SaaS Growth Strategy
A Customer Lifecycle Approach

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Table of Contents

SaaS Growth Strategy
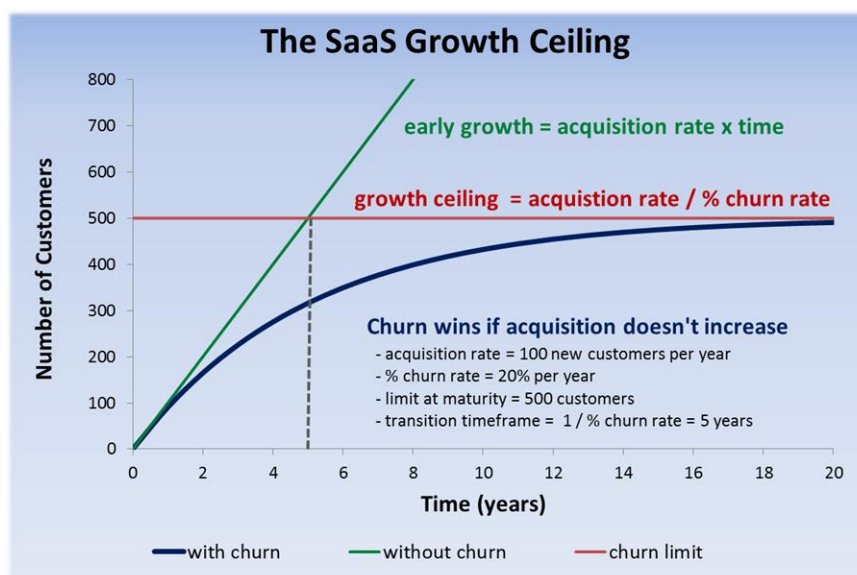# A Customer Lifecycle Approach

Breaking Through the SaaS Growth Ceiling

SaaS growth isn't a goal; it's an obsession. The good news is that SaaS growth can be very smooth and predictable, because of the SaaS recurring revenue subscription model. The bad news is that SaaS growth can also be predictably slow the bigger you get. After a few years of rapid SaaS startup growth, it's easy to find yourself on the short end of the hockey stick if you don't know the right levers to push.

Understanding the SaaS Growth Ceiling

At any given time, you can calculate the SaaS growth ceiling for your SaaS business with a simple formula: customer acquisition rate divided by percentage churn rate. For example, if you acquire 100 new customers each year and your percentage annual churn rate is 20%, then at 500 customers (100 ÷ 20%) your growth will slow to zero, because customer churn will equal new customer acquisition of 100 customers per year. New customers come in the front door, while old customers leave out the back. Moreover, you will begin to hit the SaaS growth ceiling in exactly one average customer lifetime of 5 years, equal to 1 divided by your 20% churn rate. Finally, your SaaS growth revenue ceiling will equal 500 customers times your average customer subscription, e.g., $5M per year for an average subscription of $10,000 in annual recurring revenue. Without a fundamental change to your business, that's all the SaaS growth you get.

The SaaS Growth Ceiling

early growth = acquisition rate x time

growth ceiling = acquistion rate / % churn rate

Churn wins if acquisition doesn't increase
- acquisition rate = 100 new customers per year
- % churn rate = 20% per year
- limit at maturity = 500 customers
- transition timeframe = 1 / % churn rate = 5 years

— with churn   — without churn   — churn limit

You can calculate the SaaS growth ceiling for your SaaS business with a simple formula:
customer acquisition rate divided by percentage churn rate.

This SaaS growth ceiling depicted in this example is calculated generally by the following basic formulas from the SaaS metrics series.

max SaaS company # customers = acquisition rate ÷ % churn rate

*max SaaS company revenue = acquisition rate x average subscription value ÷ % churn rate*

max SaaS company revenue = acquisition rate x average customer lifetime value

This last formula highlights two of the three fundamental SaaS growth levers: customer acquisition rate and customer lifetime value. If you double your customer acquisition rate, the SaaS growth ceiling doubles with it. If you double customer lifetime value by doubling average subscription value or halving your churn rate, then again the SaaS growth ceiling doubles.

In the end, however, churn always wins. Churn scales with the size of your customer base. Churn is *negatively viral* and can only be countered completely by a *positively viral* growth lever: network effects. Adding more sales reps and increasing your marketing spend are not enough. These strategies may increase your acquisition rate, but to outpace churn you must increase your acquisition rate again and again and again.

SaaS Growth Levers throughout the SaaS Customer Lifecycle

The three fundamental SaaS growth levers: customer acquisition rate, customer lifetime value and viral customer network effects arise naturally and sequentially as a SaaS business matures. You have to acquire a few customers before lifetime value becomes important, and you have to acquire and nurture many loyal customers before network effects kick it. As your SaaS business evolves, you may find yourself cycling through each lever as your highest potential source of SaaS growth.
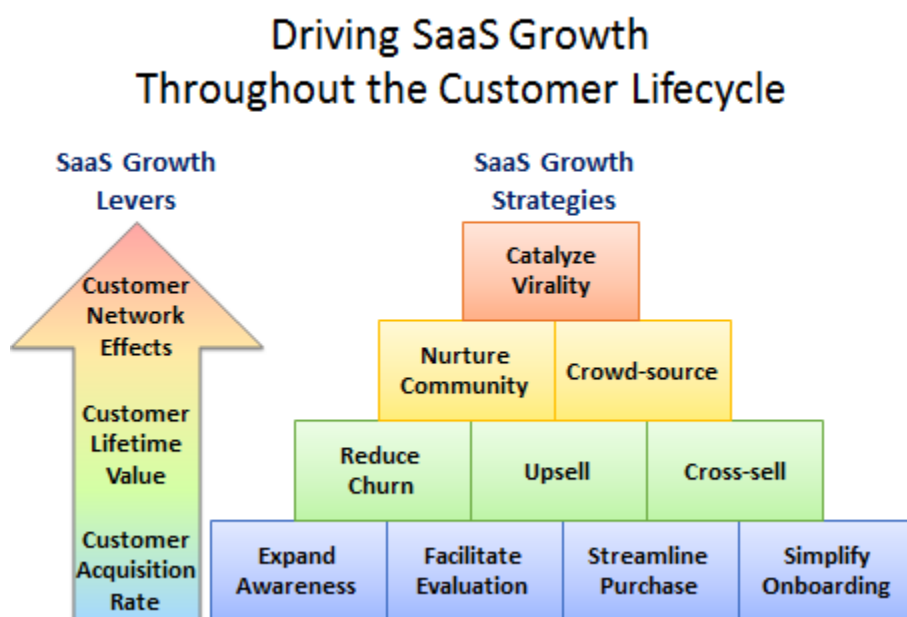
The three levers of SaaS growth: customer acquisition, lifetime value and network effects
map to the SaaS customer lifecycle, and each stage offers distinct strategies to drive SaaS growth.

The three levers of SaaS growth also map nicely to the individual SaaS customer lifecycle as it evolves from initial purchase to deeper use of your product to advocacy within your customer community. Each stage of the SaaS customer lifecycle offers unique opportunities to drive SaaS Growth. The diagram above visualizes the deep relationship between the three fundamental levers of SaaS growth and the SaaS customer lifecycle. When read from left to right and bottom to top, each block of this *SaaS Growth Pyramid* highlights a proven strategy for SaaS growth that is directly linked to the SaaS customer lifecycle, beginning with driving prospects through the purchase funnel to saving customers that could churn and upselling those that don't to nurturing a customer community that fosters advocates of your service and drives viral growth.

Growth Strategies for Accelerating Customer Acquisition

SaaS marketing professionals know that customer acquisition is the name of the game. What they generally don't know is that sustainable SaaS growth requires *accelerating customer acquisition*. In the long run, acquiring more customers is not enough. Your SaaS growth strategy must aim to acquire more customers, faster. Otherwise, churn wins and you stop growing.

The SaaS Marketing Mandate: Remove Buyer Roadblocks

While shopping can be fun, buying a SaaS product is hard work. As the buyer, you have to figure out your problem, research and evaluate solutions, negotiate a purchase, and learn how to use yet another piece of software. Unfortunately, most SaaS vendors make it even harder than it has to be. Without world-class SaaS marketing, the typical SaaS product is hard to find, hard to understand, hard to buy and hard to use. And, every ounce of work creates a roadblock for the would-be buyer.

The fundamental goal of SaaS marketing is to remove buyer roadblocks to accelerate SaaS growth. Specifically, your SaaS marketing programs should focus on the roadblocks that are creating bottlenecks: the steps in the buying process where would-be buyers are getting stuck right now, because you are making their lives difficult. Therefore, the first step in developing your SaaS growth strategy is to identify the stage in the SaaS customer lifecycle where your prospects are getting stuck. Once you have done this, then you know which SaaS growth levers to push and which strategies from the SaaS Growth Pyramid to apply. In this section, we explore the four proven strategies of the SaaS Growth Pyramid for driving customer acquisition, the first SaaS growth lever.

SaaS Growth Strategy #1 | Increase Awareness

If your would-be buyer can't find your solution or doesn't know he has a problem, that's a real bottleneck. Your prospects must get past the awareness roadblock before they can even run into the others. There are some truly innovative SaaS marketing tactics for creating awareness when your product is not completely hidden behind a login (these are covered in the last section), but for most SaaS businesses, increasing awareness boils down to B2B marketing basics. However, your SaaS marketing tactic of choice will depend heavily on your specific market and SaaS sales model.

If you're selling something completely new at a high price point, then good old cold calling is the way to go (that's right, cold calling), because your prospects won't come looking for you and you can afford to go looking for them. If your price point is low and your product is easy to understand, then blogging, SEO and other inbound marketing techniques are likely to fit the bill. If your business has a strong industry focus and you've managed to acquire a few happy initial customers, then good old public relations based on customer stories is your best bet.

SaaS Growth Strategy #2 | Facilitate Evaluation

After awareness, easy product evaluation is by far the most common SaaS buyer roadblock. Many executives think product marketing is something you do after you build a product—not so in SaaS. The best SaaS marketing is built into the product itself. Online trial is easy to build into your SaaS product in the beginning, and very difficult to add later, because it requires the right architecture. Online trial may prove inadequate though if your SaaS product is fundamentally new and complex (as opposed to artificially complex, which is just bad product design).

Your SaaS marketing strategy should facilitate evaluation by helping your prospects do things their way, and different prospects may have different ways of doing things. Even simple SaaS products can be confusing at first glance to busy buyers with short attention spans. Therefore, it's usually a good idea to back up your online trial with sales, support and educational content.

SaaS Growth Strategy #3 | Streamline Purchase

It's just embarrassing to make it difficult for a prospect to purchase your product after she has done you the enormous favor of deciding to buy it. After all her hard work she has money in hand, but she can't give you her credit card, finds your contract unfriendly, and doesn't even know your price. When it's time to buy, your SaaS marketing strategy should aspire to the example of the best consumer ecommerce sites and streamline purchase down to a single click.

Streamlining purchase is particularly important for low price SaaS products where the buyer may very well be acting on impulse. Picking up the phone or figuring out your complex pricing scheme may be more effort than the immediately perceived benefit of your product. For high price SaaS products, streamlining purchase may be quite difficult and is unlikely to accelerate customer acquisition. However, a SaaS product with a midrange price point and a transactional sales model can benefit greatly from streamlined purchase in the form of increased sales productivity.

SaaS Growth Strategy #4 | Simplify Onboarding

You haven't truly acquired a customer in SaaS until she starts using your product. Poor onboarding is such a common problem in the software industry that we even invented a special word for it: shelfware. Allowing your product to become shelfware is a huge SaaS marketing mistake, because SaaS is sold under a recurring revenue subscription model. In licensed software, shelfware is the buyer's problem. In SaaS, it's the vendor's problem. Poor onboarding leads directly to churn, the arch enemy of SaaS growth.

There are many ways to simplify on-boarding in SaaS. The best ones are built into the product itself and enable customer self-service. In fact, online trial is the number one way to simplify onboarding, because the prospect starts onboarding early during the product evaluation stage. Getting new users up and running, setting up business processes, and integrating other solutions can all present significant onboarding challenges. Many of these challenges lie well outside what one would think of as traditional marketing, but SaaS marketing is not traditional marketing. SaaS marketing follows the mandate of removing buyer roadblocks whatever they are and wherever they occur, because SaaS marketing accelerates customer acquisition, not purchase transactions.

Growth Strategies for Maximizing Customer Lifetime Value

What's the stronger driver of SaaS company growth: customer acquisition or customer lifetime value? The answer is yes. Rapid, sustainable SaaS growth is equal parts customer acquisition and customer lifetime value. Simply multiply these two numbers and you get your SaaS growth ceiling, the most revenue your SaaS business can ever achieve. Period. The end. If you want to change your future, you have to change one of these numbers. However, most SaaS marketing professionals think their job ends at purchase. In SaaS, the initial purchase is only the first of many. Keeping each and every customer around longer and making the most of the business relationship along the way has as much impact on SaaS company growth as acquiring more customers. Therefore, good SaaS marketing lasts a customer lifetime.

Two Views of Customer Lifetime Value

There are two sides to every purchase: buyer and seller. Maximizing customer lifetime value isn't something you do *to* a customer; it's something you do *for* a customer. In SaaS, customer lifetime value is often expressed as average recurring revenue times the average customer lifetime (one divided by percentage churn rate), however, this is only the sellers side of the coin. When thinking about what you can do to maximize customer lifetime value, it is a good habit to think about it from your customer's point-of-view. For example, reducing churn means giving your customer a reason to stick around, while upselling and cross-selling mean solving more problems, increasing satisfaction, and providing greater ROI. Getting paid is just an end to the means.

SaaS Growth Strategy #5 | Reduce Churn

There is only one SaaS marketing strategy to reduce churn: increase use. The more customers use your product, the less likely they are to stop using it. Most SaaS churn problems can be traced back to a SaaS marketing strategy focused exclusively on customer acquisition at the expense of ongoing use. Unfortunately, SaaS has a very short shelf life.

Some people think SaaS churn is something that happens when a customer comes up for renewal, it isn't. The causes of SaaS churn occur much earlier in the customer lifecycle; cancellation is simply the finale. The battle against SaaS churn begins in product design. Long before a SaaS customer decides to cancel, a SaaS marketing professional decides to create a product that is hard to adopt and easy to switch by paying more attention to product features than to customer value that encourages expanded and habitual use. As use increases, customers transform your product into their product by investing in

personalized configuration, user generated content, deeper learning and business process automation. Your SaaS product should be designed to increase in value with use by making it easy to explore and easy to personalize. For example, a SaaS product that is configured to enable a customer's business processes and retains historical data is far more valuable after five years of use than it is right out of the box. Unused features have zero customer value and zero stickiness.

Your SaaS marketing strategy should extend beyond purchase to facilitate onboarding and encourage deeper and deeper use of your product. The same SaaS marketing tactics applied in customer acquisition: educational content, marketing automation and engagement metrics are equally important in churn reduction. But, don't stop there. Post-acquisition, you gain access to an entirely new and extremely effective SaaS marketing channel: your product. Unlike other products, SaaS offers a direct, dynamic, personalized, two-way communication channel with your customer. Every click indicates a potential need, and every need presents an opportunity for communication that promotes use. The more your customers use your product, the more they value it and the higher your customer lifetime value. Unfortunately, the converse of this is also true. The less customers use your product, the less they value it and the more likely they are to churn.

SaaS Growth Strategy #6 | Upsell

If you've managed to keep your customer's from churning, then the next step up on the SaaS Growth Pyramid is upselling. Upselling is usually defined as selling more of the same product to the same customer. In SaaS, this translates to more use by more users for more money. If reducing churn is about finding more value, upselling is about creating more value. *Customer value in SaaS is a continuum that can be measured by use*. Reducing churn is about preventing the flow in the wrong direction, less use. Upselling is about accelerating the flow in the right direction, more use.

Like churn, upselling begins in product design. Well-designed SaaS products upsell themselves. Customers simply discover more features and add more users until they hit a new pricing level, and then upgrade seamlessly by clicking a button. That doesn't mean you can't help them along the way. Since a price must be paid, strong SaaS marketing is even more essential to upselling than it is to churn. A customer must not only want to use a new feature, but must be willing to pay for it. While churn reducing SaaS marketing programs can focus exclusively on users and use, upselling must also target decision makers and present clear business value.

Upselling is particularly attractive when your SaaS product has an unconstrained dimension of use, as in anybody can use it or they just can't get enough of it. For example, collaboration and personal productivity tools can be used by anyone, which means an initial five user purchase might eventually turn into a five thousand user purchase. Alternatively, cloud computing and advertising products might have only a single user, but can scale indefinitely with that user's budget. A common SaaS marketing mistake is to create pricing structures based on functional or technological modules. When putting together your upsell SaaS marketing strategy, don't align your pricing with your technology*; align your pricing with customer value along dimensions of increasing use.* And, maximize upsell potential along your least constrained dimensions of use.

SaaS Growth Strategy #7 | Cross-sell

If you aren't lucky enough to be selling a SaaS product with unlimited upsell potential, then it might be time to move your way up the SaaS Growth Pyramid to cross-selling. Cross-selling is usually defined as selling a new product to an old customer or an old product to a new customer. When creating your cross-selling SaaS growth strategy, the golden rule is don't stray too far from home. Pick new products that complement and increase the value of your old products and new customers that have personal business relationships with your old customers, e.g., the department next door. The whole point of cross-selling is that it should be easier and cheaper than acquisition, because it leverages your current customer relationship. Stray too far from home and you lose this leverage. For this reason, *cross-selling is often the most illusory SaaS marketing strategy*. Just because you have another product to sell, doesn't mean your customer wants to buy it.

While rarer than unlimited upsells, some SaaS products do have seemingly unlimited cross-sell potential. Some SaaS vendors have the opportunity to create large product catalogs consisting of many similar, complementary packages, such as ERP systems, office productivity suites, and cloud platform APIs. Cross-selling to new customers has the most upside when you are targeting markets composed of highly fragmented, independent buyers with strong industry relationships. In this scenario, leveraging current customer referrals to get to new prospects becomes an essential cross-sell SaaS marketing strategy. When customer referrals take on a life of their own, cross-selling crosses over into viral marketing—which just happens to be the subject of SaaS Growth Strategies 8-10 below.

Growth Strategies for Enabling Customer Network Effects

It's the dream of every Internet entrepreneur to build a business that goes viral. Yet the sad truth is that most do not. It's hard to think of any other industry with such a winner-take-all mentality as Internet software. The volatile combination of small market entry costs and big network effects creates wave after wave of disruption and consolidation, and quite a few millionaires along the way. Alas, viral growth an elusive goal, particularly in SaaS. For this reason, SaaS Don't #10 insists that you should not depend on network effects. Instead you should focus first and foremost on satisfying each and every single customer. But, if you've done that…bring on the hockey stick!

The Roof is On Fire!

You don't need a PhD in economics to understand network effects; you just need to know how to throw a party. No one wants to go to a lame party. The more people that are going to a party, the more other people want to go. And, the more people are willing to pay to get in. If you've ever tried to get people to move from one party to the other, say from dinner to dancing, then you know that you have to get them ALL to move at once, or nobody moves. Finally, if your party gets big, crowded and mainstream, the hipsters start leaving to find the next big thing. So, let's party!

We know that the biggest your SaaS business can ever get is determined by the SaaS growth ceiling: a simple function of customer acquisition rate, average recurring revenue per customer and percentage churn.

max SaaS company revenue = acquisition rate x average subscription value ÷ % churn rate

Where are the network effects in this formula? Where's the SaaS growth lever? Everywhere! As with our partygoers, *network effects kick in for your SaaS customers when the value they see in your service increases with the number of other customers using your service.* The greater the number of customers that use your service, the greater the number of prospects that want to use your service (acquisition rate), the greater the price they are willing to pay for it (subscription value), and the more difficult it is for them to leave (churn rate). Unlike other SaaS marketing strategies that attack individual stages of the purchase process, *network effects have a pervasive impact across the entire customer lifecycle*.

SaaS Growth Strategy #8 | Nurture Community

It's not a party if no one's dancing. A big crowd that isn't interacting is just a crowd. Network effects require a network, a community. It's not sufficient to just get customers in the door. Every good party planner knows that you have to facilitate interaction by creating the right environment. So it goes with SaaS marketing. Your SaaS marketing plan should nurture community by enabling communication, sharing and collaboration between your customers and prospects. Luckily for SaaS marketers, the Internet is built for just this purpose.

SaaS Growth Strategy #5 | Reduce Churn points out that unlike other products, SaaS offers a direct, dynamic, personalized two-way communication channel with your customer. By the same token, SaaS offers a direct communication channel *between* your customers. SaaS customers are always just one click away from each other. While traditional offline tactics, such as user conferences, may still play an important role of your SaaS marketing strategy, online community nurturing that energizes your customer network offers considerably more bang for the buck. Online SaaS communities can be as straightforward as a forum or as sophisticated as a marketplace, but the best ones all have one thing in common: they facilitate sharing the knowledge and investment of one customer's use of the product to increase the value of using the product for other customers. That is, they create network effects.

SaaS Growth Strategy #9 | Crowd-source

It's never the music or the food that makes for a really great party; it's the people— people creating value for other people through their interactions. Crowd-sourcing fun! Crowdsourcing is very near the pinnacle of the SaaS Growth Pyramid, just shy of viral growth. It's very powerful and very difficult to pull off, because it requires actual work on the part of your customers, community service if you will. You are unlikely to get a customer to perform community service if that customer does not see value in the community, hence SaaS Growth Strategy #8 above.

Assuming that you have nurtured a strong community, how can your SaaS marketing strategy put that community to work? Make it easy. Make it fun. Make it profitable! And most importantly, build it into the product. SaaS Success Do's #8 & #9 | Enable Mass Customization and Open Up to the Cloud are the foundations of crowd-sourcing. Before customers can *share* their unique product knowledge and

experiences with other customers en masse, they must first be able to *create* unique knowledge and experiences en masse. While crowdsourcing may be a distant dream for the early SaaS startup, it must be planned in advance and baked into the architecture of your SaaS product.

SaaS Growth Strategy #10 | Catalyze Virality

Getting a party to go viral is hard. Getting a SaaS product to go viral is even harder. Virality and network effects go together like chocolate and peanut butter, especially in SaaS. For a party to go viral, it might be enough that you tell two friends and they tell two friends, and so on. In B2B SaaS, there better be beer. In other words, word of mouth alone is unlikely to set your SaaS business on fire. Business buyers generally require economic incentives. Network effects provide the fuel for the economic flame. Your job is to be the spark.

SaaS marketing cannot create virality, it can only catalyze it. In the end, your customers must create the value and spread the word, you can only facilitate. That said, a catalyst can make all the difference. If you're SaaS marketing strategy has successfully nurtured a community and crowd-sourced new value from that community, then you're 99% of the way to catalyzing virality: you just need to facilitate use of crowd-sourced value by your community! When clients have good things to say about your service, let them tell the world. When clients have solutions to support issues, let them build a knowledgebase. When clients create useful processes or analyses, let them share the templates. When clients build apps on your open APIs, let them promote them to other clients. And, so forth. Lead, follow, but most importantly get out of the way.

Eleven SaaS Product Secrets that Drive Growth

SaaS product management professionals should always remember that there are four P's in marketing, one being product. Unfortunately, software companies have a bad habit of thinking about product in isolation from the rest of the marketing mix. This is a particularly costly mistake in SaaS and is the root cause of many a SaaS Don't. Unlike other businesses, SaaS creates a real-time, always-on connection between the customer and the company through the SaaS product. Smart SaaS product managers look to establish this connection as early as possible and to leverage it throughout the entire SaaS customer lifecycle.

The Boundless SaaS Product

What are the boundaries of your SaaS product? Login? Purchase? Mobile? From a SaaS customer's point of view, there is little distinction between your SaaS product, website, mobile app, support, service and community. It is a seamless online experience…if you design it that way! Great SaaS product management professionals don't simply specify features and functions; they create online experiences that satisfy business, professional and personal needs. And in the course of satisfying those needs, they drive revenue growth by pushing the three fundamental SaaS growth levers: customer acquisition, customer lifetime value and customer network effects.

Below are eleven SaaS product management secrets for creating SaaS products that sell themselves, one secret for each stage of the SaaS customer lifecycle. Underscoring each secret are two enduring economic themes: 1) create competitive advantage using the SaaS customer-company connection and

2) enable customer self-service to accelerate revenue and reduce costs. Grounded in sound SaaS economics, these Eleven SaaS Product Secrets are more than mere technology tricks. They are SaaS growth drivers that challenge the creativity of SaaS product managers and encourage them to push SaaS product boundaries into the business to do things better, cheaper and faster than the competition.

SaaS Product Secret #1 | Optimize Public Pages

Good SaaS marketers know that optimizing content for search and social media is essential to expanding online awareness. What great SaaS product managers also know is that your SaaS product should be an integral part of your search and social strategy. Does your SaaS product produce public pages that can be found by search engines? Can it? For example, customers often create useful and unique public content in the course of using a SaaS product, such as branded websites, widgets, profiles, comments, analyses, and so forth. Smart SaaS product managers enable these pages to be created in volume as part of the natural product experience and automatically optimize them for search and social.

That sounds pretty technical, so let's look at a classic example. Search for any one of your favorite SaaS colleagues on Google and chances are that you will get a public-facing LinkedIn profile page in the top five results. This Google search of Joel York quickly finds my public facing LinkedIn profile page (usually 2nd after Chaotic Flow 😊). While I created the content, LinkedIn made it a landing page and automated the SEO (notice the calls-to-action and the repetition of the keyword "joel york"). Many SaaS products have untapped opportunities to get found in search with public-facing trial content, product content, educational content, community content, and so forth. The important thing is that the content be a) original, b) useful and c) optimized, so that both search engines and the people landing on the pages will find it of value.

SaaS Product Secret #2 | Formalize Free Trial

I've yet to see a SaaS product that can't benefit from a free trial. I have, however, seen many SaaS products that can't quite seem to pull it off well. Sometimes it's really hard, because the product requires significant onboarding in order to shine. Other times, it's just a foolish, flagrant violation of SaaS Don't #3. Most of the time, it's an under-appreciation of a SaaS product's role in automating core business processes. Free trial facilitates product evaluation and shortens sales cycles. When trials are easily converted to production use, they also streamline purchase and adoption. Most customers are willing to pay for these benefits in the form of an inbound lead! From the vendor's perspective, a free trial offers huge increases in sales and service productivity through customer self-service–even if all your leads are outbound.

Great SaaS products don't simply offer a free trial; they formalize core business processes around free trial to drive demand, shorten sales cycles, increase revenue per rep, accelerate deployment and reduce churn. It is far easier to get a customer to sign a contract after using your SaaS product than after seeing a demo. If this is not true, then you have bigger SaaS product issues than not offering a free trial. The secret to successful SaaS free trials is relentless pursuit of these benefits. Don't settle for less.

SaaS Product Secret #3 | Enable Ecommerce

Ecommerce in SaaS is about more than simply taking credit cards over the Internet. It is about streamlining purchase such that the online customer experience isn't interrupted with offline activities. It should not only support self-serve purchase, but sales assisted purchase. Every purchase activity has potential for automation through e-commerce, including pricing, product configuration, trial account conversion, contract signing, payment, invoicing, billing and collections. Ecommerce done well can simplify the sales process by setting clear customer expectations. For example, transparent pricing limits discounts and standard contracts reduce redlines. Robust Ecommerce lays the foundation for further SaaS product design secrets that drive growth later in the customer lifecycle through churn reduction, upselling and cross-selling. In SaaS, purchase is part of your product. Let them buy!

SaaS Product Secret #4 | Design for Discovery

If your customers are going to onboard themselves, then they need to be able to explore, understand, use and adapt your SaaS product without outside help, i.e., they must be self-taught. The natural conclusion then is that your SaaS product must be self-learning. Each user logs into your SaaS product with a different level of interest and expertise, however, most SaaS products are defacto designed for the expert user. For each new feature that is added, the typical SaaS product manager will ask: "Where is the most logical place to put this feature, so that it is easiest to access." The result of this kind of thinking is that all features end up being really easy to access, creating a bewildering array of choices for the vast majority of non-expert users.

Great SaaS products provide an experience that adapts to the interest and expertise of users over time. Novice users are encouraged to explore essential tasks, while expert users are allowed to tailor tasks to their individual tastes for speed and efficiency. At the enterprise level, organizations can configure processes that meet essential business needs. Design for discovery supports the process of personalizing a SaaS product: taking something unknown and generic and turning it into something understood and adapted to your needs. Like most of the SaaS product design secrets, design for discovery has an impact that extends well beyond its primary purpose. Easy discovery of new capabilities is essential for driving upsell and personalization is instrumental to reducing churn.

SaaS Product Secret #5 | Capture Customer Content

There is only one SaaS marketing strategy to reduce churn: increase use. However, there are many types of use: new use, expert use, casual use, habitual use, individual use, organizational use, and so forth. The one thing all forms of use have in common though is that they create customer-specific content. Capturing customer content is the single most important SaaS product secret to reduce churn, because personalized data is directly proportionate to switching costs.

Capturing customer content is the motivation behind SaaS Do #8 | Enable Mass Customization. Mass customization allows mass personalization without compromising essential SaaS economies of scale. Your competitors can copy every feature in your SaaS product, but they cannot copy the personal, historical record of customer use. Historical data contains critical business records, processes, policies,

preferences, and organizational knowledge. After extended use, the value of customer content usually outweighs the value of your SaaS product itself. Capture that value!

SaaS Product Secret #6 | Unleash Upsells

The best designed upsells are painless and invisible: painless in that the upsell value far outweighs the upsell price and invisible in that the upsell process provides a seamless bridge between the need for the new capability and the use of that capability. Well-designed SaaS products upsell themselves by letting customers do what they want to do: use more. The key to unleashing upsells is a smooth synthesis of SaaS Product Secret #3 | Enable Ecommerce and SaaS Product Secret #4 | Design for Discovery. If you've done a good job of letting customers discover new capabilities and purchase is as simple as clicking a button, then unhampering upsells amounts to little more than putting that button in the right place at the right time. Hired a new employee; add a new user. Got new work to do; get the new module you need to do it. Out of storage; add some. Need to integrate; turn on our API. Just click here!

SaaS Product Secret #7 | Tantalize with Teasers

Cross-selling is by its very nature more difficult than upselling. Upsells are often non-discretionary, because they are driven by naturally expanding use, whereas cross-sells usually take on the flavor of a new purchase driven by an unmet business need. It's probably not enough to wait passively for your customer to stumble across an entirely new capability or recommend it to a friend; your SaaS product must cross-sell proactively.

Wait. How can a SaaS product sell proactively? Unlike other products, a SaaS product creates a real-time, always-on communication channel between the customer and the company. *Anything you have to say about your SaaS product can usually be said better inside your SaaS product, because you can say it in context.* One of my favorite SaaS product communication channels is the login page. There is only one buyer persona that visits the login page: customers. Your login page offers prime real estate for tantalizing cross-sell teasers. It's your customer home page! Once customers log in, you know who they are and what they are doing, offering even more opportunities to encourage consideration and trial of new capabilities in real-time based on actual usage patterns. And, after they log out, proactive offers and alerts can motivate them to return until they make a final purchase decision.

SaaS Product Secret #8 | Make Friends through Feedback

Your SaaS product can do more than proactively sell to your customers. As a two-way communication channel, it can also support, service and nurture community by proactively listening to them. Building community within your customer base is the first step to energizing network effects that drive viral growth and your SaaS product is the best place to nurture your customer community.

Just like selling to your customers, listening to them is better done in context. When customers encounter issues, do you make them go searching through your website for a support email, or can they click to chat from within your SaaS product? Can they request new features? Comment on current features? Watch a training video? Register for a webinar? Report a bug? Visit your support forum?

Check account billing status? When they need you, are you there? Because they are there and the beauty of a SaaS product is that they don't really need to go anywhere else. Don't make them!

SaaS Product Secret #9 | Consolidate Customer Content

There is far more talk of crowdsourcing in the SaaS community than there is actual crowdsourcing. That's because crowdsourcing is hard. Improving data quality, language localization, operational benchmarks and support are just a few of the ways smart SaaS product managers can put crowdsourcing to work. However, you can't just wake up one day and say: "let's add crowdsourcing into our SaaS product." At a minimum, you have to have nailed SaaS Product Secret's #4, #5, and #8.

Crowdsourcing is a two-step process. First, customers have to contribute content. Then, your SaaS product has to automate the process of consolidating that content into useful information. Mass customization followed by mass consolidation. For example, the process of crowdsourcing translation is essentially similar to the process of crowdsourcing a support knowledge base. Customers contribute solutions, those solutions get reviewed, and the best solution is chosen. The real SaaS product secret here is that the technical process of crowdsourcing can be baked into your SaaS product architecture in a fashion that opens new opportunities as your SaaS business grows.

SaaS Product Secret #10 | Streamline Sharing

At the very peak of the SaaS Growth Pyramid, customers go beyond serving themselves and start selling their friends. When customers refer new prospects, the SaaS customer lifecycle begins anew. Your SaaS product can help close the loop and catalyze viral growth by streamlining sharing between your customers and your prospects. Streamlining sharing requires that you give your customers something useful to share and then reduce sharing it to the absolute minimum amount of work. For example, sharing important business documents or analyses is one of the best ways to drive viral growth in SaaS, because it embeds a referral inside collaborative product use, similar to the invisible upgrade of SaaS Product Secret #6. For example, take a look at the Zoho sheet embedded in this post on SaaS sales commissions. There! I just referred you to Zoho and we didn't even notice.

Viral sharing, like crowdsourcing, is easier said than done. Referrals are built on reciprocity. When a customer shares your product with a prospect, the customer is not doing you a favor. *The customer is doing the prospect a favor*. SaaS product referrals are nine parts motivation and one part automation. Whatever gets shared must be something the customer is certain will have value for the prospect. Don't just ask your customers to say: "Try this SaaS product, you'll like it." Encourage customers to share something valuable with prospects that require trial product use. The SaaS customer lifecycle repeats when you get them to sign up for that trial, and you are well on your way to viral growth!

SaaS Product Secret #11 | Manage Through Metrics

The great thing about online communications channels from a marketer's perspective is built-in measurement. There's little need for costly surveys or panels to understand what customers think of your SaaS product, because every click speaks volumes. I've saved this SaaS Product Secret for last, because it augments every other SaaS Product Secret on the list. Metrics empower SaaS product managers to create better products faster. Not only do metrics provide critical input to SaaS product development, they can also dramatically increase the effectiveness of sales and marketing. What are the traffic stats of your public pages? How do trial prospects navigate the fuzzy funnel? Which customers are exploring new capabilities and have the highest probability of upgrading? Which customers aren't using your product and have the highest probability of churning? What can you do about it?

Unfortunately, Google Analytics will be of limited help here. While there is much value in the aggregate metrics provided by many website optimization tools, customer-level metrics are where the action is when it comes to driving SaaS growth. It's the differences between customers that matter most, not their similarities. Usage metrics are so critical to building great SaaS products that startups like Blue Nose have taken on the challenge full-time. I wish these guys much luck, because goodness knows we need the tools. Measuring every click for every customer and then making sense of it is a big data challenge for even a modest SaaS product, but the ROI is immense.

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About

This whitepaper is based in part on recent blog articles at [Chaotic Flow](#) by [Joel York](#). [Joel York](#) has 20 years of experience bringing software and software-as-a-service (SaaS) products to market and is a recognized leader in the cloud community. Joel has managed global sales and marketing organizations serving over 50 countries, including local operations in the US, UK, Germany, Israel and India. His experience ranges from freemium SaaS subscriptions to $5M enterprise deals. Joel shares his expertise on SaaS and cloud business strategy at [Chaotic Flow](#) and [Cloud Ave](#).

Joel has held senior management positions leading the sales and marketing organizations from startups to public companies, including Meltwater, Xignite, Navis, eMind, Passlogix and SPSS. He also consults on SaaS strategy and operations as Principal at Affinitos, where he has worked with numerous rapidly growing SaaS startups such as Zendesk, Conduit and AppFirst. Joel began his career at Deloitte Consulting. He holds a B.S. in Physics from Caltech, an M.S. in Engineering Physics from Cornell University and an M.B.A. from the University of Chicago.

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