Reducing churn in data management SaaS companies: a case study

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ABSTRACT

Data management Software-as-a-Service (SaaS) allows companies to utilize state-of-the-art data management solutions through a cloud on a subscription basis. These services provide the opportunity for firms to become data-driven and better understand their customers, internal processes and market trend, in order to transform data from non-active to competitive advantage. Cloud computing has transformed the industry through allowing IT cost reduction, operational elasticity, faster upgrade cycles, and ease of implementation, but has also unfolded various challenges. As firms could easily start utilizing a data management SaaS, they could also easily terminate their subscription in the end of the month. With the growing competition, customers could switch from one provider to another based on performance and price differences. Therefore, providers need to prioritize on creating long-term relationships. This paper focuses on studying the main reasons for churn in a case study data management SaaS provider. The findings showcase that the largest population of churning customers are those which had expectations which were not met. Therefore, the sales process was closely studied, in order to establish that the accomplishable results promised by salespeople are highly dependable on customers' characteristics (size, devoted time, IT skills) and input. It was recognized that salespeople spare key information regarding the characteristics customers need to possess, in order to push sales when challenged with reaching personal targets, leading to clients having wrong expectations and eventually churning. As salespeople engaged in such actions because they were not accounted for churn, this paper recommends that data management SaaS providers need to assess salespeople performance based on customers acquired plus those which did not churn for at least six months and not due to unachieved promised results. Through applying this method, salespeople would be more transparent towards their potential customers through providing personalized expected results and underlining the fact that data management SaaS is a self-service platform that requires time and resource devotion, in order to achieve results.

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Keywords

Software-as-a-Service, Data Management, Churn Reduction, Sales Process, Managing Expectations.

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1. INTRODUCTION

In recent years, data has become a highly valued asset, and companies are exploiting data to gain a competitive advantage through understanding their customers better and making more informed decisions (Provost & Fawcett, 2013). On the other hand, the volume, velocity and variety of data have exceeded the conventional methods for collection and analysis, hence such complex data is labeled as 'big data' (Boyd & Crawford, 2012; Kamioka & Tapanainen, 2014; George et al., 2016). Companies are highly interested in making use of internal and external data sources, in order to improve their business, but only the biggest corporations are able to invest, develop, continuously improve, and maintain in-house built data management systems. The alternative for small and medium-sized firms are the growing in popularity software as a service (SaaS) providers. The cloud computing industry has grown in popularity through offering state-of-the-art data management solutions on a pay-as-you-go basis and software which is accessible over the Internet (Dillon et al., 2010). Through utilizing such services, companies can focus on their core business activities, while having access to innovative systems which makes use of artificial intelligence to collect and analyze valuable data about customers, trends, internal processes, etc.

With the increasing competition within the SaaS field, one of the major benefits customers have, is the ability to easily switch from one provider to another based on performance and price differences. This challenges software providers, and stimulates them to invest time and resources towards creating long-term relationships with their clients. While there are plenty of customer retention strategies which have been developed, SaaS companies deserve additional attention, due to their innovative business model which consists of business to business subscription services. The novel business model prerequisites new behaviors and relationships from both providers and customers. In order to improve and build long-lasting relationships in the business to business subscription setting, one needs to identify the processes and major dissatisfactions of customers, in order to adapt the existing retention strategies to this novel business model, which is the goal of this study. Furthermore, churn could be identified as the result of frustration from the customer side (Jahromi et al., 2014; Chen et al., 2015; Gordini & Veglio, 2017), therefore it will be analyzed in order to identify the existing problems within SaaS providers. Hence, the core research question of this research paper:

How can the biggest reason for churn be reduced in data management SaaS companies?

1.1 Market description

The cloud computing industry has been increasing in popularity in the past two decades after the initial release of Salesforce in 1999 – the first SaaS product. Ever since, the SaaS model has been implemented for various purposed as CRM systems, messaging services (Slack), diverse business tools, data management, etc. Multiple existing companies like Google, Microsoft, IBM, etc. have introduced products and services on a cloud computing basis, while there have been numerous new firms which have emerged solely on offering cloud computing.

Although the field is young, it is very competitive. Data management SaaS providers are utilizing various subsets of Artificial Intelligence (AI) methods in order to collect and analyze data (Rodríguez et al., 2016). As the AI domain is a fast growing one, in which improvements and innovations are continuously pursued, SaaS providers are able to apply state-of-art algorithms in their systems, in order to provide better solutions. This makes the SaaS industry very susceptible to disruption, which has always been the case in the IT market, allowing firms having viable products to exponentially grow in a short period (Brydon & Vining, 2008).

While competition is great for the end users of data management SaaS, as they are able to always utilize state-of-art solutions, the SaaS business model allows customers to easily switch from one provider to another. As described, successful SaaS startups can grow their customer base rapidly, which shifts the provider's focus from solely programming the best algorithms for data analysis to other important business activities, as keeping their customers and employees happy, creating a good brand name, etc. (Tyrväinen & Selin, 2011). Therefore, through answering the main research question of this paper, through studying a case firm which has rapidly grown from zero customers to over two hundred in multiple countries in the timespan of three years, this paper will aid the academic and practical fields.

The remainder of this paper is outlined as following: firstly, the relevant theory will be showcased in section two. Secondly, the methodology used to answer the research question will be presented, followed by unveiling the results and providing recommendations in section four. Finally, this paper will discuss the findings through outlining the practical and academic relevance, plus identifying the limitations.

2. THEORY

2.1 Cloud computing, SaaS, and Data Management

Cloud computing has drastically transformed the way information technology (IT) services are being developed, exploited, maintained and paid for (Marston et al., 2011). Mell & Grance (2011) define cloud computing as "a model for enabling ubiquitous, convenient, on-demand network access to a shared pool of configurable computing resources (e.g., networks, servers, storage, applications, and services) that can be rapidly provisioned and released with minimal management effort or service provider interaction". Cloud computing presents to companies the opportunity to implement state-of-the-art IT solutions, while focusing on their core business (Godse & Mulik, 2009; Aceto et al., 2013). Firms utilizing such services are benefiting from exploiting resources in a pay-as-you-go fashion, improved availability and elasticity, and cost reduction without taking accountability for investing in costly development, deployment, and evolution of an in-house built system (Assunção et al., 2015).

2.1.1 Data management SaaS

Collecting, storing, and analyzing accurate data to use this as a base of decision-making is key to competitive advantage, but also a very complex one to achieve (Assunção et al., 2015). Assunção et al. (2015) identifies that the ability of linking private data with external information from social networks, blogs, past buying behavior, etc. unlocks opportunities for companies to better understand internal processes, the needs and preferences of their customers, and optimize their business in order to be more successful. While the rapidly increasing connection of devices to the Internet is providing valuable insights for businesses, the generation of huge amount of data has outdated the existing computational power and methods, hence the term 'big data', characterized by volume, variety, velocity, and veracity (Agarwal & Srivastava, 2019). The emergence of SaaS applications which manage big data is a solution, as the dispersed storage characteristics of clouds allow the managing of big data while the processing ability, namely artificial intelligence and its subsets, can improve the collection and analysis of big data (Agarwal & Srivastava, 2019). Figure 1 illustrates a typical example of a cloud computing model, in which the customer of the service is able to feed internal data from their operations and databases, which is enhanced by the external data, in order for the company to make better and more informed decisions.

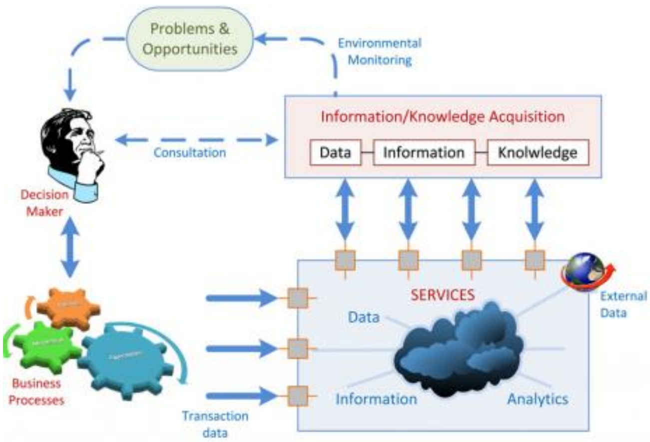

Figure 1. Conceptual framework visualizing Cloud Computing. Implemented from Delen & Demirkan (2013).

As SaaS providers offer a novel delivery model of software, they are also undertaking a new approach to selling (Ojala & Tyrväinen, 2012). Tyrväinen & Selin (2011) identify that the majority of SaaS providers are engaging in direct sales through face-to-face interactions, which implies high customer acquisition costs. Furthermore, the pay-as-you-go subscription model attracts mostly small and medium-sized clients, which cannot afford to invest in their own system, therefore providers have a high number of customers, small revenue per customer, and high marketing and sales costs (Tyrväinen & Selin, 2011). Moreover, high churning rates is a big challenge for SaaS companies. (Palos-Sanchez et al., 2017; Tyrväinen & Selin, 2011). Palos-Sanchez et al. (2017) identify that in order for a company to experience great results from utilizing a SaaS solution, both the provider and the client need to invest time and resources, in order to create a satisfactory fit, which could be obtained through top management support, communication, organization size, training, and technological complexity. Since a great fit does not always occur and churn is a challenge for SaaS providers, these companies need to be investing resources into customer retention strategies.

2.2 Customer Retention

Attracting new customers is an important aspect of every business, but it is five times more expensive that retaining the existing ones (Ali and Arıtürk, 2014; Hung and Wang, 2004; Marcus, 1998; Umayaparvathi and Iyakutti, 2012). Especially in the context of B2B, in which the number of clients is lower, customers spend more money and more frequently (Rauyruen & Miller, 2007), it is important to maintain good and long-term relationships (Eriksson & Vaghult, 2000; Kalwani & Narayandas, 1995), because retaining the current customers, could result in high financial rewards (Rauyruen & Miller, 2007; Gordini & Veglio, 2017; Boles, Barksdale, & Johnson, 1997). As decreasing churn and retaining existing customers is becoming a central focus for many companies (Tsai & Lu, 2009), it is identified that one of the most effective churn reduction strategy is to make predictions on potential churners and offer incentives to them (Shaffer & Zhang, 2002; Keaveney & Parthasarathy, 2001; Neslin et al., 2006; Hadden et al., 2007). Predicting exactly which customers is a potential churner can be challenging and making wrong predictions will not result in revenue increases (De Bock & Van den Poel, 2011; Chen, Fan, & Sun, 2012). Therefore, most of the research in the past years has been devoted in testing the effectiveness of different prediction tools as machine learning, data mining, decision trees, etc. (Soltani & Navimipour, 2016; Ngai, Xiu, & Chau, 2009; Arman, 2014). Gordini & Veglio (2017) test and confirm that data-driven techniques for B2B customer retention outperform conventional non data-driven ones.

2.2.1 SaaS-QUAL

While the described retention strategies by far focus on identifying a potentially dissatisfied customer, in order to incentivize them and retain them, there are strategies which emphasize on meeting all customer expectations in the first place – SERVQUAL (Parasuraman et al., 1988). SERVQUAL is an instrument through which service quality can be measured and managed, in order to meet customer expectations (Reichheld & Sasser, 1990; Buttle, 1996). Although proven to be useful, the original SERVQUAL was developed to meet the service quality needs in the 1980s. Therefore, Benlian et al. (2011) developed an updated version named SaaS-QUAL, which is directed towards the needs of modern cloud computing business. In their research, Benlian et al. (2010), outline that customer satisfaction within the SaaS sector is mediated by the customer's perceived usefulness of the service. Furthermore, the strongest factors, which contribute towards customer satisfaction in service quality are responsiveness and security/privacy (Benlian et al., 2010). Moreover, four other dimensions are identified as crucial for increasing customer satisfaction: rapport (harmony between provider and customer); reliability (of service); flexibility (of service); features (of service).

3. METHODOLOGY

In this research several methodologies will be applied in order to answer the research question. First and foremost, this paper is based on a design research, as the goal is to arrange solutions in such a way, in order to accomplish the purpose of reducing churn. The research will be based on a case study of a fast growing SaaS firm offering a customer data platform solution. The SaaS provider has seen a high increase in their customer base in just a few years and is currently active in multiple countries. The company was chosen as it is a great example of a successful startup which could be analyzed, in order to identify the core issues, which occur after rapidly scaling up a data management SaaS provider.

A case study's primary goal is to comprehend and give solutions to a large population through analyzing single or small units (Seawright & Gerring, 2008; Yin, 1994). This type of research is very useful because it takes into account real-life units of analysis. Siggelkow (2007) identifies that case studies are especially relevant in three scenarios: 1) demonstrating that a certain phenomenon is occurring 2) providing inspiration for future research, as it identifies the current research gaps and often provides solutions which can be further tested 3) case studies are representing real-life occurring scenarios rather than theoretical explanations. On the other hand, case studies are representing single or small cases and generalization might be problematic. Therefore, this type of research is a great initial step for developing hypothesis in a certain field, which can further be tested in larger sample sizes (Abercrombie, Hill, Turner, 1984).

Furthermore, a systematic literature review was executed, in order to identify the main lines of research and the knowledge available in the specific domain. The search will be done on Scopus with key words as: 'churn, B2B, customer retention, SaaS, sales, customer relationship management (CRM) with combinations of 'AND' and 'OR'. Moreover, snowball sampling will be used in order to find relevant papers from the already found ones. Specifically, it will be paid attention on reoccurring papers, because they will be field recognized.

3.1 Mixed-Methods Approach

The data collection in this paper is mapped based on the mixed-methods sequential explanatory design adopted by Ivankova et al. (2006), which incorporates collecting and analyzing quantitative data followed by collecting and analyzing qualitative data. The objective of applying the mixed-method approach is to explain results, triangulate data, and confirm the quantitative results. This process is implemented because it emphasized on firstly recognizing of the main reason for churn through the quantitative data collection and analysis of the companies which have been unsubscribing for the SaaS provider and furthermore applying qualitative techniques in order to encourage employees of the case company to explain the cause for the main reason for churn and the drawbacks which might be contributing towards it. Moreover, the mixed approach, which is visualized in Figure 2, contributes towards a more robust data collection and analysis method, as it integrates both quantitative and qualitative techniques (Greene et al., 1989; Johnson & Onwuegbuzie, 2004).

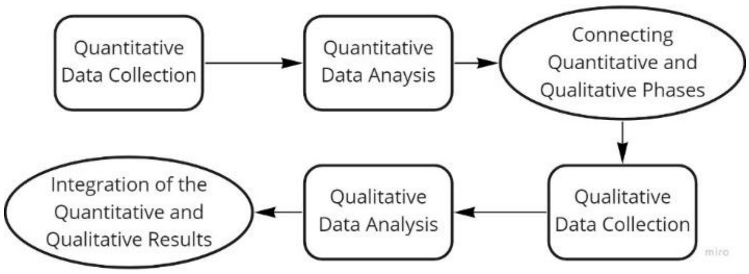

Figure 2. Mixed-Method Sequential Explanatory Design. Adopted from Ivankova et al. (2016)

3.1.1 Quantitative approach

A quantitative methodology will be used to capture and analyze the main reasons behind customers unsubscribing from the service. In order to do so, a questionnaire has been set up (see Appendix A), which every churning company needs to fill in through the website of the case firm. The objective of this method is to comprehend if there is a predominant issue within the case company's process, which repels clients from using the platform. The collected data consists of 65 companies, in the period of January 2020 until May 2020. Two firms did not respond to the questionnaire, hence they have been excluded, leading to a total number of observations of 63 companies. These customers are all online stores specializing in different niches. 83% of the churning sample are online shops which can be labeled as small, meaning they have between twenty and eighty thousand visitors per month. Furthermore 12% can be categorized as small to medium sized, with around one hundred thousand monthly visitors, while only 5% are medium to big with more than five hundred thousand visitors per month.

3.1.2 Qualitative approach

The qualitative methodology part will be applied following the quantitative results, in order to gather the employees' perspective and opinion on the main reason for churn which customers have outlined in the questionnaire. While the result from the questionnaire will provide the core reason for churn, it would be needed to elaborate further through interviews in order to discover the underlying issues within the processes of the company which contribute towards churn. This methodology holds its potential drawbacks as the opinions of employees may be biased. In order to minimize bias, the goal of the interviews is to invite respondents to describe the existing processes, without providing opinions which might be biased.

4. RESULTS

4.1 The Main Reasons for Churn

This section presents the results from the questionnaire, which churning customers of the case firm were asked to fill in. the studied company had a total of 312 customers in the end of the research period, resulting in 21% of the total number of customers churning. Based on the outcome presented in Figure 3, it is obvious that the highest percentage of users (27%) unsubscribed from the SaaS platform due to not achieving the promised to them results. This indicates a substantial amount of customers had expectations which were not met. Furthermore, 17% of the customers discontinued their subscription as they were not able to devote the required time and personnel in order to achieve positive results. The third reason for churn can be assigned to dissatisfaction with the customer service department, which represents 13% of the clients. Moreover, each new customer is provided with a business case, which consists of tutorials about the basics of the software, as well as instructions on connecting the provider's algorithms and pixels with the customer's website. This process has been challenging for 13% of the customers, which churned as a result of not being able to complete the required by them actions, in order to start using the software. Additionally, 3% of the sample firms churned due to financial difficulties, while 2% as a result of switching to a competitor. Finally, 24% of the companies did not identify their reason for churn within the questionnaire options and labeled their reason for churn as 'other'.

Furthermore, this report focuses on tackling the largest contributor for churn – dissatisfaction with delivering promises, in order to discover the root reason of the problem and provide recommendations which could solve it. Therefore, the subsequent section presents the outcomes from interviewing employees of the case company, focusing on the results derived from the questionnaire.

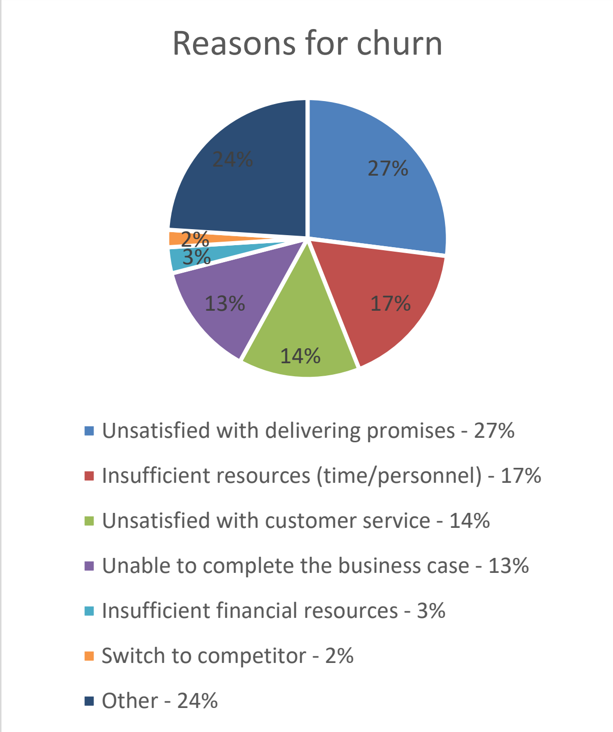

Figure 3. Reasons for companies churning. Results from questionnaire.

4.2 Employees' Perspective on Churn

The previous section identified the core reasons for churn through collecting and analyzing the unbiased external perspective of customers. As the limitations in the provider which contribute towards churn are already known, this section focuses on presenting the results from interviewing employees of the company (Table 1), the goal of which is to find the roots of the already identified issues.

The data management SaaS sector is rapidly growing in supply and demand, which increases competition, leading to the case company pushing the sales department with high targets, as discussed in interview 1 and 2 (see Table 1). Almost all interviewees note that the company has a major focus on acquiring new customers, but is starting to pay more attention to customer retention. On the other hand, Reinartz et al. (2005) point out that companies should find a balance between customer acquisition and retention, in order to maximize the profitability of each client. Furthermore, the sales representatives state that they are solely responsible for acquiring as many clients as possible, without being directly responsible for churn. Although interviewee 1 mentioned that there is a customer qualification process, in order to assure signing relevant and fitting customers, sales representatives lower the criteria by the end of quarters so they can reach their target, resulting in acquisition of unfitting customers.

	Main reasons contributing towards churn caused by not meeting customers' expectations	**Required actions in order to reduce churn**
Interview 1 (sales coordinator)	- High targets and bonuses are encouraging salespeople to acquire as many new customers as possible, leading to signing unfitting clients which eventually churn. - Biggest priority for firm is acquisition of new customers.	- Acquiring fitting customers (size, skills) - Customer needs to have at least 20k visitors on their website, in order for the algorithms to optimize the data.

Interview 2 (sales manager)	- Sales managers are driven by high targets and bonuses, while not being held accountable for churn. - Customers are not well-educated on the topic of data management SaaS, but are aware of the benefits it could provide if utilized.	
Interview 3 (customer service manager)	- Customers are not well-informed regarding the extend of time they would need to spend in order to achieve positive ROI. Some customers are promised that the department will run the software for them and are not aware that the platform is self-service. - Many customers do not have enough technical skills in order to fully make use of the platform. In order to achieve the promised increase in revenue of +15%, customers need to utilize different options of the software, which require IT skills.	- Salespeople need to make sure that customers have enough traffic (at least 20k visitors per month), basic IT programming skills, and devote time into the software.
Interview 4 (customer service)	- Customers which do not have technical knowledge are the main ones churning because they are not able to make full use of the platform. - Salespeople pushing clients and acquiring customers who either are either not a good fit or are not aware of the skills, time and resources required from them to achieve the positive ROI. - The company mainly focus on increasing customers.	- Sales needs to make sure that customers have basic programming knowledge.
Interview 5 (senior customer service)	- Overselling is the main problem. Salespeople give unrealistic promises. - ROI in the promised timeframe depends on the customers' devotion of time and resource and having basic IT skills to operate with the software.	- Sales should be more transparent regarding achievable results based on the individual customer and emphasize on the fact that achieving these results depends on the customer's devotion of time and resources on the software.
Interview 6 (senior customer service)	- Most of the customers are small and mid-sized firms which are often on the border between having enough data in order for the algorithms to optimize or slightly lower amount. It is not identified whether salespeople should try to sign that customer with the risk of the algorithms not optimizing or postpone the sale until they have enough data with the risk of them signing for a competitor or the client discouraging to use the solution.	

Table 1. Results from interviews.

Furthermore, the rest of the interviewees, all representatives of the customer service department, identify that it is challenging to deliver the promised results to customers which do not match all requirements needed to use data management platforms (see Table 2). All respondents identify that, customers need to have at least twenty thousand visitors per month on their website, in order for the algorithms to effectively analyze the data and be able to provide effective predictions and insights within the promised two-month period. The timeframe for achieving successful results varies within each customer because the larger the traffic a client produces, the faster the algorithms would optimize for extracting useful information and making accurate prediction (Ricci et al., 2011; Géron, 2019). Furthermore, as the majority of data management SaaS platforms are self-service, customers need to devote time and personnel to attend the trainings from the provider and utilize the analyzed data. Moreover, since data management platforms collect and respond to real-time data, clients need basic programing knowledge, in order to be able to implement the algorithms on their websites.

Required customer's characteristics for successful SaaS data management utilization	
Customer characteristics and requirements	Traffic: the customer needs to have a website with at least 20,000 visitors per month, in order for the algorithms to have sufficient data to analyze.
	Time & Resources: the customer has to allocate a person/team which devotes time on working with the software on a daily basis.
	IT programming: the customer must have basic knowledge in programming, in order to be able to implement tracking scripts and pixels, which collect and analyze data from the customer's website.

Table 2. Ideal customer for data management SaaS.

Interviewees from the customer service department identify that all three customer characteristics need to be in place, in order for the provider to be able to yield the promised results. On the other hand, the case company occasionally has customers which have contrasting expectations. Some clients are not fully aware that the platform is self-service and expect that the provider will carry out most of the work. Furthermore, some customers are not informed regarding the extent of time they would need to devote, in order to achieve results, and do not have basic programing skills. Therefore, it could be concluded that as sales representatives are pushed by targets, they engage in sparing key information which might demotivate potential customers from signing. This leads to clients entering with unrealistic expectations, as achieving the promised 15% increase in revenue, but not having enough traffic data, in order for the algorithms to optimize, generating less revenue and causing dissatisfaction. On the other hand, interviewee 6 points out the difficulty to assess whether a potential customer covers the required characteristics or not. As SaaS providers mostly attract small and medium-sized firms, potential customers could be on the borderline between having enough data and personnel to be assigned to the project. The interviewee identifies that given the fact that sales representatives are not accountable for churn, prefer to carry on with such clients, although it is unknown whether the customer would achieve the promised results or not.

In conclusion, regarding the main reason for churn – unsatisfied with delivering promises, the results which customers would achieve from utilizing a data management SaaS are very dependable on customers' input which aligns with the previous findings of Palos-Sanchez et al. (2017). On the other hand, when sales representatives struggle to meet their targets, they stop being transparent regarding the requirements which clients need to meet, in order to achieve the promoted results of 15% average revenue increase. Figure 4 summarizes the findings from the different data collection techniques in order to present the causes for the biggest contributor towards churn – customers' dissatisfaction with achieving the promised results.

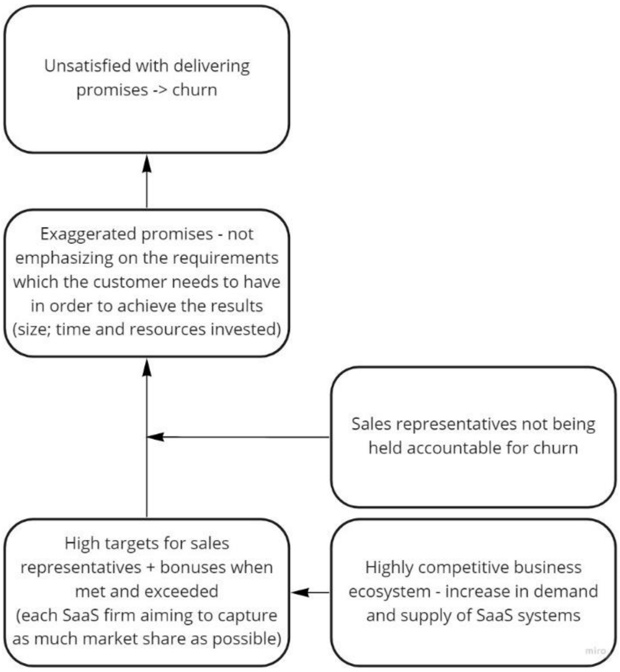

Figure 4. The reason why exaggerated promises are the main reason for churn.

Furthermore, the following section focuses on giving recommendations on how this process could be improved, in order to eliminate the biggest reason for churn – exaggerated promises.

5. RECOMMENDATIONS FOR CHURN REDUCTION

This section provides recommendations on how data management SaaS firms could manage expectations during the sales process in order to reduce churn, based on the analysis conducted on the case company.

The previous section and Figure 4 summarized the roots and consequences of sales representatives sparing key information which might be unattractive to potential customers, in order to acquire more clients and reach targets. Figure 5 presents an improved process, which aims to eliminate the explained problem. In order to achieve reduction in the main source of churn, it is recommended that sales representatives should have accountability for churning customers. Thus, salespeople must be assessed not by number of clients acquired, rather by number of clients acquired, which have also remained being a customer at least six months (Table 3).

<table>
<tr><td colspan="2">Solution: Assess salespeople based on customers they signed and have remained customers for at least 6 months</td></tr>
<tr><td>Pros:</td><td>Cons:</td></tr>
<tr><td>Eliminate the major reason for churn from the fact that salespeople are more transparent and attracting fitting customers.</td><td>Could decrease the number of customers signed.</td></tr>
<tr><td>Decrease the chances of unhappy customers creating a negative brand image.</td><td></td></tr>
</table>

Table 3. Recommended solution for churn reduction based on the core problem.

Through applying this strategy, salespeople will be required to take responsibility for churn and be transparent in terms of giving accurate promises to potential customers. Furthermore, salespeople are expected to be more honest regarding the requirements which customers need to meet (see Table 2), in order to achieve the average increase of 15% in revenue. Following, the fit between customers and provider will increase, which would lead to better relationships, less churn, and decrease the possibility of establishing a negative brand name.

On the other hand, as the recommended solution aims to sign more fitting customers, the number of new clients could decrease since salespeople would be more transparent regarding the complexity of utilizing a data management SaaS. Although fewer clients might be attracted, it could be argued that the customers which would have been signed through providing false expectations would have been the ones churning due to meeting those expectations.

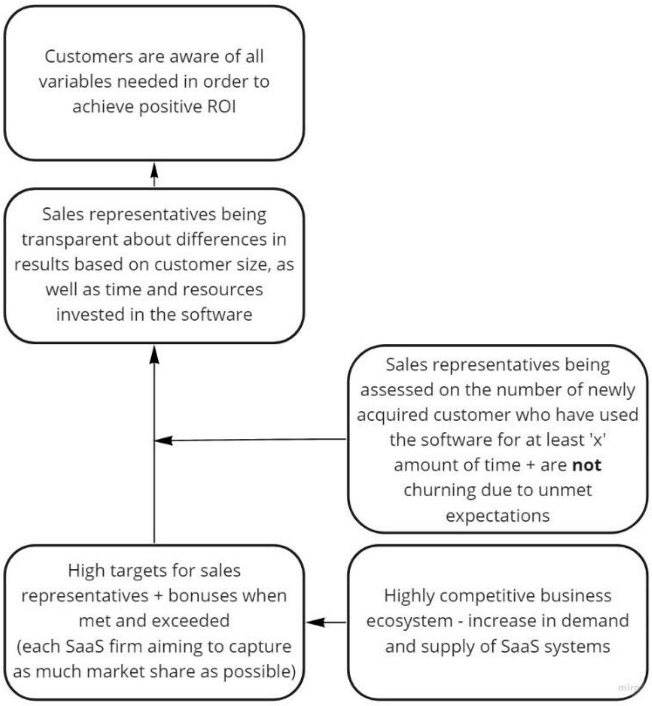

Figure 5. Recommended solution for churn reduction based on the core problem.

6. DISCUSSION & CONCLUSION

This paper set out to decrease churn in data management SaaS companies through a case study. Cloud computing has increased its popularity, which has led to variety of complex services being offered to businesses on a monthly subscription basis. The high demand and continuously improving has increased the competition between providers aiming to create algorithms which process big data faster and more efficiently. As the novel business to business subscription model allows customers to easily sign up and unsubscribe from SaaS, it is crucial for providers to retain long-term relationships with their clients. Therefore, a case study was conducted on a data management SaaS provider through analyzing the reasons for customers churning via a questionnaire and furthermore conducting interviews with employees of the case firm, in order to find the roots of the biggest reason for churn – dissatisfaction with achieving the promised results. It was concluded that in order to achieve positive results from implementing a data management SaaS, firstly the provider needs to offer a software which is effective, but the customer needs to meet three key requirements: 1) having sufficient amount of data; 2) willingness to devote time and resources into operating the software; 3) having basic IT programming skills. Moreover, through conducting interviews, it became transparent that when sales representatives are struggling to reach their targets, customers are not informed enough on the needed requirements in order to achieve the promised results, proceeding to 27% of customers having wrong expectations regarding the product and eventually churning. Therefore, this paper sets out the hypothesis that if sales representatives are being assessed based on customers signed which did not churn for at least 6 months, salespeople will have accountability and will become more transparent regarding the input customers need from their side, in order to achieve the promised results.

6.1 Theoretical Contribution

The newly emerging model of cloud computing has attracted academia. The relatively young sector has received attention from scholars, but mostly in the area of analyzing the business model and developing big data analyzing algorithms. On the other hand, only Tyrväinen & Selin (2011) have focused on researching the different sales strategies that SaaS firms imply. This paper fills in a gap in the literature through analyzing how the innovative business to business subscription model reflects on sales activities and churn. Moreover, this paper provides recommendations for data management SaaS on improving sales actions, in order to reduce churn, but further research is needed in larger sample sizes, in order to test whether the provided hypothesis would indeed result in decrease of churn.

6.2 Practical Contribution

The cloud computing industry has been rapidly expanding, both in supply and demand. Companies are becoming more interested in utilizing SaaS products due to their convenience, while the endless opportunities of the IT and programing sector allows entrepreneurs and organizations to continuously innovate and provide better and more effective solutions to the market. Furthermore, the SaaS business model is a fairly new one, which has opened many opportunities but also challenges for both providers and customers. This report contributes to practice through identifying the major reasons for churn a developing data management SaaS firm is experiencing. As the SaaS sector is highly susceptible to disruption and new entrants which are able to rapidly gain big customer base, data management SaaS startups need to shift their focus from solely developing software towards other business activities as customer satisfaction. The analyzed in this paper case company is an example of a fast-growing SaaS provider which experiences customer dissatisfaction due to not following best practices for retaining their clients, resulting in churn. Therefore, this paper outlines strategies through which firms in similar situation could improve their operations and decrease churn.

Moreover, this paper might be beneficial to companies looking into implementing data management SaaS, as they could assess whether such a software might be suitable for them based on the input requirements they need to meet in order to achieve positive results, given the fact most SaaS are self-service.

6.3 Limitations

This paper is not absent of limitations. Firstly, a deficiency is that the case study is conducted on a single company. Although case studies have the objective of generalizing from small samples, the sole company which was analyzed could have been an outlier and other data management SaaS would not be able to benefit from the recommendations. Furthermore, the collection of data regarding customers' reasons for churn through a questionnaire allowed respondents to identify their major reason for unsubscribing from a set of categories. A limitation is that churning clients could have been invited to further elaborate on the reason for churn, in order to receive more extensive information regarding the issues within the analyzed company. Additionally, the interviews with employees of the case firm could be identified as a potential shortcoming due to possible biases of the employees. In order to limit the potential deficiencies, employees were asked to share their thoughts on the results from the questionnaire and elaborate on the core reasons for churn to be occurring.

7. FURTHER RESEARCH

The field of data management SaaS is rapidly growing and there are topics which could be identified as requiring further research. Firstly, from extracting the findings from this paper, it would be valuable to test whether the proposed solution, in terms of assessing salespeople performance based on customers acquired plus those which did not churn within six months, would actually decrease churn.

Furthermore, a topic which requires further research is the sales process of data management SaaS firms. This paper found out that the main reason for churn derives from non-transparent sales activities. Although a solution was recommended which could require salespeople to be transparent, future research could test whether salespeople are actually needed in the acquisition process and whether they could be substituted through making data management SaaS companies completely self-service, even in the sign-up phase.

Moreover, it would be highly valuable to research potential customer retention strategies. One of the main advantages for customers of data management services is that they could cancel their subscription anytime, but is a disadvantage for providers. It would be beneficial to test various strategies through which providers could create long-term relationships, in order to lower uncertainty regarding churn.

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10. APPENDICIES

10.1 Appendix A: Interview transcripts and coding

1. Coding:

Clients' familiarity with data management SaaS
Targets of salespeople
Reasons for churn
Strategies for churn reduction
Sales process

2. Transcripts

Interviewer - I
Interviewee – X

Interview 1 – Sales coordinator

Interview protocol:

Question 1: It is typical for fast growing companies likes yours, to be putting the majority of their efforts in creating a brand name and signing many customers but also having relatively high churn during this growth process. Usually the KPIs in that stage are mostly on increasing customer numbers, creating a brand, launching in new markets, but not on retaining customers. Do you think your company is still in that fast growing mindset of "let's grow and see what happens" or is your company now a more established one with a focus on retaining their existing clients and having almost no churn?

Question 2: What influence do you think that the sales team has on churn?

Question 3: Can I ask you to make an example of the process of signing a customer? What I mean is, can you visualize from the perspective of the sales team, the process from qualifying potential leads to signing new customers?

I - OK, thank you very much for doing this interview with me. So to start this off, I want to ask you: it is typical for fast-growing companies like yours to be putting the majority of their efforts in creating a brand name and signing many customers but also having relatively high churn during the growth process. Usually the KPIs in that stage are mostly set on increasing customer numbers, creating a brand identity, launching in new markets, but not on retaining customers. Do you think your company is still in that growth mindset or is it now establishing a focus on maintaining all their clients and having almost no churn?

X - Growth is still the mindset because we're still growing exponentially but we have been aware of the case that churn is very important for a company because we've got targets based on monthly recurring revenue, instead of amount of clients and that makes sense in case of the churn.

I - So would you say that in the next few years the company's more of less is going to maintain its growth KPIs but also identifying a little bit more retention of existing customers and invest more time in that?

X - We still have a few targets about how many clients we will add in the coming future and that's really a lot of clients. The company is also interested in this moment on maintaining the current clients and it is also a big thing.

I - Are you aware of the current strategies that the firm is applying to reduce churn?

X - I know that they want to communicate proactively in the future, as at this moment they are doing it reactively and that means that when our clients have a problem and then come to us, we want to change that thing into if we see that there is a problem, we will inform the clients.

I – When you say they, do you mean that the responsibility of churn reduction is for the customer service department?

X – Yes and no, because all department have their responsibility but customer service is managing it.

I - And has the company already seen reduction in the amount of churn from applying new strategies?

X – Yeah, because in the summer of this year there was a lot of churn and we were looking at where the churn was coming from. And we searched that was also from the part of the new business team (sales), but also a part of the client success team that didn't inform any clients about current status of the firm and also about the platform. The platform stability is one of the main thing that the clients churned and now we are aware of the current status of our platform and we are selling a product that has to be good, the service has to be good and also the client has to be a fit and churn is especially the thing that comes together from different departments. Every department has its own share on getting the churn reduced.

I - Great, you mentioned that it is basically a job of the whole company to reduce churn. What do you think, as being part of the sales team, is the influence of the sales team on reducing churn?

X - The short answer to this is: getting the right customer. What that means is that we have to develop sort of a persona that is an example of a client that is a perfect fit for us. Like a perfect client has to have like a certain amount of conversions per month so our algorithms can work and can give the best customer journeys for our clients.

I - Do you think this is currently achieved by the sales team?

X - I think we are pretty far in it. So, we are looking into it but if a client wants to use our platform and they aren't a great fit, our team will not say they aren't a fit. But they have to, in order to reduce churn.

I - So, as the sales team’s main responsibilities are to sign new clients, do you think, from your experience, the sales team is reaching out to customers which are not a great fit, just in order to achieve their targets?

X - Yeah, sometimes. Because at the beginning of the quarter, we are very strict about which client is a perfect fit, but as the targets come closer, they don't want to have any restrictions on the client that are attractive. And while they have to, it is also a personal thing because they want to get their targets, bonuses, etc., in order to help develop the growth.

I - Alright, you mentioned earlier that a great fit is a company which has at least a certain amount of conversions and what we just spoke about is that the sales team might reaches out to unfitting companies. Is it true that what you mean by that is attracting small companies which have less conversions?

X - Yes, it can be companies with less than a certain amount of conversions but it's what you define by small companies, because some small companies might have enough conversions. Small is more or less relative.

I - Alright, then I didn't structure my question well. But is it easier to sign a company which has low conversion rates than let's say for example of higher conversion company?

X - It totally depends on what knowledge they have in-house, how much time they have to implement our solution, but also to maintain and work on the platform. There are many different aspects that belong to the right customer. It’s not only the conversions but it's also the tools that they use, do they have the knowledge in-house, do they have enough traffic on the website.

I - Okay, you as part of the sales team, do you have a good perspective on what type of customers, like personas, churn the most?

X - I don’t know. I don’t have information about that. But, it’s mostly customers that do not have many conversions and don’t have that much time.

I - And do you think this can be recognized from you and your colleagues in the sales team before even reaching out and signing that client?

X - Especially the conversion part. I think that’s the main responsibility of the sales team.

I - Alright, I want to dive into another topic since you are part of the sales team. I want to ask you: what is currently done and what can be done in the future in your opinion to decrease churn from the sales perspective?

X - That’s really difficult because you have to first look at what are the main reasons, why they churn and there are many reasons that I know that can be, because we sometimes get some difficulties with our platform and what we show in the dashboard area, like the definition of conversion increase (a conversion can be a sale, but it can also be any other action which out customer want – it can be signing for their newsletter, or liking their Facebook page, etc.) and if we actually fully optimize their data. Because now it's all about conversion increases especially for E-commerce retail, travel and leisure, and e-recruitment. That’s a really predefined thing and if you don't display the numbers right on those topics (conversion increase performance) you can't say anything about how well the conversions are increasing and then clients that we work for are using other tools to analyze us and if we actually are working good for them or we don't work so good.

I - Alright. In the end churn is very correlated with whether the software is actually working for the customer (increasing conversions) or not but you also identify that it is very important which companies are signed and you refer to that as a good fit. Do you have any visions for the future about how the firm could reduce its churn?

X - I think the most important thing is getting the product right and proactive communication. That's especially one thing from the Customer Service Team, that if they see any issues with any client, that they should proactively contact them and they say, like: yes, I see that your customer journeys are not working right, we want to improve them and we will show you how you can do it. So they (the customers) will become again happy clients. And regarding the product (the software) it is just about stability. I think the most important thing it that the platform should work right. We should not be building new features, just because the client bought the platform that you already have and getting things right as it has to be stable.

I - it is typical for companies, not specifically for yours, that sales departments give very high promises and expectations in order for a customer to sign. Do you think that this is something that occurs in this firm?

X - What do you mean with very high?

I - Unrealistically set expectations from a sales person, that they promise achievements which they are sure that cannot be achieved, just in order to push the sale?

X - That's the thing that we want to show everybody that our software actually works. It really does and I really believe in it. What we normally say is that we can generate an increase of conversions of 15% and that we need time and effort from the clients because they need to create and maintain the customer journeys, but when they do, they can easily get to 15% increase.

I - It takes around two to three months, as shown on your website, in order for a customer to start seeing results and paying off their investment. Is that a thing that can be manipulated and exaggerated sometimes in order to get more sales? What I mean is, does occur that a salesperson promises less implementation time in order to push a sale?

X - Yes, sometimes. We say in every sales pitch that if the client uses an already known platform (Magento, Shopware, etc. - web shop building platforms) the connection can be easy and we can achieve like 15% increase in 3 months. But that's only with platforms that are already known and with which we have connections. If there are some unknown connections maybe, then it will take longer but that is the responsibility of our clients because they are the people that have the credentials to make the connection between their channels with our software. But if they are fast with the connection, we will also be fast and then we can quickly set up every channel and it can be live in like two weeks. Usually what we say, is that in the first month we are connecting channels, installing the pixel on the website and we are getting data, gathering data, and searching for significant correlations takes another month and after that month we're making a basic customer journey and with this basic customer journey, the customer can already can receive 10 to 15% increase in sales. If then the customer spends more time and make more customer journeys, then they can even receive like 40- 50%, of course if the customer has got enough volume on their website.

I - Do you think that a possible reason contributing to churn might be that a customer expects to see the promised results, but is not aware of the amount of work and time they need to devote on your software, in order to achieve these results?

X - Yes, that is completely possible and I think it happens often. Some customers, especially smaller ones do not have enough time, as they have other priorities and then they see that they are not having good results and they churn.

I - Can I ask you to make an example of the process of signing a customer? What I mean is, can you visualize from the perspective of the sales team, the process from qualifying potential leads to signing new customers?

X - At first, we buy or gather lists from every company in a specific domain and then we are going to do research on those websites if they are a good fit. So we are going to look if they are selling any product for which we can increase the conversions. So we are looking for how many visitors do they have on their website and we are using different tools for that like ‘Built with’ and ‘Similar Web’. We are also looking at which tools they use, so starter, medium or expert tools, in order to see if we can work with them and after that and we are going to search on LinkedIn if they have any marketing managers at work for them. If we search for the marketing team of a company, we can see how mature the company is and how much they are willing to spend on marketing. After the qualification, we start to reach out to them which I can be in the form of a cold call, in the form of an email or a Linkedin message and if they say: “yes, I like it, please, I want to know more about it," we set an appointment. Then we go to the potential client (their office) and we are doing our sales pitch and if they say that ¨yes, I like it, let's start¨, we make a proposal for them, a digital proposal, we send it to them by email and they can just click on the link and fill in their personal information, their contact information and then they just sign the contract. Then they get directly access to the platform and to their own projects.

I - Great, thanks for the clarification. So, is the whole process from qualification until sending a proposal and signing the contract is done by one person?

X - That is possible but it is mostly done by two people. From qualifying until setting appointments it is mostly done by sales coordinators but it can be a sales manager and it's always a sales manager that does the appointment and the sales pitch and creating a proposal.

I - Is there in your opinion any mistrust occurring when a coordinator has set an appointment in which they have spent some time talking with a potential client, but then on the actual meeting another person joins the meeting who has yet not had any contact with the client? Of course, from the client's perspective.

X - Sometimes, but we are always saying, when we are setting appointments, that someone else is joining the meeting.

I - Does this have any negative results?

X - No. Never.

I - Alright. So after a customer has signed, do they maintain contact with the sales manager?

X - After they sign, they don't maintain contact with the sales manager. They are not like inclined to contact clients as client support or something like that. They are only doing the deal and afterwards they don't have any contact with the client anymore.

I - In the case of recently signed customers, do they ever reach back to their sales manager for questions if something is not working or whatever problem regarding the platform?

X - Yes and that's mainly the case if they don't get a response from our client success team. Then they will contact our sales manager, in order to get their information faster.

I - Are they (sales managers) able to help them with technical problems?

X - They are not able to help them with any technical stuff, but they are usually communicating with colleagues from internal departments so that the question would be answered faster.

I - And it sounds that there is some kind of disorganization, that there is not a good transfer of clients from their sales manager to client success. Do you identify that as a problem or is it something which is just continuously occurring?

X - I think there is a good transfer but the problem is that it's unclear who the contact person is after the proposal is signed.

I - So by default, who is the responsible person for a client after they sign?

X - That is the most difficult part. It should be somebody who wants to help you and if you just have a whole department to talk to, it is very difficult. While clients just want a specific person that can help them with all the questions.

I - So customers do not have a specific person assigned, but they have the whole department from which anybody could help them?

X - Yes.

I - Do you think customers might churn due to that reason?

X - I am not sure, because I do not know the churn reasons.

I - Alright then, thank you very much for your time and your answers. I had a great time speaking with you.

X - Thank you, as well, me too.

Interview 2 – Sales manager

Interview protocol:

Question 1: are the majority of potential customers well educated on the topic of CDPs and the opportunity to apply data in order to boost revenues?

Question 2: Is it rare or often that customers are aware of similar services and try to compare your company's features and price to another?

Question 3: do you feel that due to the lack of knowledge of customers, you might have a bargaining power during the sales process?

Question 4: Do you and the sales team have a certain target that you need to reach?

Question 5: May I ask about the structure of your remuneration plan and the ones of your colleagues at the sales department. For example, are you entitled to bonuses, and are you getting incentivized based on the amount of customers you are acquiring?

Interviewer – I

Interviewee – X

I – Thank for taking the time for this interview.

X – No problem at all.

I – Alright, so let's start with the first question. As you are a sales manager, offering quite of an innovative product, I wonder if the majority of potential customers with which you are having sales appointments are well-educated on the topic of CDPs and the opportunity to apply data in order to boost revenues, or are they not?

X – No, not at all. Most of them (customers) are not aware of CDPs and this type of service. Usually they have a little bit of knowledge because most of our clients are in the E-commerce sector and they know that data is valuable. But most of them use Facebook Ads or Google Ads and read blogs and articles about how important using data is. So, although they have no idea about the potential of our product and how effective it could be, they do have a clue that data could be optimized to improve their business and because they don't know how to do it, we give them the solution.

I – Alright, is it rare or often that customers are aware of similar services and try to compare your company's features and price to another?

X – Some of the customer yes, but the majority no. As I said, most of the customers know that they can and probably should use data to improve the business, but because it is hard they never started doing it or researching about the topic. So the majority of them do not know about how many SaaS CDPs there are and what the price usually is. But there are some which have read more articles and know about some other companies and what could be achieved. Anyways its very rare that a customer knows a lot about our industry.

I – Do you feel that due to the lack of knowledge of customers about the product, you might have a bargaining power during the sales process?

X – What do you mean by bargaining power?

I – Well, when companies are utilizing your software, they are able to increase the number of sales by a substantial amount, like 15-20%, which is a lot. I would imagine that if I was a business owner and somebody told me that with their software I would be able to achieve that amount of increase, I would be very surprised and interested to use it, if it is not a scam of course. So, I mean when you are selling a product about which your customer has not enough knowledge and you are telling them that through machine learning and complex data collection they will achieve a lot of success, I could imagine that they do not understand a lot besides the ROI. Do you feel that this puts you in the position of selling the golden goose and they want it at any cost?

X – Not at any cost for sure. Yes, most of the customers are very attracted by the idea to increase their revenue by such a percentage. But It's not like whenever a person hears about our software that they immediately want it. Our software is self-service and the customer needs to work a lot with it in order to achieve the results which are possible. But I think what you asked about the bargaining power is sometimes true, especially if the customer has been already thinking how to use their data. Then we are offering a solution to their problem. Of course if I do my job very good and the customer realizes that this is a very good investment, then I will be offering a product which is worth their money and they will see a good return on it.

I – Do you and the sales team have a certain target that you need to reach in terms of sales?

X – Yes, we all have targets each quarter that we need to reach. Our targets are in terms of revenue, so I need to sign a number of customers which create a certain amount of revenue, which is my target. So for example, one quarter I may have my goal to sign customers which in total correspond to 10k and I need to sign such amount of new customers which together generate 10k for the company.

I – And are getting any incentives if you sign more customers than your target?

X – Yes, if I do better than my target, I will get a bonus.

I – Do you get penalized if you do not achieve your target?

X – Well, not directly, but if I do not achieve my target for a few quarters maybe I will.

I – Are you afraid of some consequences from not achieving your target?

X – Maybe yes, maybe no. Our company is very transparent in the targets of each person, so when everybody is achieving their target, I need to achieve mine as well.

I – And do you think your target is reasonable, too low, or too high?

X – It depends. Sometimes I think it's too high, but then our goal is to sign as many customers as possible.

I – I hope that’s a reasonable question, but do you always achieve your target?

X – Yes.

I – Okay, those were my questions. Thank you very much.

X – No problem, thank you.

Interview 3 – Senior Customer Service (Solution Architect)

Interview protocol:

Question 1: It is typical for fast growing companies like yours to be putting the majority of their efforts in creating a brand name and signing many customers but also having relatively high churn during this growth process. Usually the KPIs in that stage are mostly on increasing customer numbers, creating a brand, launching in new markets, but not on retaining customers. Do you think your company is still in that fast growing mindset of “let’s grow and see what happens” or is it now a more established company with a focus on retaining their existing clients and having almost no churn?

Question 2: What influence do you think that the sales team has on churn?

Question 3: Do you think that there is currently alignment and good communication between Sales and Client Success?

Interviewer – I

Interviewee – X

I - All right, so thank you for doing this interview with me.

X - No problem

I - I'll jump into the first question: So it is typical for fast growing companies like yours to be putting the majority of their efforts in creating a brand name and signing many customers but also having relatively high churn during this growth process and usually the KPIs in that stage are mostly on increasing customers, creating a brand, launching into new markets but not really that much on retaining the customers. Do you think your company is still in that fast growing mindset of let's grow and see what happens or is it now more established company with a focus on retaining their existing clients and almost having no choice?

X - I think both. I think right now the churn is still too high because we do have a lot of focus on new markets, getting new clients. I think the new business team is the biggest one (KPI) especially if you take into account the other countries (there are new business teams in four countries) but we do try to minimize the amount of churn, of course, it's also one of the KPIs. I think every team, not only the Client Success, has the KPI of reducing churn and keeping it below 4%. It is below right now, but also the other teams have the same KPI, as well as the new business team have the KPIs regarding churn, so they will make sure that they get the right clients and not only focus on getting more clients but also make sure that the clients they sign do fit the ideal customer picture.

I - So how big do you think is the part of the sales team in actually reducing the churn?

X - Pretty big because when I look back when we were still really small and growing and if you look at the first maybe 50 customers, we said yes to every customer so if they came to us and said ‘we want to use your product’ or we are reaching out to them, we didn't have any restrictions. So even clients which were far too small, and didn’t have enough conversions in order to apply machine learning, we said yes, of course you can be a client and maybe even give them a discount because they were really small. But now we do know in advance when such a small client enters our service it isn't really going to be really effective because of the lack of volume in data.

I - And do you think and do you still see after a few years if there are customers that are joining that are too small and maybe the reason behind that might be for the sales department trying to reach their target?

X - Could be the case, but I think it happens less. But well, I think the biggest reason for churn right now is that clients or partners are being incompetent. So they don't know the concepts of marketing automation and applying machine learning for marketing purposes, or they don't want to learn it, or there are, yeah bit harsh maybe, but or they are just too stupid. So, I think with the new partner program (new program, in which the company will train and certify their partners) we are going to limit the amount of incompetent partners. We will hopefully get more partners with knowledge who get why our service exists and what the future of marketing is and also know how to use it well.

I - Alright, your company is usually advertises itself as a self-service platform. Do you identify that customers might be churning due to them not willing to operate on their own, but expect assistance from your side?

X - Yeah, I think so. Sometimes because of some stuff on the platform, it is still too technical or complicated, so we have to make it easier because it is self-service but some stuff need extra documentation and somebody needs to explain it to you before you can make use of it. Because every colleague over here who does implementations can create the coolest stuff and create different campaigns and stuff. So what I am trying to say is that everything can be done from the platform, but you do have to have the prior knowledge of how the platform works and what the concept is and how you have to set everything up before you can do that effectively. So, yeah, I think right now we, of course, are working on it but right now the onboarding process and giving contextual documentation is done by the help center but making it more contextual, like first explain with the documentation what the concept is and then give them the documentation for the next step in the implementation. Right now, we kind of give them a to-do list for implementation and we provide them with a lot of documentation but they have to find it (the use of the platform) themselves and I think we should go to a bit of an environment where we make sure that people are handed the right documentation at the right time of their customer being.

I - Do you identify if customers with zero prior technical knowledge actually succeed with using your software, or do they churn after some time?

X - I think most of them do, maybe not most of them, but the chances are much higher for them to churn because if you really want to assure, the basics can be done without any technical knowledge. But if you do want to create really fancy campaigns with a personalized landing pages, with embedded content, and personalizing every email with recommended products, or something, or recommended blogs and also I think advertising is a bit less, there's a bit less technical skill needed, but you do have to know how the Facebook advertising and Google ads and such work. But what I'm trying to say is that if you do want to create the state of the arts, the personalized experience for your customers, then you do need to have technical knowledge to be able to.

I - Alright. Usually the sales department is qualifying leads mostly based on conversions. How much do you think that they should focus on identifying the prior technical knowledge of the customer? And do you think that reaching out to customers which have technical knowledge will be a better and more successful strategy?

X - To reduce churn yes, but I think maybe if you go that way then some of them (customers) won't sign. But maybe let them know (customers) that there can be some technical parts which maybe if they don't have that knowledge, they will need to contact the development bureau of their webshop or a marketing agency, which will help helps them with it instead of selling it as a full self-service for every marketer without any extra technical knowledge platform. I think that should be mentioned more if we want to reduce the churn.

I - All right, so I would like to dive a little bit more into another topic. The process of transferring a customer from a prospect to a user can always be a little bit delicate. Can you explain what are the potential issues and drawbacks that can occur in this process?

X - I think the main one is that the sales department gets really personal with the clients. So first, the way they reach out to a prospect depends. It can be cold calling, it can be an event, it can be anything. So that can differ - how they reach out (a customer) but then most of the time they get a meeting, somebody from sales will go to their office, they have contact with only one person, which helps them in any way, gives answers to every question they have and they may sign. And then they get an email from us, like okay, these are the steps you need to take. When you're done with it, please give us a message and we will get back to you. So it's a lot less personal. We of course want to be a self-service platform and especially in the future, I think you can compare us with tooling like mailchimp. So like an email marketing tool, email service provider, however you want to call it, in which you don't have contact with anyone. Maybe if there is a really specific issue for you, you can send them an email, or you can open a ticket and then you get an answer back in a few days, but they (mailchimp) basically perfected, yeah it can never be perfect, but is in sort of speaking, they perfected the platform for them so it’s easily understandable for every user, their onboarding is really good. But they have the advantage that being an email service provider, just yeah, people get it's been there for a lot of years. People know the concept, so you don't have to tell how everything works - people know that there are lists you have or audiences, how you want to call it, which you can segment and send them an email. It's really easy compared to the platform we have but I hope that we will also be there in the future, that people get it before they even started, or we can really easily explain the concept to them and they can do a lot more themselves without us, saying what they need to do next.

I - Alright, and more into that self-service topic. The future goals, as identified by your firm, are to increase self-serviceness and even decrease the sales department aspect in order to create a throughout self-service platform with customers being able to sign on their own and not needing any sales managers. Do you think that this will help the customers or will it decrease the trust because they don't have a contact person and should they have a contact person during the whole process?

X - I think for the smaller clients that won't be a problem, because, let’s picture myself as a web shop owner. Maybe if I'm just small (small web shop), I will make use of tooling like “light speed” (web shop builder tool) or “Shopify” (web shop builder tool), which can be done totally by myself and implemented by myself, maybe I need some help from someone with a bit more technical knowledge but with Google I will get there. And then I will maybe connect Mailchimp (email marketing tool) to it. I can do everything myself and also Google ads can do a lot automatically, so without you doing a lot of campaigns manually, you can just say to Google ads like okay, can you look up all the interesting search keys for my shop and just let it run automatically and if I want to do the next step, so making everything more personalized and personalizing customer journey, then I will also look into tooling which can do that and as a smaller web shop and setting up everything myself, I don't think it will be an issue when they hear of our firm in some sort of way and then they go to the website and orientate on it and then we'll just do these self-service sign ups and they will start implementing the solution themselves. But for bigger companies, which do have also for their web shop, maybe they even built everything themselves or they have a big development company, which created them e-commerce tooling because they have really big volumes, they do have an account manager at their email service provider, which helps them set up or maybe they even have a marketing agency which determines their total email strategy, so they are in contact with persons everywhere, so they have an account manager there and there and everywhere and then when they come to our firm, think they do need the personal touch and they won't even sign up if they don't get an account manager or someone who can tell them how it is or answer their questions. So I think for the bigger ones it will maybe be a problem but for the smaller companies it won’t.

I - And what is this current problem which occurs from transferring a customer from sales department to customer service? What do you think is the solution to that and how do you think that the firm should proceed in the future, in order to reduce the confusion of a customer when they're transferred from one person to another?

X - So when they go from prospect to user?

I - Yes, exactly!

X - I think it begins before that and painting the picture how the implementation will be. Sometimes we get clients at client success, which tells us, I'm not sure if that's also being said to them, or that they interpret it themselves, but they think that we are a full service and will implement everything for them and make sure that everything is done and they don't have to do anything themselves. So it begins before that in painting the picture like, okay our software is a platform which you will use and you have to set it up yourself, we will help you with some stuff but not with everything. You have to place the tracking script yourself and if you want to measure a specific conversions and also want to be able for us to measure which conversion is being done, so which product the people are buying in a conversion, then there needs to be an extra script and you need to implement that yourself or your marketing agency or development bureau but we won't do that for you. So I think the picture needs to be clearer and from the transition from being a prospect to a user, right now, if they sign up, it's being done online, right now. So when they get the proposal from new business and they will sign your proposal and then, right now automatically a project is created and they will receive an email with: okay these things you need to do and get back with us if you're done. But if we could create an onboarding or a sort of funnel for them to go through after the sign up with all these steps they need to take and we will just guide them, take them by the hand and walk with them as a platform for them to implement everything depending if they're small or big. Then I think we will, yeah, smoothen out that process a lot. Because right now people, maybe they do, even if the picture painted before is wrong like: you we will do everything, they will be, when they sign, brought into the onboarding and they will ask a lot of questions and okay, now you need to do this or maybe I'll send this task to a developer or invite your team member to do it for you, then we will guide them through the process and they, maybe even forgot that they thought that we would do everything but they are just filling in some forums and giving us information and assigning colleagues or maybe external developers to do other stuff. Then I think that process will be a lot smoother for the client but also for us of course.

I - Yeah, if I put myself in the shoes of a potential customer, I would imagine that it's not the sexiest thing to hear that I would have to implement the software and I'll have to learn how to use it and I have the technical knowledge. So I would imagine that it is easier for sales managers to sign a customer while sparing that information and not really emphasizing that they have to do a lot of stuff and invest a lot of time. Have you seen if sometimes customers join with having a completely false view due to the fact that new business really pushed to sign them and spared them the information that they have to invest that technical knowledge?

X - Yeah, that happens. I'm not sure how much, I think for that, you should ask Y. Y has a lot of contact with the new clients. But it does happen, yeah.

I - And do you identify if this issue should be treated from the sales department as feedback from customer service, or should that be identified as the overall goal of the company - self-serviceness and everybody to have that self-service mindset?

X - I think that self-serviceness mindset is already present and also in the division of our firm, so it is more feedback to the sales department, that they paint a better picture of us that there is work to be done for the clients and that we don't do everything for them.

I - Do you think that there is currently alignment and good communication between Sales and Client Success?

X - It's getting better, but it can be better. It was worse. But we are improving the processes of the handover but also giving feedback about when something goes wrong, or the painted picture is wrong. And I also think, we did create a slide for the insales deck for the sales department. Not sure if they are currently using it, but of all the topics that the, all the actions decline, has to do when implementing our software is being implemented and the stuff we do for them (the customers). So I hope that will help in the future but I'm not sure if they are already using that slide and telling everyone about it. Maybe if they do, maybe they need to emphasize it more. I can see that someone from sales, maybe will see it as a roadblock for the clients to sign so they may go through it really quick or don't even point it out just to make sure the client signs and they will reach their targets. That's just, I'm not saying that it happens, but I if I was someone for new business and I, Yeah, I'm not sure about bonuses and stuff, but maybe I will get a big bonus if some client signs and if the only goal is for them to sign, and not in which way, I can promise them the world, maybe if the stakes are high, that you will skip such a slide and they are just I don't know, everything is fine, we will do a lot for you and I just make sure you sign and we will get in touch with you. So not sure if that's the case but I think there are people who think like that. Not saying that a colleague will, but there are people who do such things.

I - Do you think that these issues should be treated, as of course, it is very hard to change them because every team has KPIs and as you said everybody's looking for that bonus. How do you think that that mindset should be changed?

X - I'm not in charge of the bonuses, of course, but maybe, yeah, I'm just thinking out loud right now, it shouldn't only be clients signing, but also not churning within half a year or something or within a year maybe. Even that should also be something that needs to be considered for you to get the bonus. Because then yeah, you can make people sign but maybe it's not a good client for us because maybe they are too small or maybe they don't have the knowledge or maybe you painted the wrong picture by saying that we do everything for them, so they will churn maybe within five months. So if you take that into account, that they need to stay for at least 12 months or something, I think maybe it will change the way of a salesperson to think about how they want to sign a client, so not only signing them and throw them to the new department and keep my mind off it, but making sure that it's a good client with the right expectations and the right web shop behind them to make sure that they will also benefit from us and they will be happy for at least a year.

I - Great point and just to sum everything up, what do you think and how would you, overall for the company, how would you reduce churn in the future? What would you emphasize on?

X - You always have churn of course, but I think the biggest problem for a lot of clients right now is that, yeah, it is getting better and the last weeks it is pretty good, but how stable the platform is which was sometimes pretty bad, if I look back, but of course we are growing company in a lot of clients are joining, so you can't really say to the guy in charge right now that's it's his fault but maybe there should be another guy next to him making the platform more user-friendly because a lot of people don't want to start with something in our software because it's too technical. Some stuff doesn't always work in the platform, so that's the side of the development part, so I think if you look at all the departments or teams how you want to call it, that team product is the smallest. I think that's really weird because we're creating a SaaS platform and you need developers for that and I think that should be a big focus. So yeah, improving the platform, making it more stable, make sure that every feature works as expected. For new business yeah, we already talked about it a lot so you know where the problem lies there and what I think could be improved. And for us (customer service) right now it's all personal onboarding. I think we should go to a more automatic flow and make sure that the guys who are now helping with onboarding get more knowledge of the advanced features of the platform, so if clients do run into problems which we are really specific and can't be documented or people cannot know it themselves, that the colleagues from customer service should have a bit more focus and that every client gets the right answer, also as soon as possible because they know it themselves and they don't have to go to a colleague or give a half an answer or something.

I - All right, great. I think that sums it up really well. Thank you very much for the time.

X- No problem.

Interview 4 – Customer Survice (also part of development team)

Interview protocol:

Questions 1: Is the company focusing more on customer retention or is it still in growth stage where the core goal is signing more customers?

Question 2: The influence of the sales team on churn.

Question 3: What are the strategies to reduce churn?

Question 4: Your ideas on reducing churn?

I - It is typical for fast growing companies like yours to be putting the majority of their efforts in creating a brand name and signing many customers but also having relatively high churn during this growth process. Usually the KPIs in that stage are mostly on increasing customer numbers, creating a brand, launching in new markets, but not on retaining customers. Do you think your company is still in that fast growing mindset of "let's grow and see what happens" or is it now a more established company with a focus on retaining their existing clients and having almost no churn?

X - I think we are past the fast-growing stage and we are currently trying to contain more customers than we did before. Previously we had a goal of having to sign an X amount of customers and the quality of the clients didn't really matter, but now we're trying to classify clients based on their fit with our software.

I - Okay, so you are increasingly interested in retaining your customers.

X - Correct.

I - Do you think retention should be coming from the perspective of identifying the right customer in the sales phase, focusing on keeping the existing clients happy through incentives, free training, etc., or maybe both?

X - I think both, because at the customer service department we have a lot of contact with the customers and we know what kind of skills a client needs in order to achieve high ROI from using our CDP. We try to communicate this with the sales department and when we receive new customers, we know if the sales manager actually did the research before calling them, to know whether this customer would have enough skills. I think picking the right client is very important because if they are not very well suited for our product and in two months they cannot figure it out, they will cancel the subscription.

I - Alright and have you ever identified situations in which the sales department has pushed the sale through promising over-hyping the product and promising returns which might not be fully realistic?

X - Definitely. It isn't that often, but it happens from time to time that a sales manager tells the customer that for example we can connect a channel that they have with our platform, but it turns out to be harder and if it is a big deal for the customers they will churn. I also think that from time to time they don't tell the customer the amount of work they will have to do. I mean, it is a self-service platform, but some customers think that we will do everything for them and I think it is because it wasn't explained by the sales manager.

I - How do you think this issue should be resolved?

X - A lot of communication is needed between departments, for sure. I think that the sales department is not always completely sure what the perfectly fitting customer is. We need to organize a lot of meetings together to identify the most ideal client for us and I think it will help a lot.

I - Alright. Which of the currently applied strategies aiming to reduce churn do you perceive as effective and which as less or completely ineffective?

X - I am not very aware about the strategies that are applied but I know that the main objective is that all departments should work more closely together. Our department (customer service) has the biggest responsibility in keeping the customers but I think, as we talked until now, it's not only our responsibility, because if we get an unfitting customer, it will be very hard to convince them to stay, when they cannot use the platform or don't have the time, or anything.

I - Great, I would like to dive into another topic. I wonder how complex the software is and whether a customer is required to have some background in any other software in order to be able to successfully use it?

X - It really depends on what you want to do with the platform. There are some basic customer journeys which almost anyone can create, but in order to use our solution successfully, one needs to have experience with working with languages like HTML CSS and JavaScript. So basic knowledge of those kinds of languages is, in my opinion, required. For example, some small website owners do not have the knowledge and they have to get a partner which is quite expensive and then they cancel.

I - Alright, I have one final question. I want to ask you about your thoughts on what the company should concentrate on in order to reduce churn.

X - I think transparency is the most important thing. We, at the customer service department are getting a lot of questions about conversion increase percentages, how we handle data, the reliability of the platform, and these topics are not completely transparent to the customer. I think if we are more transparent in each aspect, the trust in the products, the platform will be increased and the churn will be reduced eventually.

I - And have you previously identified customers churning due to lack of transparency reasons?

X - Yea, most of them.

I - So, how do you conceptualize lack of transparency? Could you elaborate more on how this problem occurs?

X - Well, they (customers) see in our platform, for example that we say they are getting a conversion increase of 37%, but then in Google Analytics they see an increase of only 20%, which is a big difference. But we measured some conversions differently than Google Analytics and we have to repeat the same story all over again and look into this case, why is the reporting not that close to Google Analytics and firstly it takes a lot of time to dive in each customer's statistics and secondly it is frustrating for the client to have two different metrics of conversions. So I think the transparency about the data is the most frustrating for each client.

I - Okay, so you are describing the lack of transparency while using the platform itself. Do you also think that sales managers could engage in not sharing the full picture, for example, not explaining that in order to achieve the promised results, the customer would need to have technical knowledge, they would have to spend a lot of time, etc.?

X - Yes, definitely. Sometimes I am surprised because there are customers which are prepared to spend so much time and need no assistance at all and still achieve 30, 40% of conversion increase and then there are some clients which expect that they just pay and we do all the work for them and they will get the results.

I - Do you think this can be attributed to sales managers pushing a sale, in which if they don't over promise a thing or few, they wouldn't be able to sign the customer?

X - I am not sure. I think sometimes in order to close a deal, you need to promise something more, as long as they don't promise the world it will be fine. But I think they need to work more on identifying the ideal customer and narrowing down their targeting on those specific clients.

I - Okay, great. I don't have any more questions. Thank you very much.

X - Thank you.

Interview 5 – Senior Customer Service

Interview protocol:

Questions 1: Is the company focusing more on customer retention or is it still in growth stage where the core goal is signing more customers?

Question 2: The influence of the sales team on churn.

Question 3: What are the strategies to reduce churn?

Question 4: Your ideas on reducing churn?

I - Your company can be conceptualized as a scale-up. It was a start-up a few years back but you are now more and more becoming a well-known brand on the market. Has your attention to customer retention increased in the past years?

X - Yes, definitely. I think our attention is still 70% on the new acquisitions and 30% on retention of customers. But our customer service team has expanded with 100% in the last year, so there's a little bit more focus on retention right now.

I - Alright, I wonder, which department has the main responsibility with customer retention?

X - I think it's development, customer service and probably sales.

I - Okay, what do you think are the current effectively applied strategies for churn reduction and what do you think requires improvement?

X - My own opinion is that sales managers should be involved after signing a customer. Sales is currently only responsible for making new deals but I think that they have very good relationships established with the customer and they should call them regularly and ask them: “hi, how are you; is everything fine; can I help you with something”.

I - Alright, I want to go in another direction. I wonder if overselling is sometimes occurring. The sales department has targets each month and I hypothesize that it is possible for sales managers to overpromise and oversell the platform in order to reach their targets. Can you identify that as happening and have you ever identified customers which have higher expectations than what they should have?

X - Yes, yes, I have seen that happening. It’s like from A to Z, we can do everything. But sometimes you need to be honest and say that we cannot do and achieve everything. It’s about the expectations, we need to be very careful with expectations, because when they promise something, we need to achieve at least the promised. So, yes, they are selling more than what we should.

I - And what is, in your opinion, a good solution to this problem?

X - No is an answer as well. They can say “no, we cannot do that; or no, we cannot do that yet”, because then the expectations are different. The client knows what they are paying for and what they could achieve. And if they have wrong expectations, then we need to figure out impossible things at customer service and customers could churn because that’s not what they expected. So, it’s better to say no sometimes.

I - And how do you think sales managers should be motivated to say ‘no’ more often and not to oversell?

X - That’s a good question. I am not quite sure. Maybe they should have more accountability when customers churn because now if a client churns, we have it on our board at customer service and we don’t know who the sales manager was and it doesn’t matter for them. So maybe they should be more accountable, but I don’t know. I must think a lot more about that.

I - What do you think about the sales process, in which there is a lot of communication between sales and the client, but after they sign, the client is just thrown over the fence to customer service and sales never speaks to the customer again. Is that a problem or not?

X - Well, it’s not directly a problem but it’s a lost opportunity. Usually we (customer service) are only interested in keeping the client happy, but I think sales can make a lot out of talking to the customers as well because they have friends, partners, lookalikes, and they can surely sell more from recommendations. And I think the relationship will be better and maybe that is also a good retention strategy.

I - Okay, I have one last question. What do you think is this single point on which your company should improve on, in order to reduce churn?

X - Insights, definitely insights.

I - Could you elaborate further on that?

X - So, if you as a customer of our company are using the platform, you want to see what your current results are, what you could further improve. Not so much from a technical perspective but from a business perspective, because you have your return on investment calculation and everything is pushed to analytics, which is ok, but then you want to see what could be done more from a business perspective. So we need to provide one page which explains what is going well and what isn't going so well, so I need to focus on improving this and that, as I see my clients or users on my website are using it a lot. So we need to be more transparent in the platform but also with our communication overall.

I - So, that's more like improving the transparency?

X - Yes, definitely.

I - Alright. Thank you very much.

Interview 6 – Customer Service

Interview protocol:

Questions 1: Is the company focusing more on customer retention or is it still in growth stage where the core goal is signing more customers?

Question 2: The influence of the sales team on churn.

Question 3: What are the strategies to reduce churn?

Question 4: Your ideas on reducing churn?

I - You are part of a fast-growing SaaS company, which is currently focusing a lot on acquiring new customers. I found out from your colleagues that especially during the end of quarterly targets, sales representatives are sometimes acquiring customers which are not fitting, in the light of providing large expectations about positive results in a very short period of time and not emphasizing on the fact that the software is self-service and the client will have to devote a lot of time and resources. So my question is, although some customers are signing with the wrong expectations, can they adapt and can you as a customer support team convince them to stay although it was not what they were expecting, or is it absolutely sure that they will churn?

X - Yes, we are a fast-growing company and I see what you are saying. Currently, our sales department is the largest one and our goal is to sign many customers and sometimes we get clients which are not a fit. But to your question, it can happen sometimes that a customer wants to churn and then we would have a call with them and we would try to convince them to stay and then some clients decide to stay because we are able to explain that they had different expectations, but that is very rare. Most of them are not happy at all because they were expecting something completely different, like having results after 1 week or that we would do everything for them and they will just get more conversions. But a problem that I have seen is that when clients want to churn, they call the salesperson who was responsible for their account and not customer service. That shows that they have a better relationship with sales and not with us.

I - Could it be also that they are calling them because the sales person gave them promises which they did not achieve?

X - Yes, it could be. But our job at customer service is to develop good relationships with customers so that could fix any problems they have.

I - What do you think is the solution?

X - I think we need to build up a relationship and that could be important with reduction of churn. And coming back to your first question, I understand it's also important to tell a good story at the beginning, during the sales presentation but as you know, the biggest reason for churn is that the customer thought they will have bigger support and that we will do almost everything for them, like the whole personalization funnel, touchpoints, etc. So when the story in the beginning is different, the churn will be reduced, I think.

I - I have been looking into the data from the questionnaire for churning companies and it is definitely visible that unmet promises are the main reason for churn and I wonder what your opinion about that is. Why do you think salespeople are overselling the platform?

X - I think it's more about how complex the platform is. It’s not that easy to explain it to each person. Data management, data optimization, machine learning, etc. are very innovative and hard to explain topics if the person does not have education. So our sales people go there and say that we have a software which takes their data and turns them into conversion and they have no idea how it works, but because one can achieve very good results, they decide to sign but then they have never used such software and they need our support, but it is a self-service platform and we want to help them but no with everything. So of course, if a salesperson has to reach their target and they have a customer like that they might try to push the sale without the client knowing how difficult it is and then when they start using it they cannot do it and they churn.

I - Do you think that is a problem that needs to be fixed and if yes, how?

X - Yes, definitely, we need to find a solution, but I am not sure how.

I - Alright, what is in your opinion the one aspect in which the company needs to concentrate, in order to reduce churn?

X - Well, having a stable platform is always important. Our product is working but we do need to have a platform which is always on 100%. Of course each department needs to do their part and improve their process in order to become better, but I think regarding churn the sales department needs to manage the expectations that we talked about and our department (customer service) needs to engage more with clients.

I - Do you think the sales department focuses on signing fitting customers or do they prioritize increasing the number of clients as much as possible?

X - Sometimes. I can understand that if a customer would be happy to sign but are not the perfect fit for being a long-term customer, then the salesperson will convince them and we will get the subscription for a few months. Maybe it will work for them, maybe it won't and they will churn.

I - Well of course, that is one perspective, but another viewpoint is that maybe that customer will churn and then spread a bad word about the company that your software is not working and its useless, while it is good, but for example they didn't have enough traffic on their website in order for the algorithms to optimize.

X - Yes, definitely, I agree. It's important to have long-term customers, but for some customers it is a very thin line between whether the software will work for them or not. With data management, when the customer has for example X amount of visitors per month and we need a little more than in order to guarantee success, then it is 50/50 whether it would work out for them or not. So salespeople say: "let's try and see", while customer service says: "no, let's wait for that customer to become bigger", but maybe in a few months they will sign with our competitors. So it is very hard to decide especially when the customer is not a perfect fit, but could make it work.

I - In that case, should salespeople be transparent to customers regarding the possibility of not working.

X - It's hard to say. Currently we don't have guidelines on what exactly should be done in each situation.

I - Alright, thank you very much

10.2 Appendix B: Questionnaire for churning customers:

Please, indicate the main reason why you are canceling our service:

- Insufficient resources (personnel/time)
- Unable to complete the business case
- Unsatisfied with delivering promises
- Unsatisfied with reporting
- Unsatisfied with integration
- Switch to competitor
- Unsatisfied with client success
- Other (elaborate)