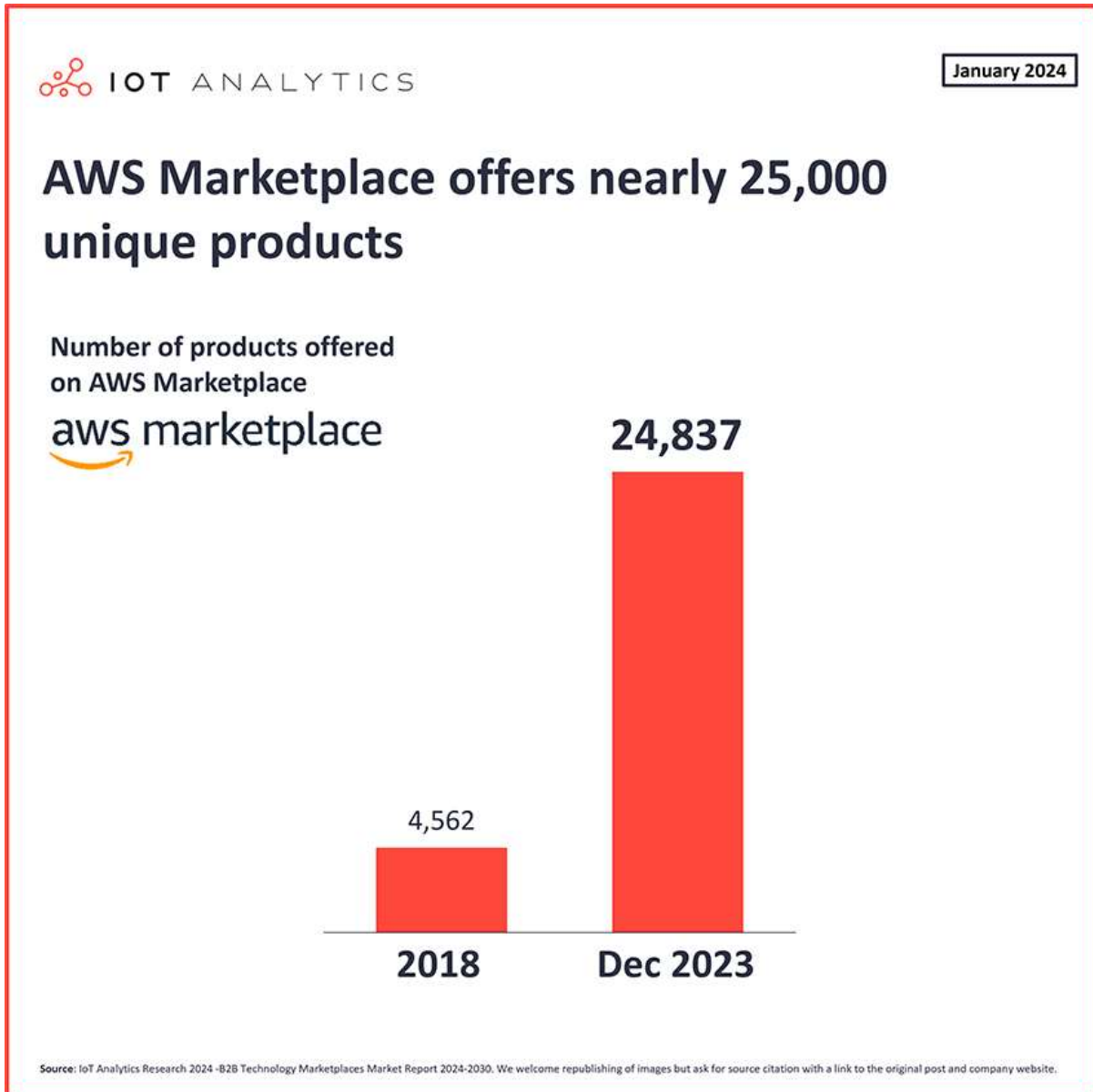
Its core offering is Zuora Central Platform, aiming to help IT and engineering teams "connect, scale, and deploy" revenue operations solutions alongside their broader monetization systems architecture. The platform provides microservice engines such as pricing, subscription orders, ratings, global payments, and subscription accounting.

3. Some sellers have made billions on marketplaces

IoT Analytics research found that by listing on B2B technology marketplaces and leveraging marketplace programs like co-selling (more on this below), sellers on marketplaces have been able to grow their revenue by 10%–15%, with many of them closing deals worth over $1 million in ACV via these marketplaces.

As a leading success story, in 2023, US cybersecurity software company **CrowdStrike** became the first cybersecurity independent software vendor to surpass $1 billion in software sales using **AWS Marketplace**. It initially listed its software on the marketplace in 2017, and in 2023, its AWS Marketplace transactions were approximately 140% larger than those through other software go-to-market channels. By deploying its modules to the public cloud, CrowdStrike reported $296 million in annual recurring revenue in mid-2023, a 70% YoY increase.

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4. Larger marketplaces offering over 10,000 unique listings

IOT ANALYTICS   **January 2024**

AWS Marketplace offers nearly 25,000 unique products

Number of products offered on AWS Marketplace

aws marketplace

24,837

4,562

2018   **Dec 2023**

Source: IoT Analytics Research 2024 -B2B Technology Marketplaces Market Report 2024-2030. We welcome republishing of images but ask for source citation with a link to the original post and company website.

As of December 2023, **AWS Marketplace** was the largest cloud marketplace operator, with nearly 25,000 unique products—a 152% jump in products since December 2020. Its largest product category is infrastructure software, with 10,688 offerings.

AWS Marketplace offers software, services, and solutions that can be deployed on AWS Cloud, making it a streamlined option for customers who run their own solutions on the cloud service. It was launched in 2012 alongside the AWS Partner Network (APN), a global community of 130,000 global partners aiming to leverage AWS technologies, expertise, and tools to build solutions for customers. A core component of APN is AWS's co-selling program. This collaborative sales motion enables AWS partners to work closely with AWS sales teams to jointly identify, develop, and close opportunities with AWS customers.

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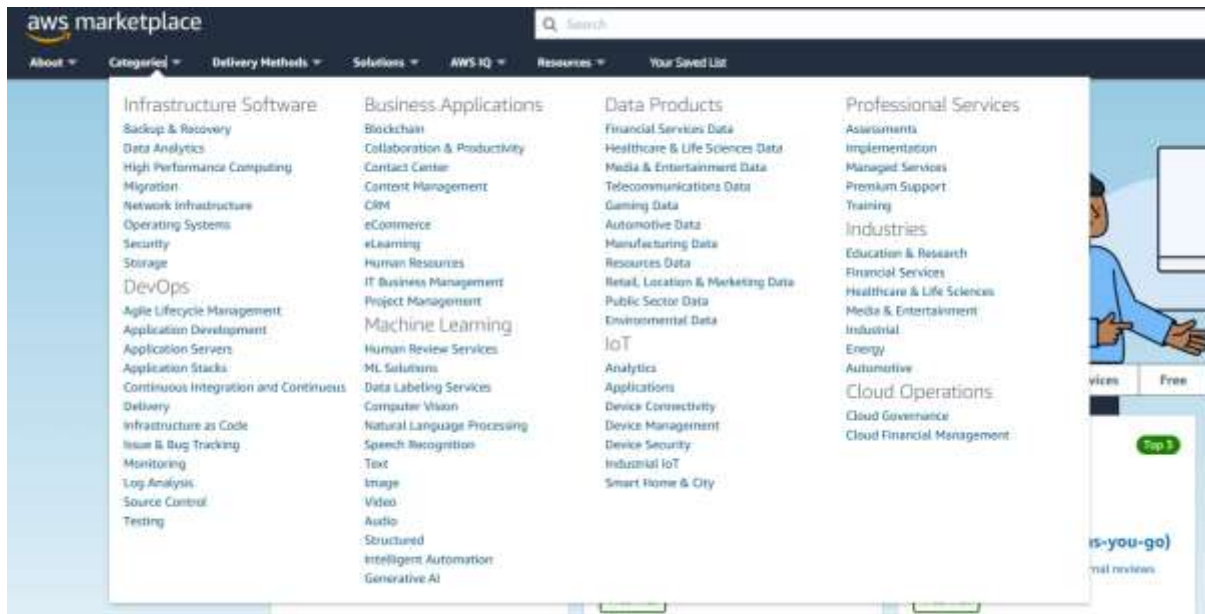
Overview of AWS Marketplace's offerings (source: AWS Marketplace)

4 early observations of the rising B2B software marketplaces market

Below are four observations that came up during IoT Analytics' research and interviews regarding software and other B2B tech marketplaces:

1. B2B software marketplaces can be successful even without marketplace transactions

IoT Analytics' research found that companies that had just launched their marketplaces felt added value outside of just transactions. The "window shopping" format of software marketplaces made products more visible to customers, and they developed a more informed overview of what is available. This has led to increased knowledgeable leads for the existing sales team.

2. Selling on B2B marketplaces requires extensive training

Switching from one-time purchases to selling subscriptions is challenging for sales teams. The report notes that several companies needed to train their sales team on new sales

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approaches when handling subscriptions, particularly taking a more customer-focused approach with the marketplace at the center.

Additionally, due to the subscription-based model, companies reported needing to realign their sales approach to emphasize the long-term value of software.

3. B2B marketplaces create friction with existing resellers

Many marketplace operators and sellers find themselves in a complicated situation with their resellers. The new marketplace business model puts traditional resellers at risk of losing business, especially if they do not adapt and embrace the new model.

However, that need not be so. Both marketplace operators and sellers can engage the resellers and frame the marketplace business model as a new opportunity rather than a threat. Marketplace operators/sellers can work on offering special reseller incentives, providing reseller-specific marketplace extensions, or promoting added-value services from resellers on the marketplace.

4. Co-selling initiatives represent a strong growth opportunity in B2B marketplaces

Co-selling allows sellers to partner with larger marketplace operators and other marketplace sellers to share sales opportunities and leverage each other's strengths to drive growth. This collaboration allows for shared resources, tapping into established customer networks, and aligning each party's sales and technical expertise.

Consequently, co-selling programs often lead to enhanced product visibility, accelerated sales cycles, and enriched value propositions for customers—benefitting all stakeholders in the partnership.

The full B2B technology marketplaces market report offers a deeper dive into these and other takeaways (e.g., the pros and cons of different reseller engagement models).

The bright future of B2B software marketplaces and the broader marketplace business model

This article focused largely on B2B software marketplaces (with many of these being in the cloud). While our research did not dive into B2C marketplaces (such as those found in e-commerce), we did uncover other marketplace opportunities. For example, operating marketplaces also represent an interesting opportunity for the following:

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1. industrial automation companies that manage on-premises and edge-based software solutions
2. manufacturers or startups that aim to position themselves at the center of a (niche) industry by building an industry-specific app store
3. companies offering a mix of hard- and software

It should be noted that not every organization needs to develop its own marketplace. However, finding the right marketplaces to sell on and building up a proprietary online store (not a marketplace) are inevitable for nearly all technology vendors in the future. Building an online store is not as complex as building an entire marketplace.

The 216-page B2B Technology Marketplaces Market Report 2024–2030 dives further into these marketplaces and the role they play in technology and specifically in IoT solutions. Readers can learn more about the top actors across the B2B technology marketplace ecosystem, the market outlook, and more.

What it means for software vendors

8 key questions that company executives in enterprise software companies should ask themselves based on the insights in this article:

1. **Marketplace integration:** How can we integrate our software products for listing in leading B2B marketplaces without significant restructuring or reengineering?
2. **Sales strategy evolution:** Given the shift towards B2B marketplaces, what changes should we make in our sales strategies to align with this new distribution channel?
3. **Building up a marketplace:** Is it strategically viable for us to develop our own marketplace? Do we have the appropriate strategy and sufficient financial resources in place to support this endeavor?
4. **Customer reach and engagement:** How can B2B marketplaces expand our reach to new customers and markets that our traditional sales methods might not have been able to penetrate?
5. **Pricing and subscription models:** How should we adjust our pricing models to suit the subscription-based nature of these marketplaces? What would be a competitive yet profitable pricing strategy?
6. **Partnership and co-selling opportunities:** Which marketplace operators (like AWS or Salesforce) align best with our products and target market, and how can we leverage co-selling opportunities with them?
7. **Reseller relationships:** How can we balance our existing reseller relationships with our move toward marketplace sales? Can we involve our current resellers in this new sales model?
8. **Data analytics and marketplace insights:** How can we utilize data analytics from these marketplaces to gain insights into customer preferences, market trends, and product performance?

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What it means for companies procuring software solutions

4 questions that those procuring software solutions should ask themselves based on the insights in this article:

1. **Procurement management:** How can purchasing through B2B software marketplaces impact our overall software procurement processes? Are there cost savings or efficiencies to be gained?
2. **Integration and compatibility:** How easily can we integrate software sourced from these marketplaces with our existing systems and technology infrastructure?
3. **Subscription management:** Considering the prevalence of subscription models in these marketplaces, how will we manage and track multiple software subscriptions to ensure continuous service and optimal use?
4. **Long-term strategic impact:** How will this shift to marketplace procurement impact our long-term software strategy and digital transformation goals?

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For further reading please visit:

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About IoT Analytics

IoT Analytics, founded and operating out of Germany, is a leading global provider of market insights and strategic business intelligence for the IoT, AI, Cloud, Edge, and Industry 4.0.
Our key workstreams across the tech stack include IoT applications, IoT platforms and software, IoT connectivity and hardware, and industrial IoT.
We are trusted by 1000+ leading companies around the world for our market insights,

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