PIPZ
AUTOMATION

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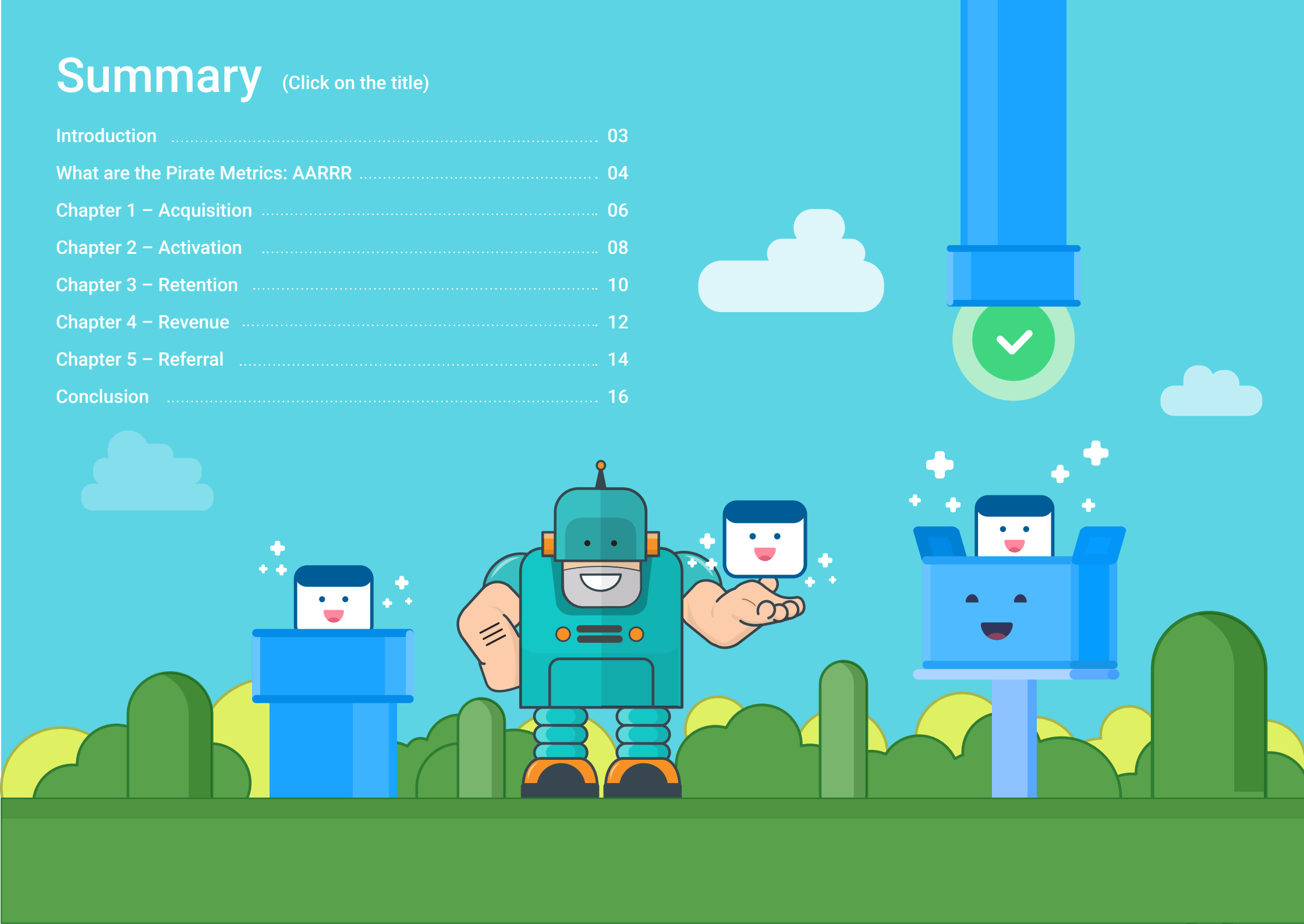# SaaS Customer Lifecycle Made Easy:

The Ultimate Step-by-Step for Increasing Revenue

# Summary (Click on the title)

Introduction

Nowadays, every business owner, CEO, or most likely everyone else in the planet that work with digital marketing and SaaS has heard of CRM (Customer Relationship Management) but there are a few concepts commonly related to it, such as customer lifecycle management, that can get blurry at times.

Customer lifecycle refers to the steps a customer goes through all the way from getting acquainted to your product or service until actually becoming a paying customer. It identifies common milestones on the path of each user during their relationship with a brand/retailer, making it a lot easier to tailor marketing communication.

Assuming we're talking about a software, we can consider that the first step of the cycle is the moment when the customer signs up for a newsletter or, digging a little deeper, registers for a free trial.

The next step is the metaphorical equivalent of a first date: on most retail models, it refers to the point when customers makes their first purchase - this is the moment where everything is at stake, the "make or break" stage. The course your relationship will take depends on the user's experience in this first interaction with your brand.

From then on, the relationship between a brand and its users can either evolve positively with multiple purchases and/or referrals, or negatively gradually cooling down until it fades - unless you decide to do something to change it (this where your strongest communication efforts must reside). There's more than a handful of models out there to symbolise the customer lifecycle but, for this book's purpose, we've adopted Dave McClure's Pirate Metrics and its 5 stages.
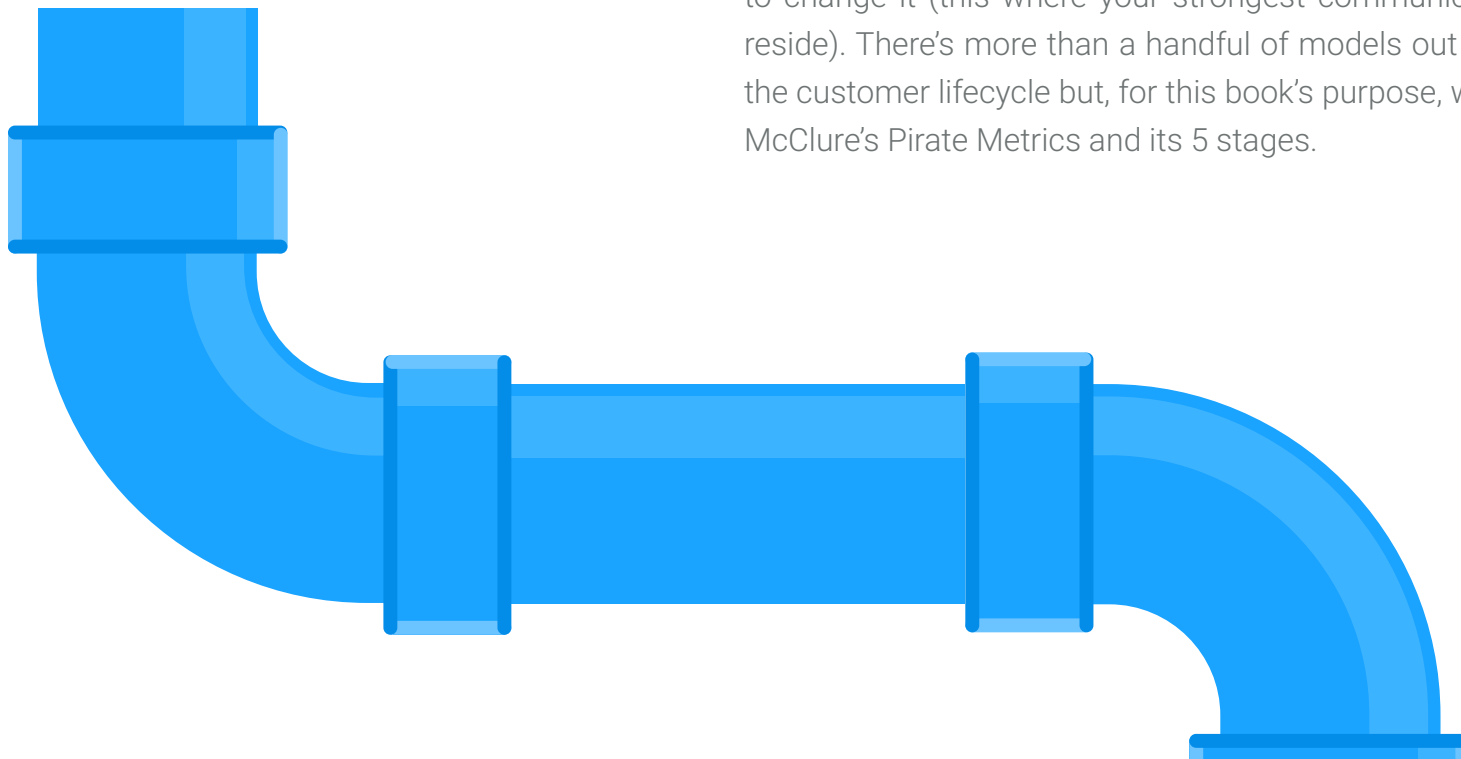
What are the Pirate Metrics: AARRR

We couldn't possibly start talking about AARRR, better known as "Pirate Metrics", without first talking a little bit about the guy that has first brought the term to common knowledge: Dave McClure. He first coined the term during a brilliant presentation at Seattle Ignite, available on video on Dave's Blog and on a slideshare, viewed thousands of times all over the world.

CoFounder of world renowned startup accelerator 500 startups and self-proclaimed troublemaker, Dave is a very active investor and, for the nature of his job, comes across dozens of different startups every day. For his years of experience, Dave argues that, in order to be truly successful, a business founder/CEO should focus on 5 KPIs: acquisition, activation, retention, referral and revenue.

Those metrics initials resulted in the acronym AARRR, sounding just like a pirate's salute, hence the nickname - Pirate Metrics. Dave says that, focusing on these 5 stages of the customer journey, any founder/CEO can effectively direct their - and their team's - efforts towards each specific stage of their product/service's development.

This ebook will be all about clarifying those 5 stages of the customer journey and showing you how having structured processes and automating customer interactions can greatly improve your performance on all of them. You'll probably notice we chose to leave referral as the last topic, contrary to McClure's originally proposed - we did that because we believe the order of referral and revenue may vary depending on your business: it's clear they come after retention because a customer only chooses to pay or indicate a product/service he/she sees value in but, whether you're aiming for higher referral rates before or after converting users to paying customers is a matter specific to each case.

JOURNEY MAP

Acquisition — LEVEL 1

Activation — LEVEL 2

Retention — LEVEL 3

Revenue — LEVEL 4

Referral — LEVEL 5
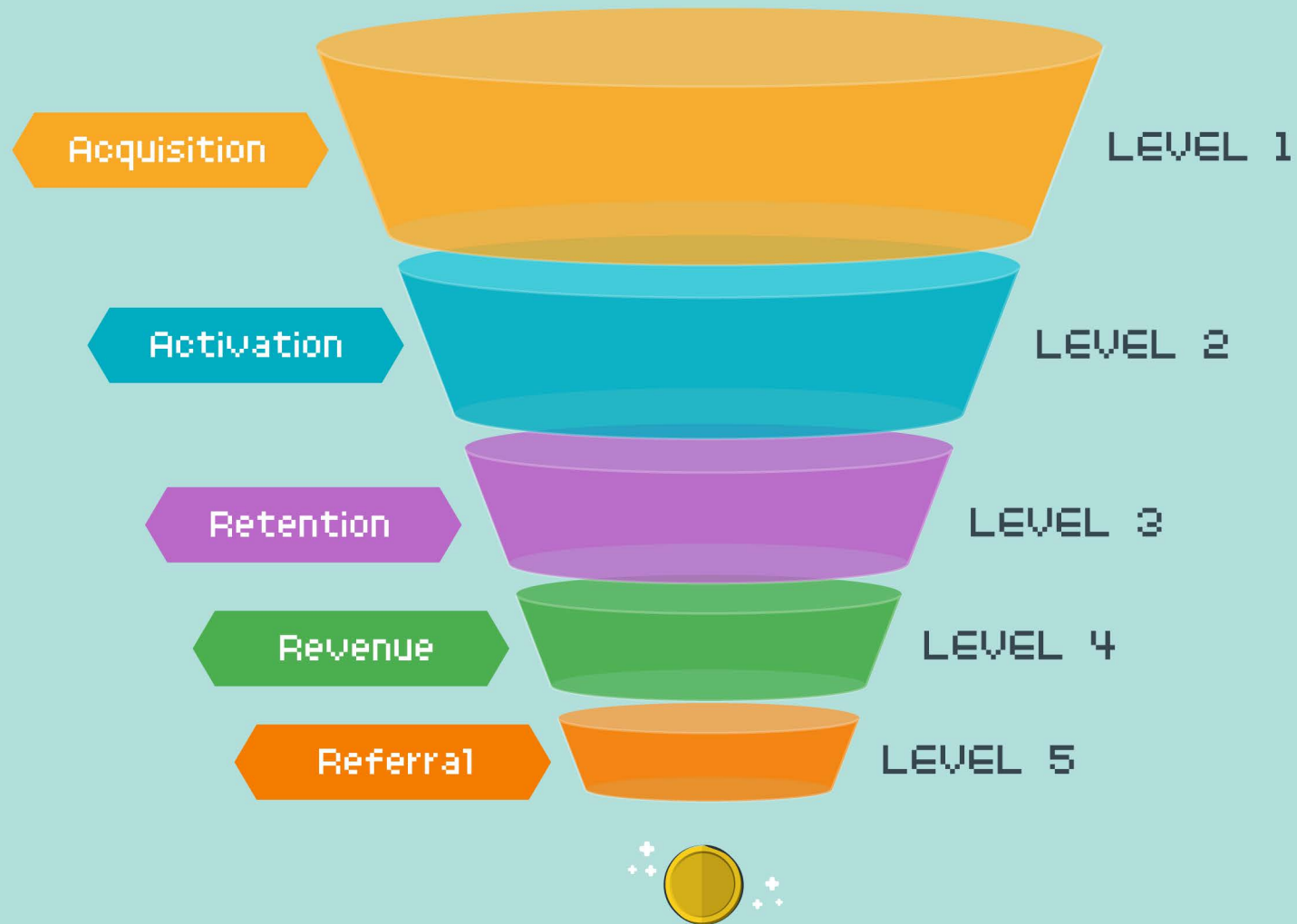
Chapter 1 - Acquisition

The acquisition is all about raising brand awareness. The main purpose of developing a great acquisition strategy is to reach and deliver value to your targeted audience. If you're in a startup, you probably don't have many resources, so it's important to think carefully and creatively when developing tactics to reach your customers and create a relevant presence in the market.

Even though acquisition is considered the first stage of the AAARR metrics, it doesn't mean that it's where the customer lifecycle begins. Actually, its starting point can be a referral, a word-of-mouth such as friends' indications, comments on forums, and so on, as nowadays people's opinion about your product can be easily spread online. Having that said, there are two key factors that are absolutely critical for your acquisition strategy to work: a product that users love (think about market fit) and data (actionable metrics).

At first, try to estimate your Cost of Customer Acquisition (CAC). Not surprisingly, this will become easier in the Activation stage, when you already have acquired customers. While you don't know for sure what your CAC is, make a prediction. This will contribute to your planning. With time, your predictions will get more precise, but in the beginning there's no magical trick or growth hack that can help you out, unfortunately. Each business is different and acquisition is not predictable: you can only make guesses and improve those guesses as you dive deeper in your acquisition processes.

Tools like pre-designed process templates can be very helpful when managing the Acquisition stage. Here are a few examples of templates to Growth Hacking Experiments, Content Marketing, and SEM Management.

It is easy to fall into the vanity metrics trap, so be careful! To look at surface-level metrics is almost unavoidable, but try to spend most of your time on analyzing the metrics that can actually drive revenue.
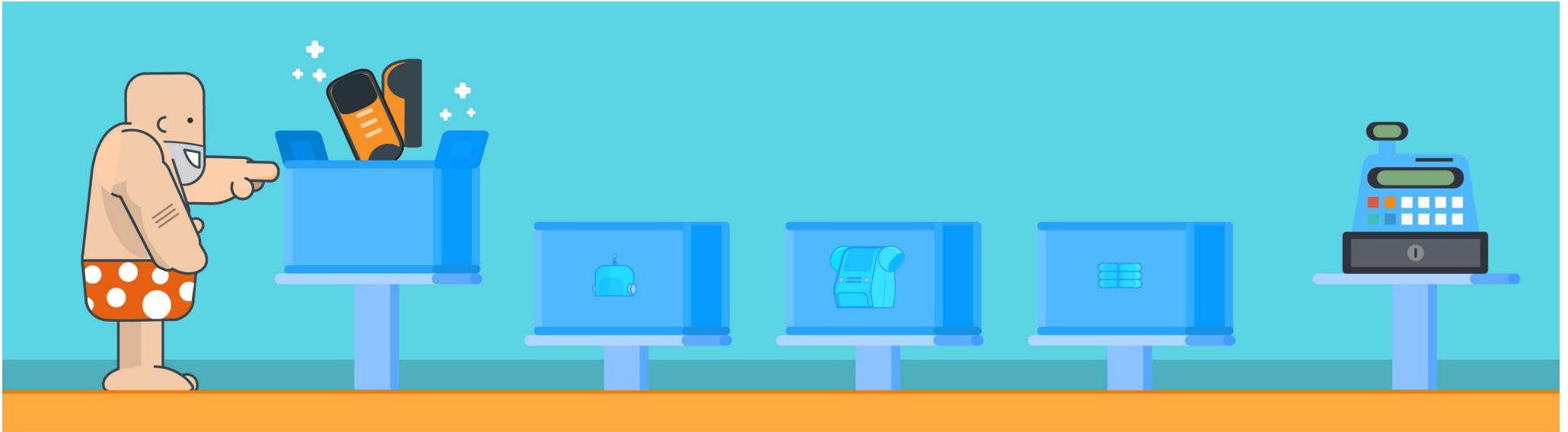
For instance, when looking at your website traffic, focus your acquisition measurement on specific actions: new visitors, users that have viewed more than a specific number of pages or stayed for longer than a minute on your website. By determining these specific events, you'll be able to measure acquisition and engagement strategies based on relevant touch points between the user and your web product. In fact, this is an important element of customer journey mapping.

Once you've mapped your customer journey, choose where you'll invest and how you'll engage with your users: through catchy landing pages, scaled content marketing, email marketing, networking, PR, Pay-Per-Click ads, and so on. Finally, don't forget to use lead magnets and to integrate social sharing to your entire customer acquisition process. There isn't a miraculous formula for acquiring customers, only different strategies that you can follow to create awareness of your brand or product to the people that matter.

Study your visitors and your ideal buyer, put yourself in your customers' shoes and try to figure out what they would like to see and what could capture their attention. While some can be easily reached through a ppc landing page, others might need a more direct approach through social ads, for instance.

Working the acquisition stage correctly can - and will - have a great impact on how the rest of your customer lifecycle goes. If you manage to engage the right users at the first step thoroughly, they will be a lot more likely to convert into customers, generate revenue to your company and/or refer you to friends and colleagues.
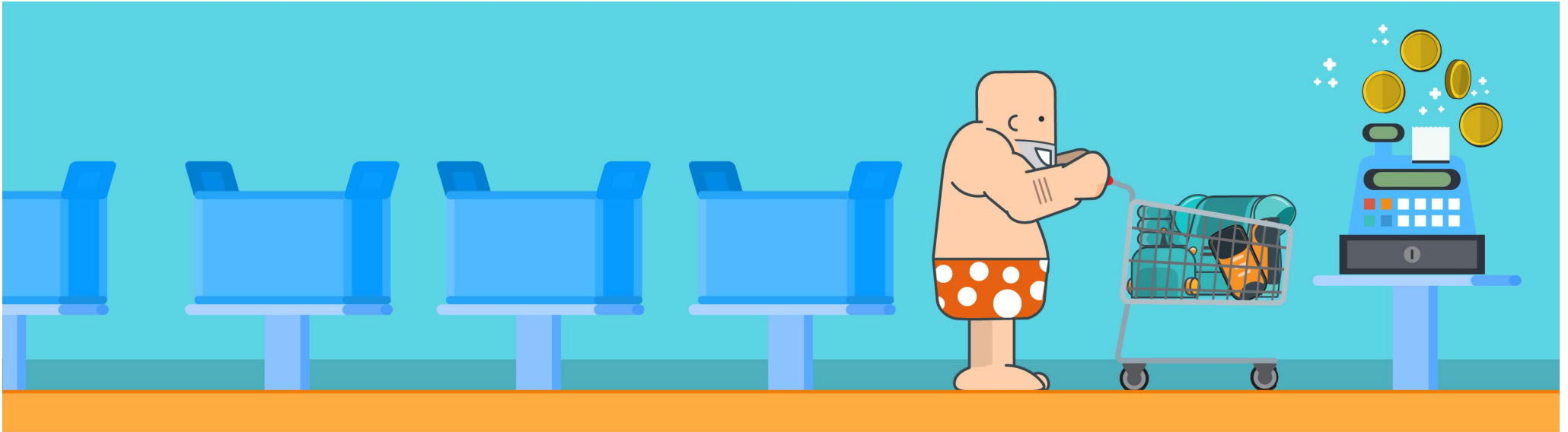
Chapter 2 - Activation

The second A in AARRR happens after drawing users to your website and having them sign-up: Activation on SaaS begins when they actually start using your software/app. It may sound unnecessary to say, since most people make the obvious correlation that if someone signed up, he/she will actually use the product, but it's not that simple - and it becomes even clearer when you find out that a lot of startups out there have activation rates lower than 25%.

It doesn't matter if your product is great or if you invested a ton of money into attracting new users - without Activation, those users won't stay around long enough to compensate your expense.

If you're working with SaaS, there's data showing that 40 to 60% of all users that sign up for a free trial - or that logged in for the first time -

won't come back again. Those numbers are kind of depressing, but they're normal when it comes to SaaS.

As in Acquisition, many different factors influence your Activation rates like your user onboarding process, having a tutorial or walkthrough for new users, creating user friendly UI, etc. All of these, if not given the proper treatment, may result in bouncing newly acquired users right out as soon as they start to experience your product/service.

Each SaaS will determine its own activation events and it can be broken into more than one stage. It's important to choose 1 or 2 main activation events and stick to them as your indicators. For example, if you have an event scheduling app, you can consider your activation milestone as the first event created by the new user.

Breaking down your activation into different steps allows you to measure more specifically what's working and what's not. Actually, that works for your entire funnel: measuring all the phases allows you to fine-tune the areas with the worst performance (the ones with the highest rates of incomplete actions by the users).

Focusing on activation is essential for ensuring the success of the following phases of the customer lifecycle: if a customer can't see what your product is worth by experiencing its features, they're unlikely to pay for it, or even give you their credit info. This stage is where you have the opportunity of showing your newly acquired users that your product's value is a lot higher than its cost, that it actually justify the investment. Process management softwares can help you in this stage offering Customer Onboarding Templates, specially developed-based on customer success best practices, to help companies of all sizes organize and automate their customer on boarding processes.

At this stage, having a customer journey automation tool can be incredibly valuable to your Activation rates - you can use it to send onboarding emails to your new users, interesting content to engage them and draw them further into your application, and many other possible uses.

A customer journey automation platform focused on retention will improve the overall customer experience and service. Picture something that integrates of all your company's marketing actions, sales, helpdesk and customer success. With all that, it's a lot easier to manage the customer´s lifecycle as a whole, creating personalized actions, improving communication and building a long term relationship with your customers.
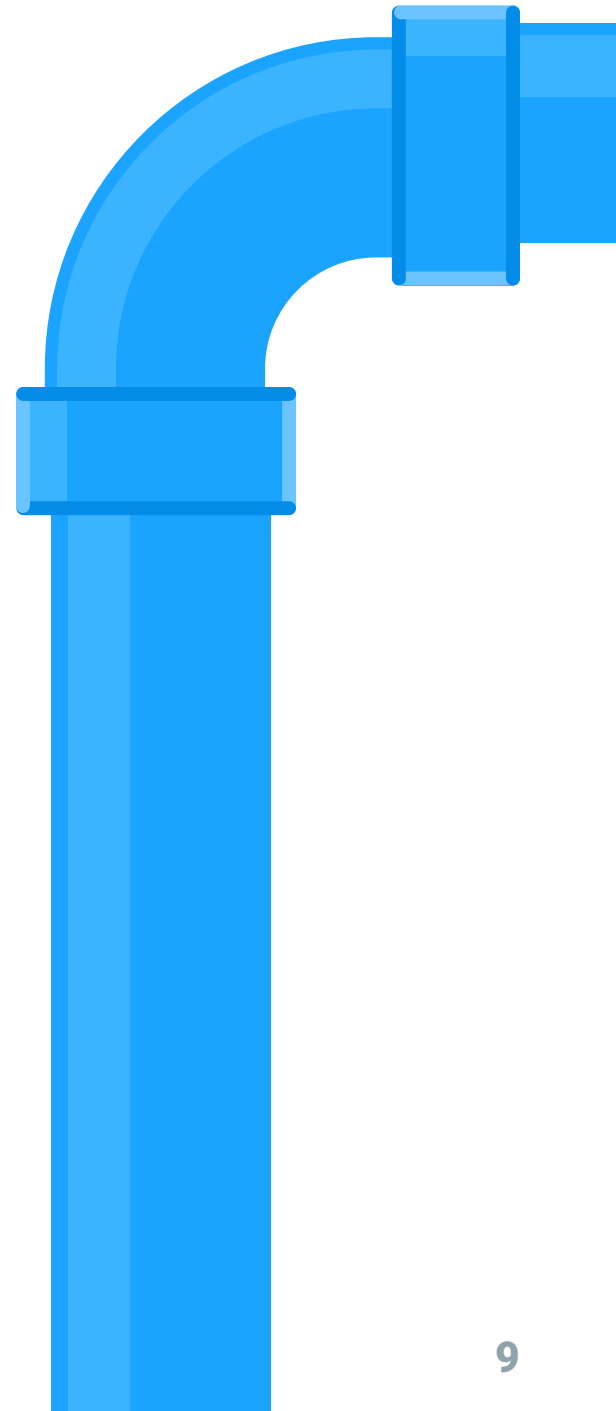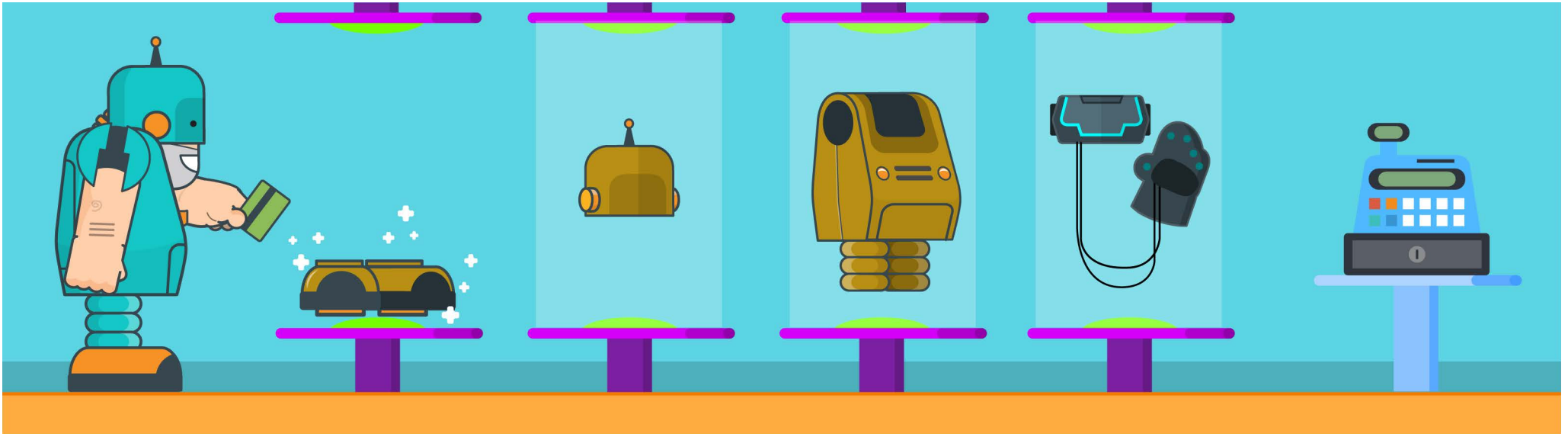
Chapter 3 - Retention

Your well-planned acquisition strategy with high-class, engaging content is bringing quality contacts to your base. After they had a great user experience, discovering each and every feature of your web product through a magnificent, top-notch, bugless user onboarding process, they're finally activated and started using your app. What now? This is where customer journey automation comes in: to take care of the Retention Stage.

An old marketing maxim tells that it costs over 5x more to acquire a new customer than retaining an existing customer, and your company probably shouldn't afford losing users you've spend so much effort to acquire and activate. That's why engagement is the key for retaining users: the way you interact with users shortly after their conversion is crucial for them to decide if your product (thus, your company) is worthy of their money and time. For this, the user onboarding is the perfect place to show them you care about

their experience right from the beginning: start by giving your users clear directions, useful information and even content recommendations right in the user onboarding with in-app notifications.

More than helping them understanding your product's interface and features, in-app messaging allows you to engage with the users and make them keep using your product until they reach the well-known WOW moment, when they finally perceive app's true value, its core functionality: the faster, the better. As Lincoln Murphy, from SixteenVentures.com, says: "the seeds of churn are planted early, and those seeds are planted deep if your onboarding experience for new customers or your prospects during a free trial is terrible".

In-app messaging is also a great way of acquiring user feedback, during and even after the user onboarding process, with custom surveys and reply fields. There's no better way of knowing if users are satisfied (or not) than actually asking them for it. Feedback is valuable information: use it wisely

to improve what needs to be improved in your app, from its features to its UI and UX design. With it, you'll create a continuous-improving environment, where customers will always feel that your product is improving everyday, and that they're the main reason for that.

As a complement, personalized emails also can be used to increase user engagement and retention. Since in-app messaging requires more concise, objective messages, emails allows you to take a more unabridged approach. Think about sending personalized emails with targeted content according to users' behavior within your product:

• showing the benefits of finishing the user onboarding quickly as possible;
• a blog post with a throughout tutorial for making the most of your features;
• a whitepaper showing the amazing results others users achieved with a feature the user isn't using that much;

But let's face the truth: sending all these emails and in-app messages for a 15.000 user base can be a real pain in the neck, and that's probably what you're thinking right now. But there's no mountain high enough for [marketing automation](). All actions, emails, in-app notifications and even app integrations are triggered based on the users' interaction with your product. With that, it only takes a couple clicks to configure which user-triggered events (i.e. page views, clicks, features used) will release personalized emails and in-app notifications.

Keep in mind that retention is about not losing touch with your users, but also it isn't overdoing it. Most people don't like getting message over message, so you have to find the sweet spot between annoying and absent. The way you develop your retention strategy can bring you excellent results on the upcoming stages of the customer lifecycle.
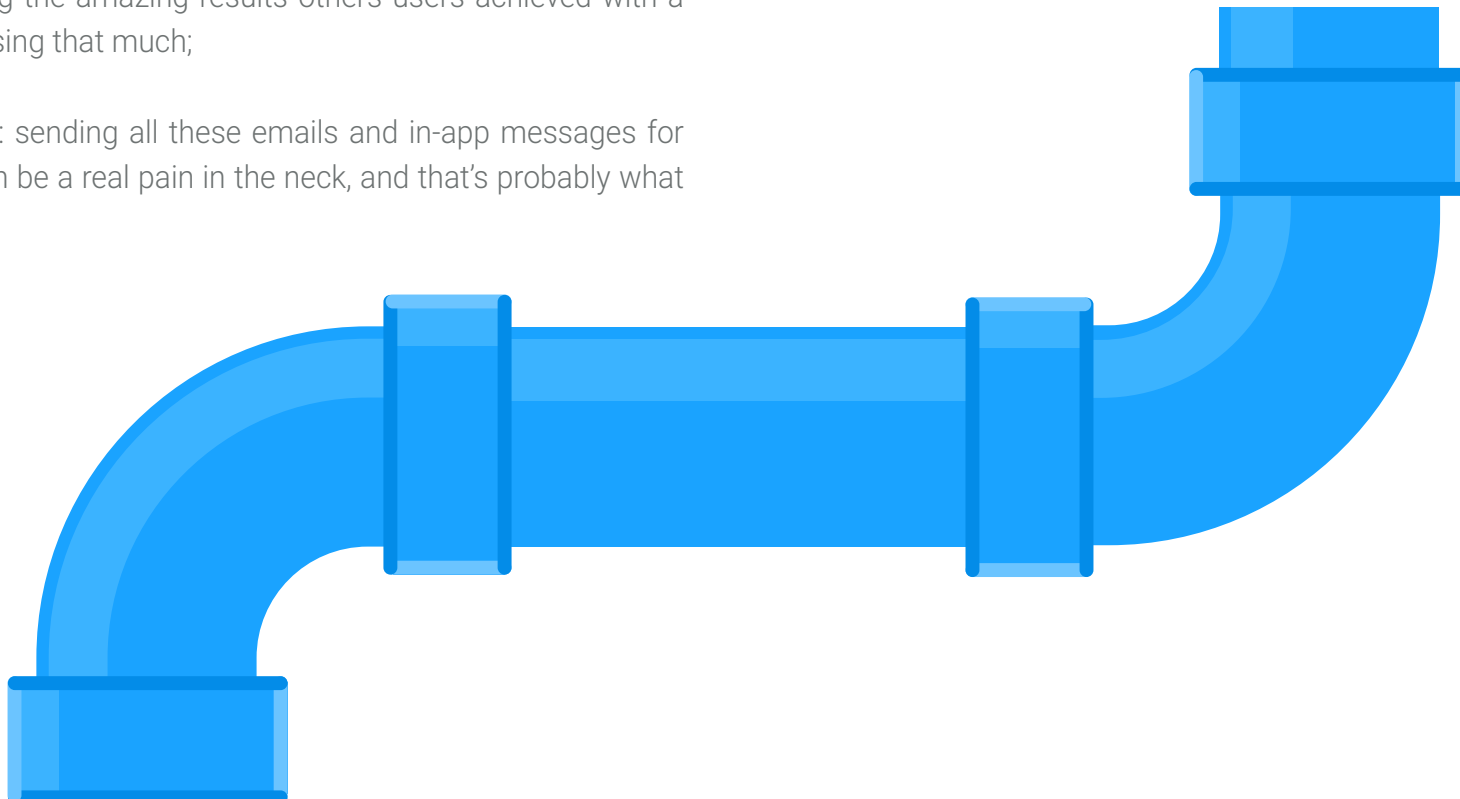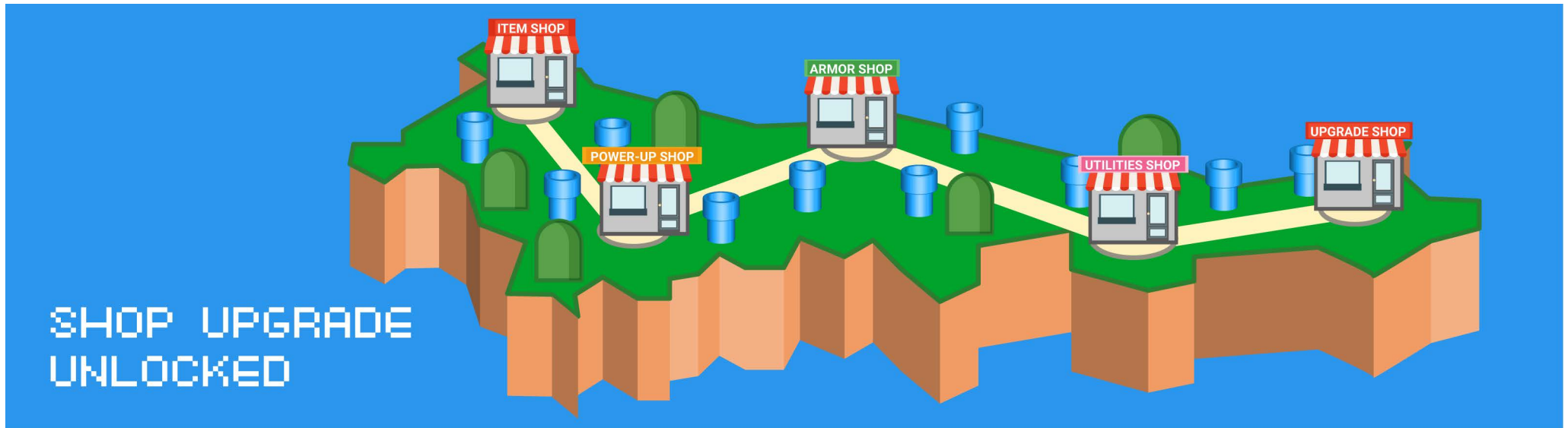
Chapter 4 - Revenue

You've probably heard about the 80-20 revenue rule: 80% of your revenue will come from 20% of your customers. Well, revenue is usually the most expected and celebrated metric (if everything goes as planned, of course), but the main point of a SaaS company is not only retain the customer: the focus is the growth of Monthly Recurring Revenue (MRR).

The worst battle that SaaS companies face is against the "leaky" of attrition and churn through the customer lifecycle funnel. To keep growing your company, you should keep an eye on your renewal rates, simply because, as you already know, acquiring a customer can cost five times more than retaining an existing one. To ensure a good recurring revenue, it's crucial to work on a renewal strategy that starts prior to the contract expiration date. For many companies, recurring revenue represents 30% of income, and more than 50% of profit. Meanwhile, a 5% decrease in customer defection can result in a 25-80% increase in a company's profit.

However, if you measure your customer success and revenue only based on retention, churn, renewal and attrition rates, you will end up with sketchy metrics. There are a few others factors to take in consideration on the analysis process . If your retention rates are low, for example, you already have a problem, probably a bottleneck somewhere in the process. You might have to focus on different metrics, that could give you directions before something happens, the actionable metrics. For starters, have you ever considered tracking your customer engagement index, how much time users are spending in your app, what are they doing in there and so on?

For a company to achieve aggressive growth targets, it's imperative to retain customers at an optimal renewal rate and reduce churn and attrition. But to successfully retain your users, you need to know who is actually engaged and who is not. You can't find this out only based on vanity metrics like daily active users (DAU) or monthly active users (MAU). Most of the time, these metrics merely show users who have logged into your app, but customer journey automation platforms have developed an index to actually measure

how engaged are your users according to values and criteria defined by you. This will eventually help you predict your churn user rate from users who aren't interacting that much with your product.

The KPI that you use should help you identify trends and information about your users' behavior, so you can develop and even change the path of your strategies in the middle of the process, to improve its performance. And that's the beauty of actionable metrics. Analyzing your user's behaviour is also a great way of increasing your revenue, as you'll be able to create personalized actions according to their interaction with your product and find out opportunities to upsell and cross-sell.

With reliable behavior analytics, marketing automation engagement and [nurturing capabilities](#) can push users to pay for higher subscription plans. By identifying users with a high engagement index, who seem to be using your product at its fullest, you'll be able to show them how to achieve greater results just for a few bucks more every month. Thus, increasing your customer's Lifetime Value (LTV) and profit. The best part is that having all metrics and user data at the same place can make it easier to calculate the results of your strategies.

Remember that, to increase the value of your product, you need to make sure that your customer is taking full advantage of it. Reinforce its benefits, remove barriers to usage and highlight the critical features to end-users. That's why analytics are important: to monitor the customer usage to know when training or support is needed. Customers only see value if they properly use your product and if it actually delivers measurable outcomes. After all these "prerequisites" are filled, the revenue comes in through the door by itself.
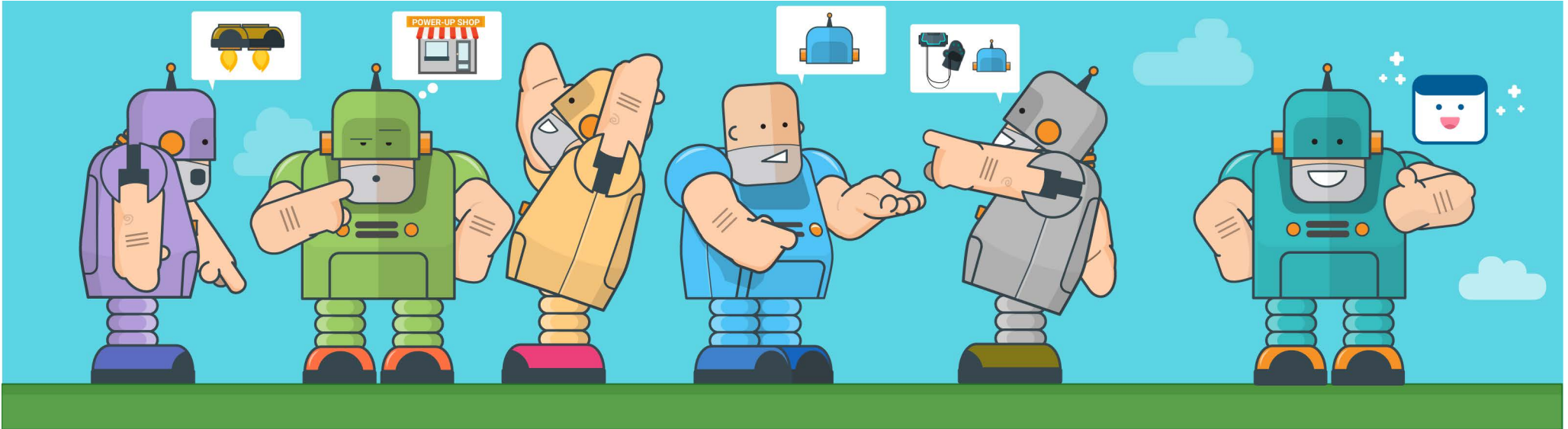
Chapter 5 - Referral

Referral can and should be the most important stage of your customer lifecycle. If you actually get your customer to this point, you'll unlock one of the most powerful sales tool in the marketing professional toolkit: there is nothing like word of mouth.

People are 4 times more likely to buy a product when referred from a friend and 65% of new business comes from referrals. So do invest time and money on getting your customer to advocate for your brand.

However, before you actually get a successful referral you might have to face three issues: first of all, you customer need to remember you, which means that your brand has to stay top-of-mind to your customers, which isn't a very easy task nowadays. Customers are bombarded with loads of marketing messages every day, so you will have to take significant

measures to be remembered, hence the importance of a great content marketing strategy and social media presence.

Second, your customer may remember your product or brand, but they might fail to recognize when the referral is appropriate. The social media networks have given us more "friends" than we can actually handle. This means we are dealing with people with different contexts and different needs. It's difficult to figure out if the product/service that helped you will help someone in the same way, at the same moment. You might have to teach your customer when to recognize the perfect referral moment.

The third and final issue you may face when dealing with user referral is that your customer may fail to convey your product's true value to their friends and followers. And that can be fixed with a great user experience where customers can easily perceive your product's Initial Value Proposition, so they can craft the most natural and trustworthy message to their followers,

effectively sharing the main benefits of your using your company's app.

But how do you get someone to advocate for your business? Ask! According to a study by Advisor Impact, 83% of satisfied customers are more than willing to refer your company, but only 29% actually do so. Why? Because most of the companies don't ask for it, and don't know when to do it. That's okay, because it isn't an easy task to make users naturally referral your product or company. To start this process, you have to invite them to be part of your communities first: make them to know more about your brand on your social networks, newsletters and your own channels and forums. Once you ask for a referral, open the right channels of communication, where it can be easier for the user to share: will they share your content on social media, write testimonials and reviews directly on your website, send you emails with their experience, or something else?

To make it even easier, you can also provide ready-made shareable material, like copy-and-paste HTML codes snippets, so other people can share your infographics, for example; social media share buttons with

personalized messages; content related to your users' interest, and so on. You can even give them analytics so they can track the success of their referrals. Take Dropbox as an example and give some sort of reward: it could be a free upgrade, VIP entries in your next event, a free trial to a new product or beta access to a new amazing feature. After all, you're asking them some of their precious time in your benefit.

Another alternative is creating a referral program, where you can send personalized emails, CTAs on post-purchase pages, referral windows in your mobile app, SMS texts and so on to increase engagement and encourage users to spread the word about your product.

Remember that your customer will only give referral if he knows and trust you. Build a strong and trustworthy relationship with your customers, together with a delightful customer experience. Show that you care, and it'll eventually pay off: customers that come from recommendations are usually higher-quality than the ones coming from advertising or sales pitches. In fact, according to Wharton School of Business, the lifetime value of a new referral customer is 16% higher. Referral is not a complex thing, it's as simple as any other human instinct: it's about satisfied customers sharing stuff they like with family and friends.
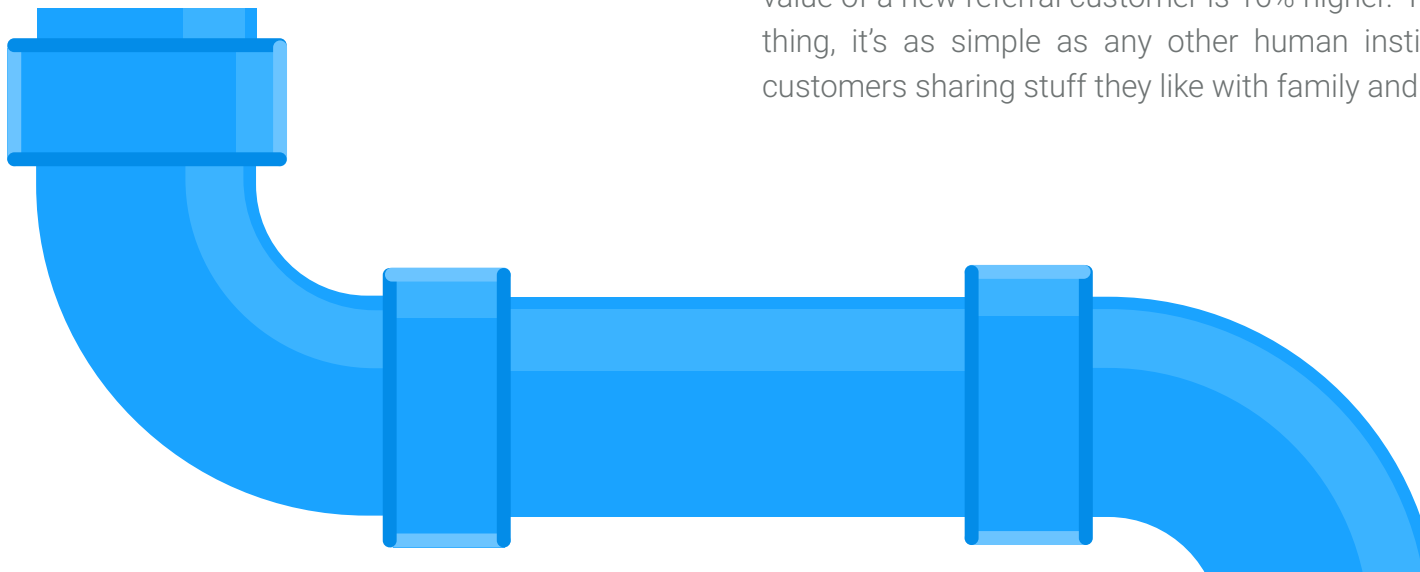
Conclusion

As you can see, the customer lifecycle keeps running on a self-nurturing circle: the more customers' reaching the Referral stage, the more users' get to know your company and product in the Acquisition stage. Of course, we can't overstate the importance of using the right tools for planning and managing the customer lifecycle.

The beauty of the customer lifecycle management is that, after the whole process is up and running, it'll become easier, faster and cheaper for getting new users and turning them into loyal customers. More important than that, you'll manage to get valuable users who'll naturally bring you new insights and feedback for growing your SaaS revenue and turning your app into the next big hit.

THE END

To be continued...

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Pipefy is an intuitive, simple to use, workflow software. It allows businesses of all sizes to run all their processes in a single platform, ensuring efficiency and solid execution.

Pipefy works as an online Kanban system where tasks move laterally through the multiple phases of your process. Each of your process' phases can have its own set of work rules, triggers and, if needed, a designated owner.
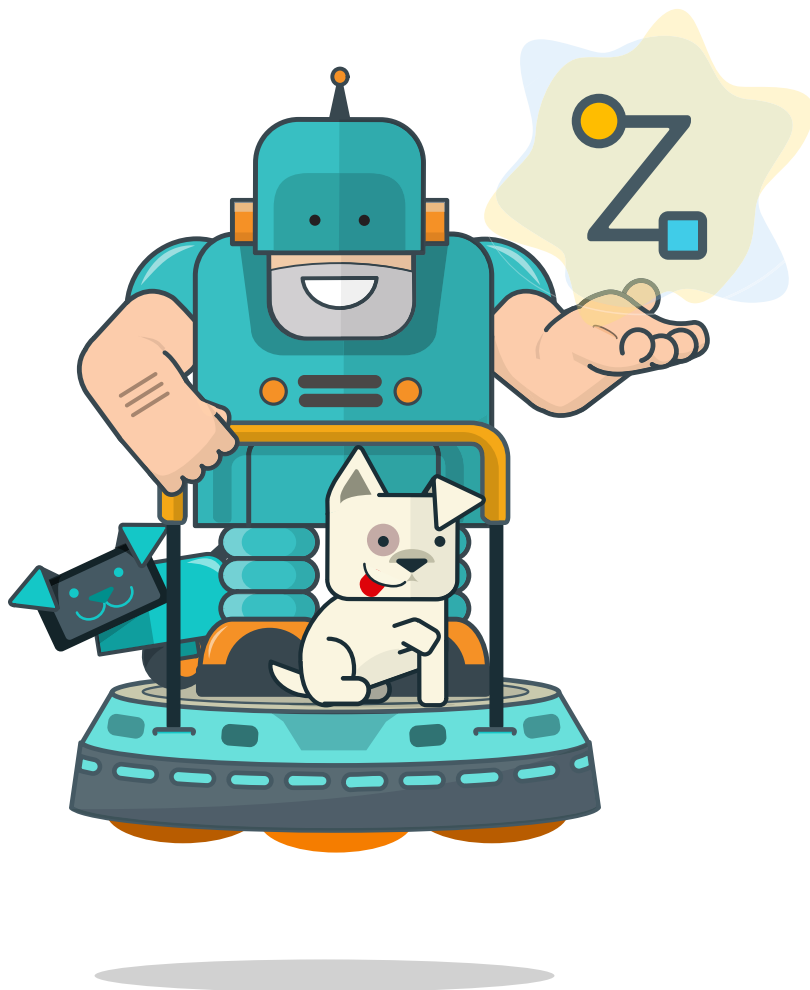
Pipefy's features include:
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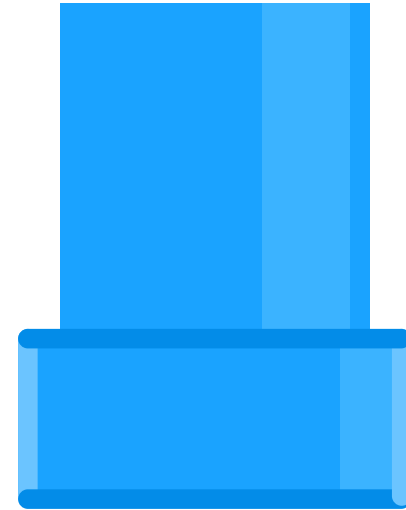
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[Pipz is a customer journey platform](#) which allows SaaS to successfully automate every stage of the customer lifecycle: acquire, engage, understand and retain users - helping your company's growth. Pipz features include:

• Landing page builder for acquiring high-quality leads;
• In-app messaging and personalized emails for real-time user engagement;
• Marketing automation and app integrations for customer journey management;
• Behavioral analytics and event tracking for measuring user engagement index;
• Metrics dashboard for strategies' performance analysis.

[Signup now](#) and let us help you with the hard work: use Pipz to automate your customer journey and drive more users to the final stage of the customer lifecycle!

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This eBook is a partnership between Pipz and Pipefy.
It was carefully planned and written to help other marketing professionals on their daily mission to improve the overall results. We share the same passion and the same pains and we'll do whatever it takes to simplify the processes. We hope you've enjoyed your reading! Find out who are the people behind the SaaS customer lifecycle made easy ebook:
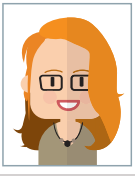
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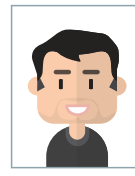
Paulo Zanin is Growth Designer at Pipz and created all the images and branding from this eBook. Paulo is a talented designer that manages to uses his images to communicate and delight its viewers.

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