

Marketing SaaS Solutions to Enterprises: Seven Hazards to Avoid

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Software-as-a-service (SaaS) solutions and cloud computing are hot and vendors are jumping head-first into this opportunity. New companies see SaaS as a way to leverage resources “in the cloud” to build their application, and existing companies want to offer a “SaaS alternative” to their on-premise application.

Let me offer a word of caution to both: Proceed with care.

The path to successfully marketing and selling SaaS solutions to enterprises is full of challenges, as many vendors are already learning... the hard way.

- They are losing deals to competitors on the basis of training, support, uptime or other capabilities not specifically related to features.
- Deals are getting stalled on the desk of the CIO, who isn't yet comfortable with SaaS solutions.
- Marketing and sales costs aren't cost-effective and out of line with the business model.
- Negotiations with customers' legal and procurement department take longer than expected.
- Customer renewals are too low.
- The marketing organization can't keep pace with the more aggressive schedule for enhancements to the solution.

SaaS is more than a new delivery mechanism

If you think SaaS is only about a new delivery mechanism, with little impact on marketing and sales, think again.

To do SaaS successfully requires a new approach throughout the entire organization. Along with operations, legal, product development, and finance, sales and marketing also need to adopt a “SaaS mentality.”

Though the *tactics* used to market and sell SaaS solutions may be similar to those used with on-premise applications, there are significant *strategic* differences. Marketing and sales will need to adjust the messaging and the value proposition, target different audiences, and adapt to a different schedule to suit the SaaS model.

Seven Hazards

I've identified seven hazards that companies are likely to encounter in marketing and selling SaaS solutions to enterprises. I've also suggested measures, learned through experience, to help you navigate through these hazards. The result: improved close rates, accelerated sales cycles, costs in line with the business model, and enhanced renewals.

1. The SaaS solution is more than just product features

One of the attractions of SaaS solutions is that the customer can get the benefits of the application, without installing and maintaining the software on-premise. Customers are expecting a hassle-free experience.

For marketing and sales, that means putting the emphasis on the “service,” not the “software.” Promote the entire end-to-end customer experience. Don't just focus on the software application features. Market the speed of deployment, the ease of configuration, the instant access to on-line training and support, or whatever else you've build into the solution. You might even tout the simplicity of the purchase and billing process. Whatever the customer thinks will make their life easier and less complicated than an on-premise application, promote it.

2. Market the *promise*, not just the *product*

Customers of SaaS solutions have bought into the *promise* of what will be delivered as much as they've bought into the specific feature set that you can deliver on day one. They are trusting the SaaS provider to deliver a stream of valuable enhancements over the life of their subscription.

That means that marketing and sales will need to win customers' trust and sell them on the value of your promise. Customers will need to see your record of delivering enhancements over time, and they should have confidence in your ability to deliver new enhancements going forward. Share your roadmap with customers. (Fear not, you can keep the roadmap general enough or covered by non-disclosure agreements to not divulge too much.)

3. Ignore existing customers at your peril

There's an old joke in the technology market that the best way to shake off an aggressive salesperson is to buy their product. In the SaaS model, that's a recipe for disaster. Besides the fact that you'll need happy customers as references, the entire business model depends on happy customer *renewals*.

For marketers, that adds another segment within your target audience: existing customers. This should start on day one. Make the customer on-boarding experience as friendly as possible. Throughout the live of the subscription, actively market the latest solution enhancements to this audience, not just to new prospects. Ensure that existing customers are regularly informed and encouraged to take advantage of the new enhancement so they'll be eager to renew when their subscription ends.

4. Control customer acquisition costs

A successful SaaS business model requires a relentless focus on the margins. To simplify, the formula for SaaS success runs like this:

$$\text{Cost to acquire a customer} + \text{Cost to deliver and support a customer} < \text{Total contract value} \\ (\text{Annual subscription revenue} \times \text{the term of the contract})$$

A successful SaaS vendor grinds down days or hours to cut costs from operations and support. Marketing needs to do the same. Carefully track the cost and yield of customers per program. Quantify the return on the investments and make adjustments to optimize.

5. You cannot avoid the CIO

Just because your SaaS application isn't running in their data center, doesn't mean you can "sell around" the CIO. Be prepared.

Though the CIO will be shedding much of the work involved in deploying, maintaining, upgrading and securing a SaaS solution, they'll still bear responsibility for its availability, performance and security. In other words, they may have much to gain with a SaaS solution, but it's not without risks and they'll want to go in with their eyes wide open.

Though SaaS solutions for enterprises are gaining widespread adoption, all CIO's are not yet familiar or comfortable with the idea. Take the opportunity to educate these CIOs. For marketing and sales, it is imperative for you to win the confidence and support of the CIO. Whether your solution is for finance, human resources, sales, or another part of the organization, be assured that at some point the CIO will likely be in the purchase decision-making process. You'll need to win their confidence with detailed descriptions of your product architecture, security protocols, data management practices, integration processes, and other IT-related topics.

6. Educate the customers' legal and procurement departments

Many prospective customers' legal and procurement departments may not be familiar with SaaS contract terms and conditions. Not only are SaaS solutions for enterprises relatively new, but there are a variety of pricing schemes and, unlike on-premise applications, few standards have been established.

As a result, contract negotiations for enterprise SaaS deals are often protracted. This is costly in the SaaS model, where deal velocity is important. Because the customer is typically obligated to pay at the time of activation, a deal delay for January 1 to March 31, for example, means a loss of 90 days' revenue.

Marketers need to educate the prospects' legal and procurement teams, as well as their own sales executives, on terms and conditions. You should have material available that explains your payment terms, service level agreements, credits, cancellation policies and other items, and this information should be provided to the prospect early in the sales process.

7. Build an "agile marketing" machine to keep up

In contrast to the on-premise model, companies will typically deliver enhancements to the service far more frequently in a SaaS model. Depending on the application, they could be pushing out significant enhancements every quarter, and bug fixes even more frequently. Remember this "stream" of enhancements is a key element in the value proposition.

To meet this pace, many development organizations have adopted an "agile development methodology." This much shorter cycle replaces the traditional "waterfall" model, by which a long list of major new enhancements were delivered every two-three years.

To keep up with this more rapid delivery schedule, marketing also needs a new approach: an "agile *marketing* methodology." Build a system that can repeatedly update the web, collateral, announcements, sales presentations, and all other promotional material quarter after quarter after quarter. Gone are the days of girding up for an earth-shattering announcement every couple of years and then catching your breath for awhile.

About the author

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