

# 7 Secrets to SaaS Startup Success

*Building Your Company To Be The Next Salesforce.com*

Track: Force.com Entrepreneurs & ISVs

Mark Trang

*Director, ISV Marketing*

salesforce.com   
Success On Demand.™



# Safe Harbor Statement

“Safe harbor” statement under the Private Securities Litigation Reform Act of 1995: This presentation may contain forward looking statements including but not limited to statements concerning the potential market for our existing service offerings and future offerings. All of our forward looking statements involve risks, uncertainties and assumptions. If any such risks or uncertainties materialize or if any of the assumptions proves incorrect, our results could differ materially from the results expressed or implied by the forward-looking statements we make.

The risks and uncertainties referred to above include - but are not limited to - risks associated with possible fluctuations in our operating results and cash flows, rate of growth and anticipated revenue run rate, errors, interruptions or delays in our service or our Web hosting, our new business model, our history of operating losses, the possibility that we will not remain profitable, breach of our security measures, the emerging market in which we operate, our relatively limited operating history, our ability to hire, retain and motivate our employees and manage our growth, competition, our ability to continue to release and gain customer acceptance of new and improved versions of our service, customer and partner acceptance of the AppExchange, successful customer deployment and utilization of our services, unanticipated changes in our effective tax rate, fluctuations in the number of shares outstanding, the price of such shares, foreign currency exchange rates and interest rates.

Further information on these and other factors that could affect our financial results is included in the reports on Forms 10-K, 10-Q and 8-K and in other filings we make with the Securities and Exchange Commission from time to time. These documents are available on the SEC Filings section of the Investor Information section of our website at [www.salesforce.com/investor](http://www.salesforce.com/investor). Salesforce.com, inc. assumes no obligation and does not intend to update these forward-looking statements, except as required by law.



# Session Agenda

## A New Model is Needed

60-Second SaaS Startup Test: Do You Have What it Takes?

7 Secrets to SaaS Startup Success

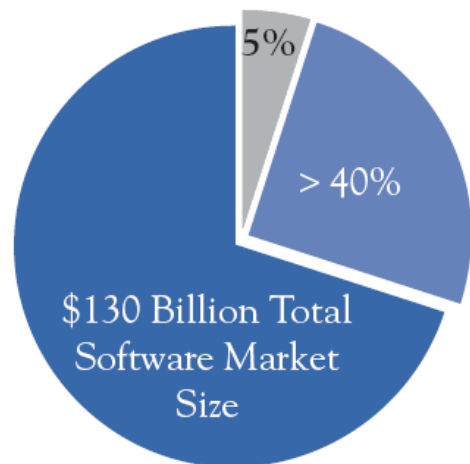
On-Demand Startup Kit



# SaaS is the Future of Software

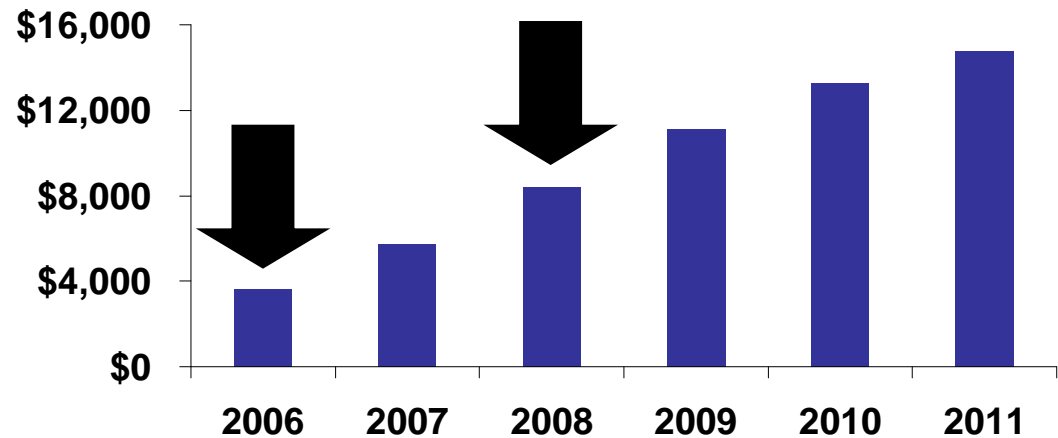
*Double the Opportunity in 2 Years*

2009 Software as a Service Market Compared to % of Total U.S. Enterprise Software



- IDC's 2009 SaaS market penetration estimate
- TripleTree's 2009 SaaS market penetration estimate

## IDC - Worldwide SaaS Revenue (\$MM)

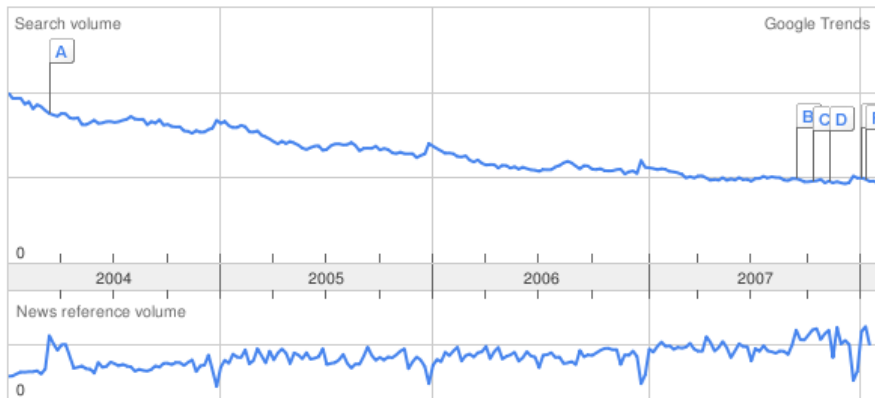


# Software on the Decline, SaaS Trending Up

*Market attention is focusing on SaaS*

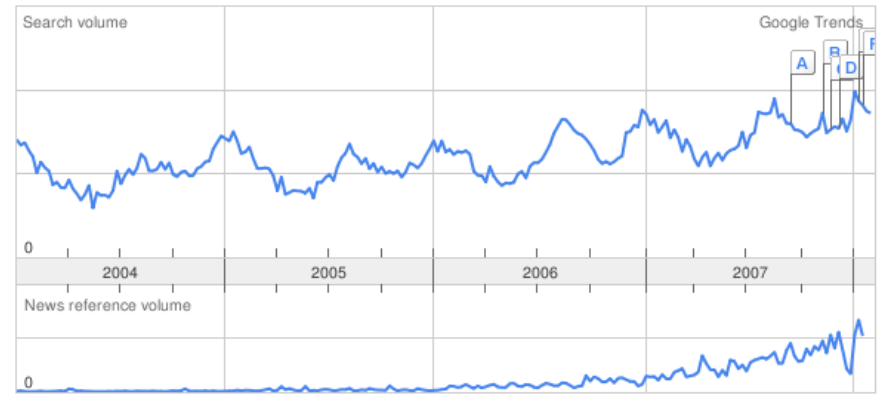
## Trend history

● software



## Trend history

● saas



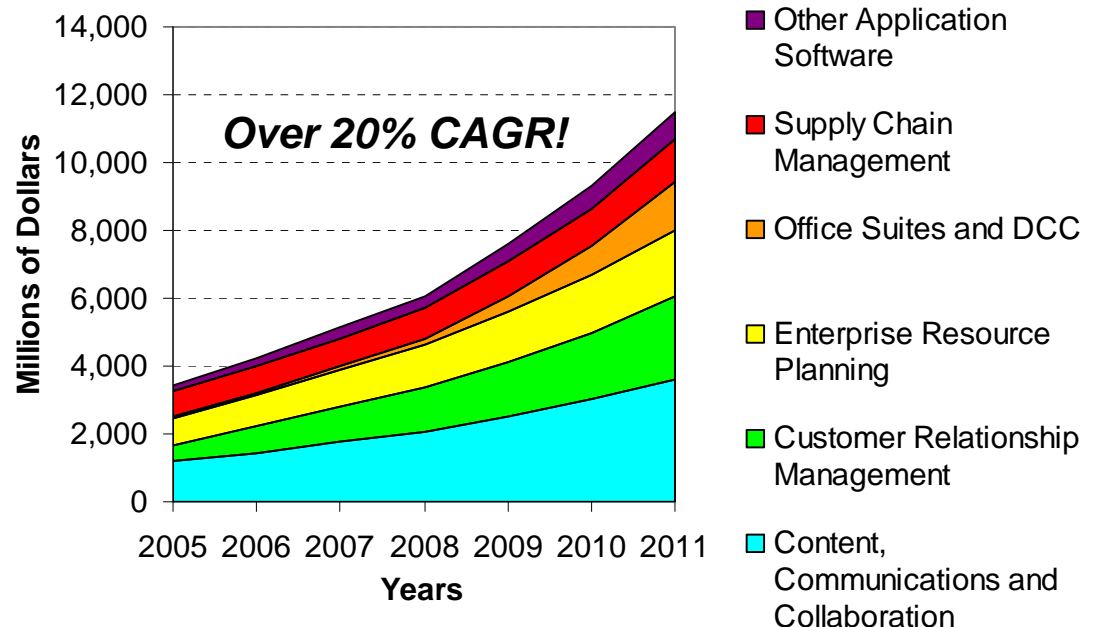
# Strong Momentum Across All Categories

*SaaS ISVs positioned for multiple opportunities*

***“By 2012, more than 66% of independent software vendors (ISVs) will offer some of their applications optionally or exclusively as SaaS.”***

**Gartner**

Worldwide SaaS Revenue



Source: Gartner



# Software Is Failing Today's SaaS Entrepreneurs

*A New Technology Model is Needed*

# You

## Infrastructure Services

Network  
Storage  
Operating System  
Database  
App Server  
Web Server  
Data Center  
Disaster Recovery

## Application Services

Security  
Sharing  
Integration  
Customization  
Web Services  
API  
Multi-Language  
Multi-Currency  
Workflow  
Analytics  
Multi-Device  
Messaging  
Search

## Operations Services

Authentication  
Availability  
Monitoring  
Patch Mgmt  
Upgrades  
Backup  
NOC

## Business Services

Ordering  
Provisioning  
Licensing  
Billing  
Renewal  
Upgrades  
Marketing  
Sales

## Your Real Business Value



# Our Mission: Innovation. Not Infrastructure

## Us

## You

### Infrastructure Services



- App Server
- Web Server
- Data Center
- Disaster Recovery
- Network
- Storage
- OS
- Database

### Application Services



- Security
- Sharing
- Integration
- Customization
- Web Services
- API
- Multi-Language
- Multi-Currency

### Operations Services



- Authentication
- Availability
- Monitoring
- Patch Mgmt
- Upgrades
- Backup
- NOC

### Business Services



- Ordering
- Provisioning
- Licensing
- Billing
- Renewal
- Upgrades
- Marketing
- Sales

## Innovation

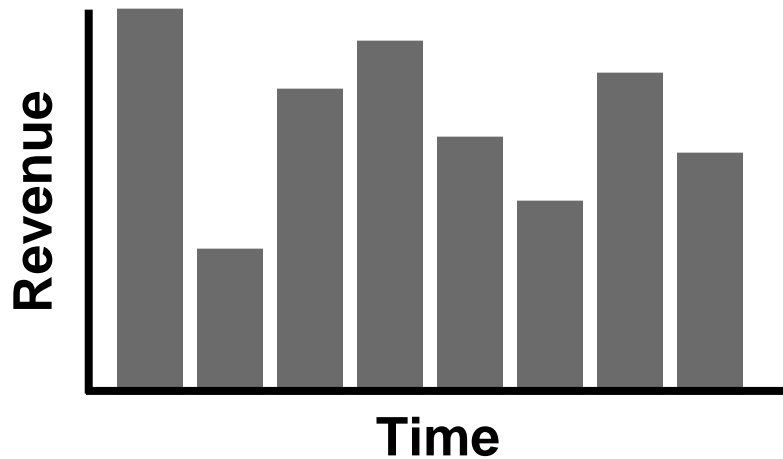
## The Fun Stuff!



# A Tale of Two Business Models

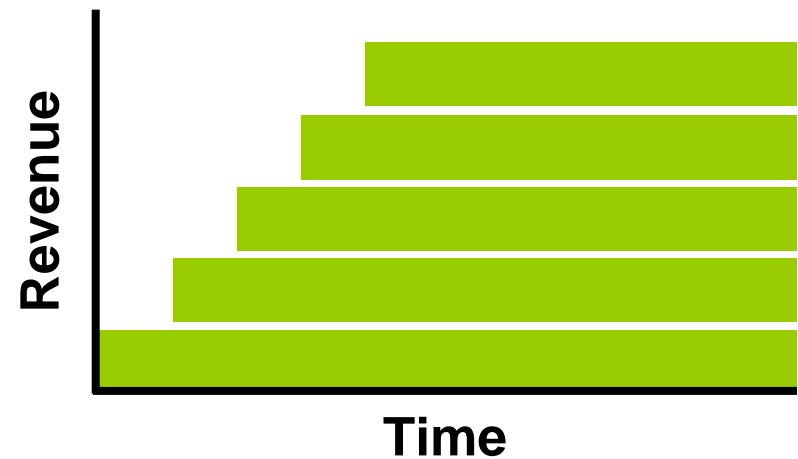
*Running a SaaS Company Also Requires New Business Thinking*

## Traditional Software Model



- Large upfront revenue
- Volatile: Re-build every quarter
- Rewards hunting

## SaaS Model

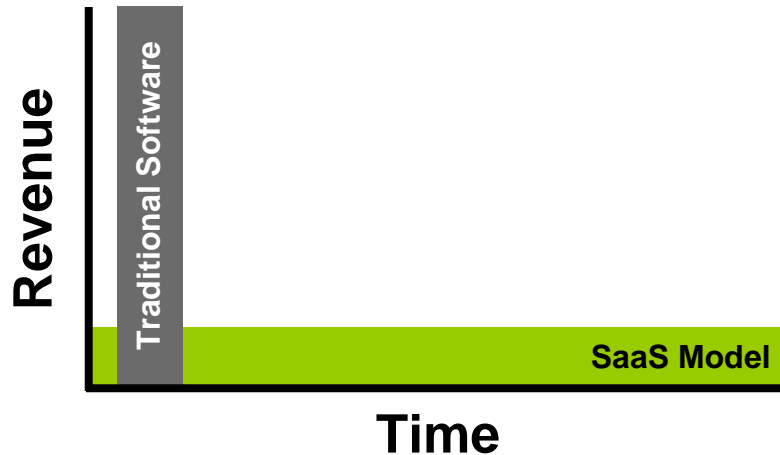


- Small upfront revenue
- Predictable: Recurring revenue
- Rewards farming



# Operating Constants for SaaS Companies

*Economics of SaaS Model Changes Business Priorities*



## Realities of SaaS Model

1. Less upfront revenue
2. Usage/transaction-based
3. Renewal dependent

## Must Optimize:



Fixed & Variable Costs



Time-to-Market



Headcount:  
Needs to do more than  
“Keep the Lights On”



# A New Business Model Is Needed

	Old Rule	New Rule
Product Design	Design for Complexity	Design for Intuitiveness
R&D Investment	Portability, Multi-Platform	Reliability, Security, Scalability
Product Cycles	1-3 Years	3-4 Months
Customer Experience	Segmented / Fragmented	Integrated
Customer Segment	Pick and Focus	Go after all segments
Customer Acquisition Model	Outbound	Inbound
Customer Evaluation Model	Analysts	Community
Marketing Investment	Direct Mail	Web, Branding
Sales Model	Field Sales	2- or 3- Tier
Sales Mix	Few, Large Deals	Transactional



# SaaS Startup Success: Do You Have What it Takes?

## The 60-Second Test



# Can you answer “Yes” to all of these?

- Is there a leader that owns success metrics for your SaaS business?
- Can you make product decisions based on real-time customer feedback?
- Do you offer a free trial of your solution that converts to qualified leads?
- Are you truly selling a service or just a product?
- Do you have programs that drive continual adoption of your products?
- Can your CFO forecast renewal rates and what their impact will be to revenues?
- Do you have an API or mashup strategy?



# Session Agenda

A New Model is Needed

60-Second SaaS Startup Test: Do You Have What it Takes?

**7 Secrets to SaaS Startup Success**

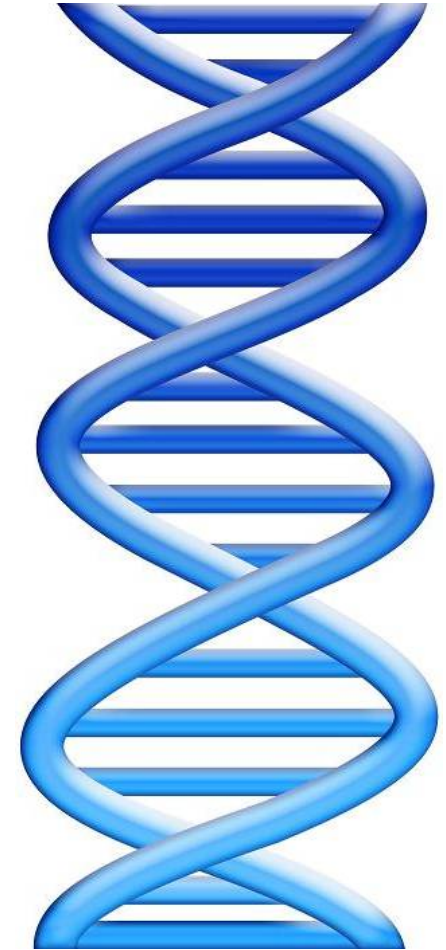
On-Demand Startup Kit



# Becoming a Successful SaaS Company

*More than just Technology; It's the DNA of your Company*

- Executive Management
- Product R&D
- Marketing
- Sales
- Service
- Finance & Accounting
- Partnerships



# 7 Secrets to SaaS Startup Success

1. **“Make Leaders Accountable”**
2. **“Deliver Apps your Users will Love”**
3. **“Create a 24/7 Demand Generation Machine”**
4. **“Sell a Service, Not a Product”**
5. **“Make Customer Success a Religion”**
6. **“Develop Highly Disciplined Financial Processes”**
7. **“Take Your Place in the Mashup Universe”**



# 1: “Make Leaders Accountable”

*SaaS Model Requires a New Type of Leader*



Clear  
“no-software”  
vision



No hedging!  
On-demand is not a  
“backup strategy”



Requires  
technology AND  
business model  
commitment



Metrics-driven  
management



*“Ummmm yeah,  
maybe we should be  
a SaaS company.”*



# 2: “Deliver Apps Your Users will Love”

*Adoption only dependent on your ability to delight users*

***Which one would you use?***



# Transforming How You Build Apps

*Listen to your customers' mouseclicks!*

***Exploit the SaaS model...***

***Your R&D should be based on real usage metrics!***

***Minimize reliance on anecdotal interviews and focus groups!***



# 3: “Create a 24/7 Demand Generation Machine”

*What’s your strategy for lead acquisition, pipeline and loyalty?*

Awareness

Purchase

**Loyalty**

***Generating Buzz***

***Free Trials & Reviews***

***Integrated Campaigns***



# PR 2.0: Build Awareness Across All Channels

## Traditional Analysts vs. Web 2.0 Universe

### OLD WORLD



Aberdeen Group

FORRESTER®



NUCLEUS  
RESEARCH

### NEW WORLD



# We Live in an Evaluation Economy

## How do you exploit a community of evaluators?

The image shows two overlapping screenshots. The top one is a TripAdvisor page for the Santa Clara Marriott Hotel, displaying search filters, location information, and a sidebar with various hotel categories. The bottom screenshot is a Yelp page for 'Chez Spencer' restaurant in San Francisco, showing a 5-star rating, 167 reviews, and a detailed description of the French bistro.

The image shows a screenshot of the Salesforce AppExchange interface. The main focus is on the 'DemandTools for AppExchange' listing, which has a 5.0 star rating. Below the listing, there are several user reviews, each with a 5.0 star rating and a date. The reviews praise the tool's performance, ease of use, and customer support. The interface also shows navigation options like 'Home', 'About the AppExchange', and 'Publish Apps'.



# Evaluators Demand a Free Trial

the AppExchange | AppExchange Login | Applications | keyword search | salesforce.com

All Apps | Mobile Apps | What Is the AppExchange? | Become A Partner | Installing and Publishing | AppExchange Login

Categories  
SALES  
SERVICE & SUPPORT  
TOOLS & UTILITIES  
MARKETING  
Data Cleansing  
Demand Generation  
Document Management  
Email Marketing  
Events  
Market Research  
Partner Marketing  
Programs & Promotions  
Search Marketing  
FINANCE & ADMINISTRATION  
NON-PROFITS  
HUMAN RESOURCES  
INDUSTRY SOLUTIONS  
COMPONENTS

Home > Marketing > Email Marketing

## VerticalResponse for AppExchange

07/16/05 by VerticalResponse

**CERTIFIED** ✓  
Contact Me >

VerticalResponse for AppExchange provides self-service email & direct mail solutions. Create custom mailing lists of any size, design professional sales & marketing campaigns and track post-launch statistics.

**4.8**  
out of 5  
★★★★★  
Based on 14 reviews

**Test Drive >** **Get It Now >**

OVERVIEW | **REVIEWS** | SPECIFICATIONS | PUBLISHER

### FEATURES

- Create new mailing lists of any size, on-the-fly. Query Leads & Contacts separately or run a combination query to compile a list of both. Automatically add/append Leads & Contacts to an existing salesforce.com
- Design professional email & postcard campaigns using the wizard-based template system - no technical experience necessary.
- Track reporting and update post-launch statistics in salesforce.com. See who's responding (opens, clicks) and who's not (bounces, unsubscribes).

### RESOURCES

- VerticalResponse for AppExchange Presentation
- VerticalResponse for AppExchange Data Sheet
- VerticalResponse for AppExchange Customization Guide

### PRICING



**FREE TRIAL**  
Salesforce for 30 days

**FREE TRIAL**  
Salesforce for 30 Days  
Plus a Free Book

**GET STARTED**  
FREE Force.com  
Developer Account



# There's no such thing as a lost customer

## Re-Acquisition is all about the offer



**Interactive Demo: Marketing Automation**

Salesforce Marketing tracks the entire marketing lifecycle—from campaign to close. [Click here](#) to let salesforce.com Chief Marketing Officer Phill Robinson show you how he uses capabilities like automated lead management and ROI calculation to track the data and analytics he needs daily. Or [click here](#) to learn how you can run your entire company on The Business Web™ with nine additional interactive demos.

Opportunity Name	Sum of Amount
Yates Printers	USD 119,100
Phantom Electronics	USD 101,000
Forest Supply Co.	USD 99,000
Expand Productions	USD 98,300
Net IQ Technologies	USD 90,600
Hunter Industries	USD 90,000
Captive Control LLC	USD 87,000
Blue Dolphin Solutions	USD 74,100
Channel Optics Inc.	USD 74,100

[View Demo](#)



**Everything You Need to Succeed**

Demos • Best Practices • Partner Solutions • Networking

**Salesforce.com Small Business Success Kit**

“After implementing Salesforce, we realized a 10% increase in global sales in the first two months and we expect to have an increase of 30% by the end of the first year.”  
— Sergio Abarrak, President System Basic.

**Generate Leads and Close More Deals with a Single Click**

Looking for ways to generate leads and close more deals? Want to know how businesses like yours are attracting and tracking Web site visitors and ensuring consistent follow-up? Take advantage of salesforce.com's Small Business Success Kit to increase sales and improve customer relationships.

Register now to get immediate access to all the resources listed below.

- Sales Success Map
- “Turn Every Click into a Customer with Google AdWords” Webinar
- “Four Ways to Improve Lead Management” Webinar
- 30-Day Free Trial with a Free Copy of Salesforce for Dummies 2nd Edition
- Salesforce Group Edition for as little as \$10/User/Month
- CRM Essentials Guide

First Name:   
 Last Name:   
 Job Title:   
 E-mail:   
 Phone:   
 Company:   
 Country:    
 State:    
 Employees:    
 Product Interest: (please check all that apply)  
 Sales  
 Call Center  
 Marketing  
 PRM  
 AppExchange  
 Apex Development

[Submit](#)



**Now Every Company Is Free to Deliver World-Class Customer Service**

Get the Customer Service Portal: **Free for One Year!**

Every one of your customers is entitled to great service—anytime, anywhere, through any channel. But in the past, only large companies with huge budgets could afford to deliver an optimal customer experience every time.

Now Salesforce Service & Support is democratizing customer service, so organizations of any size—from one agent to a thousand—are free to deliver enterprise-quality service.

- Quick to deploy:** No downloads, software, or big budgets required
- Trusted:** Used by thousands of successful businesses
- Flexible:** Easy to personalize and customize as you evolve
- Innovative:** Leading provider of on-demand solutions
- Integrated:** Give sales and service a complete view of customers

**Give your customers the experience they deserve.** There's never been a better time to get up and running with Salesforce Service & Support—because now, for a limited time, the **customer service portal is FREE for one year!** [Click here](#) for your free portal.

Get the **Salesforce Customer Service Portal FREE for One Year!**

[Click Here](#)

Watch an “On-Demand Service and Support” Webinar featuring:

**Gartner**

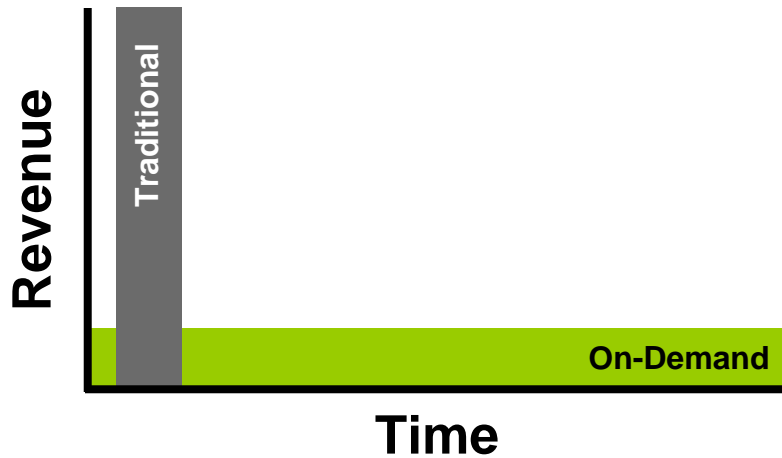
“With Salesforce Service & Support, we're reaching out to our customers in a self-service mode, something we couldn't do before, and our customers are very happy with that.”  
— Andrew Derrer, CEO, Misys

18,700 customers :: 351,000 users :: 12 languages



# 4: “Sell a Service, Not a Product”

*What’s the difference?*



## Realities of On-Demand Model

1. Renewal dependent
2. Less upfront revenue
3. User/transaction-based

## Must Optimize:

### *Sales Efficiency*

- *Compressed Sales cycle*
- *Cost of Sales team*

### *Sales Capacity*

- *Pipeline per rep*
- *Territory coverage*



# Farming vs. Hunting

*Telesales call center vs. field sales army*



OR



## Sales Efficiency

- Inbound interest
- “One-call close”
- Low cost per rep

## Sales Capacity

- Scale up easy
- Virtual territories

## Sales Efficiency

- Outbound activity
- Longer sales cycles
- High cost per rep

## Sales Capacity

- Long on-ramp
- Patchy coverage



# 5: “Make Customer Success a Religion”

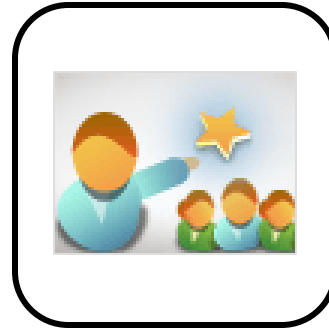
## *From Adoption to Addiction*



**Build a Customer Success team  
(not “Customer Service”)**



**Track Key Adoption Metrics**



**Build Referenceable Customers**



**Continually Evangelize ROI**

"If you leave your customer's success to chance, you are giving up control over your own success."

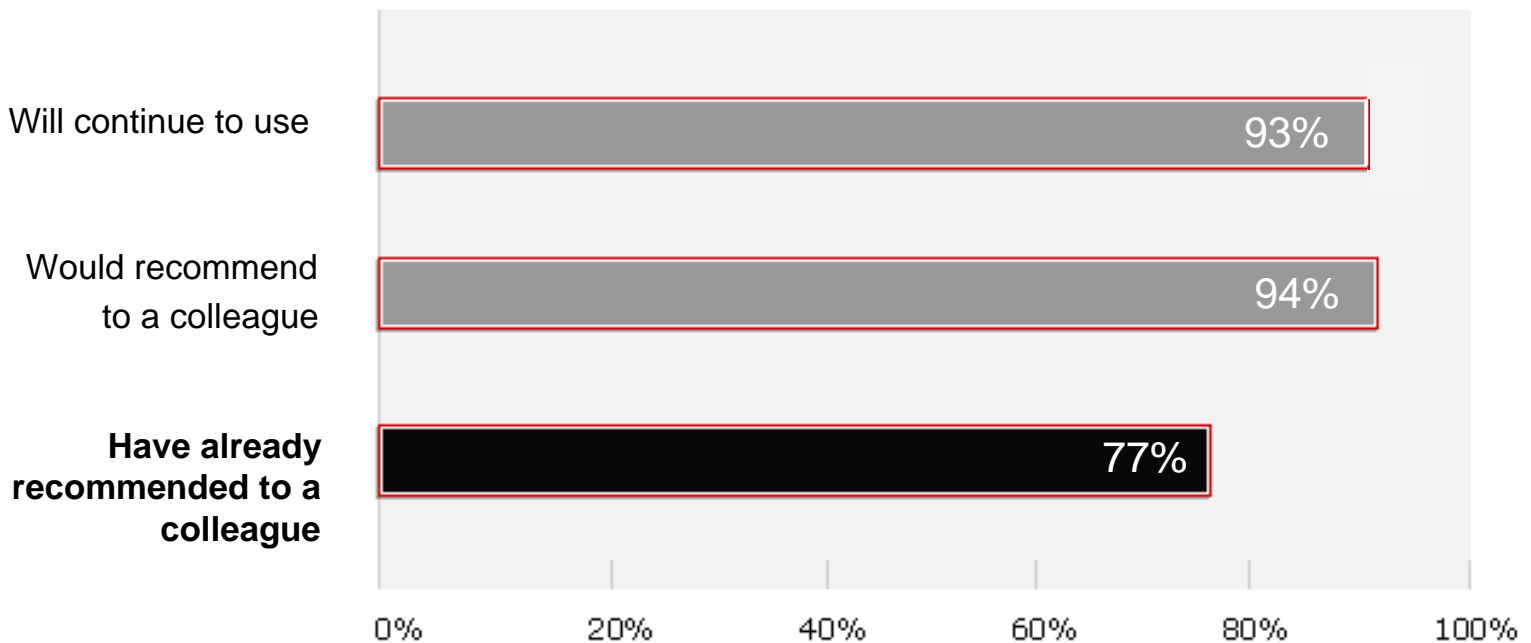
- Geoffrey Moore



# Turn your Customers into your Sales Army

*Build referral programs around your biggest fans*

## Third-Party Customer Satisfaction Results



Source: Independent survey by Customer Sat in April 2005. Percentages for "Will continue to use" and "Would recommend to a friend" reflect respondents indicating "Definitely will" or "Probably will."



## 6: “Develop Highly Disciplined Financial Processes”

*SaaS model rewards close attention to unit economics*

- Predictable revenues (and cash flow)
- Controlled expenses
- Strong ROMI
- Scalable sales team
- High customer loyalty



# The Basics of the SaaS Financial Model

Previous Year's Run Rate

—

This Year's Attrition

+

This Year's New Recurring Revenue  
(ACV or "CMRR")

=

This Year's Run Rate



# The Basics of the SaaS Financial Model

**10 million previous year**

**—**

**1 million in non-renewals**

**+**

**2 million new revenue (ACV)**

**=**

**11 million new run rate**



IMMIGRATION

VIETNAM

22 AUG 2004

# Scaling the SaaS Business Model

**80 million previous year**

**—**

**0 million in non-renewals**

**+**

**20 million new revenue (ACV)**

**=**

**100 million new run rate**



# Scaling Up the SaaS Business Model

**GOAL: 20 million new subscriptions**

- 20 reps closing 1 million each?
- 40 reps closing 500,000 each?

**What kind of company are you?**

- 80 million previous year run rate
- 320 employees
- 40 quota carrying sales reps
- 80 person sales organization
- Avg Sales Price? Sales cycle?



# A Closer Look at Attrition

*Assuming a 100M run rate, what's your growth/attrition mix?*

		<b>GROWTH %</b>					
		<b>0%</b>	<b>5%</b>	<b>10%</b>	<b>15%</b>	<b>20%</b>	<b>25%</b>
<b>ATTRITION %</b>	<b>100</b>						
	<b>0%</b>	100	105	110	115	120	125
	<b>5%</b>	95	100	105	110	115	120
	<b>10%</b>	90	95	100	105	110	115
	<b>15%</b>	85	90	95	100	105	110
	<b>20%</b>	80	85	90	95	100	105
	<b>25%</b>	75	80	85	90	95	100



# SaaS Business Model: Crossing The Desert

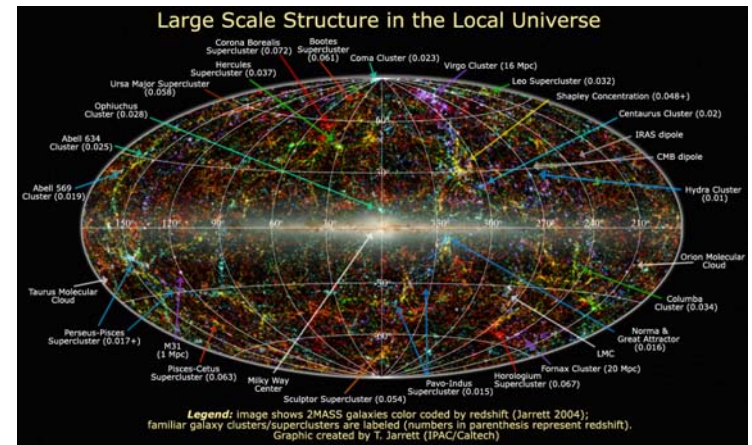


- **Fixed Costs & Cash reserves?**
- **Unit economics?**
- **Renewal Rate & Attrition over time?**
- **Avg relationship length?**
- **Cash vs. Growth**
- **Outside capital infusion?**

# 7: “Take Your Place in the Mashup Universe”

## *Look to the Web for technology and relationships*

- Re-use, don't re-build
- API-centric development
- Exploit API-driven channels
- Build Developer programs



# On-Demand Startup Kit

Free for [developer.force.com](http://developer.force.com) Members!

## FREE On-Demand Startup Kit

Everything you need to turn your idea into a successful company



“With only six employees, our company will generate over \$2 million in revenue this year. Much of our success has been made possible by building on the Salesforce Platform and going-to-market on the AppExchange.”

— Glenn Wilson  
President  
CRMfusion

### Want help launching and growing your on-demand company?

Register now for access to a complete set of tools, resources and services to help you build your business, including:

#### BUSINESS PLANNING

 **Free Video - “The Art of the Start” by Guy Kawasaki**  
Watch Silicon Valley startup guru Guy Kawasaki as he presents core principles for building a successful startup to developers and entrepreneurs at a recent salesforce.com conference.

 **Free Whitepaper - “The 7 Habits of Highly Successful On-Demand Companies”**  
Building a successful on-demand company requires more than just innovative technology—you must learn a whole new way of running a business. Hear from entrepreneurs who have already built leading on-demand companies and learn their secrets to success.

#### TOOLS & TECHNOLOGY

 **Free E-Book - “Creating On-Demand Applications”**  
Start building on-demand applications right away! Newly revised and expanded, this practical book provides step-by-step instruction on how to create your first business app within hours.

 **Free Tools - Get a Developer Edition Account**  
Join the Apex Developer Network—the world’s largest on-demand developer community—and receive a free Salesforce Developer Edition account, along with exclusive access to premium technical content such as whitepapers, screencasts, toolkits and more.

#### STARTUP SERVICES

 **Save Money on Essential Services - \$1000+ Value**  
Save on mission-critical services that can help your company grow, including:

- Email Marketing
- Legal Services
- Logo Creation & Branding
- UI Design Consulting
- Customer Financing

Get it at [developer.force.com](http://developer.force.com)!



# THE FORCE.COM MILLION DOLLAR CHALLENGE

1. Enter at: [www.salesforce.com/challenge](http://www.salesforce.com/challenge)
2. Build Your App, Grow Your Company
3. Winner announced at Dreamforce 2008

*force.com*<sup>™</sup>  
platform as a service

“ We’re focused on investing in **innovation, not infrastructure.** ”

Jason Green  
General Partner  
Emergence Capital Partners



# QUESTION & ANSWER SESSION



**Mark Trang**

*Director, ISV Marketing*

[mtrang@salesforce.com](mailto:mtrang@salesforce.com)

