



SAAS

GROWTH

TACTICS

HOW TO START, VALIDATE
& SCALE YOUR SAAS

by

Supvoty



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FOREWORD

It's April 2018. I'm in the office with my team in Eindhoven. I know, you've probably never heard of that place before, but that's just because it's somewhere in the south of this tiny country called The Netherlands. It's a little bit boring and it almost always rains, so don't bother rushing here for a vacation.

The office where I am, on the other hand, is not boring at all. On the contrary: exciting things are happening here. After running my first startup for the last 8 years and scaling it into a seven-figure business, I was on to something new. The inspiration for my newest idea came from "scratching my own itch", so to speak. Based on our user growth and their feedback, it became clear that we needed a way to manage user feedback in a more efficient way. And so we started building this new business from scratch.

I've learned so much from scaling my other business that I had the confidence to make this new startup equally successful. Fast forward: we grew from \$0 to over \$1,000 MRR in just a couple of months.

In this ebook, I want to share my real-life lessons for starting, validating and scaling your SaaS.

INTRODUCTION

So, you're building or scaling a SaaS? Great choice! I think subscription-based companies are the future of our economy. Why? We see it all around us: TV is losing market shares to subscription-based companies like Netflix; physical product companies like Gillette, who dominated the market for years, are losing shares to subscriptions players like Dollar Shave Club; and even advertising-based enterprises like newspapers are shifting to a monthly subscription model. Why are they doing this?

There are 2 important shifts in the market happening right now.

Consumers: "We want the milk, not the cow"

Consumers want everything to be accessible, but they don't have the money to buy it all at once. By paying a low monthly fee for just using the product instead of owning it, everything is accessible at a low cost. Why own a car if you can just rent it when you need one?

Companies: “The end of budgeting”

For companies, this is great too. Remember those days where you would need to come up with a plan for next year based on an estimated budget? Those days are gone. With SaaS, there's a lot of data in play. You can now instantly see if your subscription revenue is growing and make a fair estimate of your income in the next couple of months. Netflix knows it can spend another \$50 billion on new series and films because of its subscription-growth. The money is already in the bank.

As you can see, SaaS can be a very lucrative business with a lot of possibilities. But:

- **How do you start your own SaaS?**
- **How do you validate it?**
- **How do you make it profitable?**
- **How do you scale it?**

In this book, we're going to talk about all of that.

And, of course, as with everything, it all starts with the idea.

THE IDEA

As with every business, it all starts with an idea. But what is so great about having an idea for a SaaS instead of having an idea for, let's say a new coffee brand, is that you can start right away with validating the idea and getting people on board. I mean like literally *today*.

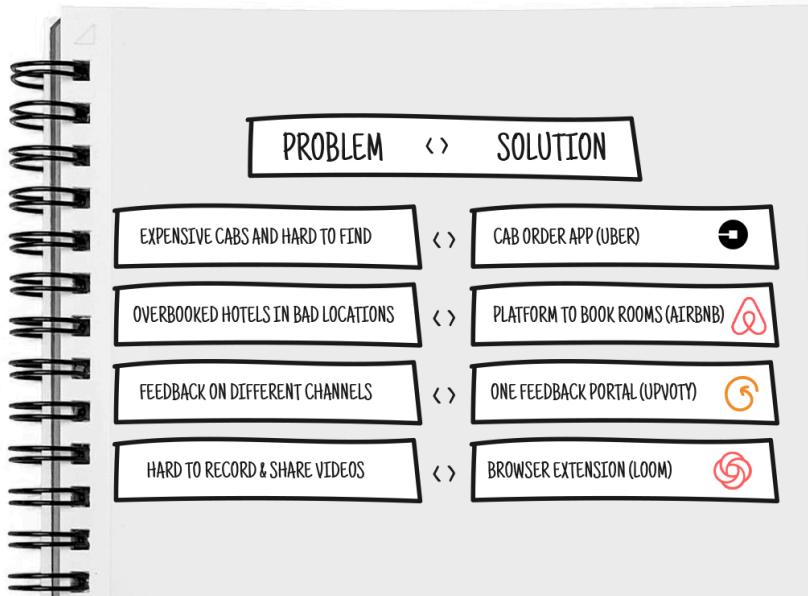
When I came up with the idea of my SaaS, I literally started the same day. Within a week I had an up and running website and within a couple of weeks I had my first potential clients. The best thing was that it didn't take any secret Getafix magic potion. I did it all on my own, and so can you.

Crafting an idea for your SaaS: Framework

I've had more than 8 businesses in total. Not all of them succeeded, but because of my startup experience, I now know a thing or two about creating a SaaS business idea. If you have no clue about what kind of SaaS you would like to start, I suggest reading more of this paragraph. If you're already on to something, go ahead, and skip it.

There are a couple of ways to come up with a potentially valid idea for your SaaS. The most important ratio, to me, is

this one: PROBLEM < > SOLUTION. Let's look at some examples:



It's fairly simple but highly effective to start writing down problems and (possible) solutions.

What problem are you solving? And how are you going to solve it?

How to come up with potential problems to solve?

Well, I dare you to look into these potential idea ponds:

- **Scratching your own itch**

Do you see anything around you that could be improved? Whether it's making something easier, more fun or cheaper, if you can identify a struggle in your own life, write it down. This could come to you at home, in your car, at work, or heck, even when you're in the shower. Sometimes the next big thing is something really small, just like Johan Vaaler discovered when he invented the paperclip in 1899. Let that be your inspiration.

- **Outdated markets**

Just like Uber came up with a new innovation in the taxi market, and Airbnb reimagined the hotel market, many markets are still slow to evolve – if they even change at all. Do some research and try to figure out which market has potential. Who knows, maybe your product is going to be the next disruptor of it.

- **Talk to friends and family**

Just like you face problems, struggles or irritations, so do your family and friends. Talk to them! Write down their thoughts on things that could be improved.

- **Research the internet**

Because we're talking about SaaS here, the internet is a really good place to look for ideas. Go on Twitter, Quora or Reddit and look for people who are irritated about something. "I can't find a decent app for X" or "I'm struggling with my workflow" or "I need help with so and so". You name it. There could be a potential product in every need out there.

Of course, there are many potential factors to kill your idea. For example, does anyone else feel like your solution is a real fix for a real problem?

In order to research this, let's take a look at your target audience.



Book recommendation: Traction can help you speed up the process in just 5 days.

TARGET AUDIENCE

Now that you came up with an idea for your SaaS, it's time to decide who to build for. The key thing is to narrow down your target audience as much as possible. I know, we all want to become Jeff Bezos and sell to as many people possible, but to become Jeff Bezos, we need to start like Jeff Bezos.

In 1994, Jeff was working from his garage on Amazon. What is now one of the biggest companies ever started very, very small, with a narrow focus on a particular audience – book-buyers. All of its website copy, marketing and other advertising was dedicated to attracting people who wanted to buy books. If a conglomerate as large as Amazon can start out with a focused audience, then you can, too.

Narrow down your audience

Every new idea needs to be validated before you can call it a real company. You're about to invest a lot of your time, energy and (probably) money, so it had better be good, right? By narrowing down your target audience, you're more

likely to succeed. Just like Amazon started by selling books and later expanded to more markets, or like Uber started by offering taxi rides in San Francisco and later expanded to other cities (and now even expanding its services with UberEats!), it's really important that you start small to test things out a bit.

There's only one goal once you decide to build your SaaS: validating the idea. And to validate it, you need (beta) testers. And to attract testers, you need something interesting for them to test. So, when you start your SaaS, think about the needs of your audience and build something specifically for them.

Let's say you are building a project management app as your SaaS. There are many tools out there already, but when you create it for a specific audience – accountants, daycare operators, web designers – it's more likely to give you a head start because you're creating this tool specifically for them. From that moment, you're not just making "a project management tool"; you're creating "THE project management tool for X".

This is exactly what we did with our SaaS Upvoty. As a user feedback tool, our SaaS could have potentially been used by many businesses in different markets. However, we decided that we wanted to validate the idea for a specific

audience first, just as a means to test it out and optimize the product based on user feedback, which is something we care about a lot. (Duh! That's why we created Upvoty in the first place.)

What we learned is that you can't narrow down your target audience enough. Really. When you think you have the perfect target audience, try narrowing it down some more, and then a bit more after that. As we were brainstorming about our perfect target audience, we thought we had it when we landed on 'startups'. It seems logical because startups have a new product and they're just starting up, so they need feedback, right? While that might be true, one of the problems we soon noticed was that there's no real message to write to "startups".



I mean, a startup could be anything really. So we need to narrow it down some more.

Eventually, we came to 'SaaS startups' and we would focus on businesses located in either English-speaking countries or companies from The Netherlands, where we are based. This made things so much easier! We could now potentially talk directly to our customers: "Hey SaaS startups: do you want to manage user feedback in the best possible way?".

Now that we've decided who to target, it's time to actually build something and validate the idea itself.

VALIDATING

We need to offer our target audience something that will help them understand our product and a way for them to let us know if they're interested. Given the fact that we haven't even started, it needs to be something that is either free or is highly cost-efficient. This is what the startup world calls a 'minimal viable product', or more simply an MVP.

When Dropbox created the idea of an online file-sharing service, it was highly progressive, but because it didn't exist yet, this new way of file-sharing would demand a lot from its potential users. On top of this, the software was extremely complex to build and would take many months and tons of money. So, there was a lot of risk at stake. Are they going to build a new product that takes a lot of time and money with no guarantee that will succeed? Of course not.

To validate the idea, they needed something to show potential users what their service looked like and the problems it would solve. However, building an actual working prototype of this online file-sharing service would take months, and would also cost plenty of money. So, they

came up with a very smart way to validate the product: a video.

They built a landing page with an explainer video embedded on the top of it. People who visited the website could learn more about the product by reading about this new online file sharing principle and they could watch a video that both informed them and made them excited.



On this page, there was a little subscription box below the video where people could sign up if they were interested in using such a product.

They launched the website and went to bed. When they woke up the next day, they couldn't believe it. There were already more than 75,000 sign-ups! I guess that's when you know your idea has potential, right?

Now, you don't need 75,000 sign-ups like Dropbox. I mean, we did nearly the same thing and only had 100 sign-ups before we launched Upvoty, but you do really need some kind of validation. Building a landing page with a sign-up form embedded is really one of the quickest and cheapest things you can do, and it works like a charm!

Other examples of MVPs:

Company	MVP
Facebook	A minimal version of the product and they launched at just one university before rolling out to the rest.
Groupon	Started out with a simple Wordpress website and hand emailed PDF vouchers to people before building its advanced and automated voucher system.
Zappos	Founder Nick Swinmurn took photos of shoes he wanted to sell in local stores and if customers ordered them, he then physically purchased the product and sold them.



Book recommendation: [Lean Startup](#) is the holy grail if you want to learn more.

HOW TO BUDGET

Now that we've validated the idea and we've seen that there's potential, it's time to spend all of our money on building the complete product, running ads and hiring influencers! Oh no, #badidea if you ask me.

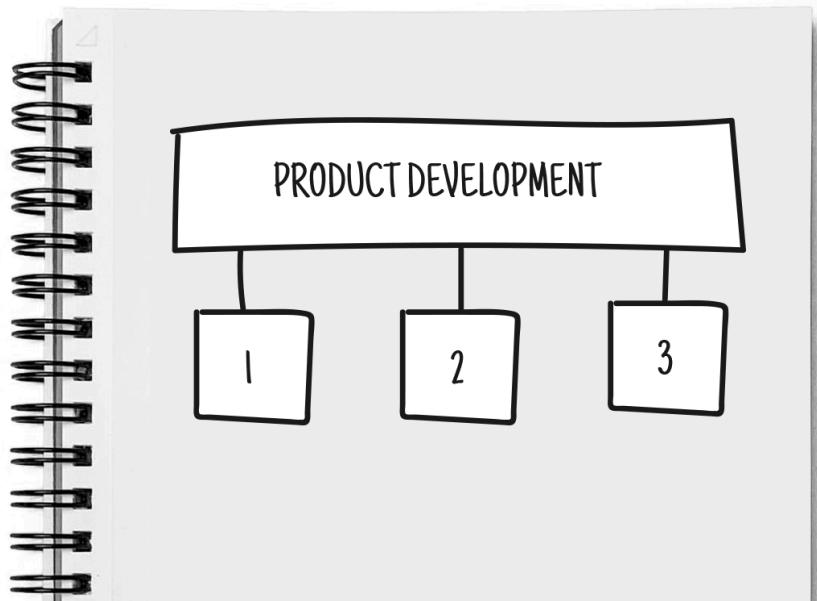
The reality is that you only have X amount of money to work with. We need to come up with a plan to use it wisely in the most efficient and effective way. How can you make sure that you win enough new customers before burning all your cash? My answer: budget blocks!

Budget blocks

The way I work with my budget on the product development of my SaaS is by dividing my tasks into smaller steps. This is good for two very important reasons: the budget and the customer's happiness. Let me explain.

Product Development Stage 1

It looks a bit like this:

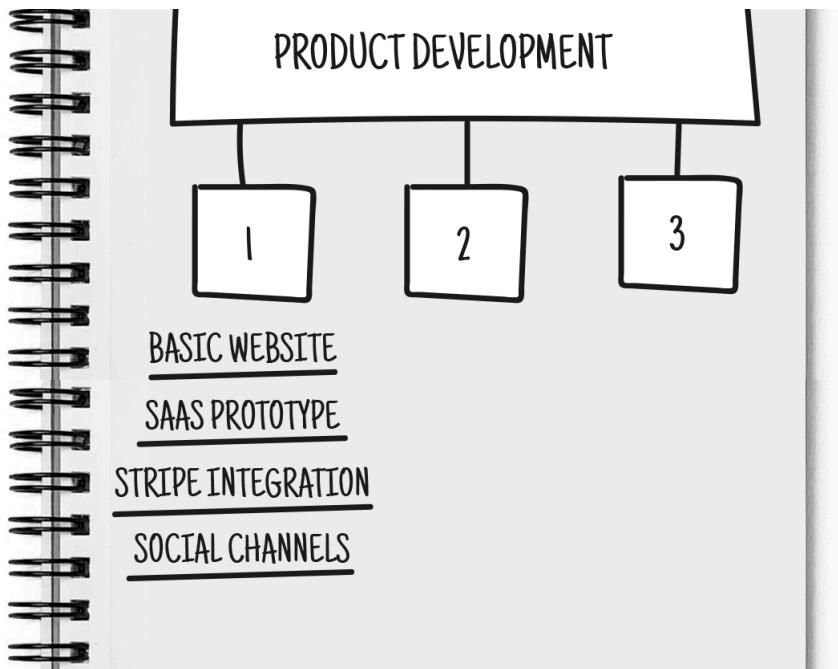


Let's say you have 3 stages of Product Development (PDs) and you have \$10,000 to work with. The first thing you'll have to ask yourself is: "What's absolutely needed to attract the first few paying customers?"

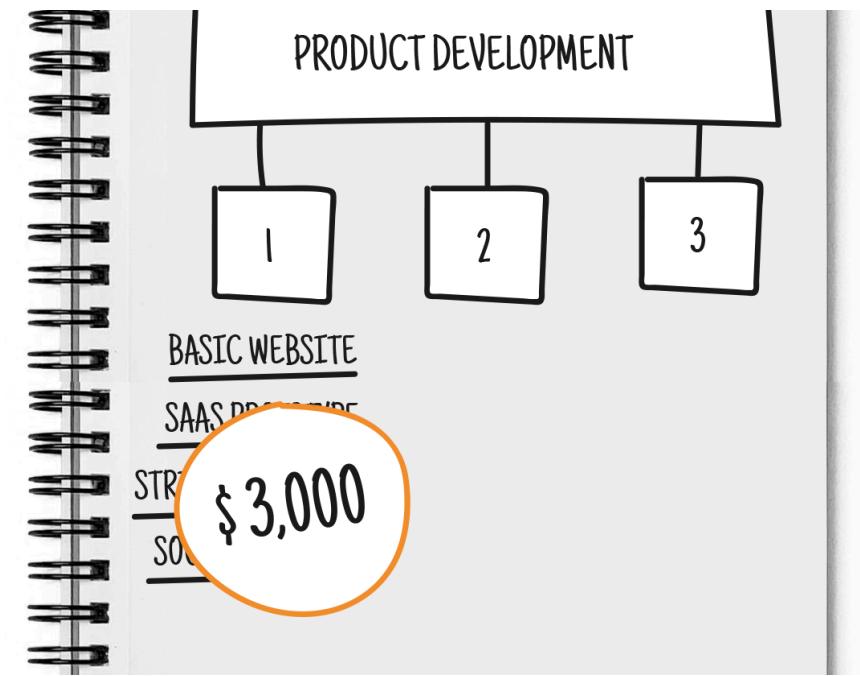
When you invest your money, you want to get it back as soon as possible. Burning money on things that will eventually attract new paying customers is the best thing you can do. It will be purely an investment this way.

In order to come up with things for Product Development stage 1, you need to make a list. A list that contains things that are crucial for you to build and market the product and, ideally, a list of features that potential clients told you about.

Talking to potential customers can be a crucial and wise thing to do here.



Now that you've created a list for PD1, you have to break down the budget. How much does it cost to accomplish this stage? Make sure it's never the full budget, because, despite the fact that you believe in this product (and yes, we already validated its potential), there's absolutely no guarantee it will work out. As a matter of fact, it will almost never immediately work out the way you want, so keep some budget in your pocket for later.



Let's say PD1 costs us \$3,000 to get us started. We will build a basic website, create social channels, payment integration (to collect money from our users!) and the MVP (prototype) of the SaaS product itself.

Next up: put it into practice! Go build and launch the darn thing. Listen to the market: how are they responding to your product? What are the first trial users saying? Collect as much feedback as you can. Every opinion matters in this stage. Learn from your users and their needs.

Product Development Stage 2

Now that we've collected user feedback and have a sense of how our product is doing, it's time to optimize. Good thing we have some budget left, huh?

Before we go on, let's prioritize the feedback first.

Paying customer feedback

Feedback from paying customers, or at least customers with a high potential for becoming a paying client, is the absolute best feedback you can get. It's not because they're bringing money to the table. No, it's because they are spending actual money out of their own pockets. They literally feel the pain of burning money themselves. They are giving feedback because they want your product to improve in order to work for them. Free users, on the other hand, are most likely to ask for a lot because, well, it's free. So like almost any other consumer on Black Friday, they want MORE, MORE, MORE! For free, of course.

Second. You need to stick to your product's vision as much as possible. If you notice a lot of users asking for something that wasn't initially part of your vision, you can ask yourself if you need to change your vision a bit. However, if it's any other case, stick with your initial plans.

Last, but not least, how much will these new optimizations cost? If a (potential) customer of \$50 a month is asking for a

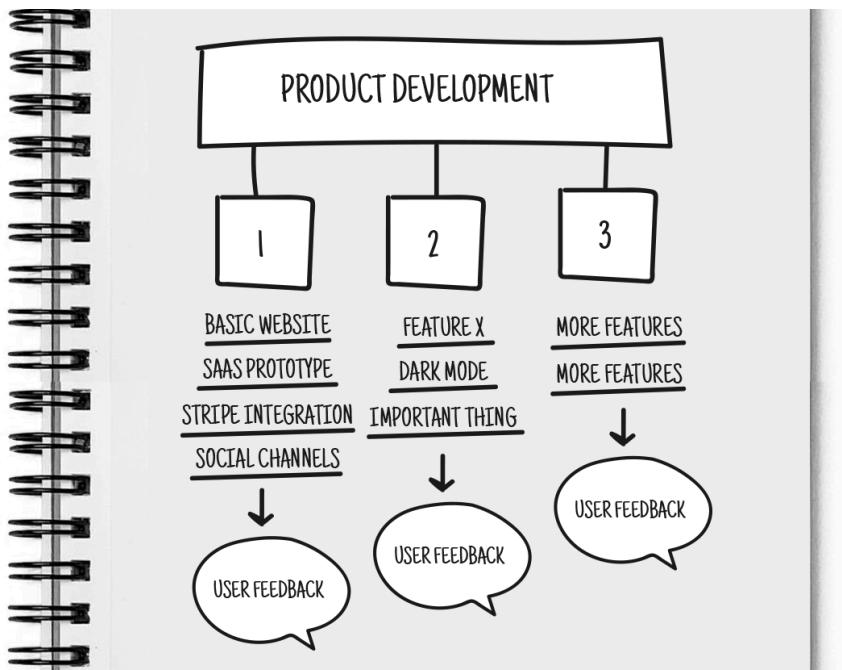
new feature that will cost you \$5,000 to build, that would be nuts!



Prioritize PD2 based on high demand from (potential) paying customers, and make sure it aligns with your product's vision and fits your budget. This way, the next stage of product development will be more cost-efficient and have a bigger effective on customer satisfaction because you're building a better product based on the feedback you've received.

Always ask for feedback

So, remember: at the end of each Product Development block, ask for user feedback. This way you're always on top of user needs and you're spending your budget wisely. WIN-WIN!



Book recommendation: I've learned a ton about budgeting in [Intercom on Starting up](#).

PRODUCT-MARKET

FIT

The idea behind launching and scaling in different stages has everything to do with the search for product-market fit.

What is Product-Market Fit (PMF)?

It's the journey a company takes to identify the right target customer and serve them with the right product.

Simple, right?

When you launch your product, you think you have an idea of who your target audience is and what product they need. But as you will soon find out, it's not that simple. Your idea of how to use your product will most likely not align with how your customers think it needs to work. And honestly, that's fine! This is you learning from the feedback of your customers. It will help you define your product, your solution and what types of customers you need to serve. In other words, moving towards Product-Market Fit.

How to find Product-Market Fit?

Feedback will be crucial here. Without talking to your customers and measuring their real problems and needs, you are most likely not getting a clear view of what market your product serves best. And this is key. Why? Once you've figured out who your ideal customers are, everything – and I mean everything – becomes so much easier.

Let me give you an example of my own.

In Chapter 2, we talked about our target audience. When we narrowed it down, we decided to focus on SaaS startups. When we got the first few clients we did a few things to get to know them better:

- We sent personal emails asking about them and their businesses.
- When we had them on chat, we took time to get to know them personally.
- Every once in a while we asked how they were doing with our product.

- We tracked user comments on our feedback boards (using Upvoty of course!)
- Measured the churn rate and upgrades.

Soon, we had a pretty good picture of what our existing user base looked like and which customers were most valuable to us. It turned out that most of our users were either founders of small SaaS startups or product managers from SaaS companies. As we learned more about our ideal customer, we found our Product-Market Fit and started to zoom in a bit more on this specific audience, which made our work a whole lot easier.

- **Writing content:** We did some research on what SaaS founders and Product Managers find most interesting and started blogging about it.
- **Website copy:** We started to adjust our message more and more towards SaaS-minded products.
- **Acquisition:** We don't do a lot of acquisitions, but if we see a SaaS founder or Product Manager and there's a chance to speak to them, we will. This almost always turns into a highly interesting prospect.

- **Link building:** We started to look for websites where our target audience is highly active and started to contribute to the blogs. This did 2 things: we got in front of our audience and it increased our authority in the space where we wanted to be seen.
- **Product features:** We started to focus more and more on features that contribute to SaaS products and SaaS Teams.

Finding your Product-Market Fit will help make your marketing and day-to-day business operations so much more efficient and effective.



Book recommendation: [Lean Startup](#) is really helpful in finding PMF.

PRODUCT-CHANNEL

FIT

Once you figure out Product-Market Fit, it's time to figure out what Andrew Chen and Brian Balfour call "Product-Channel Fit". This basically means identifying your perfect marketing channels, particularly the one or two that can take you from wherever you are to the next level.

The whole process of "growth hacking" isn't about, "Can I get social media to work? Can I get ads to work? Can I do SEO? Can I do content marketing?" In other words, trying to grow your marketing on every given channel out there. No, it's the exact opposite. You have to invest in just one or two and grow them into successful channels first.

This has everything to do with budget and capability. As a startup with limited resources, it's hard to achieve success at three (or more) channels at the same time. For one, you probably don't have enough budget to spend on all, and second, your team isn't capable of handling all of this. You also still have to build the product, provide customer support, etc.

Growth Hacking framework

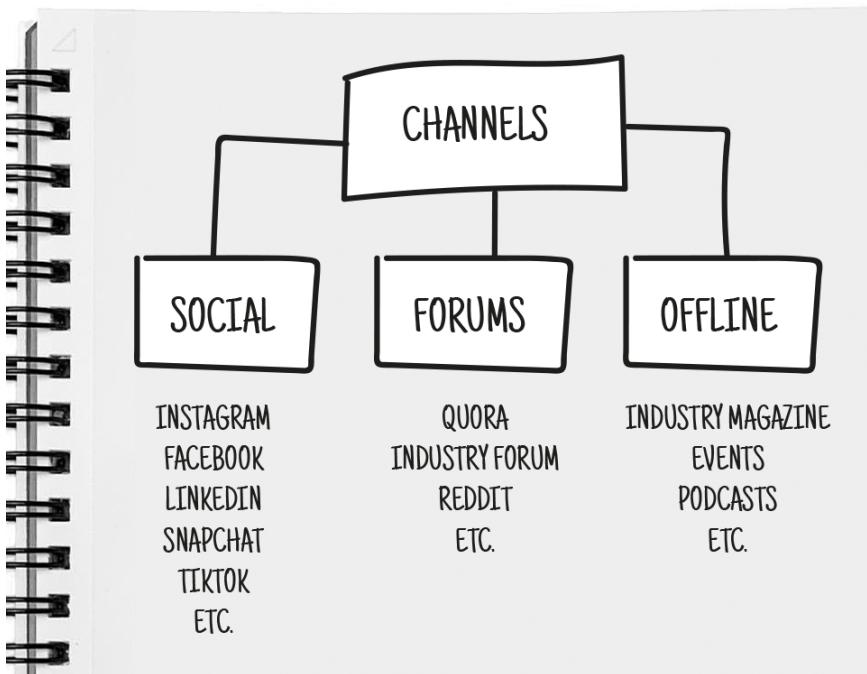
If you really want to be effective and efficient with your budget vs. outcome, it's all about finding the one or two channels that work for you. And remember to get one humming along before going after the next one.

But how do you decide which channels to focus on?

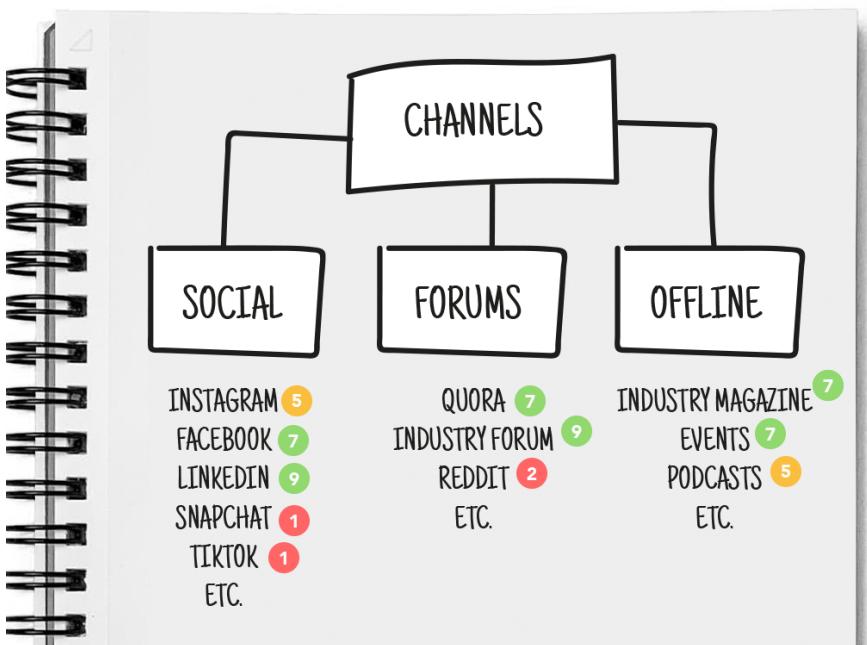
Well, now that you've reached Chapter 6, you probably already figured out who your ideal target audience is, right? If not, you really have to go back and figure this out first. It's going to be crucial to this framework.

Where is your target audience?

This is the first question we need to answer. Where are your ideal customers actively present? Are they on social media? If so, which channels? Are they active on Twitter, Facebook and Instagram, or more likely to be on Snapchat?



The above framework can help give you an idea of how to think. Imagine your ideal customer and all of the channels out there. Write them all down and research them one by one to figure out if they really are present. You can give scores to the channels to indicate if there's a lot of potential:



Once you've figured out where your target audience is active, you need one or two channels that can get you quick results. Why? If you can get quick results on how your target audience reacts to your efforts, you can decide much faster whether or not to proceed.

Effort-Outcome

If your audience is on Instagram, you can choose to set up an Instagram account, create a strategy and content, and then wait for things to happen. But, the ratio effort-outcome is very low on this one. It would be better to start

advertising on Instagram instead, for example. This way you can easily check how effectively you can reach your audience on this medium. If your ads are getting hits and engagement, it's then time to decide whether or not you want to invest in a proper Instagram page and strategy. Otherwise, move on to the next channel.

How to target your target audience?

Creating ads and content all depends on where you want to reach your audience. If your audience is active on TikTok, you need to start making specific videos for that. If they're on LinkedIn, you need to invest in writing articles, etc.

Besides creating content specifically for targeting your audience, you may want to invest in creating content that could benefit your brand, too.

CHANNEL	EFFORT	OUTCOME
INSTAGRAM	> CONTENT CREATION	> BRAND AWARENESS
INSTAGRAM ADS	> CREATING ADS	> DIRECT SALES
PODCASTS	> START ONE OR JOIN ONE	> BRAND AWARENESS
GOOGLE ADS	> CREATING ADS	> DIRECT SALES
QUORA	> ENGAGE	> BRAND AWARENESS + TRAFFIC

The ideal marketing situation would be one where you have effective strategies to target your audience one-on-one mixed with a few that indirectly target them as well. For example, when you know your target audience, you can easily create content that will reach them one way or another:

- **Blog posts:** Write about topics they care about.
- **Podcast:** Host a podcast on topics they're interested in, or participate on a show they're listening to.
- **Guest blogging:** Create an article for a website where your audience is a reader.
- **E-book:** Write and publish an ebook that could potentially land in the hands of your ideal customers (like this one, for example ;)

Whatever you do, take it slowly, step-by-step. Start with one channel and get it to work for you. Only then do you go on to the next one until you've built a portfolio of highly effective marketing channels.



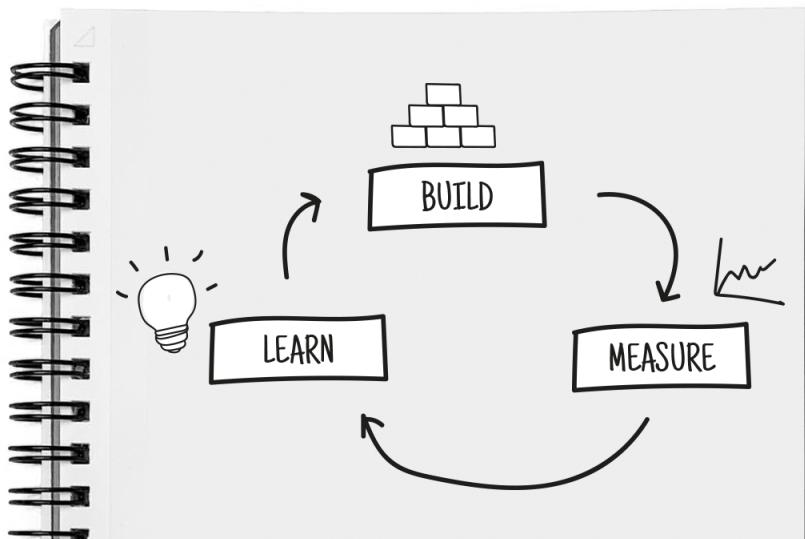
Book recommendation: [Traction](#) will help you choose the right channels.

OPTIMIZE & ITERATE

Your product is never finished and the feedback from your users will never end. And that's totally fine, as long as you continuously work step-by-step towards a better version of your product. You launch, get feedback, optimize and iterate. The BML framework can help you with that.

Build-Measure-Learn

BML stands for Build, Measure & Learn.



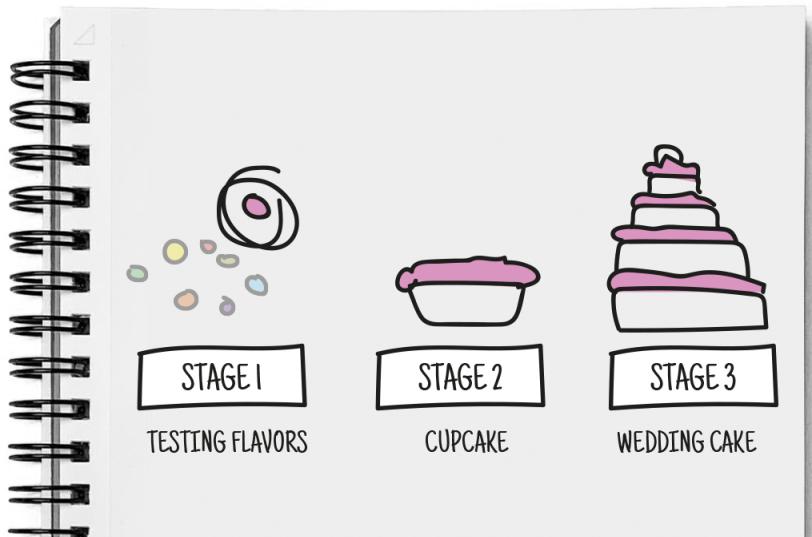
You build your product, launch it and start measuring the results. How are users interacting? Which features do they use and which do they ignore? What feedback and new feature requests are you getting from our users? When you ship things (i.e. put a product out), you can start to measure and learn immediately. Once you've done that, you can start building the next version of your product, and then start all over again with measuring and learning.

Ship fast!

If you have a new feature, ship it as soon as possible! This way you'll instantly know how your users feel about it. The thing is, you can't know ahead of time how users will think about the new feature or how (and if) they are going to use it. As a result of fast shipping, you can start building a better version of it while spending time on actual user feedback.

It's like baking a wedding cake

I love the parable by Des Traynor, who compares this process with baking a wedding cake.



"Start off with a cupcake. You'll learn the flavors you like, uncover any problems in your kitchen, and in general, you'll fast-forward the feedback loop. You can then step up to a regular size cake, safe in the knowledge your ingredients are all fresh, your oven works, and your flavors are nice. Only then can you deliver a wedding cake."

I love this way of looking at product iteration. I mean: you can come up with the "flavors" and build them into an actual feature. But wouldn't you rather just let everyone try the flavors first?

RECURRING ACQUISITION

As a SaaS, you're in the recurring revenue space. Every month you hope to serve the same clients again and again by building a great product and providing outstanding customer support. But what if you have a recurring acquisition model, too? A mechanism for free acquisition, every month. That would be great, right?

Well, this is closer than you might think.

Word-of-mouth

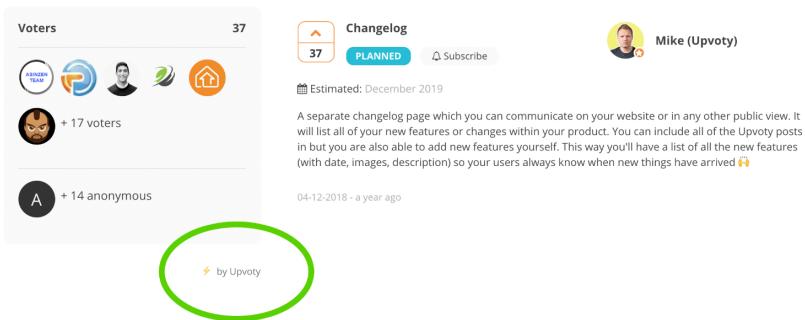
If you build something awesome and provide a way to share it, your users will definitely talk about it with their friends and families. Think about Uber. Customers of the app tend to share their rides on social media, because, well, they think it's cool. Or like Slack: Once you're a user, you can't live without it. Every user has the opportunity to acquire one of their co-workers.

Affiliate program

Many software companies provide links which the user can share and once someone from their network signs up, they will get a discount on their monthly subscription. Very smart and very low acquisition costs for acquiring a new customer.

Build-in links and referrals

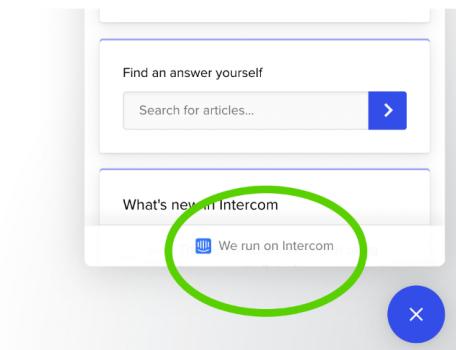
When people use your software, make sure users of their users see which software it is. A practical example is our own software. We've built-in a smart link to our website on the feedback boards. It's proven to be a cash cow.



Each time our users share their feedback boards with their users, we get in front of potential new customers.

The best and most recognizable example may be Intercom. How many people have already seen that iconic chat balloon on the bottom right corner of thousands of

websites? And when it pops open, it's right there: Intercom's cash cow.



Ebooks, podcasts and evergreen content

Imagine this: you've published an ebook that will be downloaded and shared by many people. It will rank in search engines for a long time and is mentioned on popular blogs. What do you think this can do for your recurring acquisition? The same goes for your interviews on podcast shows, creating YouTube content or writing outstanding evergreen content on your blog.

THE 'AHA' MOMENT

Oprah, come in!



In all seriousness: the 'Aha' moment is your true power.
When your users find their eureka, you're set and done. The sooner, the better.

The real value gets it done

Your company will stay in the danger zone until your users experience the full value of your product. They're spending real money on a product that needs to deliver real value for them. And, of course, you think you're already providing value right from the start. Wrong! Although most users will have a clue about what your product can do, and they are most likely willing to give it a try, you have to make sure they will actually experience the value. In other words: finding the Oprah moment: Aha!

The key

To get your users to this eureka moment as soon as possible, the first thing you want to know is what they really need and which features are contributing the most in finding the eureka moments. The tricky thing here is that almost every business has different and unique needs, so you almost never work within a static framework. Instead, try to measure what actions a user takes and which next steps you can recommend. For example, when a new user signs up and you ask him or her for their job description and company size, you can immediately identify if they have a (big) team. If so, let them invite coworkers. The more people that get on board, the more likely it is that your product will be adopted within the company.

Find the frictions

You can come up with an onboarding framework all you want, but if the path is not clear, your users will never find their 'Aha' moment. Always measure the following:

- What emails are effective?
- What links do they click?
- Which buttons are they ignoring?
- What support questions do you get?
- Which things are not clear?
- What steps are they missing?

Learn from these metrics and feedback and try to solve the problems. Make it easier for the user. Make the path more clear by, for example, adding more items to your FAQ, building an onboarding checklist widget that contains the first 5 steps to take, improving your email copy, and so on.

Reduce churn

You don't want to lose customers. When a user finds the 'Aha' moment, they're less likely to churn. Think about what the magic moment is for your product and make sure people will experience it as soon as possible.



Book recommendation: [Hooked](#) helps your users stick with your product.

MEASURE THE RIGHT METRICS

One thing I see going wrong with a lot of SaaS companies is they measure the wrong data. Don't get me wrong, measuring new sign-ups and how many visitors you've had last month do matter. But to get serious about optimizing, you need to measure different data at each stage of your company.

Churn

Churn is most SaaS company's nightmare and is often seen as the most important measurement of their product. Although churn can be seen as a factor of declining monthly growth, on the other hand, the impact on customer lifetime value is equally significant. If your customers aren't sticking around for many years, and they are already gone within a couple of months, you have a leaky bucket. Don't look at churn from month to month and keep the lifetime value in mind. If the statistics show that most of your customers aren't a client for long, you have a problem. Most of the time it's happening because of a bad business model. Ask

yourself this: is there a reason why my customers would use our software two years from now?

The early days

When you're just starting out, you have to look at a whole other set of metrics. But, as we just learned, keep in mind that you will reach a point where churn matters, and that a good business model is key to growing and scaling your customer retention.

Measuring churn right from the start can help you notice how you're doing. When you only have 100 users and lose 5% of your customers each month, that's not hard at all, right? Wrong! I mean, losing 5 customers won't count right now, but imagine having 1,000 users with the same percentage of churn. That means you'll lose 50 customers each month.

Every company experiences customer churn and you probably can't bring your churn to zero. Or can you? In fact you can, with pricing!



Book recommendation: [Hooked](#) helps your users stick with your product.

PRICING

Let's dive into different pricing models:

Put a price on it!

The first thing I would consider crucial is asking for real money in exchange for your product. I know, it's hard to ask for money, but come on...you've worked hard to make a product that provides a real solution. Although it might not be perfect, if it provides value, your customers should pay for it.

If you don't know what to charge, you can do two things:

- Look up the prices of your competitors and see if you can price a bit lower.
- If you don't have any competitors, just put a price on it and see what happens! If you gain a lot of customers, you can easily increase the price.

Whatever you do, make sure you price your product because you're going to need money in order to improve it.

Freemium

We don't have a freemium model, but that doesn't mean I don't believe in it. I think it works really well for some businesses.

Take Dropbox for example. They give away free limited space, but as soon as you hit that limit, you need to upgrade to a paid plan. By the time you hit the limit, all of your files, comments and shared documents are in your Dropbox, and you're most likely not going to cancel and lose everything you've worked on. If you can get users hooked on your service with limitations, freemium will work for you.

We did a free beta period for three months and it actually worked like a charm! But until your product is out there in the wild, it's just an idea. You need feedback from real users as soon as possible. There's really no better way to gain the first few users than by giving it away for free. "Free" is actually the wrong word in my opinion. You will get so much more value in return: real customer feedback. This will prepare you for a better launch and help you optimize the product. I highly recommend it!

Variable pricing plans

You can charge a fixed monthly fee for your product, but another way to grow your revenue per customer is to add additional variable pricing plans. Using a pricing model that has variables in it, such as a limited number of team members, data export, tasks and more, can help you get more revenue each month when your customers are growing. It's one of the things you can do to organically grow your monthly subscription revenue without paying more for your acquisition costs. It's also a good way to replace lost revenue by churned clients. If you can upsell more revenue by existing clients, losing another isn't as hard as it would be.

Pricing needs to evolve constantly

The challenge with pricing is that it's never a constant. Your market evolves, the world evolves, your customers evolve, your competition evolves, your product evolves and the buyer's needs change. And so must your pricing plans.

In order to keep up with all these changes, you need to measure the data of both your existing customers and new ones.

- Which plan do people sign up for the most?
- Which features are most popular?

- What features contribute to the 'Aha' moment?
- What new feature requests are you receiving from both new and potential clients?

The ideal pricing model is to make sure there's value in every plan. Remember: you need to direct our users towards that 'Aha' moment as soon as possible. If you hide critical features that contribute to finding it, you can price as low as you want, but your users will not stay with you for long and certainly won't be willing to upgrade.



Book recommendation: [Intercom on Starting up](#)'s chapter on pricing is epically brilliant!

L**I****S****T****E****N** **T** **O** **C****U****S****T****O****M****E****R****S**

Understanding the value of customer input is something I learned the hard way. After running multiple businesses, I learned that listening to your customers is a crucial factor in product success. Remember, you're not the customer, and that's a fact. I don't care how much you look like the customer, you have way too much knowledge about this problem to assume that your way is the only way.

Do a lot of qualitative research and get something in front of potential customers. Put a laptop in front of them and ask them to sign and watch them do it. Ask them questions. Track their behavior over time. Ask them what they like, and just as importantly, what they don't.

You can't learn if you're not putting your product in front of users and track how they use it. The real key here is to talk with them. It's not important *what* they want but *why* they want it. Only then can you really dive into the problem and understand customer needs. Listen to your customers and you *will* build a better product.

DON'T LISTEN TO CUSTOMERS

I know. I just told you why you should listen to your customers. So, why this chapter? Hear me out.

The only time you shouldn't listen to your customers is when they're asking for things that aren't aligned with your product vision. In that case, you have to stick to your guns. Customer feedback should be there to inform you, not make decisions on your behalf.

Saying 'no' is hard. Isn't it?

Most companies won't even get to the point of saying "no" because they're scared of disappointing users. While in fact, it's really the other way around. When you have open and clear communication about your product vision, customers are more likely to accept a "no" because, well, you are giving them an honest answer. And believe us, that's what most companies fail to do. But the user never forgets.

Never.

It's all about communicating

Just like in every relationship, communication is key.

Here's where feedback tools like Upvoty can help you can gather feedback from your users in a public space and let other users upvote and discuss. Inform your users whether or not it aligns with your product vision. Ask why they want this certain feature, try to understand their needs and really talk with your users. And who knows, maybe in the end the user is right and you can change your product vision for the greater good. The thing is: without really talking to your users, you'll never find out.

Do you see? It's not only about listening to your users and work for them. It's about working together on building the best product out there and being open in your communication.

THINK LONG-TERM

I don't believe in 5-year business plans and long-term thinking. I always believed in just going out there and seeing what happens. And that's still true for the start, but the funny thing about SaaS is that you CAN actually think long-term. Your company is based on subscription growth and data, and because of that, it can predict where you're heading.

Take Netflix for example. They're spending \$15 billion a year on new series and films, and almost all of its new content is a hit. That's because they have gold in their hands – upfront subscription revenue and data. Based on user data, they know exactly which genres work and which do not. With upfront monthly subscriptions and a predictable growth rate, they know exactly what they can spend on new content that will only increase their lifetime customer value and customer growth. It's a big contrast with Hollywood production companies that spend a lot of money – upfront – on films that potentially could fail. For that reason, more and

more companies, like Disney, are turning to subscription-based business models.

Running a SaaS is all about long-term: your customers are using your software, and once they've built their business or their habits around your platform, you're the owner of a goldmine. You will have all the data you need to make optimization plans and the money to actually do it. But, that doesn't happen overnight. You need to win every customer for the long-term. Start today.

BONUS!

WHAT THE EXPERTS SAY

I have asked some friends to contribute to this ebook by answering 1 simple question:

 **What's your #1 SaaS growth tactic?**

Here's what they told me.



Victoria Rudi - Founder GroovyZebra

"Start building your audience... TODAY. Don't wait until your product is ready. Have a LinkedIn or IG account to share your process and build your network. Launch a blog, podcast, or YouTube channel based on the solutions your product is providing. Know your ICP, understand their burning pains and produce valuable content based on fresh insights and actionable solutions. Start serving people

through relevant content to build an audience and to attract your first 10, 100, 1000 REAL fans for exponential growth.



Dennis Smink - Founder Ploi

“Take your time to grow yourself and your SaaS application, forcing growth will drive you crazy and impatient”



Leo Bassam - Founder Pluto

“Building a community around your business can help you reduce churn, onboard new customers and grow your business.”



Corey Haines - Head of Growth at Baremetrics

“Talking to customers. I always find that there are two types of companies: those who guess and those who do customer research. Customer research is like a video game cheatcode that gives super powers to be able to see, understand, and empathize with customers so that you can think just like them. It's been the key to many campaigns, product improvements, pricing changes, and new channels.”



Joshua Tiernan - Founder No Code Founders

"Try to build an audience before you launch. Bring on beta users and engage them to find what they like/dislike about the product. This will not only help you determine market fit, but will also likely create a few early brand ambassadors who will be happy to shout about your product once it launches"



David Abrams - Founder Demio

"Build slow, learn fast. There's no rush in the building of your CORE MVP. It's the key piece of everything you will build upon. Take your time, be patient, hire slowly, and learn from your customers early. Keep that feedback loop open early and you'll eventually build that value-driven app that users love."



Sahil Lavingia - Founder Gumroad

"Start with doing lots of cold emailing to potential customers."

So, there you have it. This is how we scaled our SaaS in just a couple of months from \$0 to \$1,200 MRR. We talked about creating an idea, validating and launching it.

Subscribe to [our upcoming book](#) where we'll share our lessons in scaling our SaaS from \$1,000 to \$10,000:

Release date: Whenever we reach \$10k!



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