



Stanford eCorner

Focusing on Post Sales Experience

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Tzuo explains that with a free trial product model, a high percentage of customers don't end up buying the product. However, it is still important to provide post sales service. A good point of sustainability is when customers have been using the product for some time and it is difficult to unplug them from it, he says.



Transcript

The last thing that's kind of talked about is the post-sale experience. We did this experiment in 2000. We were about to launch the product. It would have a price, so before that it was just a free beta. And we had all these leads in a pipeline, if you will. We have people came to our website, right away just find us and our sales reps are calling on them and look this one we'll do. We're about to start charging for it. But you sign up today we'll give it to you for six months for free. And of course they said, "Okay that sounds like a no brainer once you sign me up. And we sign up, we clear the pipeline.

We had about 200 customers too onto the mix right, you know, not paying, but 200 customers, and we watch them because what happened was the sales guys would move on, and they would look at the next prospects, next deal specially with this free users not generating commissions for them for six months. They would focus on other things, so again, no surprise; we're a website, so we can kind of watch these things right. And so we kind of watch what kind the adoption level was like. And it was anemic and I so don't remember the exact percentages but you know, but you know it's prior orders imagine around 10% of the company actually used it and after six months you kind of know what happened. That 10% of 200 users, that's 200 customers actually wanting to buy the service and the other 90% just kind of went away. Right. So that was a clear lesson. I said with this model it's a little different because in the software industry, in the 90s we're trained to say you know you close a deal you book a commission, you drop off a CD and that's pretty much it. Right? I mean there's some main in revenue and so on and so forth. But it's up to the customer at that point and so then, at that point you say, let me show you some post sales service.

Let me introduce you to Accenture. All right, let me introduce you to our consulting organization, right. Well, you know I'm not really using the application but you're kind of stuck with it. It's your shelf ware so why don't we put together a training class for you, right. That's kind of the mind set at that time. But the mindsets are completely different, right, because they would just say. "Well, you know, I'm just going to turn off the service, thanks. But I'm not going to continue it." And if you look at the heavy cost to sales to kind of acquire that customer for you to stick around for a month or two. Right, and then it did not become profitable proposition. So the whole post-sale environment has been critical for us.

And we have parts of organization that we have created right with titles like customer assessment manager and so on and so forth. We have concepts like adoption matters that just don't exist in the software industry because we really need to drive users to the application. And so we have a set of metrics that we track per customer and we have eight years of history to say, well, what are really the right sort of metrics where you kind of say well the customer will stick around and you can kind of tell,

well they're really not going to renew at the point of renewal, whether it is one month or one year whatever it happens to be. So the post sales model becomes more critical and if you'd run the numbers right, if you kind of just run a model out of this kind of thing, in Excel spreadsheet and if you plug in a variable called attrition, which is what percent does your subscribers based on leaves you every single month, and you also plug in you know, a factor for growth, right, which in the software industry tends to be more round sales people. Like how many sales people you're going to have and how much bookings are going to close and so on and so forth. You find that manipulating the attrition number is a much, much higher rate you know, what's the term sort of sensitivity if you will to the growth number, right. And it's just a huge difference whether your attrition is 1% a month or let's just say 5% a month, right? Five percent times 12 is 60%, two thirds of your customer bases leaving you every year and you just can't run fast enough to kind of keep up with it. So you see us and that's a lot of what we do. We have a whole website for the best practices and we do a lot of things that drive people to best practices and we drive to customers to kind of talk to each other and we really try to get them to a point where the success of the application. Because in an organizational setting, once you're successful rolling out an application, people are using it.

Your organization is wrapped it's processes around it then it becomes harder to unplug. Then it becomes a self-sustaining engine. And if you've worked in any organization for a while you know that there are processes in the organization that's seems to live on forever all right because you can't seem to do anything about it and so it is with application, right? One point you got an organization's processes wrapped around it you pretty much good point of sustainability but you got to get that company to that level.