



MANAGEMENT GUIDE

Solving the top product management challenges in SaaS

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Solving the top product management challenges in SaaS

How product management for SaaS is changing

This eBook will discuss the top challenges in product management for software as a service (SaaS), which, as we'll discuss shortly, is inherently a faster-paced discipline than traditional product management. And what is product management for SaaS, exactly? At the risk of stating the obvious, the product management process is a multifaceted one that works with multiple stakeholders at your company (including, but not limited to, marketing, sales, engineering, and customer support) to create products your customers love. After all, your customers love products that solve their problems and address their genuine business pain, which you, in turn, have studiously researched and clearly identified.

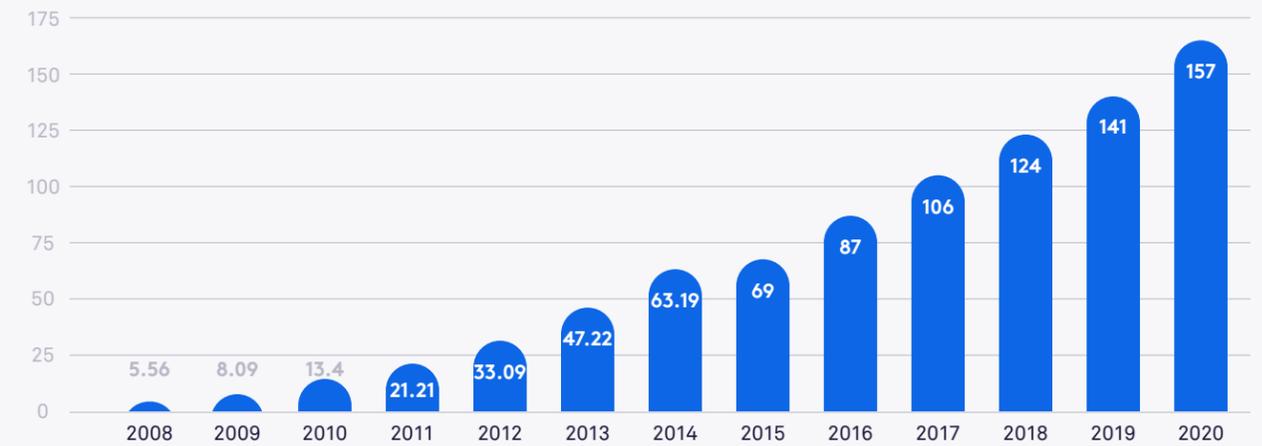
And of course, product management is so much more. Product management is about being the voice of, and internal advocate for, the customer to ensure

their needs are being met. Product management is about developing crucial product management skills, such as being a cross-functional communicator and influencer who builds consensus across multiple teams that each has very different priorities and time-frames. Product management is about being the analytical researcher who arbitrates disagreements with data-driven reasons based on objective, performance-based metrics, not on hunches or personal bias.

So why does SaaS product management move so much faster than other disciplines? Part of the reason is that SaaS is an extremely competitive market that shows no signs of slowing down. SaaS applications have shown double-digit, year-over-year growth for years, with the market hitting an estimated value of \$150B+[1].

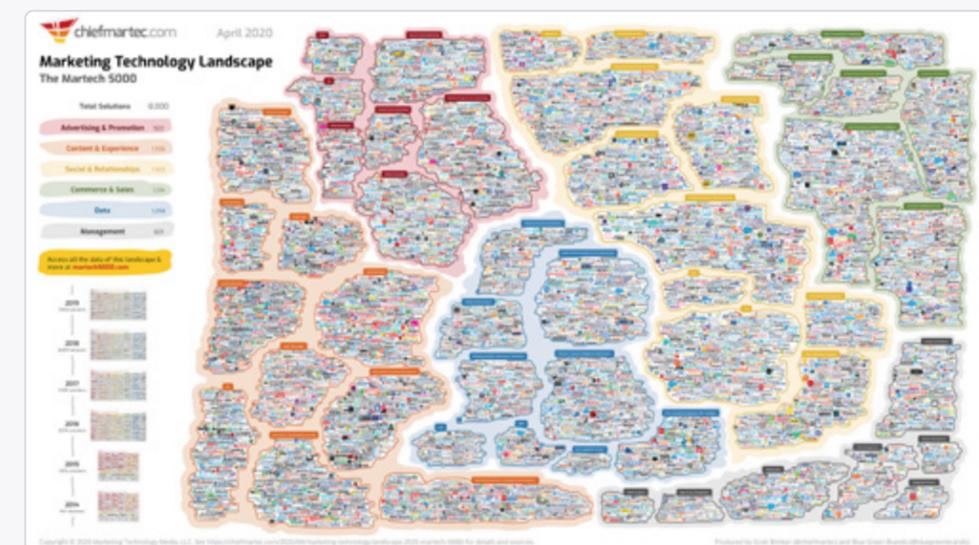
Total size of the public cloud storage as a service (SaaS)

(in billion U.S. dollars)



SaaS continues to show double-digit growth with a \$150B+ valuation. Statistics courtesy of Statista.

New developments such as open-source software and accessible, bootcamp-style training programs have dramatically lowered the barrier to entry on software development and led to the infamous “SaaS explosion.” There are more than 8,000 different software applications for marketing alone[2], to say nothing of different classes of software for other professional functions. As a result, the market is competitive, and customers are demanding. Is your SaaS product missing a key feature your competitors have? Because the pace of software development is so fast, SaaS users have high expectations and aren't shy about asking for additional product enhancements. And because signing up for a SaaS product usually isn't anything like the commitment of, say, purchasing an office building, users also aren't shy about walking away from their current SaaS products in favor of something newer and shinier.



There are 8,000+ software applications for MarTech alone. Image courtesy ChiefMarTec.

Challenge 1: Getting too tactical on product management process

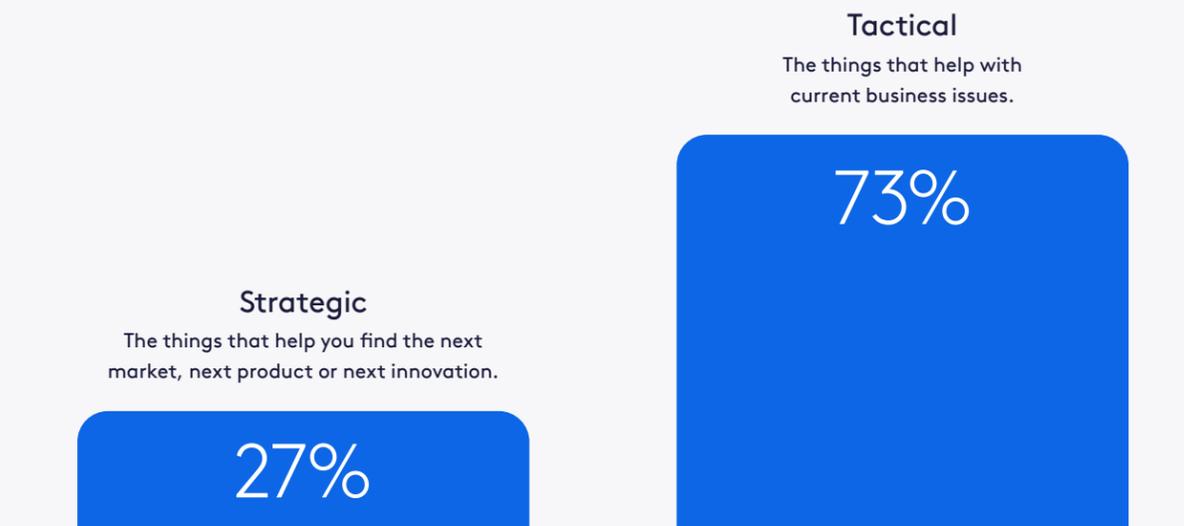
Focusing too much on short-term needs and immediate customer asks is a universal challenge for most product managers, but tends to be especially challenging for SaaS product management. After all, the pace of developing and releasing SaaS products tends to be faster than the pace of developing and shipping new models of cars or airplanes...which means your product roadmap changes frequently, and prioritization can become especially tough. In a perfect world, the only reason your product roadmap would change would be because of all the highly functional and valuable product releases that go flying out the door, on time and on budget.

In the real world, SaaS product managers know that roadmaps frequently change in response to competing priorities. Of course, the north star goal of every SaaS product manager is to create best-in-class products that delight your customers and edge out your competitors. But the reality is that every SaaS product manager has a short-term task-list

that grows at an alarming rate. You have immediate requests from customers. Internal technical gaps that threaten your company's revenue. And the dreaded asks from prospects that will make all the difference in winning new deals, or so your sales team tells you. (And you don't want to cost your company deals, do you?)

As a SaaS product manager, you know you could and should be getting more strategic about how you approach developing new products and enhancing existing ones. Sadly, the reality is that in SaaS product management, it's commonplace for tactical concerns to occupy most of your time. In fact, according to a recent survey with more than 2,000 respondents, product managers spend about 73% of their time on tactical issues[3]. Immediate asks from customers. Internal process blockers and technical gaps that are blocking company revenue. And not the next great evolution in product.

Actual time spent on strategic vs. tactical activities



Surveyed product managers reported spending 70%+ of their time on tactical issues. Statistics courtesy of ProductCraft.

Challenge 2: The product management skill of influence without authority

SaaS product management is arguably as much about soft skills as it is technical skills. While there are definitely organizations in which product sits atop other teams, it's far more common to see product managers own product development while not directly managing any dedicated teams.

Even so, successful product management is all about influencing multiple internal teams that have different goals, time-frames, and in some cases, live in completely different worlds than you:

Engineering

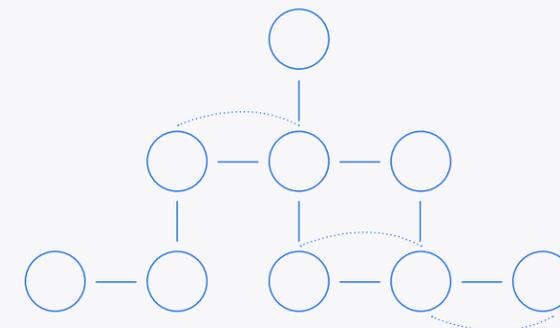
Of all teams to influence in SaaS product management, engineering is perhaps the most important, and most challenging. While we're seeing some companies build out separate departments, such as centralized [business technology](#) teams to handle company-wide software-related requests, at most SaaS firms, developers are still the builders and implementers of everything technical. Your engineers' time is precious and there are many parties competing for it. In fact, engineers routinely cite a lack of capacity as their #1 top challenge.

Cross-functional teams

Product managers also frequently need to influence non-engineering teams. Some common partners include revenue-focused teams such as sales and marketing for go-to-market (GTM) support, customer success to provide valuable user feedback, and growth teams to prevent customer churn and drive retention and up-sells/cross-sells.

Executives

Product management experts understand that they're playing a team sport and that they'll win some and lose some. Being in a position of influencing without authority means that not every initiative you're championing right this second will make it to the roadmap this quarter. However, in cases where conflicts about IT resourcing, prioritization, budget, or office politics bog down product development, executive sponsorship can be extremely valuable to push important projects across the finish line.



Challenge 3: Lack of product stickiness

As mentioned, SaaS customers tend to be more fickle than your average home-buyer. Instead of being stuck with a ten-year mortgage, SaaS customers usually sign a much shorter contract, and might simply churn and walk away forever if they don't feel they're getting value from your product.

One of the challenge in SaaS product management is driving higher retention for your products. From a purely product development standpoint, retention means making your product "stickier," or harder to churn. Since a binding ten-year mortgage is usually not an option for SaaS contracts, the best products tend to be "sticky" because they're so valuable and enjoyable to use that users can't imagine churning. There are powerful product management strategies such as building in accruing benefits and mounting loss into your products to ensure that the more people use them, the more compelled they are to stay.

From a business standpoint, higher retention is also a matter of visibility into user behavior patterns.

For instance, SaaS products tend to have telltale early warning signs for churn, such as decreasing engagement over time with your product, or a lack of multiple logins access a team plan. Conversely, extremely happy customers that are ready for cross-sell or up-sell will also show signals, such as repeated multiple team logins and extensive product usage, sometimes in excess of their usage allowance. By having visibility into product usage analytics, product managers can work with growth teams to dramatically improve the effects of their work on their entire company's bottom line. Visibility into product usage not only prevents churn, but also paves the way to overall revenue growth.

How much do retention and up-sells add to the growth your company? As your growth colleagues will tell you, retaining and growing existing customer accounts is an incredibly efficient way to generate revenue for your company. Up-selling existing customers can be 2x less costly than acquiring new ones; renewing can be 7x less costly[4]!

CAC Ratio:

New customers vs. up-sells, expansions and renewals

Median CAC spend | Excluding companies, \$5MM in 2016 ending ARR



Up-sells to existing customers can be 2x more cost-efficient than acquiring new logos. Statistics courtesy of Forentrepreneurs.

Challenge 4: Resourcing non-product asks against product development

In addition to ad-hoc asks from prospects, your engineering team also regularly fields a variety of internal requests. They might be asked to assist with InfoSec (including data security and customer privacy, which can include compliance for regulations such as GDPR, CCPA, and even HIPAA for healthcare-related issues), or for cloud migration, or database launch/maintenance (particularly for larger SaaS firms still in digital transformation mode). And of course, there's also integrations, which make sure all your customers' software applications talk to each other properly.

Integrations are becoming an increasingly heavy burden for product and engineering teams. Again, the SaaS explosion means your customers use more software. Enterprises use 1,295 software applications on average[5], which frequently don't talk to each other. Every application that doesn't have a robust native integration that connects at the software (or API integration) level, becomes an individual data silo. The more data that gets siloed, the more your customers' marketing, sales, support, HR, finance, and other teams get bogged down in manual data entry until they hit critical mass and request integrations to be built.

When integration requests come from within your company, they usually get tossed at the bottom of your engineering team's queue. When integration requests come from your most valuable customers, they tend to go straight to the top. So engineering works on the non-glamorous project of making sure your product properly talks to a customer's software, usually by building a brittle, bespoke integration for that specific use case. (And then continually expends more dev cycles maintaining the integration. Why? Future version updates to your customer's apps will require your engineers to go back and make subsequent fixes.)

Average number of cloud services per company



The average enterprise uses 1,295 different cloud software applications. Statistics courtesy of Netskope.

Next, we'll dive into one of the toughest "people" challenges in modern SaaS product management: Orienting your process around strategy, rather than short-term tactics.

How to focus on strategy instead of being too tactical

Creating a product management process that isn't too tactical

One of the top challenges in SaaS product management is having a process that isn't so much about strategy, but about tactics. Research suggests that about 50% of product managers don't have a clear strategic picture to guide them[6]. Instead, they're frequently focusing on what to do today, right now, to triage the problem for this one essential customer. To hotfix that one crucial bug. And so on.

As you know, product management for SaaS is a multifaceted discipline that requires carefully juggling essential duties like these, and which will appear, in some form, on pretty much every product manager's roadmap at one point or another:

Technical development and roadmap planning

Product managers are the guardians of the product roadmap - the overall plan for a SaaS company's product strategy, vision, and specific goals. Partnering with development teams to bring new products and features to market is the meat-and-potatoes of the product management process for SaaS. Product managers must act as schedulers, prioritizers, chroniclers, and messengers as they work closely with their engineering teams to manage the product development process. They must also ensure that new development work solves stated requirements while incorporating key customer feedback, and that in-process dev work hits required milestones. And of course, they also actively participate in prioritization of projects on the product roadmap.

Customer advocacy

One of the fundamental goals of product management is acting as the voice of the customer (VoC). SaaS development often ends up prioritizing competitive pressures to close crucial sales deals or triaging a specific ask for one high-value customer over a carefully-prioritized, customer-centric product roadmap. Of course, it's essential to be good partners to ensure customers don't churn, and that valuable sales deals have a clear path to closed-won. However, product managers must also act as internal advocates for customers in terms of product functionality, features, expectations, and overall user experience (UX). VoC isn't just a matter of principle, either: 73% of companies with above-average customer experience generate more revenue[7].

Product and feature launches

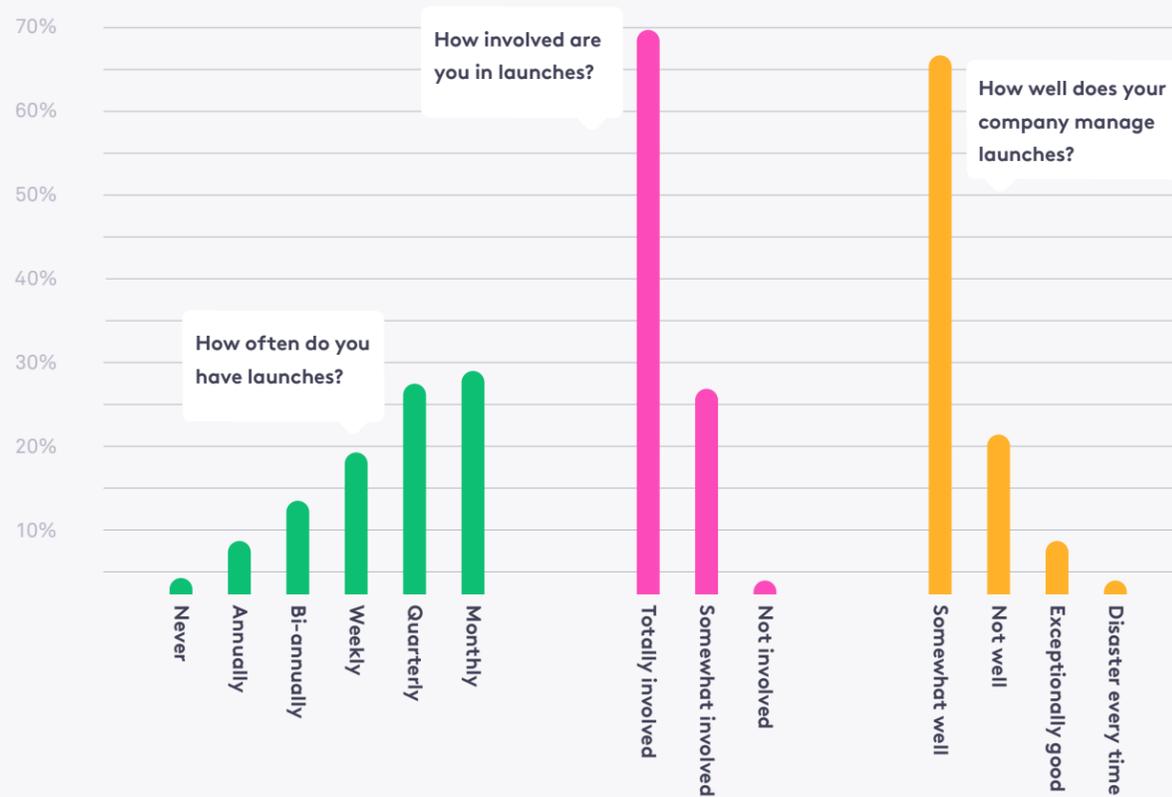
In SaaS, one of the most exciting (and stressful) parts of the overall product management process is the launch. Launches are essential in SaaS for many reasons. A well-timed enhancement launch can help you grab the attention of current customers whose interest may be flagging. A large-scale new product launch, in partnership with marketing and PR, can grab the attention of the media, analyst firms, and, ideally, a larger share of the market. While the majority of product managers are deeply involved in launches, more than 65% feel their company manages launches “somewhat well,” while less than 10% feel their company’s launches are “exceptionally good.”[8]

Market research

Another vital aspect of the product management process for SaaS is understanding the lay of the land in your space. At an immediate, day-to-day level, what are customers and prospects asking for? What are competitors doing, and how are they winning deals? And at a macro level, where is the market in your space headed? Are there issues that affect the usage patterns of products such as your company’s software today, or larger trends that analysts and major customers are observing that will fundamentally change your business tomorrow?

Failure to launch

The majority of product managers said being more agile is the goal, but felt product teams generally failed to move at a meaningful pace.



Less than 10% of product managers feel their organization is “exceptionally good” at launches. Statistics courtesy of Roadmap.com.

Aligning your process to strategic company goals

It’s a good idea to align your process to your company’s broader strategic goals, which might include product uniqueness/reliability/value, product innovation, and customer satisfaction. However, SaaS product leaders also need to be aware of the bottom line, particularly during challenging economic times. You can keep the big picture in view by aligning the product roadmap to key financial goals such as:

Grow revenue

The most obvious goal of SaaS companies is to increase revenue. Many SaaS firms commonly focus on net-new revenue from new sales deals, though they can also increase the number of net-new deals, increase the velocity of sales cycles to close more deals per quarter, or increase average deal size by moving up-market to court larger customers. Product managers can also target retention, cross-sell, and up-sell (“land and expand”) for existing customers to increase revenue.

Grow market share

An important competitive goal is increasing your company’s market share - control of your total addressable market (TAM) - by acquiring net-new logos. Growing market share in the short term might require you to focus on supporting active sales deals to beat out competitors. Long-term, growing market share may require rethinking how your current product offerings stack up overall. To capture more market share, it may be necessary to expand product lines or acquire new technical capabilities through acquisitions or partnerships, while partnering with marketing to raise awareness of your company’s brand.

Increase retention (prevent churn)

The cost of acquiring new customers (CAC) for SaaS includes all inbound marketing (via campaigns, advertising, SEO, content, social, and other channels), outbound sales motions, such as via your sales development representative (SDR) team’s tireless outreach, and the countless hours your account executive team spends on discovery, demo, and follow-up meetings. Once a customer churns, your company must replace that former customer’s ARR by acquiring more new customers. However, CAC is significantly more expensive than the cost of renewing customers, while increasing retention by as little as 5% can increase profits anywhere from 25%-95%.[9]

Account expansion via up-sell/cross-sell

Acquiring new customers is a common goal, but tends to be costly. As mentioned, there are other ways to grow revenue for your SaaS company beyond acquiring new logos, such as retaining and expanding existing accounts. (Up-selling to existing customers can be as much as 2x more cost-effective!) The lower cost of expansion becomes important in a contracting economy, when your company may be tightening budgets and may have difficulty raising new funding or running costly marketing campaigns, but still needs to grow revenue.

Bridging the gap between roadmap and strategy with data

While keeping your company's key strategic goals in mind makes sense, and executing the to-dos on the product roadmap makes sense, aligning the two may seem easier said than done. It's unfortunately common for the product management process to veer off into the weeds, over-indexing on putting out short-term fires while under-indexing on higher-level strategy.

At the risk of stating the obvious, one of the most objective methods of helping product managers prioritize and align their day-to-day activities with higher strategy is referring to data-driven metrics, rather than gut feelings or office politics, to drive their decisions. Tying projects to specific, business-focused data can orient a product management process by providing clearer justification on what to prioritize first. Some specific examples of key business metrics include:



Annual recurring revenue (ARR)

Tracking your company's revenue is table stakes for product leaders. Keeping an eye on current ARR numbers against quarterly and annual goals can not only help orient your product management process, but also help you make a business case for important initiatives that are projected to grow future revenue. Related metrics worth considering include sales win rates, average deal size, and average sales cycle length.



Churn rate

As mentioned, churn is potentially devastating for SaaS firms. For product leaders in SaaS organizations, churn rate is an objective indicator of how well your product is meeting your customers' needs. Of course, churn rate over time is something to regularly monitor - in a perfect world, your firm would see continuously decreasing churn rate year-over-year. Digging deeper into churn can help you draw clear, objective lines between specific customer pain points and actual business value. Related metrics worth considering include customer satisfaction (CSAT) and/or Net Promoter Score (NPS).



Product usage data

Looking specifically at how customers use your SaaS product, and how frequently, can provide clear, inarguable insights into the directions that product development should go. Granular product usage data can help product leaders determine which features are seeing the most and least use within their company's SaaS platform from a feature development perspective. Account-level product usage data helps product leaders understand which customer accounts are most highly engaged and which haven't logged into the platform in days or weeks, indicating potential churn risk.

Putting it all together

By using data to bridge the gap between strategy and tactics, product leaders can better align their daily to-do lists to their company's larger goals.

Consider a SaaS company that is successful, but entering a challenging new economy in which growth has slowed considerably, and customers and prospects alike have uncertain budgets and are potentially cutting expenses. In this type of market, our company will likely prioritize customer retention. It puts out a call for all hands on deck to prevent churn and maintain as much ARR as possible, potentially looking for growth in the form of up-sells and cross-sells to engaged customers while retaining as many high-value accounts as possible.

Product leads might approach this situation by prioritizing the following:

Strategic goals

- Increase retention
- Prevent churn
- Grow highly engaged accounts via up-sell

Supporting data

- Product usage data
- Customer accounts with the highest engagement/usage of entitlement allowance
- Customer accounts with the lowest engagement/entitlement usage

Tactical activities

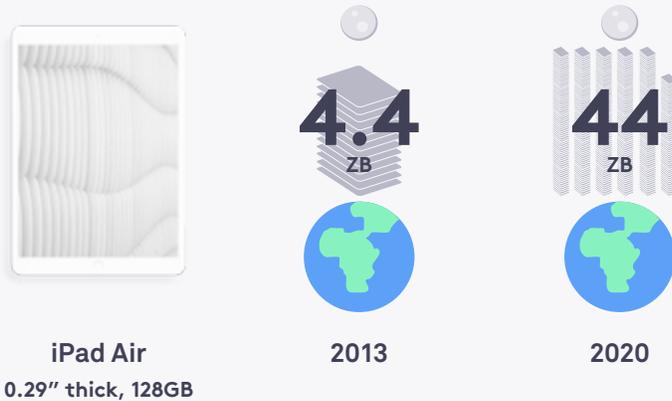
- Customer advocacy
- Partner with support on re-engagement campaign to rescue at-risk accounts
- Partner with support/content teams to build/further develop self-service resources for on-demand product enablement
- Partner with support and sales on white-glove campaign to up-sell highly engaged accounts

Next, we'll do a deep dive into the key to informing your product management process, product usage data. For starters, intelligently utilizing product usage data empowers product leads to better prioritize their roadmap. However, product usage data can also help product leads ensure their company grows in prosperous times and maintains stability in challenging markets.

How to make customer insights actionable with product usage data

Product usage data refers to data that tracks what customers do with your product, when, and for how long. Product usage insights can inform post-sales business processes like rapid account provisioning at scale, as well as just-in-time messaging for customers in different stages of consideration, evaluation, purchase, and post-purchase.

But for SaaS product leaders in particular, product usage data can provide post-sale insights on product usage patterns to help you figure out which features your customers are using most frequently, and more importantly, product usage data can help you prevent churn and expand accounts. If you can get to it.



The digital universe is huge—and growing exponentially

If the digital universe were represented by the memory in a stack of tablets, in 2013 it would have stretched two-thirds the way to the moon.

By 2020, there would be 6.6 stacks from the Earth to the Moon.

It's estimated that data production has increased tenfold in less than 10 years. Statistics courtesy of EMC.

Unfortunately, not every organization can access their product usage data. Research suggests that the amount of global data produced doubles every two years[10]. So if there's so much data, why is it so difficult and time-consuming to actually pull something actionable from it? Studies suggest that 51% of companies feel their data is too scattered or siloed[11] - locked up in dozens of different software applications in their technology stack that don't properly talk to each other, and therefore can't properly share data among themselves to inform each other, or the people using those apps.

The same survey reports that 55% of companies believe that disruptive innovation will come from actionable customer insights...but only 13% of companies believe they're making the most of their customer data.

Unsilo product usage data with an integrated stack

To access the hidden value of actionable customer insights locked away in your product usage data, you need the following components:

Data sources

All the business data you produce

Data sources provide you with data on different aspects of your customers' activities. These typically include your customers' interactions with your product, but may also include:

- Interactions with your company's website (such as homepage visits)
- Product interactions (actual recorded usage of your product via product logs)
- Customer transactions (such as sign-ups and payment submissions)
- Tech stack interactions (such as actions taken by customers using other applications in your stack, such as interacting with your marketing platform via marketing materials, or interacting with your email platform via newsletters)

Data warehouse

Where data is formatted and stored

A [data warehouse](#) is a repository of data, typically formatted in a manner to make it usable for other processes. It's common for many businesses to use an [ETL](#) (extract, transform, and load) solution to properly cleanse and format their raw data for loading into their data warehouse. (Most commonly, this is done in batch format, rather than through real-time streaming, the latter of which can be especially challenging for larger amounts of big data.)

Data flow

Making your warehoused data actionable in your tech stack

Finally, to make your data truly actionable you need a means to flow your data from sources to your data warehouse directly back to your tech stack to capitalize on that newly-derived knowledge. This lets you use your product usage data to directly drive:

- Marketing campaigns to increase loyalty and drive referrals
- Sales campaigns to expand accounts by driving up-sells and cross-sells
- Operations tasks to support customers and process financial transactions

Note: Your company may also layer a business intelligence solution on top of its data warehouse to help visualize its ongoing performance metrics and how they're stacking up against your firm's key performance indicators (KPIs).

Solving the integrated stack puzzle

You've already got the tech stack you use today. You may even have, or be looking at, a data warehouse solution. The final piece of the puzzle is a means to flow data freely through all your applications to help you centralize and take action on it. This means you'd still need:



ETL solution

A means to cleanse and reformat your raw data from various sources to then transfer and properly store in your data warehouse.



Integration solution

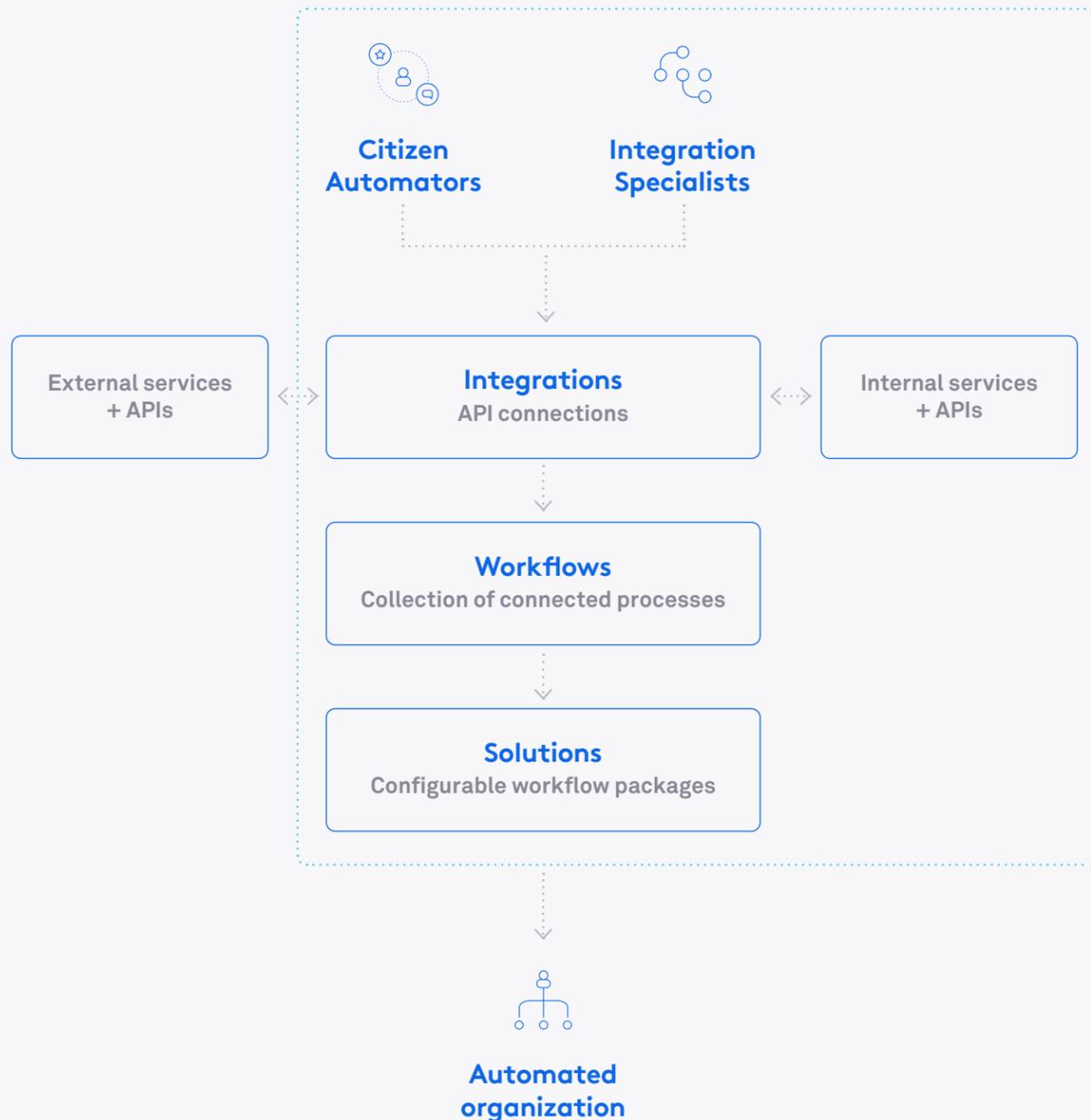
A means to gather your data initial raw data for ETL, as well as to connect your data warehouse, and the data it houses, back to your tech stack.

Until recently, each of these important business needs would have been handled by two entirely separate solutions. And until recently, each of those solutions would have exclusively been the domain of developers. This means that any non-IT business unit looking to benefit from product usage data would have had to submit a costly, time-consuming development request to have any hope of realizing these benefits.

This is why product leaders at SaaS companies are now looking to incorporate general automation—a new category of process automation - into their strategy to help them capture product usage data to better understand user behavior.

General automation - Connect and flow data

A General Automation Platform (GAP) seamlessly connects your tech stack components, including any major data source, to and from your data warehouse, and can also handle the business of ETL. In addition to connecting your various data sources, a GAP also adds an additional automation layer to enable users to automatically take action on crucial business data the moment it's received. (Learn more about GAPs in our free guide, "[The Beginner's Guide to General Automation Platforms](#).")



GAPs perform these important functions by:



Integrating services at the API level

A GAP interfaces with various applications at the [application programming interface](#) (API) layer. A GAP can [integrate](#), or seamlessly connect any software application to one another to finally unsilo your important business data and flow it exactly where you need it. (Learn more in our guide, "[What are APIs and API integrations?](#)")



Full ETL functionality with support for flat files such as CSVs

A GAP can handle ETL functions by extracting flat file data from your technology stack - such as taking lead lists from your marketing platform to load into your CRM - transforming as needed, and transferring it anywhere you need it to go. The best GAPs can also create new flat files, cleanse and transfer data among your other tech stack components, and can automate data cleansing and transformation.



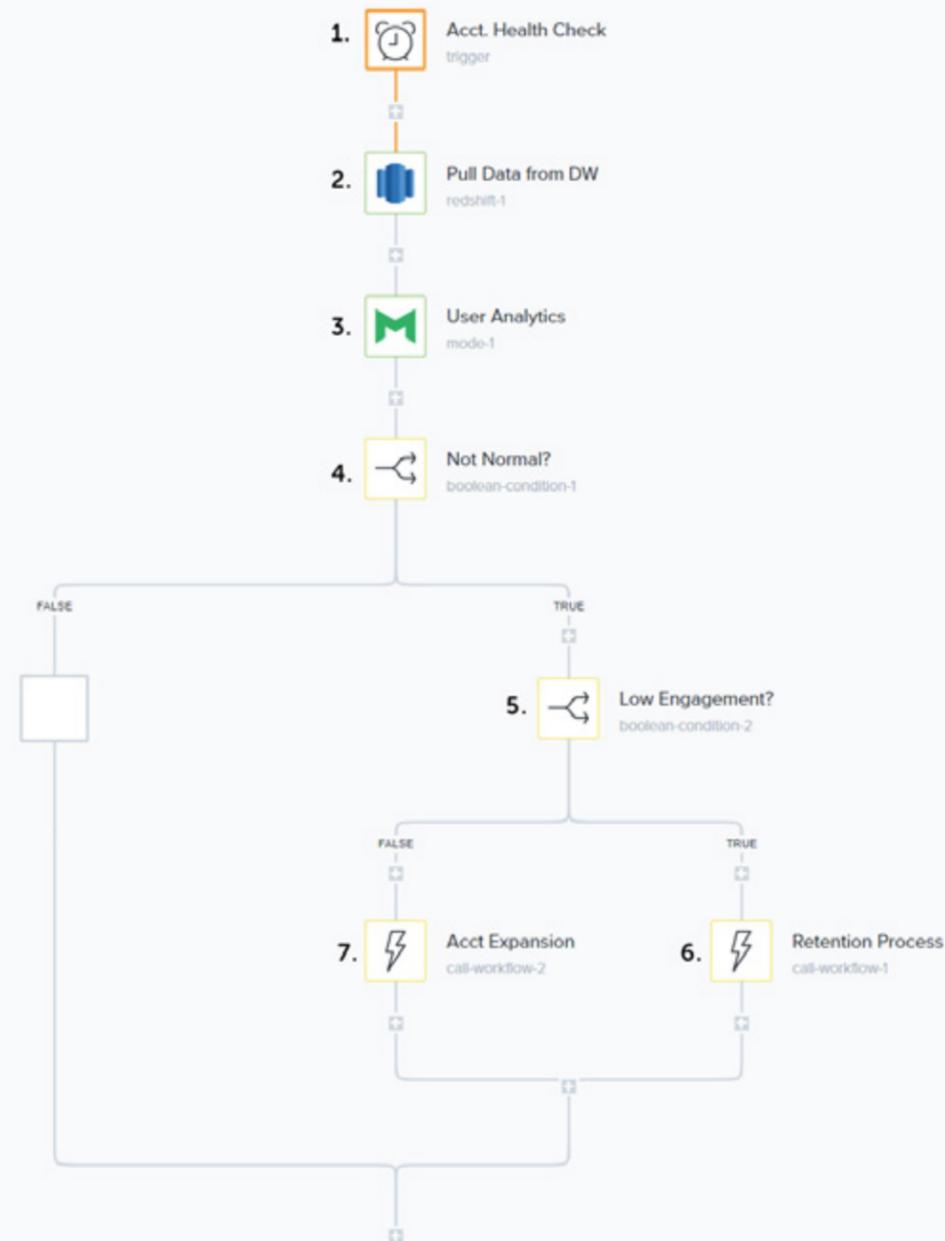
Ease-of-use for business users (plus flexibility and power)

A GAP isn't just for IT. These platforms are for business users across any unit of your organization, including product leads, and have an easy-to-use, drag-and-drop visual interface that anyone can start using in minutes. The best GAPs also have a variety of useful helpers and powerful features such as conditional logic, branching processes, and loops. These features enable business users to ramp up to create flexible, automated processes that incorporate product usage data into every other aspect of their business.

Automation + product data to drive retention and up-sells

All right - so we've covered what product usage data is, what benefits it offers, and the technical components you need to get it up and running for your organization. Now, we can go over how to put product usage data into action to grow your business. Below, we'll go over a highly-simplified automated workflow within a General Automation Platform to measure user engagement and potentially automate follow-up.

Note: For this example, we'll be using an advanced approach that uses multiple "callable" automation processes that can be triggered contingent on input from previous automation processes. Here's the first part:



1. Regular account health check

This automated process is set to kick off and run continuously at preset time intervals. It sets off a series of follow-up steps intended to assess customer health and, if it finds abnormalities in user engagement patterns, it may then kick off an additional, follow-up automated process to either prevent churn for at-risk accounts, or kick off a different, follow-up process intended to expand the account.

2. Pull data from data warehouse

The process then pulls the most recent archived customer data from the company's data warehouse (in this case, Amazon Redshift).

3. User analytics

The process then feeds that customer's most recent data into its analytics platform (in this case, Mode Analytics). The process checks the past month's user activity to ensure it falls within "normal" range (that is, not showing abnormally low engagement, which may indicate churn risk; or abnormally high engagement, which may indicate that the customer is ready to be up-sold.)

4. Not normal engagement?

The automated process then starts a Boolean "true/false" condition to determine whether the assessed customer's account activity is abnormal. If it's determined to be "false" and the activity level is not abnormal - meaning the customer is showing normal levels of engagement, the automated process ends.

5. Low engagement?

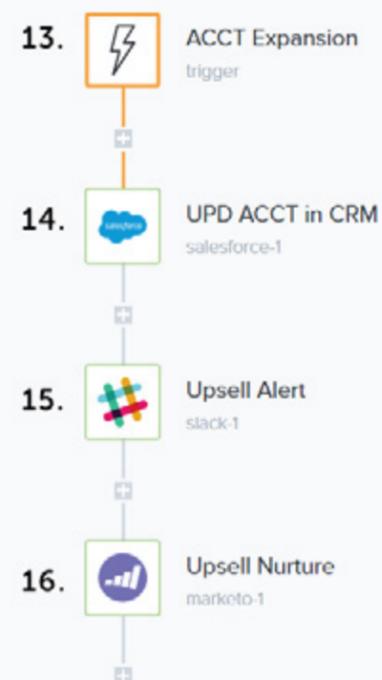
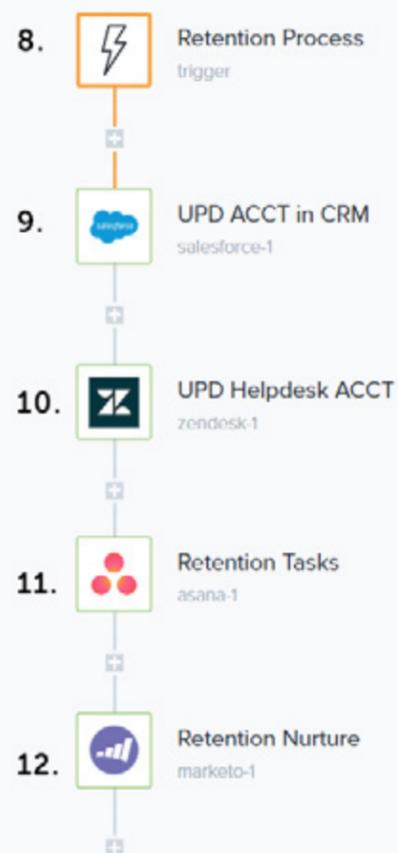
However, if the Boolean operation is determined to be "true" and this customer's engagement level does not fall within the normal range, the automated process then starts another Boolean operation to determine whether the abnormal engagement level is abnormally low.

6. Kick off the retention process

If the previous Boolean operation was determined to be "true," and the abnormal level of customer engagement was determined to be abnormally low, the process ends by using a "callable" helper to kick off a separate, additional automated process intended to promote retention (below).

7. Kick off the account expansion process

If the previous Boolean operation was determined to be "false," meaning the abnormal level of customer engagement is abnormally high, the process ends by calling a separate, additional automated process to encourage a potential up-sell (below).



Next: The two follow-up automated processes. On the left, a retention process intended to prevent churn. On the right, an account expansion process intended to promote up-sells.

8. Follow-up automated process: Retention

This is the start of a separate automated process intended to promote retention and prevent churn from an at-risk account determined to have abnormally low engagement. It gets kicked off from a call from the previous automated process at step 6.

9. Update account in CRM

This new automated process updates the at-risk customer's account status in CRM (in this case, Salesforce) to ensure sales records are up-to-date.

10. Update help-desk account

The process also updates the customer's account in the company's support solution (in this case, Zendesk) to "at-risk" status.

11. Kick off retention tasks

Next, the process assigns a series of retention-focused tasks to the customer success team via the company's task management system (in this case, Asana), such as calling for an account review or potentially queuing up a customer gift to ship out.

12. Kick off retention nurture

Finally, the automated process uses the company's marketing platform (in this case, Marketo) to place the customer into a retention-focused nurture program to send value-laden materials to persuade the customer to stay.

13. Follow-up automated process: Account expansion

In the event that the customer's abnormal engagement levels were abnormally high, this automated process triggers a series of follow-up activities to promote up-sells. It gets kicked off from a call from the previous automated process at step 7.

14. Update account in CRM

This new automated process updates the customer's account status in CRM to ensure sales records are up-to-date.

15. Up-sell alert

The process then sends out an automated alert that this customer may be ready for up-selling to the company's sales team - or to the sales managers who own that specific account - via the company's internal communications tool (in this case, Slack).

16. Up-sell nurture

The process ends with the company placing this customer into an up-sell-focused nurture program, possibly loaded with a promotional special offer.

Now that we've covered how to utilize product usage data and incorporate it directly into your company's larger processes for retention and expansion, we can take a deeper dive into one of the most insidious, but most important technological concerns that SaaS product leaders need to consider.

The most insidious technical challenge for product leaders

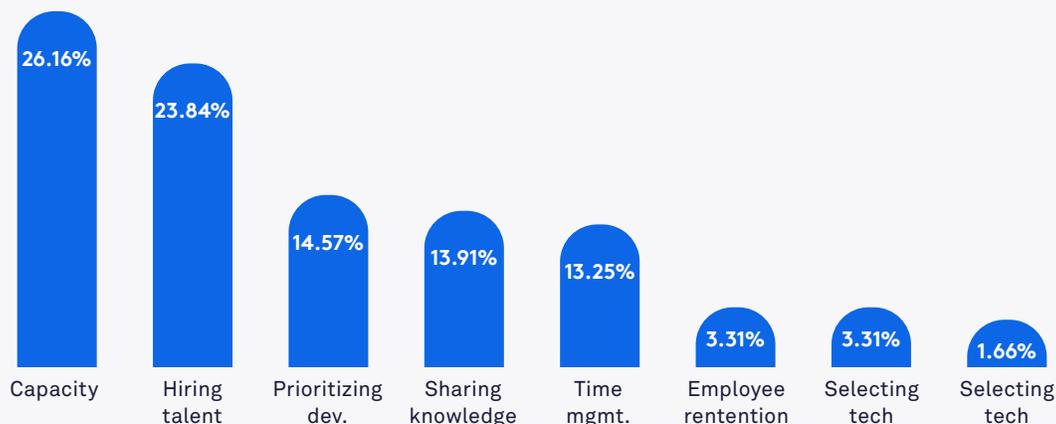
The story so far: As a SaaS product leader, you need to produce the absolute best-in-class products to solve your customers' pain. To do this, you need to build consensus with a variety of stakeholders and prioritize your product roadmap strategically. To do that, you need to go beyond office politics and personal hunches and rely on the objectivity of data. And to get the data you need, you need to stop struggling with the tech stack—not just the applications you use internally, but also the applications your customers use.

You know your internal development resources are limited, but you need your engineering team to build

the best products. Unfortunately, your customers and active prospects don't just expect your company's solution to solve their business pain. They also expect native integrations between your company's SaaS product and the rest of their tech stack. In practice, this means having to take your engineering team off of product development so they can focus on building one-off custom integrations for the extremely specific use case that one customer or prospect needs. How does this growing demand for engineering resources affect your product roadmap?

The #1 most commonly cited challenge for software development

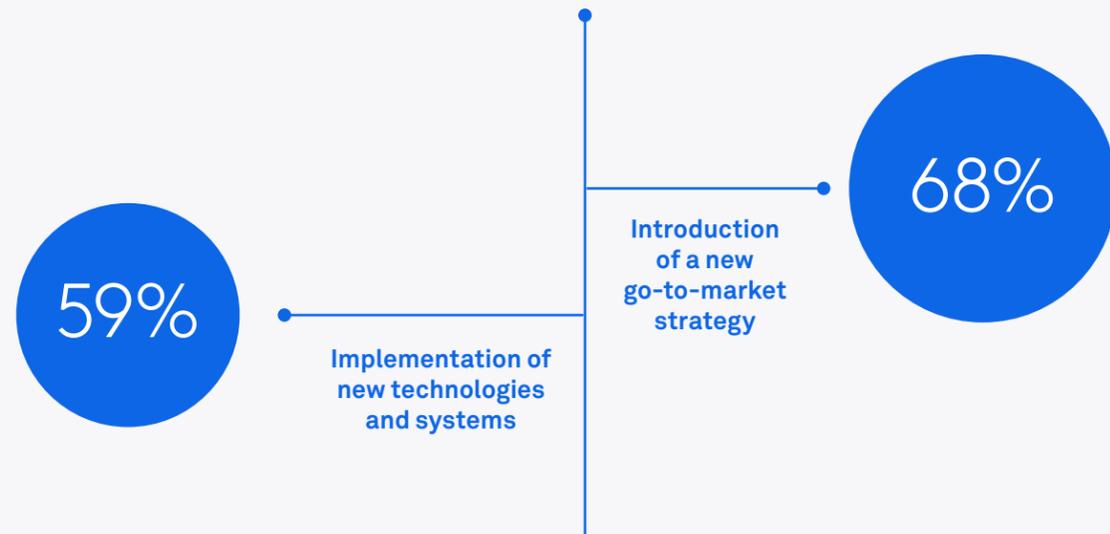
is capacity[12] - the ability to deliver working software despite facing a backlog with limited development resources. 26% of survey respondents cited capacity as their biggest concern. However, in the same survey, the responses of two additional concerns - prioritizing development projects and time management - add up to 27%. In other words, the issues of prioritizing dev projects and managing your engineers' valuable time, taken together, actually outrank capacity. Bottom line: SaaS companies need to minimize the time engineering spends on other projects that don't contribute to product, or revenue in general.



The most commonly-cited challenge for software development: Capacity. Statistics courtesy of Coding Sans.

Building internal integrations: A black hole of productivity

Let's not undersell the issue. For your customers, integrations are critical. Research suggests that while SaaS companies have been investing heavily in acquiring new software, 68% of firms struggle with their go-to-market and 59% with implementation[13]. Translation: As your customers acquire so many new applications, they struggle to make the most of their shiny, new software. Not only does every new software application require on-boarding and enablement, but every new app also becomes a new data silo that doesn't talk to anything else - including your company's product.



59% of SaaS companies struggle to implement new technologies. Statistics courtesy of Sirius Decisions.

Research suggests 90% of organizations “lack a postmodern application integration strategy and execution ability resulting in integration disorder, complexity and cost.”[14] In other words, in-house integrations, being so low on the strategic totem pole, tend to become the opposite of a strategic project, often being poorly-planned, messy, and costly affairs.

As a result, SaaS firms increasingly find themselves in need of the ability to fulfill two different types of integration requests. In some cases, they need ongoing, always-on integrations from their own SaaS products to the applications their customers use - integrations they must maintain in perpetuity throughout the universe. In other cases, they need to deliver more of a marketplace experience that lets customers power specific, shared business functions with unique, service-driven use cases, such as account provisioning at scale.

The not-so-hidden costs of building integrations internally

Exactly how time and money are needed to build the average software integration in-house? As you might guess, there's no one-size-fits-all answer to this question. Every integration is different and has different requirements. One estimate on the “average” cost of a custom software project clocks in at \$40,000 to \$250,000 at the low end[15].



Building a software integration in-house is a costly, multi-step process. Statistics courtesy of DZone.com.

As a product lead, you know internal development is a multi-step process involving planning, scoping, designing, implementation, and testing, among other things. Some estimates suggest a duration of “anywhere from 1 to 6 months to get right...up to a year in some cases with larger projects,”[16] for internal development projects. Obviously, depending on the scope, in-house integration projects can take even longer.

Even if your company's integration needs tend to call for more of a service-based integrations marketplace, you can still see how building integrations internally adds up to an untenable burden over time. Why? Because regardless of whether you need fully-built, always-on integrations for customers or specific, service-based integrations, you're always going to be on the hook for maintenance.

After building a native integration between apps, your developers' work on that integration isn't over. Unless those apps never update their software applications to a new version again. Unfortunately, any updates will likely break the integration your developers built in-house. As a result, your dev team will need to sink even more hours back into that particular integration. (And you'd have to multiply this process by however many internally-built integrations you currently maintain.)

Consider how expensive it is to hire, train, and keep engineers on board in this extremely competitive hiring market. You can do the cocktail-napkin math on “Annual Salary of Engineers” x “Number of Engineers” x “Project Duration,” for instance. It should be easy to see how the actual cost for a development time-frame this long adds up to a very significant sum. Clearly, you'd be better off spending such a sum developing your company's product itself.

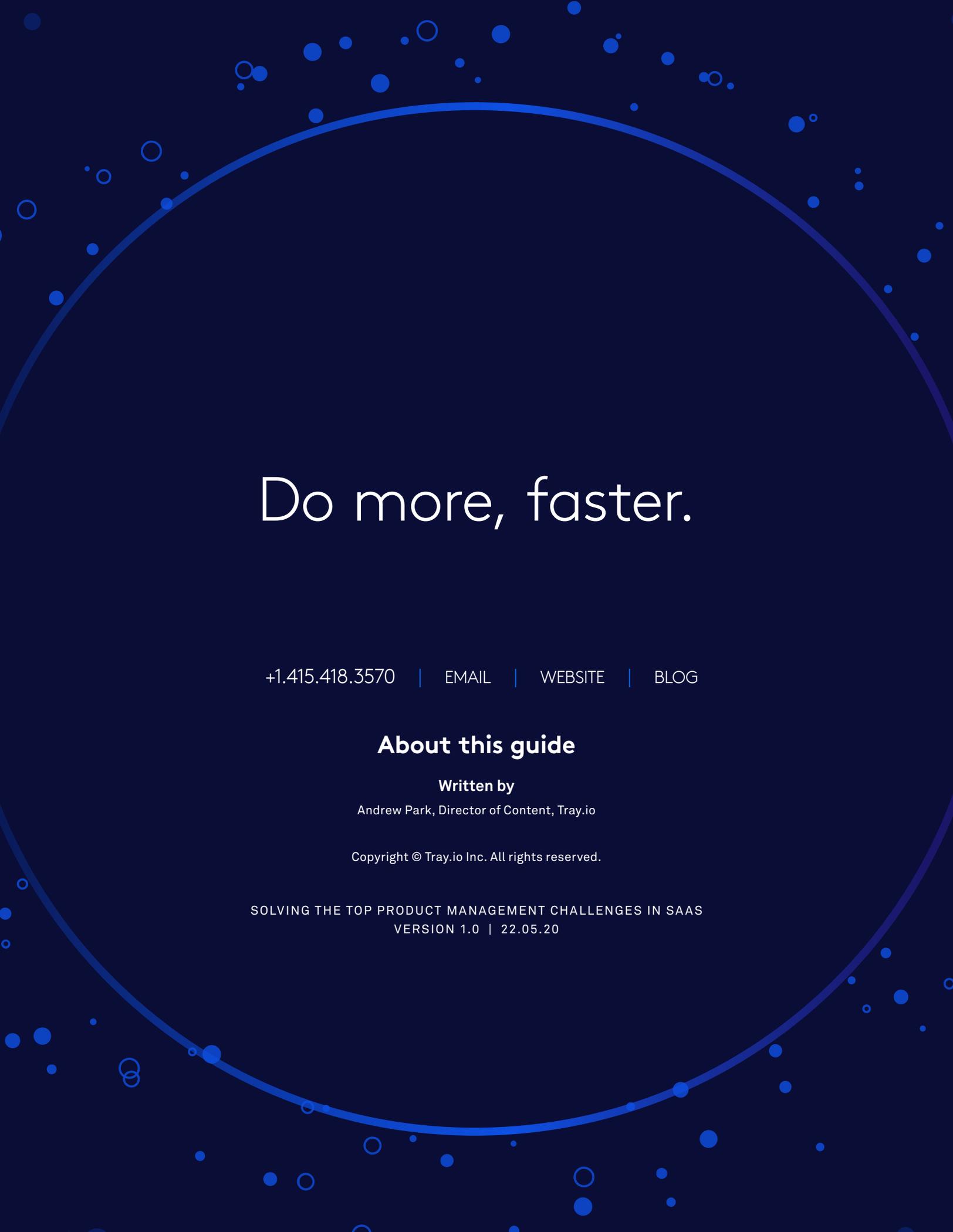
Final takeaways

Now you should have a clearer picture of the top challenges for product management in SaaS. From people challenges, such as becoming a more-strategic leader; to process challenges, such as using objective data to inform both day-to-day decisions as well as to preserve and grow your business; and technology, including integrations, the most insidious challenge in SaaS product management today.

By mapping their company's biggest challenges and most important goals to their strategy and product road-map, and utilizing product usage data to help guide day-to-day decision-making, product managers can become more-strategic leaders. And by getting smart about their customers' tech stacks—and the headache of integrations that pull dev teams away from product development - product leaders can judiciously buy solutions rather than fritter away valuable dev resources building internally.

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