

MARKETING CLOUD-BASED SOFTWARE



SUBSCRIPTION MARKETING FOR SAAS

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Inspired by strategies from the book *Subscription Marketing*



Contents

Introduction: It's a Subscription World	1
Subscriptions are Eating Software	2
Trust and Value: The SaaS Marketing Imperative	3
<i>Earning Trust</i>	3
<i>Demonstrating Value</i>	3
The Marketing-Revenue Disconnect	4
<i>The Gap Is Growing</i>	5
Bridging the Gap with Value Nurturing	7
<i>What's Different about Value Nurturing for SaaS</i>	8
<i>An Aside to the SaaS Startups</i>	8
SaaS Value Nurturing Strategies	10
Quick Success in the Free Trial	11
<i>The Hard Sell Trial</i>	12
<i>The Hands-Off Approach</i>	12
<i>The Value Nurturing Approach</i>	13
<i>Handling the Conversion</i>	14
Engineer the Customer Success	16
Use Video to Nurture Value at Scale	17
Demonstrate Value with Data	19
<i>Demonstrating Value With Usage Data</i>	19
<i>Finding Value in the Data Itself</i>	19
Nurturing Advocates and Super-Users	21
Align with Customers' Values	23
Summary	25

Introduction:

It's a Subscription World

Software-as-a-Service (SaaS) companies are in the business of selling subscription relationships. Not software. Not infrastructure. Subscription relationships.

That's a pretty big shift in perspective, particularly for marketers in businesses making the transition from selling perpetual licenses to selling access to cloud-based applications.

At the start of 2015, I published a book called [*Subscription Marketing: Strategies for Nurturing Customers in a World of Churn*](#). The strategies in the book apply to *any* business in which customers subscribe and renew. The book includes examples drawn from industries as varied as industrial chemicals and subscription boxes. My experience working with business-to-business (B2B) technology companies inspired the book.

Many people associate subscriptions with newspapers or consumer media, not with business software. Marketers in B2B technology making a transition to the cloud may not see themselves as selling subscriptions. But follow the money: in software, the money is moving from up-front revenues to long-term, recurring revenues from subscriptions.

The shift to subscriptions represents a fundamental change for the people who market software.

SaaS marketing is a specialized subset of subscription marketing, with its own challenges and opportunities. This short ebook explores ways to apply the overall subscription marketing strategies described in the *Subscription Marketing* book to SaaS marketing. It focuses on strategies that are particularly important for SaaS businesses, using SaaS-specific examples.

I hope you find it inspiring and useful.

Subscriptions are Eating Software

In 2011, in an essay published in the *Wall Street Journal*, Marc Andreessen famously laid out his vision of path of the technology industry: “Software is eating the world.” ([Read the original article here.](#))

In short, software is disrupting the technology industry, sector by sector. Everything that a technology sector does is eventually absorbed into software. There’s a corollary happening in the software industry:

Subscriptions are eating software.

The software market is moving steadily toward cloud-based, software-as-a-service offerings. Even in the B2B context, many businesses are offloading the tasks of owning and maintaining their own software platforms to SaaS providers.

IDC recently published its [software and licensing predictions for 2016](#). The number one prediction is the following:

“Software Subscription Revenue Will Continue Its Rapid Growth Trajectory to Reach \$130 Billion in 2016, a 21% Increase over 2015” – Amy Konary, IDC

IDC also predicts that at least three software providers will go “all-in” with subscriptions in 2016, abandoning perpetual licenses altogether. I suspect that number is conservative.

Subscription revenues are where the growth is happening in the software industry. New products are delivered from the cloud, with a subscription model.

SaaS companies benefit from the predictable revenue stream of subscriptions, but they also absorb revenue risk up front. Customers are rarely profitable the moment they sign up for a SaaS offering. Adding customer acquisition costs to the marginal cost of providing the service, customers may not become profitable for well over a year. It’s in everyone best interest that customers find success and continue to renew.

In a SaaS business, long-term survival depends not only on new sales, but also on keeping current customers happy.

Trust and Value: The SaaS Marketing Imperative

Marketers must clear different hurdles selling SaaS than when selling packaged software.

SaaS marketers must focus on two key efforts

1. Earning trust before the initial conversion
2. Demonstrating value after the sale

A subscription is an ongoing relationship, not a one-time transaction.

Earning Trust

Before signing up, customers will want answers to many questions:

- Is your business going to stick around?
- How careful will you be with their data?
- Do you know what you're doing?
- Will they find more success in their jobs or joy in their lives by becoming a customer?

Marketing SaaS isn't simply a matter of selling features. You must earn trust and maintain it over time. Content marketing, done well, is a highly effective way to earn trust.

Demonstrating Value

Subscription customers must decide, again and again, to remain customers. In many cases, they won't deliver a profit until they've made the renewal decision at least once.

At each renewal, customers must decide that the *value of being a customer* exceeds the cost of renewing.

As a marketer, you can tip the balance of that equation by adding value to the customer experience. Fill up the value bucket and customers will continue to renew, and perhaps upgrade or recommend the solution to others.

Note the phrasing: the *value of being a customer*. That value doesn't always live in the solution itself; it might live outside of the software, in the relationship with your business.

That's why marketing that focuses on features isn't enough in the world of SaaS marketing.

Marketing needs to demonstrate value before the initial sale; the entire company reinforces the experience of value long after the sale.

The Marketing-Revenue Disconnect

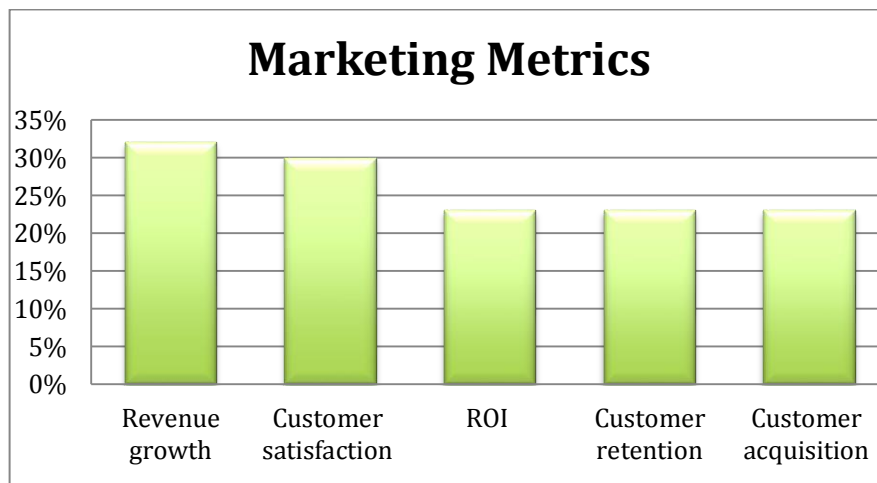
Marketing's relevance depends in great part on its ability to affect ongoing business revenues. With the subscription model, revenues shift over time to current customers. Yet marketing practices remain focused on new customers.

Every marketer understands at a gut level that customer satisfaction is critical.

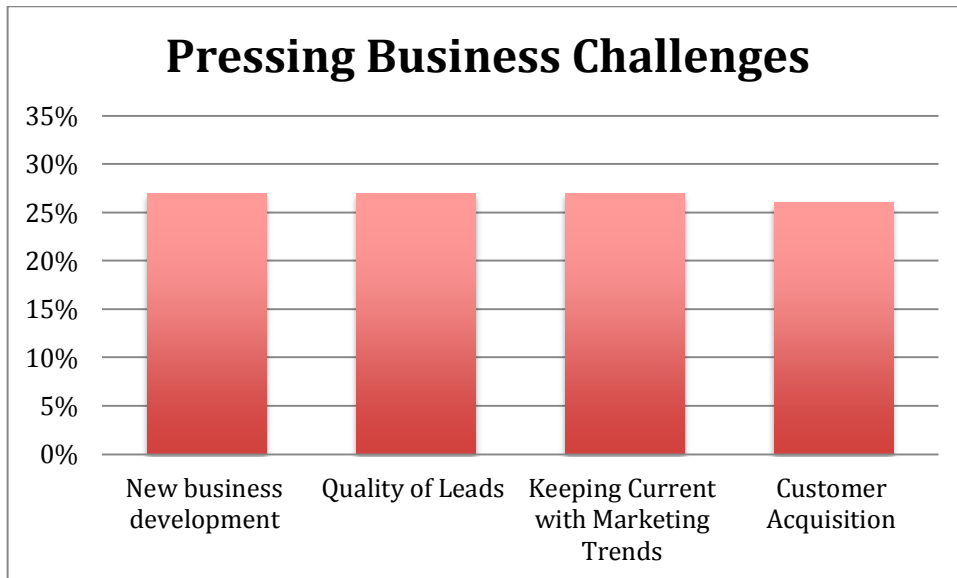
- Happy customers renew regularly, creating that predictable revenue stream your business depends on.
- They recommend the company to others, creating new leads and accelerating the sales cycle.
- Successful customers offer essential social proof that helps you earn trust from prospects.
- Current customers are a ready market for future offerings.
- In the B2B market, many SaaS companies deploy a “land and expand” strategy, selling into one department or group of a major enterprise in hopes of landing the entire business. Without happy customers, that strategy fails.

Yet relatively few businesses measure marketing impact based on customer loyalty and overall revenues, rather than leads and conversions. And even when they track those metrics, they remain focused on lead generation and conversion over long-term relationships.

In the [2015 State of Marketing Report](#) by Salesforce Marketing Cloud, around 30 percent number of respondents track customer- and revenue-focused metrics to evaluate marketing. These include revenue growth, customer satisfaction, and customer retention.



But when asked about their most pressing business challenge in the same survey, most marketers reported top-of-the-funnel concerns, including getting more leads and customers.



Building deep customer relationships ranks far behind demand generation activities in marketing priorities.

Can you spot the gap?

We're spending our time, money, and attention generating leads and net new customers. Yet our relevance, as marketers, depends on our ability to have an impact on *revenues*. In a SaaS business, revenues are built on on long-term customer loyalty.

While most marketers agree with the idea of nurturing customers, customer marketing typically takes a back seat to lead generation and customer acquisition. We put it aside for some distant, ideal future in which there are "enough" new leads that we can focus on customers.

There are three problems with this situation:

1. There are never "enough" new leads.
2. Satisfied customers are a powerful, untapped source of leads and referrals.
3. If churn is significant, you have to generate more new leads to replace the ones that leave.

The Gap Is Growing

As a SaaS business matures, more of its revenues come from long-term customers. Yet most SaaS marketers focus their time and resources on the very start of the customer experience (customer acquisition).

The longer you remain in business, the bigger the gap between net new sales and overall revenues, because more revenue comes from the recurring payments of your customer base.

If marketing doesn't mature to follow the revenue stream, it becomes less relevant to the overall business.

Bridging the Gap with Value Nurturing

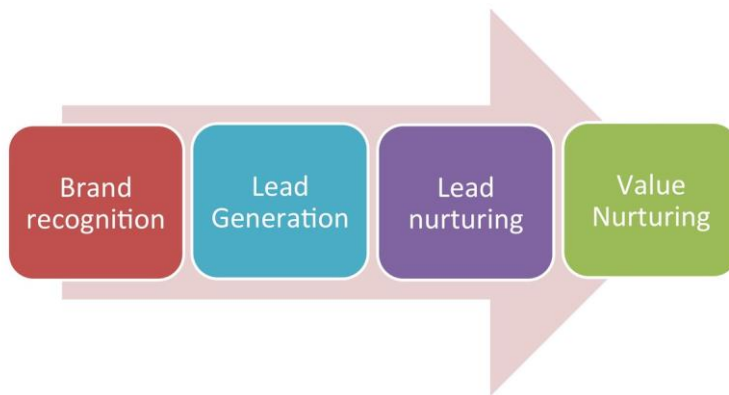
SaaS marketers need to extend their focus and engagement with customers long beyond the initial sale.

Before the sale, the SaaS marketer must earn trust. After the sale, maintain the trust and *demonstrate the value of being a customer*.

Your job is to find those marketing activities that increase the value of being a customer, from the customer's perspective. For the sake of simplicity, I refer to these marketing practices as *value nurturing*.

Value nurturing is the practice of helping the customer realize value from the experience of being a customer.

Value nurturing practices represent a new set of marketing responsibilities that continue beyond the sale. The subscription marketing funnel looks something like this:



The book [Subscription Marketing](#) outlines five key facets of value nurturing:

1. Helping customers achieve their objectives using your solution
2. Demonstrating value, or helping customers understand the value that they are getting from the solution
3. Adding value through activities beyond the solution, such as content and community
4. Creating additional value in the customer relationship
5. Aligning your business model and story with customers' values

What's Different about Value Nurturing for SaaS

Software is a special kind of subscription sale. It's more complex to use than consumer media or subscription boxes. And business software presents even more challenges, with:

- Multiple buyers or influencers in the decision process
- Multiple users, with distinct profiles, within a single account
- Long, complex buying processes
- Long onboarding processes

A successful ongoing SaaS relationship requires customers to become comfortable using the software, changing their behavior. Behavior change is hard. The more complex the software, the bigger the barrier to adoption and long-term success.

Value nurturing strategies help SaaS marketers address these realities. The sales cycle is complex, so you need an army of advocates before and after the sale. Because success requires sustained behavior change, you must continue to support and nurture customers. These are compelling reasons to adopt value nurturing strategies.

The SaaS marketer also has special powers at their disposal that they can use to help customers realize success. These include:

- The ability to see, instantly and precisely, what customers are doing in the software
- The ability to shape the customer experience in the software itself

SaaS marketers can work with developers and product teams to influence the ongoing customer experience, and deliver on the brand promise created by marketing.

An Aside to the SaaS Startups

Nearly every SaaS startup focuses on generating net new leads, to the exclusion of building long-term relationships.

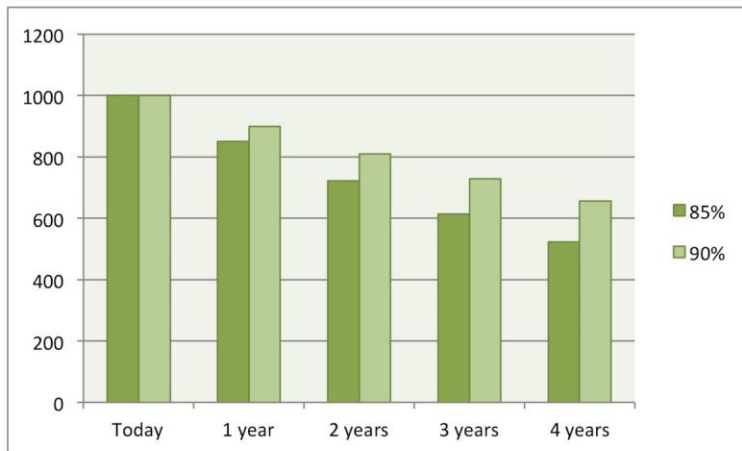
The first customers are essential to startups. But that's no reason to neglect your plans for ongoing value nurturing and customer success. The startup phase is *exactly* the time to build the culture and practices that nurture ongoing loyalty in customers.

Consider this: what if you engineered for the long-term customer relationship from the start?

Startups have a unique advantage over their established competitors: the opportunity to design the way the company will interact with, support, and nurture customers over the long run. Without rigid corporate practices and organizational barriers, you can design for the ongoing customer experience. An in doing so, you can create a competitive advantage.

Resources and time are both scarce at startups. But if you build the business with a base of loyal customers and a high retention rate, you'll fuel ongoing growth. When you're not losing customers to churn, any newly acquired customers represent growth, rather than replacement.

Churn is a compounding metric. Practices that have a small initial impact on churn, percentage-wise, can have a major impact on growth. Take a look at the difference between 85 percent and 90 percent retention rates. If you have 1,000 customers at year one, with an 85 percent retention rate, that initial base will be down to about 522 after four years. If you improve retention to 90 percent, you'll have 656 of those original customers after four years – plus, you'll keep more of the new customers you earn in the interim.



The sooner you build sustained value into the marketing strategies, the faster you can grow.

- With less churn, the new customers you gain represent growth, not replacement
- The larger you get, the more leads you must generate to replace departing customers.
- A happy customer base refers more leads – accelerating growth.
- Satisfied customers offer essential social proof, helping you earn trust that is so difficult for start-ups to establish.

Investing in customer loyalty is a growth-backing strategy.

SaaS Value Nurturing Strategies

The rest of this ebook discusses the value nurturing strategies that are most relevant and important to SaaS marketers.

Strategy	The SaaS Angle
Quick success in the free trial	The free trial is a unique opportunity to demonstrate the value of the solution; the experience of being a customer is on trial.
Engineering customer success	SaaS companies can manipulate the new customer experience to accelerate the realization of value.
Using video to teach	Video puts a human face on the SaaS business, potentially strengthening the relationship. Video is also a great way to cut through complexity and accelerate the customer's experience of value.
Using data to demonstrate and add value	SaaS businesses generate a lot of data; use it to demonstrate customer value, or add value to the experience of being a customer.
Nurturing advocates and super-users	Advocacy programs serve two purposes: nurturing and supporting your most loyal customers while accelerating the success of others.
Aligning with customer values	Businesses that succeed in sharing their customers' values create strong, long-lasting bonds with their customers.

Quick Success in the Free Trial

The free trial is a valuable marketing tool for SaaS marketers. But it's a two-edged sword. You can lose potential customers in the free trial if they don't find success or feel the love.

If you're in an engineering-driven company—one that competes based on feeds and speeds—you may see the free trial as an opportunity to prove how great your software is. *“Let the features speak for themselves.”*

Reality is rarely so simple. Some prospects evaluate software rationally, with side-by-side comparisons, and make decisions based on features or function. Just as often, people sign up for a free trial before they're ready to buy, or use the free trial to get a better idea of what you do.

The best products don't always win. And the service isn't the only thing on trial.

In a free trial, prospects evaluate the experience of being a customer.

In SaaS businesses without value nurturing strategies, the free trial customer inhabits a no-man's land between marketing, sales, and support.



The free trial user is not completely a prospect, nor completely a customer, but a little of both. That dichotomy leads to problems.

The Hard Sell Trial

In some businesses, the free trial is the point at which a prospect becomes a hot opportunity. The sales team engages full tilt, and the trial customer experiences the electronic equivalent of the used-car lot experience, with persistent emails and phone calls from sales reps.

Marketing can be just as guilty, starting a relentless drip campaign that pushes for conversion, again and again. In either case, the experience looks and feels, to the prospect, like a hard sell.



The Hands-Off Approach

At the other end of the spectrum, there are those businesses that treat the trial user like a customer, and that count on the superiority of their software to convert the customer. They assume that anyone who isn't happy will proactively reach out to support for help.

Unfortunately, you'll miss the free trial users who didn't know exactly what to do. This approach also puts the burden of conversion on Customer Support or Customer Success teams.



The Value Nurturing Approach

If you're committed to the long-term relationship, *the free trial is when lead nurturing becomes value nurturing*. Apply the value nurturing approach to help customers achieve an early success with the trial.



Marketing needs to work with other groups, such as Sales, Support, and Customer Success teams, to ensure that free trial customers are successful

- Providing training resources, videos, and/or drip campaigns to support customers

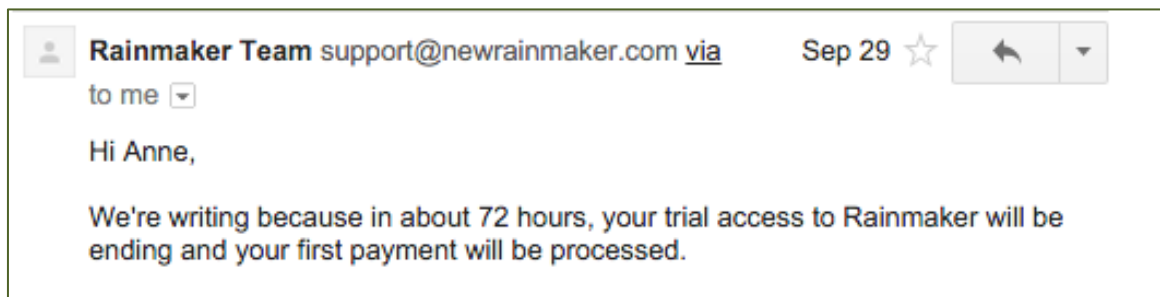
- Watching the customer's online behavior and automatically triggering a campaign, an email, or a phone call, if that's what's needed
- Offering assistance periodically during the trial

Handling the Conversion

How does the actual conversion to a customer take place?

- Do you take a credit card at the start of a free trial? Doing this increases the commitment of the trial user, but also demands that the prospect trust you with their data.
- Do you automatically bill at the end of the trial, or do you give the customer a reminder before this happens?

Rainmaker Digital (former Copyblogger Media) handles free trials in a way that earned my trust. When I decided to try Rainmaker, I signed up for the free trial, and provided a credit card. Three days before the end of the trial, I received an email that started like this::



The email continued to repeat the value proposition for the Rainmaker platform, provide links to resources and login information, and offer individual help if I needed it. But notice what else it did:

The email gave me implicit permission to cancel the payment if I wasn't happy.

How often does a company remind you when a free trial is ending, if it already has a credit card? Not often.

This simple action earned my trust, and reinforced my opinion of what it would be like to be a Rainmaker customer.

By offering the opportunity to cancel, you may lose a few conversions in the short term, but end up with better retention, loyalty, and advocacy in the long run. That's a trade-off worth making.

Beyond that email, the company did several other things right during the free trial period:

- Nobody called or tried to sell me during the trial.
- The company offered a huge amount of training, in various formats, including video, written guides, and guided tours.

- The company invited me to a customer webinar during the trial period.
- When I had a question, the Support team answered it promptly.

There's a postscript to this story; I liked the experience of becoming a customer so much that I'm recommending it to others.

Don't take the conversion to a paid subscription for granted.

Engineer the Customer Success

The sooner customers start realizing value, the more likely they are to become loyal, long-term customers. Find ways to engineer early successes.

For many marketers, this may mean creating a drip campaign that guides new customers through the tricky spots or their first interactions. SaaS businesses have the added advantage of complete control over the new user's environment in the software. You can make the solution easier to use by offering online guides and pop-up help when it's needed.

Software companies love to talk about “ease of use” but there's always a learning curve. Enterprise messaging startup Slack understood this from the beginning, and its focus on the new customer experience has fueled a growth trajectory in the enterprise IT market.

A group messaging tool like Slack isn't useful until it hits a critical mass within teams. Slack needed to get entire teams using the solution before anyone would find it helpful. According to CEO Stewart Butterfield, in an interview with Kara Swisher on the Re/Code podcast, the team realized rapid success was a prime engineering objective.

“We focused all of our effort on the new user experience, and I think that's what's made the difference.” – Stewart Butterfield

One component of the design is the Slackbot that helps new users with next steps and offers context- appropriate options.



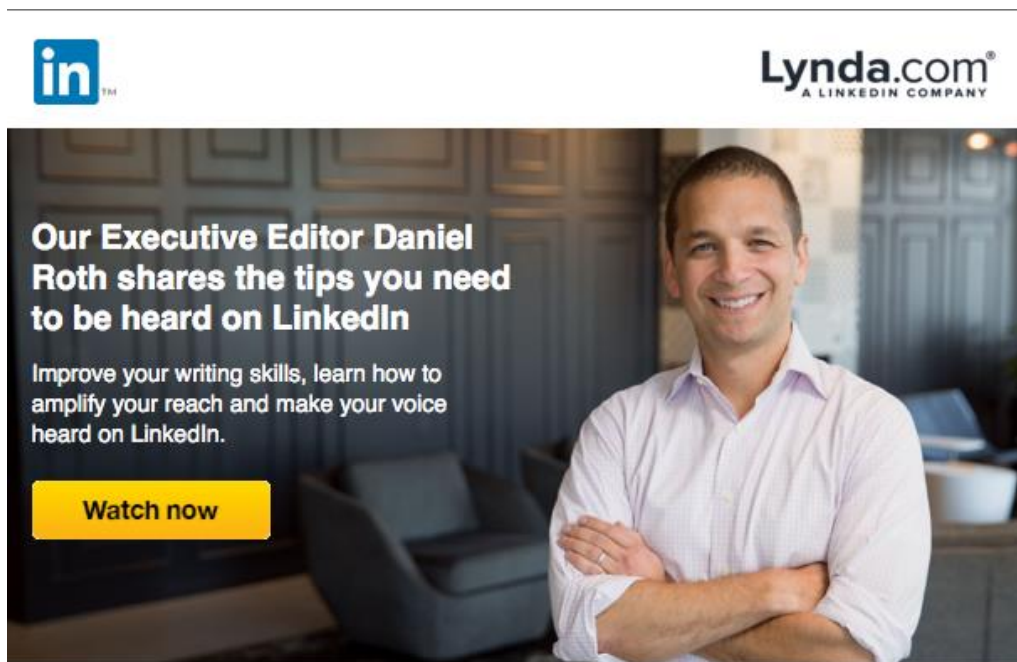
Even if you can't come up with a clever Slackbot of your own, you can track and identify what customers are doing online, and use that insight to engage with them through automated marketing campaigns. For example, track whether new customers are working with the software or using the most valuable features, and trigger automated campaigns or offers of assistance to help them.

Use Video to Nurture Value at Scale

SaaS solutions are often complex, and require people to learn new behaviors if they are to achieve value.

Video puts a human face or voice on impersonal software. And video is often the fastest way to help people around the initial learning curve. Once customers sign up, use videos to deepen their experience of value from the software.

For example, LinkedIn sent me a link to a Lynda course on using LinkedIn, free for current subscribers.



The image is a video advertisement for Lynda.com, a LinkedIn company. It features the LinkedIn logo in the top left and the Lynda.com logo in the top right. The main content is a video frame showing a man, Daniel Roth, smiling with his arms crossed. The text overlay on the video reads: "Our Executive Editor Daniel Roth shares the tips you need to be heard on LinkedIn. Improve your writing skills, learn how to amplify your reach and make your voice heard on LinkedIn." Below the text is a yellow button that says "Watch now".

LinkedIn is using online education and video to nurture existing customers, helping them have more success on the LinkedIn platform.

You can send out field engineers and trainers to high-value accounts. But in terms of value nurturing at scale, there's nothing quite like video.

Luckily, there are many platforms and approaches to using video. Create a simple video series, hosted on sites like Youtube or Vimeo. Or create online courses and education on sites like Lynda and Skillshare. Use the format that best fits your customer base.

You're probably already creating videos for purposes of marketing before the sale. Put as much, love and marketing attention into videos, training and education to help existing customers find success after the initial sale and over time.

Demonstrate Value with Data

Once customers are up and running with your software, marketing's task is to make sure they realize the value they're getting.

SaaS companies have the advantage of data. You can see what people are doing. You have instant insight into the potential value they are realizing, and can reach out proactively if they aren't taking advantage of what's available to them.

Work with the product team to find out if any of the usage data will work for marketing purposes.

Demonstrating Value With Usage Data

In our self-monitored world, many people look to software to provide data. Activity monitors tell us how far we have walked, sleep monitors tell us how we're sleeping, and our smart meters tell us how our energy usage compares with our neighbors. Usage data may be part of the value of your SaaS solution.

Do the extra math to link usage to value. Can you correlate usage to money saved, time saved, packages shipped, etc? You may have to think creatively. Fitbit translates steps walked into geographical distances, like the length of Japan, to put usage into context.

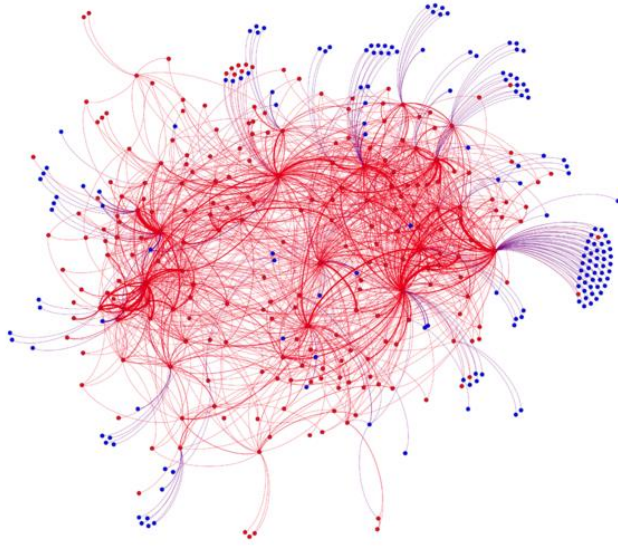
Even if usage information is already available in reports, marketing can find a way to put it in context or present it in a way that is easy to share with others. Consider quarterly or yearly roll-up reports, formatted and delivered by email. Make sure that these communications stress the value delivered and experienced.

Finding Value in the Data Itself

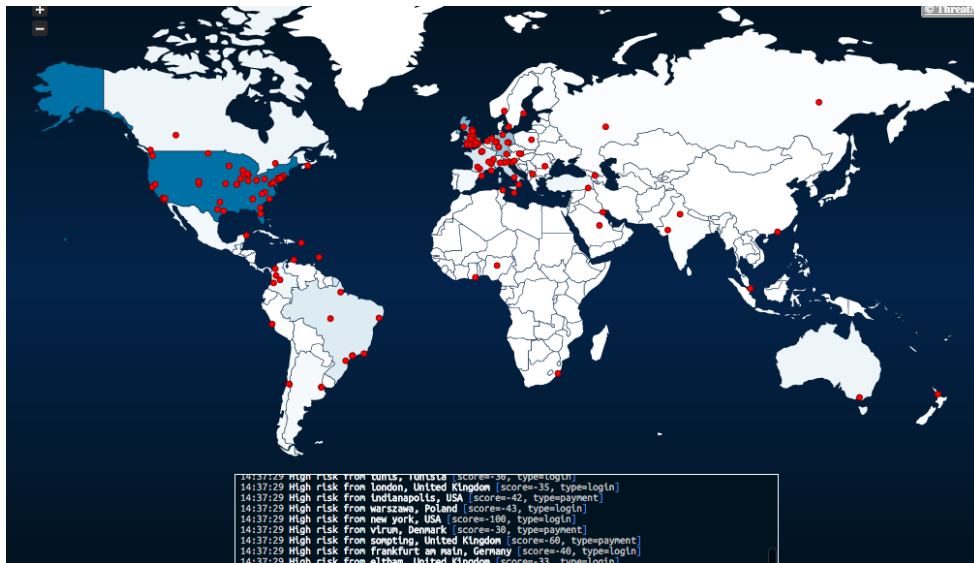
The data you collect in aggregate, across customers, may have value to customers and others. Consider analyzing and sharing those patterns to demonstrate the value of being a customer.

Box published an [Information Economy](#) report, which analyzed the flow of information across both internal and external collaborators for enterprise customers in a variety of industries.

For example, the graphic below illustrates the information flow in a sample software company; blue dots are external collaborators. (Box got permission from the customers to use and publish the data.)



In a similar manner, digital identity company ThreatMetrix maintains an online [ThreatMetrix® Cybercrime Threat Map](#). This real-time visualization illustrates threats detected and blocked across the global ThreatMetrix network.



In each case, the data was carefully anonymized before sharing, and the data shared demonstrates the value of the SaaS solution to customers. Box customers see the collaboration occurring and streamlined by using Box. ThreatMetrix customers understand the magnitude of protection they realize by being customers. The fact that the data is valuable for both prospects and customers makes it easier to invest in this kind of effort.

Nurturing Advocates and Super-Users

Many SaaS companies empower the advocates among their customers to help others. Well-designed advocacy programs benefit everyone:

- The advocates receive recognition, additional resources, and the overall satisfaction of helping others.
- Newer customers benefit from having a variety of people available to answer their questions and provide guidance.
- Your company benefits from increased customer loyalty and success.

Advocacy programs work when you focus on providing support and recognition, rather than monetary incentives alone.

The Hootsuite Ambassador program combines free training, exclusive access and promotions, and online recognition, plus the ability to claim membership:



The Salesforce MVP program is available to those customers who are expert and responsive answering others' questions, and who are willing to be brand advocates. Salesforce recognizes and supports the MVPs among the customer base.

Both of these programs have training and education components. Offering certification is another way to develop advocates; a certification provides something of value that the individual customer can take with them between roles and jobs. HubSpot's Inbound Marketing Certification is a great example.

Marketing teams should work with training and customer success organizations to develop advocacy programs that drive retention and loyalty.

- Recognize your most loyal customers; look for people who proactively reach out with comments or help others.

- Give them the support they need to help others effectively.
- Reward them with recognition, special programs, and exclusive access.
- Supplement advocacy programs with training and certification.

Align with Customers' Values

The final type of value nurturing discussed here focuses on the meaning of the word *value* that is synonymous with ethics. Businesses that share their customers' values create strong, long-lasting bonds with their customers.

This kind of value nurturing effort requires multiple steps, both inside and outside the company.

1. Start with finding your story and values. The more tightly the values link to the company story, the better.
2. Build the internal commitment to your values. It takes more than a marketing campaign to get your customers on board.
3. Communicate your values with customers through storytelling.
4. Invite customers to participate with you in support of their values through donations, social media communications, or other means.
5. Embed values into your business model, using purchasing models like buy-one-give-one or donating some percentage of purchases to a related cause.

Some businesses are masterful at aligning with their customers' value. Think of TOMS, which has built an ethos of giving into the business model itself. You buy one pair, and TOMS donates another to children in need. Patagonia embraces its values of commitment to the environment throughout its business, from recycling goods that are returned to publicizing its supply chain.

Plenty of software companies act on their values, and communicate those stories to nurture new customers and ongoing relationships.

I can hear what you thinking: *we're* different. We offer very technical solutions, there's no values-based play there.

Tell that to IBM and SAP.

- IBM's Smarter Planet initiative, underway for six years now, invests in finding ways to use technology to build smarter infrastructure and solve complex world problems.
- SAP software offers a course on Sustainability and Business Innovation as part of its Open SAP educational program, free for anyone who wants to take it. In the course, SAP shares lessons learned in its own efforts in improving and reporting on corporate sustainability. Thousands of people around the globe have taken the course, for which SAP also offers a certificate of completion.

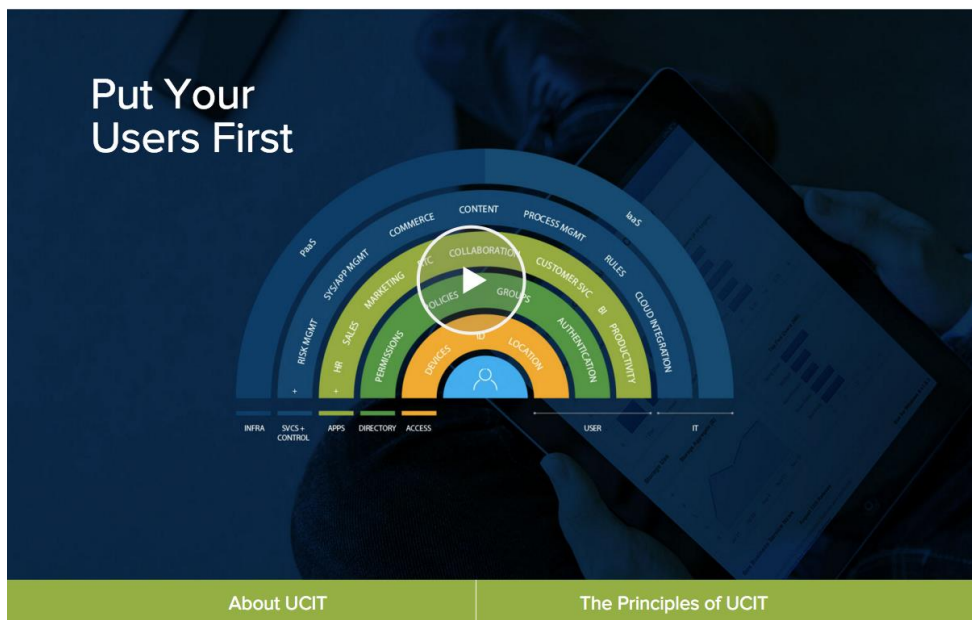


SAP offers a [free course on sustainability and business innovation](#)

There's always a way to share a story, and values, with you customers—even in the enterprise IT industry.

Consider aligning with partners who share your values. For the User-Centric IT initiative, a group of technology companies worked with Geoffrey Moore to create a manifesto for what IT should look like in today's world. The member companies share their visions of user-centric IT. If it works in enterprise IT, it can work in your industry.

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The vision of user-centric IT: UserCentricIT.com

Summary

To avoid losing relevance and impact, SaaS marketers need to adjust strategy, processes, and perspectives for a world of recurring revenues and subscription customers.

Strategy: Beyond lead generation and lead nurturing, add *value nurturing* to your marketing practices. In a SaaS business, marketing responsibilities don't end at the point of the sale; continue to earn trust and nurture the customer's experience of value beyond the sale.

Share this on Twitter: [SaaS Marketing is just getting start at the point of sale.](#)

Process: Reach out beyond the boundaries of marketing. Executing the strategies in this ebook may require marketing organizations to collaborate with sales, support, and customer success. Organizational silos are the enemy of customer experience

Tweet this: [Organizational silos are the enemy of customer experience.](#)

Perspective: Focus on the customer's experience of value to drive Customer Lifetime Value. Think about value from the customer's perspective, and find ways to demonstrate or add value to the customer experience. Revenue growth is the natural result of value nurturing done well.

Share this: [Revenue growth is the natural result of value nurturing.](#)

For more examples of value nurturing strategies, see the book [Subscription Marketing: Strategies for Nurturing Customers in a World of Churn](#). And I'd welcome your thoughts: reach out to me at anne@annejanzer.com.

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