

Think You're a "SELF-SERVICE" SaaS Retailer?

THINK AGAIN!

It's all the rage! Build a business software solution. Host it on the cloud. Brand-market like crazy. And watch the money roll in "hands-free," as customers line up with credit cards for their monthly, auto-payment, subscription program. No need for sales agents. No need for service representatives. What about on-boarding? Easy - facilitate customer orientation through a library of "hip-happening" video tutorials and auto-email service communications. Now you're all set. Don't worry about getting to know each customer's specific user-case. You're simply selling a generic tool. Like a hammer - right? So just kick back and count the dollar signs.

Sound a bit suspect? A little too "get-rich-quick?" And very "assumptive?" Well, in many instances you'd be right. A true "Self-Service" SaaS retail model is not as universally applicable as you think. Now you may have a great SaaS product. You may be hosting it on the cloud. And you may be delivering your solution as a term license. But don't fool yourself into thinking you're actually selling monthly, per-seat subscriptions as an automated "Self-Service" retail business. Because, in many cases, it's most definitely not what your client needs, or wants to buy. So make sure you understand the difference. And make sure you're building a "sales and marketing program" that properly acknowledges this reality.

SIMPLE SaaS DEFINITION

For the purposes of this paper, let's first clarify the term. SaaS (or "Software as a Service") as we define it is an "on-demand" software licensing and delivery model in which software is sold on a subscription basis and is centrally hosted via the "cloud." SaaS products are wide-ranging, and include software solutions for payroll processing, accounting, customer relationship management (CRM), collaboration and project management, enterprise resource planning (ERP), content management, website publishing, auto-marketing and e-communications, computer assisted design (CAD), learning management systems (LMS), human resource management (HRM), talent acquisition, and so forth.

THE "SELF-SERVICE" SaaS MODEL

Now as it relates to the "Self-Service SaaS" retail model, we're thinking about a situation where a software company can prospect, educate, and close a new customer with virtually no human exchange. A customer finds the product via a "google search," self-educates through posted content and video tutorials, self-identifies with the value proposition, and pays (spontaneously) with a credit card. Some very successful business software solutions on the market that truly do fall into our definition of a "Self-Service" SaaS retail model include MailChimp, Shopify, QuickBooks, and to a lesser degree, HubSpot. These are all excellent examples of SaaS companies primarily driven by an auto-marketing, auto-on-boarding, auto-payment model. And the SaaS product can be described as follows:

- Product Concept as a Business Tool Is Simple to Understand.
- Product Feature-Function Set Is Simple/Intuitive to Learn.
- Low / Unitized Price Point (\$10's of dollars per month per seat)
- Total Annual Equivalent Cost Under \$5,000 (for the entire company) = Discretionary Spend.
- Single Buyer / Single Decision-Maker.
- Small User-Base. (Or where a larger user-base, each user works autonomously).
- User-Base Does Not Involve Multiple Stakeholder Groups with Varying (or Competing) Needs.
- Product Usage is Consistent. No Seasonality. No Fluctuation In Seat Counts.
- Revenue Streams Are Measured in Consistent "Monthly Recurring Revenues"
- Customer On-Boarding Can Be Handled Almost Exclusively via Video-Tutorials and Posted Content.
- Trial Can Be Executed In Under 30 Days (likely minutes). Or With One Low-Risk / Low-Complexity Project.

WHEN SaaS IS NOT “SELF-SERVICE?” WHEN A DIALOGUE IS ESSENTIAL FOR THE SALE

But don't fool yourself. There are just as many SaaS products out there that involve a much more complex, human-centric sales cycle and customer adoption program. And it's wishful thinking for founders, investors, advisors, or the senior management team behind some of these solutions to think they can apply a “Self-Service” SaaS retail model in order to accelerate adoption, and trigger high-volume per-seat monthly subscriptions. On the contrary, there are still many SaaS products that require an extensive sales dialogue to increase deal valuations, scale adoption, customize a billing cycle, and orchestrate successful on-boarding. Some indicators that your SaaS solution requires a more “hands-on,” human-centric sales approach would include the following:

- Product Concept Is More Advanced and Multi-Dimensional.
- Product Feature-Function Set Not Entirely Intuitive. Not Amenable to “Self-Discovery.”
- Product Addresses Different Needs For Different User Groups.
- May Not Be Amenable to A Simple, “Unitized” Price Point. (Or price point is not in the \$10's per seat range.)
- Total Annual Equivalent Spend Exceeds \$5,000 (per company). No Longer Discretionary.
- Multiple Decision-Makers Involved in Product Evaluation and/or Purchase Decisions.
- Thorough User-Case is Required to Convince Prospect of Your Product Advantages.
- Larger User Base Involved (20, 50, 100+ users).
- User Base Spread Across Different Geographic Locations.
- Multiple Stakeholder Groups Across Extended User Base, Each With Different (Competing) Needs.
- Some Stakeholders May Belong to Different Divisions or Even Separate “Arms-Length” Organizations.
- Usage is Not Consistent Over A Year. Seat Requirements May Vary By Season, Project, or Business Cycle.
- Revenues Streams May Be Annually Recurring, But Not Necessarily Billed Monthly at a Consistent Amount.
- Customer On-Boarding Will Be Complex and May Require Human-Based Orientation.
- Client May Require Assistance in Managing the Adoption Cycle.
- True Test of Feature-Function Set Cannot Be Conducted Over a “30 Day Trial” By A Single Individual.

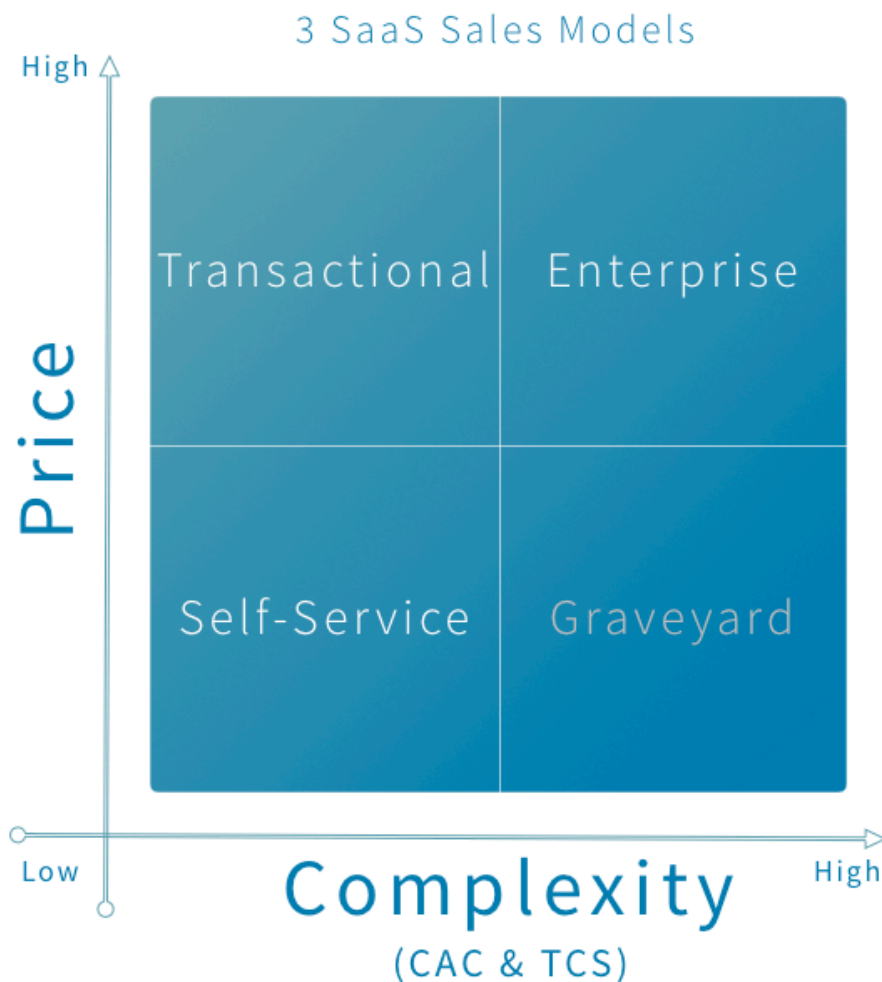
Just two examples of situations where your SaaS solution may not be amenable to a “Self-Service” retail model include Learning Management Systems (LMS) and more complex collaborative tools like Project Management Systems / Construction Management Software (PMS/CMS). If you're positioning your LMS for the academic community most especially, you could find your monthly per-seat subscription model untenable for the buyer on a few counts. First, the number of seats required will vary from semester-to-semester as student enrolment fluctuates between terms, and across courses. How will this be accounted for and administered in a way that minimizes the burden on the client? Second, if a publicly funded institution, the school or university in question will likely require the LMS provider to undergo an open bid process, and will no doubt want a fixed fee for a term license specified in a comprehensive contract that is aligned with a pre-approved budget. It is doubtful a university or school system will agree to pay via monthly credit-card instalments. A multi-year engagement might necessitate pricing concessions. (And if you won't agree to a negotiated discount, your competitor will.) The school may also want some latitude on the volume of students that can be administered through the LMS at any given time, and perhaps ask for scaled pricing based on the average number of LMS users anticipated over the course of the year. There may also need to be dialogues around possible integration with other administrative systems. And we haven't even begun to discuss library creation, content management, or administrative training. Again, while maybe not the case for LMS portals focused more exclusively on “personal development” for the individual consumer, selling an LMS solution to a larger school system is fraught with complexity. And you should likely not be measuring your recurring revenues on a “monthly” basis, but on an “annual” basis, as well as pegging your cash-flow to the semester-cycles of your education clients.

Collaborative tools like Project Management Systems and Construction Management Software represent another SaaS scenario where a “Self-Service” retail model may be difficult to institute for the majority of your target market. First off, many larger construction, engineering, and architecture firms will encounter significant fluctuations in their total user counts based on size, stage, and term of their different projects. While there may be a baseline level of users who consistently use a system throughout the course of a project, or a year, there will

be other users who might only be required to use the tool for a limited timeframe, or sporadically; maybe even a matter of hours. A larger client in this situation will likely not want to engage in a month-to-month, user-by-user auto-payment program. How would they track and account for the fluctuation in user counts for a single project? And what would be the pricing and service solution when the client needs to administer multiple projects with different user IDs, seat counts, and user access requirements that are happening in parallel, and over an extended timeframe? The complexities of these questions would necessitate a more in-depth discovery call. And the client might ultimately want to negotiate a predictable, fixed term license with a scalable price scheme that allows for some degree of variability in total projects, user volume, and user access. Moreover, we haven't begun to discuss the complexities of on-boarding and training when a collaborative tool is expected to service the needs of multiple stakeholder groups across different departments, divisions, and possibly even some external, arms-length service partners. Usually in these scenarios, the client will expect the PMS/CMS provider to assist with the entire on-boarding and adoption cycle. Again, these service challenges do not lend well to a "Self-Service" SaaS retail model; nor can they be addressed by a few simple on-line video tutorials. Instead, the PMS/CMS provider may well be assisting the client in triggering behavioural changes in the work place – a very "hands-on" exercise.

LMS, PMS and CMS tools represent just a few SaaS solutions that will inevitably struggle to apply a "Self-Service" retail model, at least for certain market segments. Instead, in-depth discovery dialogues and extended sales cycles are the more probable approach to close lucrative, well-structured, predictable, and long-term deals. You should define yourself more as a "Transactional" or "Enterprise" SaaS operation. For a further understanding of the differences between "Self-Service" vs. "Transactional" / "Enterprise" SaaS sales models, we encourage you to read the following article. Make sure you have a clear sense of where you fall within the price-complexity matrix below:

<https://medium.com/point-nine-news/Self-Service-transactional-or-enterprise-challenges-when-changing-your-saas-sales-model-dcf704608d0a>



STILL THINK YOU'RE A "HANDS-FREE," "SELF-SERVICE" SaaS RETAILER? WAIT UNTIL THE COMPETITION HEATS UP

Still certain you can apply a "Self-Service" SaaS model? You're confident you fall within the right quadrant of the price-complexity matrix? No problem. But **DO NOT FOOL YOURSELF**. You're still going to need a deep war chest for marketing and sales. And not just in terms of your immediate tactical requirements for customer acquisition; but as it relates to how you will need to fend off your competition when the market heats up.

Self-Service SaaS At the Start...

As with any venture start-up, your early-stage development is all about landing some pilot partners, testing your feature-function set, evolving your on-boarding processes, converting your pilot partners to revenue-generating anchor clients, and positioning yourself for scalable growth. This early-stage effort to acquire/convert clients, and evolve the on-boarding model, is human-intensive. You'll need business development specialists to hunt, close, on-board, harvest, as well as execute on "client-success." Any number of assumptions will need to be tested with your pilot partners before you can build out a properly calibrated "Self-Service" (auto-retail / auto-on-boarding) SaaS program. Don't expect to switch-on your auto-pilot program overnight.

As You Scale....

Once you've finalized your price points, engineered your auto-retail systems, hosted an extensive library of user tutorials, and launched your auto-marketing / lead acquisition campaign, you may encounter a blissful window where a significant volume of customers will genuinely act upon your "Self-Service" model. Most especially if you're an early mover in the market with a genuinely novel software platform. But don't assume there won't be on-going, human-intensive business development work underway behind the scenes. In order to remain competitive, you will need to constantly revisit your branded content in the market. You're now entering the world of mass retail advertising. It's costly, it requires fresh content, and seasonal campaigns to keep things relevant, and at eye-level for the target buyer. Moreover, SaaS is all about constant product revisions and upgrades. Your "Client Success" team is getting regular user feedback on how to improve your functionality and overall user-ability. You'll also be identifying new market sectors that could leverage your technology with just a few modifications to your feature-function set. But for every product enhancement you make, you'll need to revisit your website, digital advertising, product marketing content, as well as your library of on-boarding videos and "best-practices" content. All of this effort necessitates an impressive, and evolving "Sales & Marketing" budget, driven by creative leadership.

As The Competition Heats Up!

Now let's take this one step further. Just when you've gotten into a comfortable rhythm, the competition arrives. You know you have the better product. But your target buyer can't tell you apart from the 3, 5... 10 different "similar" players all now chasing the same lucrative "low-effort, easy-money" opportunity in the market. Nor do those tentative buyers have the time or patience to research all the light-hearted video ads you're each posting to make noise and secure a "perceived" edge over your fellow competitors. Besides, all those videos look the same. So you need to increase your advertising spend to ensure you remain "front-and-centre" across all brand channels. And... eventually... you'll find your "Client Success" team has evolved into a proactive sales team that's harvesting every lead in your pipeline by embarking on outbound "user-case" phone calls to better understand who's signed up for your 30-day free trial. Now, all of a sudden, there's a lot "humans" working away at your sales funnel.

Don't believe us? Try registering a "free account" for HubSpot CRM. A "Client Success" agent will call you three times in two weeks. Not so "Hands-Free" after all...

In short, there's no such thing as "low-effort, easy-money" in the world of "Self-Service" SaaS. Make sure you're prepared for each stage of your growth, and have a matching budget and plan to get the sales job done.