



Title: Slack's Business Model

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1. Summary / Abstract

Following the last APSEI's (Aspetos Profissionais e Sociais de Engenharia Informática) assignment, this essay is going to focus on Slack's Business Model and explaining everything from how the company interacts as a team and how it interacts with customers to how it earns money and how it has grown throughout the years.

2. Framework

In the last assignment, I, in collaboration with a classmate, broadly presented the social, economical, and ethical aspects of Slack and ended up loosely mentioning its business model and revenue structure. Now, the company's business model will be emphasized and explained in detail. Being a platform that we use daily and has significantly improved our way of work and has organized and facilitated our communication in general, it seemed appropriate to explore how it all works and understand how it blew up overnight.



3. What is Slack?

“Where Work Happens”

Slack is a workplace messaging tool, designed to replace email as the main method of communication. This communication system encompasses multiple add-ins and workplace tools integrations although they are not necessary to use the platform.

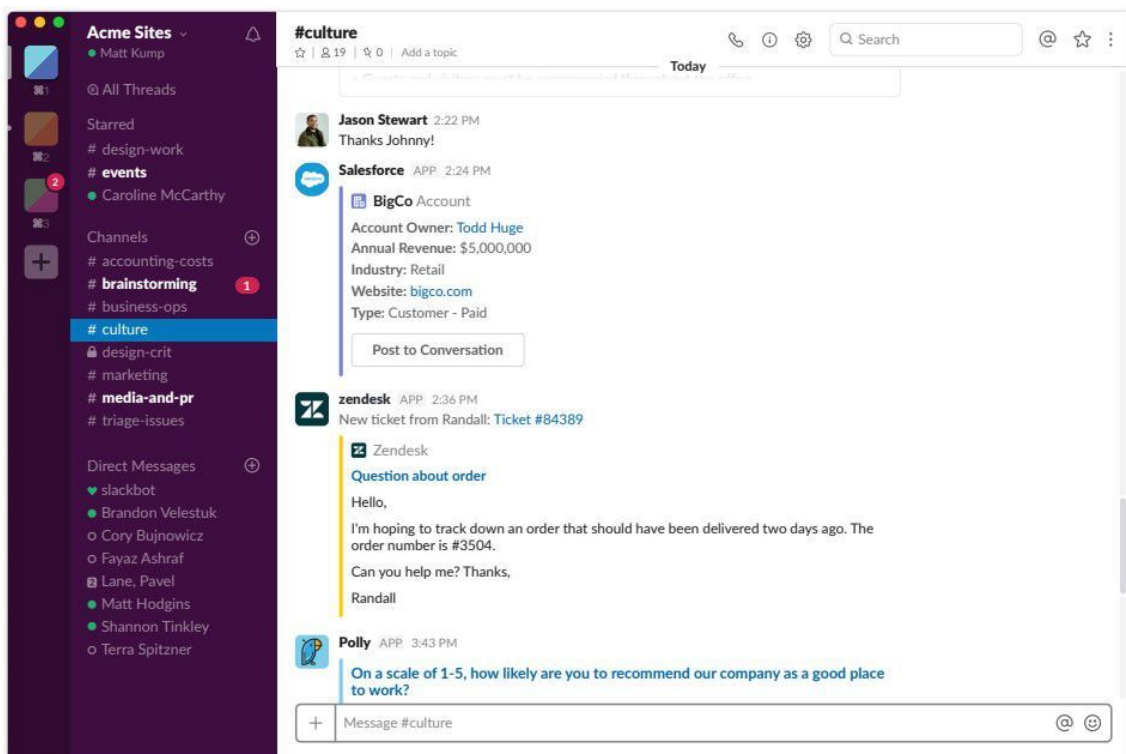


Fig.1 - Slack's Desktop Software Interface

The methods that exist in Slack to chat between members are direct messages (DM) and channels (group chat). You can talk to the entire team or invite someone to a private channel or even direct message them and share files.

4. Product and Value Proposition



First of all, a value proposition provides a reason to why customers/prospects should do business with you or use your product, introducing them to what your company stands for and how it all works, including its benefits and service/product.

Slack, as a team communication software, has a lot more to offer than normal messaging software. The main focus of the whole platform lies in **facilitating the communication** and entire remote work dynamic and even making it **enjoyable**. This is achieved by reducing fragmentation within tools/apps used by organizations, integrating them into the platform.

The company sells a **simple** and **pleasant** application that increases **productivity** among teams.

5. Key Activities

The key activities describe the required tasks that the company has to perform to achieve Slack's value propositions and to make the whole business model work successfully.

Slack's profit is based on selling desktop software, API, and SaaS (Software-as-a-Service) that allows users to engage among team members and interact with one another through messaging channels and take advantage of all the tools the platform provides. All these technologies implicate its **own development and maintenance so this makes it crucial to have a team of developers and designers responsible for this purpose**.

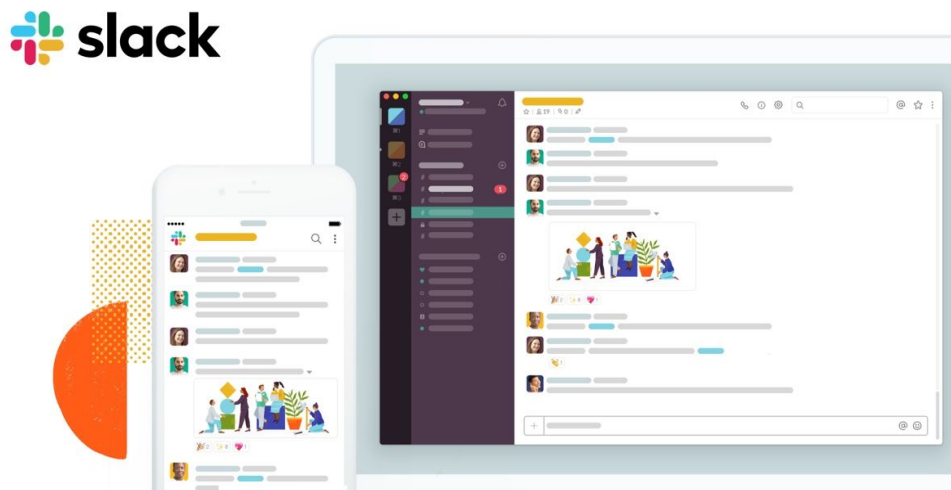


Fig.2 - Slack's multiple platform/channels

The product stands out among other communication platforms for its pleasantness and satisfying usability, therefore **it's fundamental to keep track of feedback received by customers and everything the target audience is looking for by having a team analyzing this data and experimenting with it**. Nearly 40% of the work time is set to the search for new and relevant technology for Slack's user. One example of Slack bot AI is improving constantly and getting more intelligent.

One of the most important features of the platform is the multi-service integration that it offers. **For this to happen, Slack has to manage many partnerships with third-party companies**.

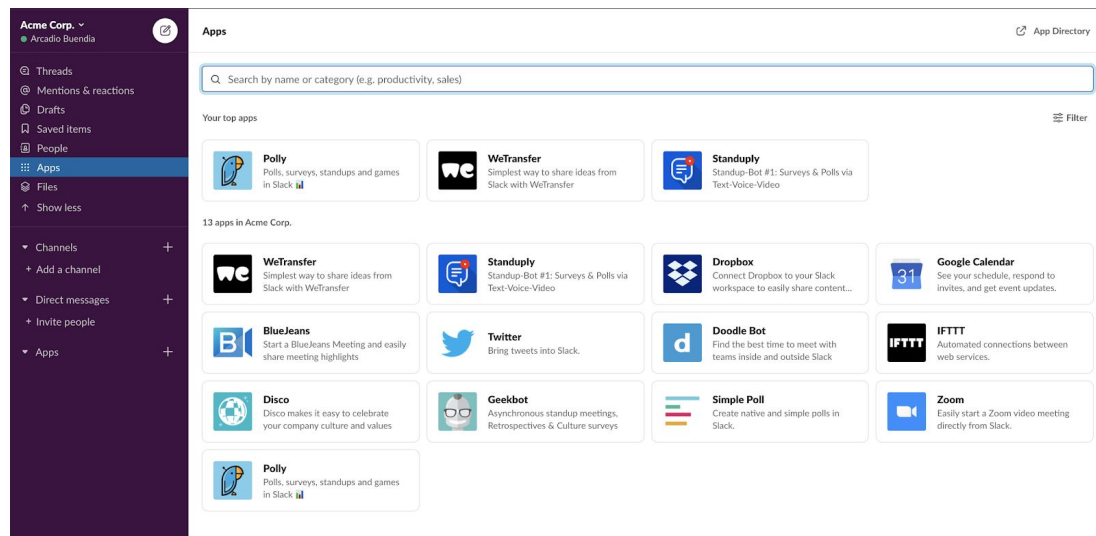


Fig.4 - Integrations/Apps

One of the key activities that Slack focuses on is **Integrations**. Integrations in Slack software refers to the multiple services within the platform that take it one step further. These help companies collect information from other apps.

Also, always keeping in mind the customers' needs, it's fundamental to have **customer support** for any issue related to the product.

6. Key Resources

The key resources describe the most crucial assets required to make the business model work. Slack's key resources are basically their product and the people who make it happen:

- Software platform
- API
- IT infrastructure
- Employees/Personnel

When we speak about employees we are not just referring to **developers** and **researchers** but also Slack's **sales** and **marketing** which are very important.

Even though Slack's popularity and growth are quite noticeable, it's reported that in 2019 the company still wasn't profitable, making its **investors** a key resource.

7. Interface with Customers

7.1. Target Customers



Overall Slack targets any employee from small to the world's largest companies. Although direct communication can never be replaced, there's a certain situation that in which that's not doable neither it's efficient. The platform has gained important customers like **Nike**, **Walmart**, **IBM**, **Capital One** as well as big media companies such as **NYTimes**, **NBCUniversal**, **Buzzfeed** among others.
(Other honorable mentions: Pinterest, Slack, Dropbox, Airbnb, Shopify...)

7.2. Customer Interaction Channels

Slack can be accessed through multiple platforms such as Website (www.slack.com), Desktop Software in every known OS and Mobile application in iOS and Android.
Additionally, Slack has a sales and support team that can be reached for account management and other technical assistance.

7.3. Advertisement and Delivery

7.3.1. Word-of-mouth marketing

Slack's early success was due to word-of-mouth marketing, and still, to this day, it remains as Slack's top priority.

7.3.2. Accelerate Growth via Integrations

Slack has more than a thousand integrations which are used to receive traction on their website as well as rely on those integrations' success to secure its appearance on the first page of results whenever someone searches up a product integrated by Slack

7.3.3. Fair Pricing Policy

You have the option to stay as a Free member or to upgrade to a paid plan, and Slack only charges for the active members on a team.

If all of those members become inactive Slack charges only for the last active member.

Slack is now valued at 8.3 billion dollars

7.3.4. Content marketing

Slack didn't start investing in content marketing until 2014

The head team made an unprecedented decision when they decided to host their blog outside of Slack's main website.

This tactic was a huge success, acquiring over 125.000 followers, however, in 2018 it was moved to the main slack.com website.



7.3.5. Twitter

"We bet heavily on Twitter. Even if someone is incredibly enthusiastic about a product, literal word-of-mouth will only get to a handful of people — but if someone tweets about us, it can be seen by hundreds, even thousands."

Stewart Butterfield, CEO and founder

Twitter is Slack's most important social media platform.

They really care about the response on their tweets as it has both valuable input and a huge reach

Twitter was mostly used to:

- Build awareness;
- Set the company's tone;
- Updates on changes, improvements, general company-related information ;
- Customer comments and feedback;
- Interact with customers directly;

Slack's customer support team is made up of 18 people, with a group of 6 on Twitter 24/7.

Slack's Twitter account has around 433K followers, but it is most known for being home for the Slack Wall of Love where Slack subscribers come to express their love under @SlackLoveTweets.

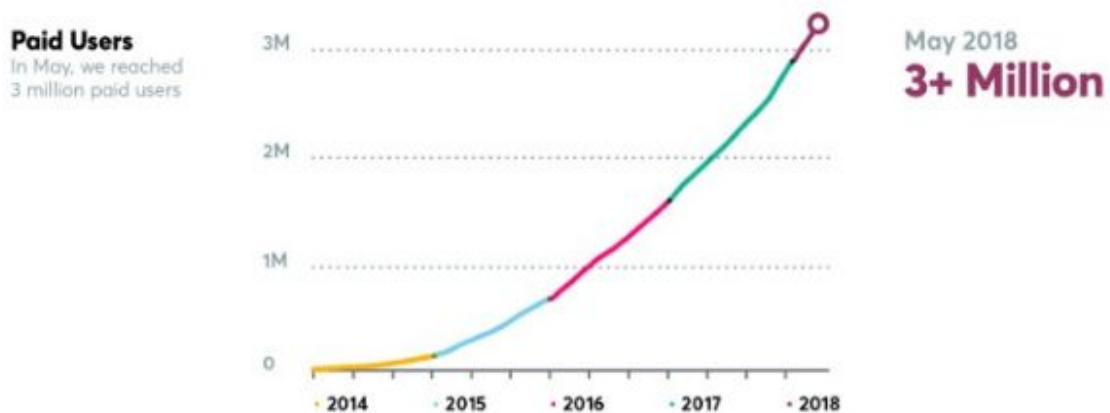


Fig.5 - Paid Users Growth over the years (2014-2018)

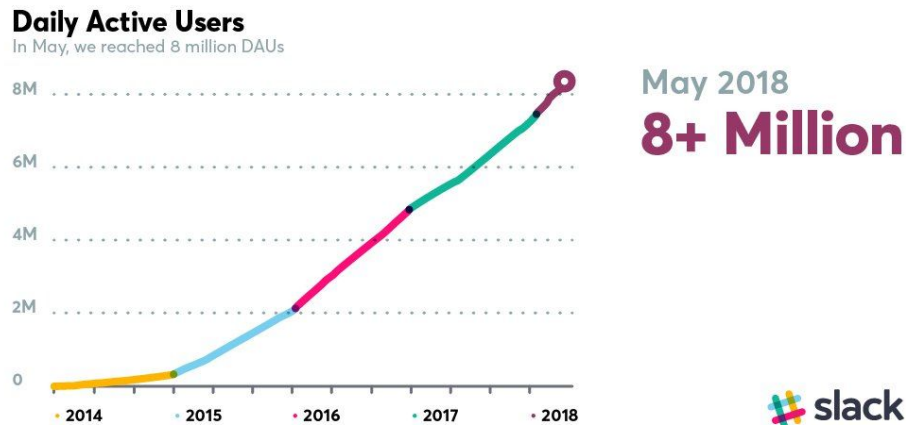


Fig.6 - Daily Active Users growth over the years (2014-2018)

9. Cost-Benefit Analysis

9.1. Cost Structure

Slack invests in maintenance and software development, not only on servers and data centers but also as research and teambuilding. It also accumulates the costs of sale, seen in the employment of their sales and marketing department and multiple partnerships.

9.2. Revenue Structure

Slack follows a freemium business model.

9.2.1. What is the Freemium Model?

The **Freemium model** offers users simple and basic services free to try, in hopes that the user needs will eventually increase and the user will move into paid premium membership which offers additional features and more advanced services

Slack gets its revenue via a “freemium” software/service model. By giving a service free of charge Slack establishes a foundation with the customer for future purchases.

It offers four **subscription plans**, starting with a free plan designed for small teams and casual users. The first paid-for plan is the Standard package, which costs \$6.67 per daily active person billed annually or \$8 per person billed monthly and includes access to additional tools. The Plus plan, which comes with more tools and additional support services, costs \$12.50 per user billed monthly or \$15 per user billed annually. Slack is set to launch its fourth plan, the Enterprise plan, which will cover multiple teams across an entire



organization, with consolidated billing and administration. The plan does not have a fixed price and is likely to be negotiated on a case-by-case basis.

Slack for Teams

Slack for Teams is a **single workspace** for your small-to medium-sized company or team.

Our Plans

Free	Standard	Plus
€0	€6.25	€11.75
per active user, per month	per active user, per month	per active user, per month
Create New Team	Buy Standard	Buy Plus
For small teams, or anyone who wants to try Slack for an unlimited period of time.	For teams and businesses ready to make Slack the hub for their projects and communications.	For teams needing guaranteed uptime on a single Slack team, SSO, and Compliance Exports.
LEARN MORE	LEARN MORE	LEARN MORE

Fig.7 - Slack's pricing and subscription plans

FREE	STANDARD	PLUS	ENTERPRISE GRID
Top Features	Top Features	Top Features	Top Features
	Includes Free features and	Includes Standard features and	Includes Plus features and
Access the team's most recent 10,000 messages	Access all of the team's content	99.99% guaranteed uptime SLA	Access unlimited workspaces with channels to connect across workspaces
Access up to 10 third-party or custom integrations	Access unlimited integrations	User provisioning and deprovisioning	Organization-wide search, direct-messaging, and announcement focused channels
1-to-1 audio and video calls	Group audio and video calls with screen sharing	SAML based single sign-on	Security, compliance, billing, and platform integration management
Standard customer support	Guest accounts	Data exports	Integrations with Data Loss Prevention, e-Discovery, Enterprise Mobility Management, and offline backup providers
	Priority customer support	24/7 customer support with response within 4 hours	Dedicated account and customer success teams

Fig.8 - Slack's plans' included features

In addition to the free model, Slack combines it with the direct sales force to obtain new enterprise customers. These represent a recurring revenue of over 100K\$. In 2019, the company had 575 users signed as enterprise customers, and these represented 40% of the Slack's revenues.



Paid Customers > \$100,000

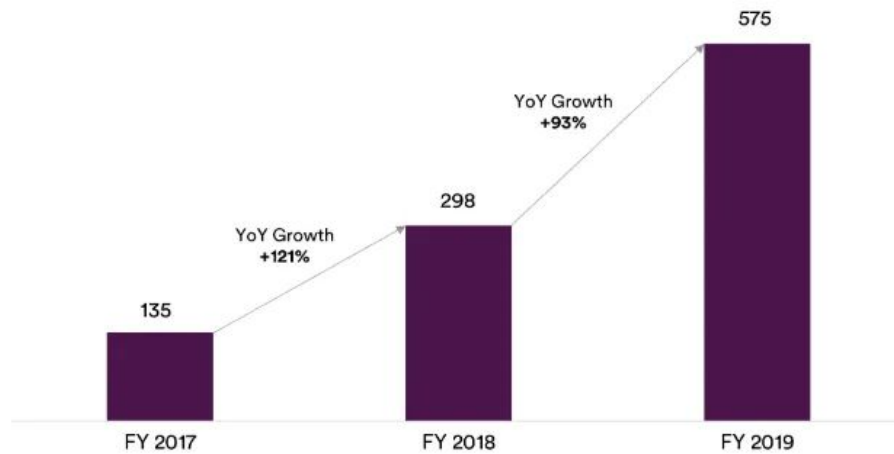


Fig.9 - Paid Customers (over \$100.000 income) Growth (2017-2019)

Slack charges its users based on whether they are actually using its services or not. This replaces the classic method of charging per seat, where companies charge regardless of the user's activity.

9.3. Customer Segments

The customer segment type is Mass Market, as Slack's Value Propositions, Channels, and Relationships focus on a large group of customers with the same needs and problems.



9.4. Results

The company almost quadrupled its revenues from 2017 to 2019. However, they also doubled their expenses. Slack is in a blitzscaling phase, an expression that means that their main focus is speed and growth, over anything else. In 2019, the company was still negative on profits.

Companies blitzscale because they want to quickly gain market competitiveness, and be in a dominant stance, as both an offensive and defensive mechanism. In 2018 Microsoft released the free version of Microsoft Teams. This was to try to keep up, or even surpass, Slack.

10. References

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- [6] [What is Slack?](#)
- [7] [Slack's customers](#)
- [8] [Slack's growth strategy](#)
- [9] [Slack's Value Proposition](#)
- [10] [Slack's Value Proposition 2](#)
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- [13] [Slack's business model 3](#)
- [14] [Slack's Value Proposition 3](#)
- [15] [Slack's growth strategy 3](#)
- [16] [What is Blitzscaling?](#)