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The Guide

Introduction and why SAAS (start here)

So you found out that creating a business and working hard to make it a success is the best way to become wealthy? You might be on to something there. You also have heard of the Software as a Service business model, otherwise you would not currently be reading this. Let me walk with you for a bit and show you the ropes of how to start your SAAS business.

Let me give you a short introduction in order for you to decide if it is worth listening to my suggestions and learning from my mistakes. I have been into software engineering since 2007 and a couple of years later, a common friend introduced me to the 3 guys I later founded my first SAAS with. They already had a business idea to create an online appointment booking tool for healthcare professionals and after a couple of drinks together we started working in 2015. First as a side hustle in the evening hours and on weekend. We modified the idea a couple of times and had to jump over countless hurdles until we could finally live off the business.

Now why would you want to build a SAAS business? The first and probably biggest argument for someone to run a SAAS business is the nature of the recurring cash coming in. This makes the business much more predictable than other forms. The second most appealing property is that you will be able to constantly roll out new versions without having the hassle of manual onsite updates for the customer. Once you entered the growth stage of your business, you'll find out that this model is also highly scalable. I want to give it to you straight, there are also a couple of drawbacks. Depending on your niche, SAAS is a lot harder to sell. Customers usually have a slight aversion paying for some perpetual contract. In lots of cases they would rather own the license outright. You will also have to provide every increasing value to your customers as the barriers for competition to enter your niche are lower.

This guide will lay out the steps we took and which ones I would take differently with the lessons I learned. Since I have become friends with and talked to many other SAAS entrepreneurs, this is the distilled knowledge that will greatly increase your chances of making your business a success.

Before you start

The problem to solve

You want to start a business and already have a clear idea of which problem you will solve? Great! If you don't have this idea yet and you are reading this, just because idea of running a business sounds fancy to you, then you might be better off by working a little bit longer for someone else until you got your idea sorted.

There are countless ideas out there and you also do not have to reinvent the wheel. If a problem interests you and if you have somewhat of an idea of the field, you got yourself the first piece of the puzzle.

The reason why this idea is so important, is, that you have a direction into which you can take your first step. I have heard countless stories of people who wanted to be business owners and who started a business just for the sake of it. Following this route will make it very hard for you to stick with it and be successful.

Now an idea alone is also not worth a lot. You will be working hard to shape this rough diamond of an idea into the actual product and lastly it is the execution of this idea, that counts.

Time and funding

In order to work on your idea you will need the time to do that. There are two routes that you can go about doing this:

1. Build and verify in your spare time, while you work your day job to pay the bills

2. Get funding from a VC and go all in with your time

Both of these routes have their benefits and drawbacks. We at appointmed opted for the first route, because VCs ask high percentage cuts of your business, especially when the idea is not yet verified. We wanted to have the whole business to us, without being dependent on an outside entity with an outside opinion.

If you however have the luxury of having 6-24 months of runway saved up, you could also put up the capital yourself. This might seem a little bit more risky, but it forces you to commit and double down on your work efforts.

Building vs. buying

Then looking at a business there are different elements required to grow it and make it successful. Some are skill, others are willpower and effort and others again are capital. If you want to give yourself a headstart and have the required capital at the ready, you can decide to buy an existing business and grow that. There are tons of market places out there, where small to medium business deals are brokered. I never did that myself, so I am not going to give any advice on that but I wanted to include this here fore completeness.

Building a business from the ground up also has its advantages. You will the one building it, so you can from the ground up shape it to your imagination. Put all the right workflows in place and know every speciality of it. This will certainly come in handy at one or the other point in the lifespan of your business.

Prepare for success

The majority of SAAS start-ups fail, so how can you make sure that your business will be the exception of this rule. The reason is, that most of these companies have been started with the wrong tools and little to no experience to navigate the space. This guide will set you up for success and put the tools in your hand that you need to get to this sweet MRR and FU money.

Like everywhere in life, a network of likeminded individuals who already in a place where you would like to be, is key. Surround yourself with people who inspire you and who show you the path. You don't have such a network yet? There are tons of facebook groups, discord channels, slack groups and best of all the Zero to SAAS telegram channel. Join those and connect with people.

The first steps

You're thinking that I've given you a bunch of fluffy and great reasons why you should run a business, but no actual steps to get the thing on the road? Now buckle

up and keep your notepad ready!

Identify the perfect customer

Before we start introducing our product to customers, we want to identify the perfect customer for it. Be creative and write down in as much detail as possible who the perfect customer is. How old? Which education? What's the profession?… This will help you to narrow down the filter when you search for people who you will introduce your product to. The more narrow you create your niche, the easer you will have it later on. When we started out with appointmed, we did this task a little to late and could have saved us lots of effort.

Also be sure to not focus on a broke target audience. Be sure that your customers can and want to pay for what you have to offer, otherwise you will struggle to get revenue.

The most important advice here is to not focus on everyone but find your niche and get to work to introduce your product to the customers in it.

Validating your solution

Before you start building on the solution to your problem, you want to make sure that this problem actually exists out in the wild and that people are willing to pay money for it. It is all nice and good if your mommy or your aunt wants to give you a couple of bucks for being such a nice buy, but it does not make your solution a viable business. So how do you go about this.

You have to map out your solution in a way that you can show it to potential customers. Now this might be a couple of wireframe designs, a rough figma click dummy or an excel sheet where you calculate some insides of your business. The important factor is, that you can take that to out to find potential customers for it.

When we started out our business, we knocked on lots of doors of physio therapists, a couple of designs in hand and asked them to show us how their daily workflow would work with such a solution. When we asked those potential customers about their workflow we acquired valuable inside information of how their business works. We kept refining the wireframes until we had the most predominant workflow down and then we pledged to build such a solution if they would pay a monthly fee starting now.

When we had our first takers, we knew that we were on to something. This was the first time, we actually started writing code.

Validating your idea as early as possible is important, because it makes sure that you don't spend time and capital going off in the wrong direction. You don't need to be 100% right from the beginning, but your general direction should be on target.

The MVP

When you talk to your customers in the validation phase, take note of the features that are mentioned again and again. Figure out which ones are the true core features, that the product cannot exist without. As soon as you have such a list, you have gold in your hands.

Take those required features and design the first iteration of your product around those. This will be your minimal viable product, that you will start to sell.

Don't forget to keep validating and selling your already refined designs in order to increase your customer base and further validate the idea. Try to find as many friendly customers in your validation base as possible. Friendly customers are those, who are eager to give feedback and feel happy when they can take part in building something. Let them use your beta versions of the MVP and set up regular meetings with them in order to iron out issues and hone in on the simplest workflow.

We aware that customers often don't have the ability to figure out, what the minimal viable features would be and would love you to implement a list of bells and whistles, which they deem "valuable". Filter those out and keep your MVP as lean as possible. If you skip this important step, you risk to end up with an overcomplicated product with lots of "special" features for single clients. This would be a maintenance nightmare that you do not want to have on your hands.

The first customers

I'm sure you heard that SAAS business are all about scaling. While this holds true for later stages, you should do quite the opposite in the beginning. To start out you literally have to run from door to door or dial lots of numbers to get your first customers. Build a relationship with them.

This will become invaluable as they will share their needs with you, will test your MVP and introduce new potential customers to the product.

In the first months we were cold calling lots of potential clients and we walked through Vienna in order to talk to our target group. This is how we got our first

clients. We still have good relationships with them and they recommended us to friends and peers.

If you're like me and you learn best from examples, go to https://www.first1000.co/ and check out how other founders got their first 1k customers.

Hiring the right people

You should be aware that your team is the most important asset and also has to grow/change with your business. A shiny sales manager, who was responsible for a sales team with a headcount of 200 will not be the right fit to personally introduce your product to the first 5 clients. Whereas your buddy from school might not be able to manage your 60 head dev team.

Make sure that the people you hire fit for the role you need them to fill. We had to learn this the hard way when we struggled with our sales tasks and hired an expensive sales expert, who was responsible for a large team in their previous company. You can still see the flat curve in our growth in the time she tried to get things rolling without a sales team to work her tasks. We then waited far too long before we hit the emergency break and let her go.

Don't hire just because you have the money. It is much easier to accumulate people and rack up a huge head count than it is to put them in the role that is right for them. If you take away one thing from this chapter, it should be: Hire slowly and fire fast.

Scaling your customer base

When in the early beginning you were doing things that don't scale to get your first customers, this is the point where you should reduce those actions. Instead rely on your inbound funnel, your SEO and word of mouth to grow your customer base. Keep in mind that everyone can run a business, but rarely people can run a business and make their customers happy.

Make it your primary mission to increase the happiness of your customers. When you will solve their problems and make them feel appreciated in the process, they will love you for it and rave about your outstanding service.

For example we at appointmed made it our mission to have a fast and reliable support. Even with a small team of 5 people, we have an average answer time for under 1 minute for our support chat. This has brought us countless customers.

Whenever they were deciding between us and a competitor, they went for us because the reviews of our fast and reliable support made them feel safe.

You will also see that what is being said about the 80:20-rule totally applies to SaaS as well. 20 percent of your customers will produce 80 percent of the work. Try to educate them or slowly get rid of them and focus on the 80% that make you 20% of the work. This way you will filter out "bad customers" and make your business easier to manage.

Find new ways to incentivise your customers to talk about you. Get them to spread the word. Either build a network effect into your product or implement a referral program. Employ social media strategies and include your customers to make them feel valued and get them to share your content.

We pick a random customer every month and try to figure out the best way to make them happy. Doing this we get real creepy and stalk their social media, even call up their friends to ask about what they like. Just last month we found out that one of our customers is absolutely into some special italian coffee and we procured a special pack and sent it to him. This did not get unnoticed and he started to make stories about appointmed without ever asking him once to do it. Those happy customers become multipliers for your business.

Getting to profitability

When following different VC start-ups, one can get the impression that it is all about paid advertisement. While using advertisement to increase the input to your funnel is a great tool and we will get to this in the next chapter, it is not the most important part of profitability.

The most important part is to build the infrastructure of your business around being profitable. Do not spend more than you take in. This has been ok in the beginning, when you had to perform actions that do not scale, now you are at a point where you want to make money with your business.

Become a nerd about numbers and start to track the KPIs (Key Performance Indicators) of your business and structure your pricing so that every customer that you add increases your bottom line. Never try to compete with other businesses on price, as this will put you in a weak position.

One of the most important KPIs is your customer churn or the customers that decide to leave your product and cancel their subscription. Keeping this number as low as

possible lets you reap the true benefits from a Saas business: The recurring revenue. Once a customer is converted to your product (and stays with you), you don't have to apply the effort of converting them over again and again.

You can keep your churn rate low by providing value to your customers. We at appointmed found the following "formula" very helpful when checking if our value proposition is favourable for our customers:

> Perceived value > received value > expected value > paid value

If you stick to that, your customers will be happy and only leave your subscription if they no longer require the value you sell.

Create a flywheel

Now that you are in the wonderful position of having a profitable Saas business on your hand, your next task is to shape it into a self improving flywheel. This is easiest being done by implementing a network effect into your product that incentivises your customers to invite and onboard new customers. Whatsapp did that by offering their customers to send a message to a not yet existent account, that would trigger a text message to the receiving phone number that included an invite to the app. Customers are incentivised to add new customers as the value offered to them increases with the amount of friends using the app.

Now building a product that includes a network effect is not always possible, but you can still get your customers to invite new customers. Make them happy and proud of sharing the product with their peers.

If you have not yet done that already, start to advertise your product and play around with different advertisement possibilities until you find the possibility to pay less for a new customer than a new customer brings you. This way you can pump cash into advertising and multiply the input while growing your customer base.

Resell and upsell

You now have a large customer base on your hands that you hopefully know perfectly well. I am sure you now can think of new and additional products this target group might be interested in. Enhance your product with new features/packages that you can upsell to your customers.

Continue learning

You started your journey to create a successful Saas business. Make sure to continue learning on your path. This is easiest done by having a network of likeminded people around you, who work on similar projects. Exchange ideas and lessons learned and talk about the hard problems.

Write me on Telegram @csupnig and ask to join the "From zero to Saas" community. We charge a small fee to bring you the best value and to make sure you stick to the task and use the resources available to the full extent. You'll have direct access to me and we can discuss your plan to build your profitable Saas company.