



An Evergage White Paper

The Beginner's Guide to Converting Customers from Free to Paid

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The Logic Behind Free

Not even a team of archeologists and historical scholars could likely place a definitive origin to that ancient sales practice that still does well today: The Free Sample.

For what may be thousands of years now, the basic mantra has been: “Try it, you’ll like it!” The messaging has been embraced throughout much of the computer industry for a very simple reason: It works.

Or at least it works *enough*, to make the effort worthwhile. Within the world of software the offer usually takes one of two forms:

- **The Free Trial.**
In this case the customer is offered free use of the full product for a defined period—perhaps a week, a month, or more. The hope is that well before the end of the free trial the customer will decide the product is essential, and commit to the purchase.
- **The Freemium Edition.**
Freemium differs from the free trial in two key ways. 1) It provides just a subset of the full application’s features. 2) It offers ongoing use. The hope here is that users will become so impressed by the freemium edition they will recognize the value of investing in the full, or *premium*, edition. Ad revenue can be another factor—with ads supporting the freemium edition, and users gaining freedom from ads by upgrading to the premium edition.

Generally free trials involve smaller groups of users than freemium products. This is because typically the free trial is offered to buyers who have been identified, or self-identified, as being deeper into the sales cycle. The idea is that they have a need and an interest, and simply want to take the solution for a test drive before committing.

Freemium use is quite the contrary to the free trial, in that with freemium the goal often times is massive distribution and adoption. Freemium is seen as a brand-building effort, a way to get a product out into the market and, hopefully, inspire word-of-mouth marketing from happy users—some of whom will upgrade to the premium version.

A free trial user will decide to either buy or not buy at the end of the free trial. With freemium, a contented user could continue to use the product for free indefinitely, never upgrading to the paid premium version.

The Challenges of Free Trials

The central goal of a free trial is to get the customer to use it, find value in it, and convert to being a paid customer. Therein lays the challenge. From a sales standpoint, the free trial is only valuable if it succeeds in getting the user to convert to being a customer.

The challenge is complicated by the pre-defined time limit of the free trial, and the fact that typically both the customer and sales team are busy. The customer may be too busy to fully explore the power and capabilities of the solution. While the sales team may be too busy to touch base with the free trial users to ensure that they are finding the power and capabilities and having a successful experience.

The Black Box Problem

Monitoring the progress of a customer's free trial is complicated by the *black box* problem. Once a user has signed up for a free trial, a form of information blackout occurs. The user enters a black box. The company has no way of knowing what stage the user is at in the process of exploring the application—without having salespeople speak to them frequently, which is both costly and potentially annoying for the user.

The company does not know if the product has been set up, or which features have been used, or what problems have been encountered. If the free trial is occurring within a corporation, there is generally no way of knowing whether others within the organization have used it, or *how* they have used it. The black box element of free trials means it is difficult for an organization to recognize if their problem has conceptual roadblocks. Is it easy to use? Or do users get blocked early on in such a way that they never discover the values of the product.

The Challenges of Freemium

The major challenge with freemium is striking the difficult balance between offering users *enough* value to interest them in the product, but *not* so much that they won't convert to the premium edition.

Again, the Black Box Problem

A freemium approach faces the same black box problem found with free trials. Typically once a freemium user is launched with the product, all communication stops. This precludes the company from knowing how people are using the product, what features are going unnoticed, what usability problems are encountered, and insights into what features might help convert a freemium users to a paying premium customer.

The inherent challenge of freemium is the need to upsell, or to show ads, for example, to offset the value of the product they are using. Generally ad revenue is a secondary goal, and the key focus remains on converting the freemium user to premium.

An excellent way to do this is to find the natural inflection points where additional value can be naturally and easily presented, nudging users to upgrade.

Traditional Conversion Strategies Used

A number of strategies have been used to meet these challenges, though none of the traditional approaches have proven to be overly effective. Traditional conversion strategies include:

- Drip Campaigns
- In-App Ads
- E-Mail Requests to Upgrade
- Direct Contact by Sales Representatives

Drip Campaigns

A commonly used strategy is a drip campaign, which involves e-mailing customers different messages at various time intervals after the start of a free trial, or of a freemium service. Drip campaigns—also called welcome campaigns—have pros and cons.

On the positive side, drip campaigns, when well-timed and relevant, can help deepen customer involvement with a product by, for example, offering Tips & Tricks and other guidance on getting the most from a product.

However, drip campaigns can be annoying for users, as well as ineffective, because they assume a rhythm, and a rate of adoption, which is found in only some small percentage of cases, involving the few perfect customers. So whether dealing with free trials or freemium users, all too often drip campaigns are sending messages that are ill-timed for the user's current involvement in the product, or lack relevancy for how they are using it.

A related problem is that every e-mail sent risks breeding familiarity-driven indifference for the value of that company's email as users will assume that the irrelevancy of the content in early e-mails will continue in later ones.

A user might give the company two chances, but when the third irrelevant email arrives, they may become conditioned to disregard all email from the company. They will send them to their junk folder, or otherwise put them out of mind because they may be so many e-mails a day that they simply can't spend time on those that they feel have no meaning or value for them.

Drip campaigns also suffer from the black box problem already mentioned. The lack of knowledge of what the customer is doing with the product, and of what they have succeeded with and of where they have encountered problems, makes it exceedingly difficult to target users with relevant content.

In-App Ads

Mostly seen in the freemium world, in-app ads are intended to the user to upgrade to premium. But they often lack effectiveness because they seem like a transparent effort to monetize, rather than providing relevant service.

Users may be grateful for the gift of the freemium solution, but may be offended if in-app ads seem like blatant attempts to capitalize on their use of the product. The result is that users start blocking them out as background noise, or stop using the product.

The goal is to provide relevant content in the in-app ads so that users find valuable information, along with a deeper understanding of the values of upgrading to premium. But the black box element again gets in the way of providing relevant content.

E-mail Requests to Upgrade

Using e-mails to induce people to upgrade is very similar to the in-app messaging solution. But instead of contacting them via messages within an application, the company uses a standard email address. This has the same problems of the first two approaches combined. First, being e-mail, it is automatically out of context—that is, arriving when the user might not have the free trial or freemium product open—and is therefore less likely to be read or opened in the first place.

E-mail is not only out of context, almost by definition, but, if it is not tailored to that specific user and their needs, it may feel like an ad, and will usually be treated as one. Again, the black box problem of operating with limited information about the user and their current status in relation to the product limits the ability of the company to respond to users in a manner relevant to them.

A message saying to users, in effect "We hope you are enjoying our application, please consider upgrading," is not terribly effective. Users will stop opening emails from the company if the content is not tailored to their needs.

Direct Contact by Sales Representatives

The first three approaches we've looked at—drip campaigns, in-app ads, and e-mail requests to upgrade—have the benefit of being easy to automate and inexpensive. That's not the case with the fourth conversion strategy: Direct contact by sales representatives.

Direct calls, because of the time involved, are usually found with free trials rather than freemium products. With freemium there would generally be too many users to economically contact, especially given the low probability of any given user converting due to that contact.

Free trial, by contrast, will often include calls from salespeople, but sales calls suffer from the same problems as the earlier approaches. The salesperson is, in effect, calling into a black box. The sales rep may know so little about the specific customer needs that the user won't feel cared for, and may feel annoyed.

Because of the black-box lack of information, the salesperson has to spend too much of their valuable time with the customer coming up to speed on what the user is and isn't taking advantage of in the app. With better information, the salesperson could instead be calling with suggestions on how to pull more value from the solution through using features that hadn't yet been accessed, and in other ways help the user.

Solution

Evergage solves the black box problem.

The Evergage solution monitors keystrokes and user commands, to determine how often the customer is using your product, which features they are using, and—extremely importantly—where customers are unsuccessfully trying to do something and failing, perhaps because of poor user interface design.

Evergage gives you the analytical data to bring light to the black box. You can now see exactly how your solution is being used, and provide automated, yet user-specific, guidance on how to get more from the product.

And by solving the black box problem, Evergage helps you create *happy customers*. Happy customers are one of the greatest assets a company can have because happy customers *stay* customers. Happy customers provide great lifetime value. They suggest you to their peers, building the critically important word-of-mouth and referral business. Happy customers also provide valuable feedback and cheer your product development on each step of the way.

These all-important happy customers are vital to your business. And the ability to create happy customers helps you avoid, or at least minimize, churn, as well as the creation of *unhappy* customers, which not only keep you from converting from freed to paid, but may also provide negative word-of-mouth.

Evergage helps you succeed through a number of ways, including:

- **Drive More Conversions.**
Dramatically increase conversions and click-through rates by delivering relevant content, in-context with the user's experience.
- **Activate More Users.**
Guide new users to a successful experience, showcasing the full value of your product with timely, relevant in-app and on-site messages.
- **Increase Retention.**
Drive customer happiness that not only sticks around, but tells others about your seamless user experience, informed support, and relevant content.

Guide Each Customer to Success

Guiding the user to success in the freemium model means gently presenting them with the limits of what they are currently using, so that they understand how upgrading could provide additional value for them. Guiding free trial customers to success includes providing users with relevant product information to enable them to make better use of feature sets so they're deriving maximum value from the product. Whether dealing with freemium or free trial, if you can give users value, and make their product part of the user's workday, then later steps, including conversion, are much easier.

In the same way that Amazon has increased sales with its program of "Buyers of this book, also bought . . ." Using Evergage, similar functionality could be provided to freemium users on what features similar to (but more powerful than) those they are using at that moment are enjoyed by premium users. Similar messages could go to free trial users: "If you like that feature, you might also try this, because . . ." The knowledge of how people are using your products helps you guide each customer to success.

Understand Where Each Customer is in Their Free Trial

Evergage technology enables you to know exactly where each person is with your application. If someone is having difficulty with accomplishing a task (as detected by repeated unsuccessful attempts to accomplish something using incorrect menu commands and other analytics) you can have automatic messages triggered to provide guidance. And if enough people stumble at the same point in the UI, you can use the information to have your designers and developers alleviate the problem.

Without this kind of detailed information, it is like trying to teach someone to play the violin by sending random suggestions, unaware of whether they are relevant or needed.

Measuring Time Spent with the App

Using Evergage you can get a deep view into customer engagement with your app or site, including the number of times they visit a site or use an app, and how long they spend once inside. You can see which areas of most interest or utility to them, and create targeted messaging providing guidance on how to get the most from these and related features. If your solution involves uploading documents or storing files, you can also gauge the use they are getting and the extent of their involvement.

Scoring Engagement

You can use Evergage analytics to create specific scoring criteria to provide insight into whatever behavior you care to measure. Establishing such user-defined metrics, based on any key performance indicators you like, is extremely powerful, because scores can be used in a number of high-value ways. Scores can be used to guide UI design and product development, as well as to provide real-time guidance to users. They can also be used to define and categorize users into different profile demographics.

Users in a specific demographic or interest group can be compared to those in other groups. Or those who have used a certain key feature, or performed certain tasks, or reached a particular level of engagement, can be compared to control groups that haven't. You might find that users who discover and use a specific feature or cluster of features is 75% more likely to convert than those who don't. With information like this, you can create in-app messaging or related campaigns to encourage use of the features.

Providing Guidance for Sales Calls

Scores can be used to inform salespeople, giving them a more precise view into who the best prospects would be for encouraging conversion with a free trial. Scores could show which users have done little with an app since signing up for a free trial, as compared to those who have developed a deep usage and would logically be interested in continuing as paying customers.

Analytics might also show that the super users tend to convert on their own, while there is a rich spot in the middle of engaged users who convert at an attractive rate when contacted by a sales representative. Whatever your analytics reveal, a simple score lets an effective form of triage be done with users.

Behavior-based Communication

Using Evergage analytics to blow away the black-box barrier, you can create automated behavior-based messaging that can be delivered in-app for maximum relevancy. When you deliver real-time messages of complete relevancy to what the user is doing at the moment, you gain far better responses and appreciation than from blind drip campaigns, banner ads, and out-of-band e-mails.

Part of delivering behavior-based communication is deciding when it will be most relevant for the user. With a freemium game, for example, a user might be able to play the first four levels before even being told that there are more available with the premium product.

With a freemium application, behavior-based communication can be triggered when a user starts hitting against the limits of the freemium product, or reaching a point where premium features are of obvious use. Automated behavior-based messaging can be delivered telling the user about the premium, and showing them use cases illustrating the value of the premium.

Targeted Messages

Evergage can be used to generate and deliver a wealth of messages that are timely and relevant. These messages can include both text and other content, such as links to online video or slide show demonstrations that provide step-by-step walk-throughs of menus and commands. You can also offer links to a user community to further engage the user.

Knowing how often a user has visited in the past, for instance, would let a message be tailored to them, asking them for feedback on how to better help them, or asking them if they would like a salesperson to call them, or if they would like to participate in an online chat.

Just some examples of messages and timing includes:

- User who hasn't finished setup—message them the next two steps
- Task list for all the steps of setup
- User who is highly engaged and getting value—message them to upgrade
- Target upgrade messages at users who are ready for them and/or close to timing out
- Users who haven't used a key feature—remind them about it
- Users who haven't used a feature in a while—remind them of its value
- Training videos to those who are stuck at a specific step
- Sales people call right when user achieves a key milestone
- Service people call informed of where they are, what next steps need to take

You can assemble several messages into an automated campaign that releases a targeted message upon the user reaching different thresholds.

Sales Benefits

Evergage gives sales teams the data they need to achieve optimum performance. Our solution enables sales representatives to provide value-add guidance to the conversation, because they can know their customer. They can also benefit from creating customer segments to see, from an analytical perspective, which usage patterns create the highest levels of conversion.

This means that sales and service organizations can prioritize their work, because, instead of reaching into a black box to choose a customer at random, they can determine who is ready to contact and know in advance how to help them. This makes it possible to both prioritize those who need the most help, and those who are the most likely to be fruitful for the company.

Over time, the company can develop its own analytics to see which people to target. All of this results in an increased ability to guide customers to success, which translates into higher conversion rates and greater customer satisfaction.

A Quick Look at the Evergage Solution

Evergage is a cloud-based customer engagement platform that helps you to increase your revenue by better understanding and responding to customer behavior. Evergage provides a complete solution for capturing user behavior and other data and using the information to provide custom messaging to users to enhance conversion of web visitors.

The Evergage Solution has a robust feature set that includes:

- Evergage Integrator
- Segments Tool
- OnMessage Communication System

The Evergage Integrator

The Evergage Integrator allows you to easily integrate the Evergage service into your website or web application. You can visually configure Evergage as you explore your site. Point to URLs, page titles and page content to have Evergage track them as page loading actions, user information, clicks and other properties. You can then use this information for rules, reports, and trends and to conditionally show users in-app messages through Evergage's OnMessage system.

As the Integrator runs in the browser, it captures the selected data in the background, and sends it to Evergage, where the information is stored in a large data center, and analyzed with results forwarded to clients. Collecting historical data on a user lets it be combined with that from the current session, to guide messaging and targeting strategies.

Segments Tool

The Segments Tool is a rules engine that runs against data collected by the Integrator. You use the Segments Tool to define a set of segments of users based on actions taken on your site. The Segments Tool can be used to implement whatever strategies you like. If you find that customers who use a certain feature set tend to have higher rates of conversion from either free trial or from freemium to premium, you can create messaging strategies to encourage users to discover and use the features.

The Segments Tool rules engine can also take into account any background data on a user, such as the industry they are in, or even the number of followers they have on Twitter.

OnMessage Communication System

The Evergage OnMessage Communication System delivers custom messages through the delivery mechanism of your choice, as specified through the Segments Tool. OnMessage makes it easy for you to deliver custom messages while the user is within your app or website.

OnMessage delivers what we call Smart Messaging because of how it is driven by user-specified rules. After a message is set up, in terms of appearance, contents, function, recipients, and the like, the process can be taken further with Evergage's Campaigns feature.

Campaigns are a group of sequential messages that can be used so visitors see a series of sequential messages that change based on various criteria. Evergage makes it very easy to create an ordered sequence driven either by immediate previous actions, or by a history of actions over time. Specific numbers can be used to control the campaign feature, such as the number of visits by each user, the specific actions they took and how many times, or over what period of time. Both the specific sequence, and the difference in messages for each step of the sequence, can be selected.

A Powerful Platform

All of this adds up to Evergage's powerful platform that provides a spectrum of high-value benefits, including:

- **Convert Free Trials & Freemium to Premium.**
Guide trial users to a successful user experience, leading to more paid conversions and upgrades.

- **Ease Onboarding.**
The best place to help new customers with onboarding is in-app. Walk them through setup each step of the way.
- **Showcase Features.**
Highlight new or rarely used features to increase and test usage with specific visitor or user segments.
- **Personalize Content.**
Tailor content to individual users based on their preferences, viewing history, purchase behavior, you name it.
- **Improve Product.**
Fully understand current feature usage, so that you can make informed product decisions your customers will love.
- **Increase Lifetime Value.**
Promote upgrade options, upsells, and cross sells to highly engaged customers most likely to convert.
- **Drive More Leads.**
Solutions are available for helping convert leads, but few help drive leads in the first place. Evergage does both.
- **Prevent Churn.**
See the signs of churn before it's too late and discover how you can help the customer be successful.
- **Leverage Top Users.**
Turn happy customers into brand evangelists by asking them to share your solution with others.

Summary

Evergage provides an ideal solution for enabling organizations to capture and analyze the data they need to deliver targeted messages to application and website users to enhance the conversion users from freemium to premium and from free trial to paying customers.