

6 Key Takeaways from SaaStr 2019

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SaaStr Annual has gained a reputation as one of the biggest forums for cloud companies to connect and share ideas as well as learnings, and this year delivered on that expectation. It was graced by founders, executives and investors with over 12,500 attendees. The high level of interest is not surprising given the explosive growth of SaaS businesses. As quoted in their “State of the Cloud” presentation, Bessemer Venture Capital cited 55 private cloud companies that today are worth \$1B+, while there were none just ten years ago. The same study indicates that the top 100 cloud companies are collectively worth more than \$175B.

My objective going into SaaStr this year was to focus on learnings around how companies achieved growth and scaled across highly dynamic markets. Here are some of my key takeaways on growth strategies that SaaS businesses continue to adopt:

1. Consumerizing Enterprise Products

Enterprise companies are becoming increasingly more demanding with regards to the products and services that they consume, primarily driven by the multitude of options that the market provides. Enterprise companies are adopting some of the best practices from consumer companies in order to minimize customer churn. Specifically, companies are emphasizing customer experience, ease of use, improved UI / UX, and broader self-help capabilities. This is in addition to addressing enterprise expectations around security, scalability, and interoperability so that users can get full value from the products they purchase.

2. Leveraging Customer Feedback

Building a culture of customer empathy where companies provide products and services that delight customers is key to driving adoption and advocacy. This means adopting a customer-centric mindset in building and releasing products. Customer feedback should be one of the key inputs to inform decisions on product roadmap, packaging, pricing and go-to-market. Additionally, there needs to be a deliberate focus on meeting and exceeding customer expectations across the customer lifecycle from awareness to renewal.

3. Building Partner Ecosystems

Partner ecosystems are a necessary mechanism to reach new target customer segments, increase TAM, and build new capabilities. It is often difficult to justify up-front investments into APIs and ecosystems since the ROI materializes after the ecosystem scales. With that, some successful tactics that companies like Slack, Box and Stripe have adopted include building the first set of integrations in-house before offering APIs publicly, treating APIs with the same level of importance as new core product capabilities, releasing the API / partner roadmaps and eventually enabling the ecosystems with backend tools such as online communities whereby they become self-sustaining. There also needs to be consistent partner qualifying processes, enablement tools and clear terms and conditions to help curate and maintain the ecosystem.

4. Focusing on the Incremental Buyer to Scale

When building a new product, companies often zero-in on a target persona and his / her challenges. The intent is to solve a difficult problem that will compel the target persona to adopt the product. Given that these initial use cases are focused on the (narrow) target persona's challenges, the first set of customers often go on to become power users; adopting the product to the fullest. As the company scales, it then needs to expand to new target customer segments and develop new add-on capabilities that target the incremental buyer. This can sometimes involve making hard decisions such as deprioritizing new capabilities for the power users. As an example, Qualtrics spent its early years targeting the academia market and then moved to enterprises with broader VOC tools.

5. Having a Laser Focused Go-To-Market Strategy

While product / market fit is essential, it is equally important to package and price the products appropriately, identify the key markets / geographies for launch and then execute an integrated, cross-functional rollout plan. Having a qualitative and quantitative understanding of the market opportunity and the target customer is essential for a successful go-to-market plan. Differentiating between buyer and user is essential for efficient marketing and sales motions. For example, while it may be prudent for Slack to target the CIO of a company, it could be more appropriate for Dropbox to tailor sales towards individual business units since the demand may be driven by the end users who already have experience with the product from their personal use.

6. Maximizing Retention

SaaS businesses live and die by their retention rates. According to the BVP report, an additional 1% of retention can result in \$100M increased valuation for a \$2B company with 110% net retention rate. To maximize net retention, it's important to understand the underlying causes of churn and take decisive action to mitigate them. Documenting the customer journey, identifying the key touchpoints and determining customer sentiment can help in developing clear action plans to minimize cancellations, reduce account contractions, increase upsell / cross-sells and consequently maximize net retention.

How do these take-aways align with your observations and experience? I'd welcome feedback and the opportunity to further discuss these ideas. Feel free to email me at mmishra@waterstonegroup.com to strike up a conversation.