How Savvy SaaS Companies Increase Their Customer Long Term Value (CLV) with a CPaaS Strategy

Executive Summary

SaaS (Software as a Service) businesses are different from other companies. Typically reliant on free trials and subscription-based models, customer loyalty is key to recurring revenue streams that make long-term success and profitability possible.

Forward-looking SaaS companies focus on customer engagement - using the channels their users prefer - but not with a do-it-yourself model. Instead, they incorporate Communications Platform as a Service (CPaaS) technology in their software applications and workflows. By partnering with a CPaaS provider they're accelerating their value to customers and providing an exceptional user experience.

CPaaS technology allows a SaaS company to follow a customer's preferred communication style for follow up, service requests, and more. They reduce infrastructure and resource costs, scale faster and respond more quickly to market demands. And it shows in the bottom line: those companies maintain the highest average LTV (lifetime value) and ability to maintain MRR (monthly recurring revenue) growth.

Translated to a baseline metric, a SaaS company needs to continuously increase its CLV as much as possible. The higher the LTV, the healthier the business. Conversely, minimizing churn is critical, particularly as it experiences rapid growth.

> **The key to increasing CLV, and reducing customer attrition, is incorporating a solid user communications and engagement application (Communication Platform as a Service) strategy.**

Why CPaaS is Key to CLV

Many SaaS companies create powerful software solutions. But even they'll admit they're not experts at user communication and engagement. Even for the most sophisticated and talented development staff, building and maintaining a multi-channel communications strategy can be complicated, expensive and time-consuming. And as CPaaS technology advances, it becomes even more difficult to offer the latest advances and scale.

That's why it's critical for SaaS companies to partner with a CPaaS provider that offers complimentary CPaaS technology - like conversational or communication APIs - that fits strategically into a company's customer communication workflow.

Partnering with a CPaaS company allows SaaS firms to remain competitively positioned and scale faster with more flexibility. Building communication channels or integrating with a variety of communication platforms can be complex and costly, and can distract internal development teams from focusing on building core functionality into a SaaS platform.

Why CLV Matters to SaaS Companies

Customer lifetime value (CLV) helps gauge decisions about sales, marketing, product development, and customer support, including:

> Who are the best - and most engaged - customers

> Which future products, services, and features to develop

> How much to spend to service and retain a customer

> What types of customers value the product or service the most

> Evaluating the most valuable marketing channels. Measuring LTV for each marketing channel can be a highly effective way to prioritize which channels yield the most long-term, profitable and loyal customers.

It's All About Keeping Users Happy and Engaged

Customer churn has an extremely negative impact on market share, competitive strength, and ultimately revenue for any business. But particularly for SaaS firms.

Even for the most popular and widely used SaaS platforms, a typical customer journey is remarkably fragmented with interactions often one-sided and delayed. It's the opposite of interactive. When engagement and messaging is fragmented, customers are left feeling their needs are ignored.

Value perception is imperative for SaaS businesses.

Customers of any SaaS service or platform are driven - and usually delighted - by instant gratification with comments, questions, or proactive user tips sent in seconds, not days.

Each touchpoint in an application, web platform, or website is an opportunity to either wow customers or fall short of expectations. A cohesive CPaaS strategy across the user's preferred channels with consistent messaging helps customers feel valued and heard.

Listening to customers - and responding in real-time - is key to problem resolution, learning about opportunities for improvement, and providing outstanding customer service. A CPaaS strategy delivers on that promise.

> **Multi-channel engagement offered on a SaaS platform can be a key factor of differentiation between an organization and its competitors.**

It costs five times more to attract a new customer than to keep one. Customer Lifetime Value is a vital metric for SaaS companies to keep an eye on. If a CLV isn't a big enough multiple of Customer Acquisition Costs (CAC), there's a problem.

Regular user engagement is crucial for SaaS firms because when customers stop using a solution they are more likely to churn.

For example, if a customer hasn't logged into a system for a few days, an email or text reminder about an outstanding task may be enough to drive them back. Or, if the customer makes it several steps into an onboarding process and abandons the

process, engagement triggers can encourage them to complete the process and feel supported along the way.

Routine, multi-channel communication using CPaaS technology will not only keep the user engaged, but useful tips, news, and interactive communications related to the product or service provides additional value and a stronger experience. It's critical to engage the customer at every point and action.

Engagement functionality should feel like an inherent component of a SaaS platform. It is extremely frustrating for customers to need to launch an external application - like an email platform - simply to have a one-way conversation. For example, it's not unusual for a user to begin a support request or dialogue on their laptop or desktop and check the status via text message, phone, or email. The ability to see updates across various communication channels shows a commitment to a superior customer experience.

Putting It All Together

CLV for SaaS companies is typically an estimate of revenue (as opposed to profit) per customer. There's a lot of different ways to predict a SaaS company's CLV, with varying levels of complexity ranging from basic calculations to predictive modeling. For a true estimation of CLV, the best way is to estimate how long a customer to stay with a company, based on

> **CPaaS partnerships shift the burden of future-proofing a SaaS business, making this transition a smart business decision for any software company looking to cut cost and scale.**

existing customer data. What's a leading indicator? Customer engagement.

Most companies, regardless of business models or focus, spend a great deal of time and money to grow their customer base. But customers are notoriously fickle with a short attention span and a plethora of other options, making it easy for a competitor to catch their eye.

It's too easy for customers to head off in a different direction unless companies proactively work to maintain customer value and user experience. Deepening the relationship with current customers is a way to price protect and is vastly more cost effective than attempting to churn through new customers on a regular basis.

Here Is Where Integrated CPaaS Excels

As new communication methods come to the forefront, CPaaS solutions allow SaaS platforms to easily shift to the new style of conversation. Who could have predicted that Facebook Messenger or WhatsApp would be popular for service requests? When a business provides the perception of being omnipresent in the conversation, customers are much more willing to reach out when they have an issue -- critical for healthy customer retention.

Customer expectations are high when it comes to marketing and onboarding, and the success of these customer-centric

activities can be risky and costly unless they are well automated. It would be next to impossible to hire enough people to follow up on every lead or customer transaction. However, a fully-configured CPaaS infrastructure helps develop the relationship with new customers through upselling and personalized communications based on their actions.

Wrapping it Up

SaaS companies are unique in how they acquire and retain customers. They invest significant resources in acquiring customers up front, and then recover the costs and realize revenue through the lifetime relationship with each customer. Adding CPaaS technology goes a long way in helping SaaS companies stay ahead of the innovation curve and be responsive to changing customer expectations.

About Ytel

Ytel's communication platform allows developers and businesses to easily build SMS and voice capabilities into any application. With a single API, improve every customer experience and drive more operational efficiency in your business by working with an enterprise carrier in the cloud. Founded in 2012, Ytel delivers more than 1 billion monthly messages to help businesses grow revenue and brand equity.