TALK TO YOUR CUSTOMERS

HOW B2B STARTUPS CREATE REAL COMPETITIVE ADVANTAGE BY LEARNING FROM CUSTOMERS

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Talk to Your Customers

How B2B Startups Create Real Competitive Advantages by Learning from Customers!

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Table of contents

Welcome to Talk to Your Customers

Today, when you can get any data about your customers—from which websites they spend the most time on to whether they use Android or Apple—picking up the phone or traveling to meet them can feel old-fashioned, like a waste of time.

But it isn't. Calling and visiting your customers is still one of the best ways to generate real insights—and most startups are not doing it. Why? **Because startups are confusing data with knowledge.** They think if they install this analytic tool or use that growth hack, they'll have the secret recipe to build a successful startup.

However, let me repeat: data isn't a substitute for wisdom. Data can tell you what your customers do, but it can't tell you *why* they do it. Customers are more than clicks; they are more complex than any data can measure and it's your job to understand the full picture. Once you do, you will get:

- More calls and emails that resonate with customers. You don't have to guess what to say when you know how to speak customers' language and understand what they actually care about.
- More time. Stop wasting time and energy on features customers don't need. Spend it on things that will delight them.

- More money. You will know how much value your product creates for customers and how to charge accordingly.
- More successful customers. Not just happy customers, who merely like you, but successful customers, who know how much value they get from your product and rave about you to their friends.

Everything in this book, I’ve learned through years of trial-and-error, which, fortunately, means fewer stumbling blocks and more success for you.

This book is broken up into several parts to show you how to generate customer insights for the major scenarios your startup will encounter. You’ll learn how to validate your startup idea, create a sales process, grow and retain your customers, and learn from your churning customers.

The best part is that talking to your customers is simple (and will put you ahead of the competition). You don’t need any fancy software. You don’t need a ton of data to analyze. You don’t need to be the smoothest talker. You just need to be willing to pick up the goddamn phone and start calling customers and scheduling visits.

Ready?

Go get ‘em!

Steli

Let the money talk: Build things people will pay for

Validate your SaaS idea by talking to customers

Building a SaaS business takes a lot of work. Before you even start investing your time, energy, and money into setting it up, spend a couple of days to find out if your SaaS idea has real potential to turn into a successful SaaS company. All you have to do is talk to your customers to validate your idea. Get to know them in four steps.

1. Meet potential customers

Go out and talk to people who could be potential customers. Spend an entire afternoon walking into 10 different businesses, and say, "Hi, I'm [your name]. Can I talk to the manager/owner?" When you meet the owner, say, "Hi, I'm an entrepreneur about to start a new business to fix a problem that I think you have. Can I get three minutes of your time to see if this is something that you might want?"

This is the best way to get started. The big advantage here is that you're going to be able to get very valuable feedback by being able to see people's responses. It's very visceral and you will get a real sense for how they run their operations. Although you can't do this kind of market research on a big scale, the quality of the responses and insights you get is powerful.

2. Call potential customers

The next thing to do is to call potential customers. Even though you're missing out on a lot of visual clues about them and their business, you still get to have one-on-one conversations that will help you really understand their wants and needs. This obviously scales better than in-person interactions.

3. Email potential customers

The last tier is to email people. You can email a lot more people, but the quality of the insights you get will be different.

You'll be able to see open/response rates and read people's responses. Written feedback oftentimes is a bit more "filtered" than what people would tell you over the phone or in person. The great thing is that you can aggregate and analyze results at scale.

4. Separate real buying intent vs. "lukewarm interest"

When you're an entrepreneur just starting out, many people will tell you that your idea is great, just because they like you or want to encourage you. But there’s a big difference between saying they would buy your product and actually paying money for it. How do you find out if they would have real intent to buy?

Here’s a simple question you can ask people to find out if they have real buying intent: “What are all the steps I have to take for you to become my customer?”

I call this the “virtual close.”

Listen carefully, watch out for red flags, and make sure you get a very specific answer. Once you’ve reached a point where the “virtual close” has occurred, do a test closing.

There are different approaches to do a test close, so find one that works best for you:

- "We want to start in 4 weeks—does this work for you?"
- "The beta program is heavily discounted. If you sign up now, you’ll get it for half the price for life."
- "What is the decision-making process in your company? How quickly can we make a decision on this?"

And then ask them for money. Tell them, “Can I take your credit card info to process the payment?”

Make it risk-free. Tell them their payment is 100% refundable. If they’re not happy with the product, they can get their money back at any point.

Not everyone will be willing to give you money. But you can get at least some of the people who say they want your product to actually pay you in advance in order to get a discount in return or move the timeline up.

Summary of the four steps to validate your SaaS idea with sales

1. Get a deep understanding of the environment your potential customers are working in by talking to them face-to-face.
2. Talk to more potential customers by phone to see if the early problems you've discovered are validated with a larger test group.
3. Email more potential customers to test your early findings at scale/gather more data and build up a list of prospects.
4. "Test close" prospects to determine whether they just "curious" or real prospects with real pain points and willingness to buy your product/solution.

How to get people's attention to validate your idea

One problem that many founders struggle with is getting initial feedback from the market on their startup idea.

What’s the best way to get initial validation for a business idea?

Talk to prospective customers for the solution you want to offer them!

But how do you get prospects to actually talk with you, especially if you reached out to them and didn’t get a response? What if they aren’t even telling you that your idea isn’t a good one because they don’t even take the time to listen to your idea in the first place?

Let’s say you’re sending cold emails to people whom you want to sell to and asking them for a few minutes of their time to discuss your idea. However, nobody is willing to talk. What do you do then?

Tap into your network

I suggest you first try to tap into your own network. Try to get an introduction to somebody who is a member of the group you want to sell to.

Even if you think there's nobody in your network, spend some time exploring second or third-degree connections. Somebody you know that knows somebody that knows somebody:

- A friend
- An acquaintance
- A family member
- A co-worker
- An ex-colleague
- A former classmate
- A former employer

Reach out to people in your network and tell them, "Hey, I'm working on this business idea I have, and I'd like to speak with someone in the XYZ industry about this. All I need is 10 minutes of their time on the phone. Do you know somebody who works in that industry? Or somebody who might know somebody?"

If you do this with some persistence, you'll often find that there are, indeed, people just two or three degrees away from you that are working in the market you want to sell into.

But if you've completely exhausted your network and there's absolutely nobody, there's still something else you can do...

Send cold emails (the right way)

Send cold emails to people working in the industry you want to enter. However, many people are too generic in their cold email approach.

It's important that you get the message just right: specific and succinct.

Let's look at this email:

> Hi Steli,
>
> I see you're working in the sales industry, and I have a great idea for a product that could be very valuable to companies in this field.
>
> When would be a good time to do a 10-minute call to talk about this?
>
> Ben

Now what I like about this email is that it's succinct. What I don't like is that it's too broad, too generic; I don't have any idea what this is about and whether it'll be worth my time.

I don't even know whether you're an entrepreneur who wants advice. Looking at that email, you could be n sales rep for a PR agency trying to play some BS game to get me on a sales call.

So, what's missing in this email?

A clear, specific value proposition. Tell me exactly: what's in it for me?

A better way to convey value would be:

> Hi Steli,
>
> I noticed you're doing a lot of content marketing to drive leads into your sales funnel for Close.io.
>
> I have some ideas on how to take content marketing and promote it in a much more powerful way and I think that your content would be awesome for that.
>
> Can you take five minutes to bounce off these ideas and validate whether what I have in mind could be really valuable to you and your business?
>
> Ben

Now that addresses more clearly what this is about. It’s still succinct, but it’s also specific enough for me to decide whether I want to respond or not.

Problem-focused cold email

Another approach for an email could be to focus on a specific problem and basically offer people an opportunity to vent their grievances.

Nobody likes problems, but most people like to talk about their problems and get something off their chest.

> Hi Steli,
>
> I’m working on fixing Problem X, and I’d like to talk five minutes with you about the causes and effects of this, and how to best solve it.
>
> Could we talk about it this Wednesday or Thursday 11am Pacific?
>
> Ben

If you’ve identified a valid problem, many people will respond to an email like this.

But let’s say even this doesn’t get you responses. What’s the next thing you can try?

Have them participate in a survey

Another approach that often works is to frame this differently. Tell them you’re conducting a survey or creating a whitepaper on their particular industry or for people in their particular position.

For instance, you could create something like *“The 2015 B2B Sales Development Reps’ Guide to LinkedIn Prospecting”* and every participant would receive a free copy of this $150 whitepaper.

It'd contain valuable industry insights, and you’d gain a better understanding of what’s working well for others in the same position or industry and what problems they have.

This is a true value exchange—you now have something intrinsically desirable to offer them, instead of just asking them to pick their brains for a business idea of yours.

I’ve seen this approach succeed for quite a few people to validate their ideas and learn more about the market.

Cold call until your phone gets hot

If you’re not getting responses to your cold emails and you’ve already experimented with different messaging approaches, it’s time to pick up the phone.

I’m not going to share a lot of advice on cold calling here. But what I do want to point out is the following: depending upon who you want to reach, different media will be more effective.

Selling to enterprise? Cold emails are probably the way to go.

Selling to restaurant owners? Good luck getting their attention with emails…

You want to find out the best medium for your market: email, phone, or even showing up in person at their workplace. Heck, there are even markets where direct mail or fax work best.

But in general, it’s best to get started with emails and phone calls.

No responses?

If you’ve tried different approaches to email people, call them, and show up at their door and they’re still not willing to take the time to engage in a 10-minute conversation with you... maybe that’s all you need to know about that market.

Your idea is probably not as valuable to them as you imagined it to be. It can be a painful realization, but the faster you get the insight, the better. It’s time to close that chapter and move on to the next thing.

If you do get positive feedback though, then it's time to climb on top of the validation pyramid and ask for their money.

3 reasons why you should charge users money early

A lot of startups are hesitant to make their users pay early. After all, it’s the internet, right? "This is just an MVP, we need to build traction first, we're focused on growth, …"

Let me stop you right there. You already know why you shouldn't charge users. There are plenty of reasons, but they're often just a front for ...

The real reason most startups aren't charging users

They simply lack confidence in their product.

There's a subtle, but definite, underlying fear that their whole business model isn't working out—and they'd rather keep the faith in an unverified idea than risk seeing their dream smashed into pieces.

"One of my Top 100 mistakes was not charging on Day 1. If you don't charge, you have no idea what people will actually pay for."

—Jason Lemkin

(Of course, it's often not that bad. In most cases, it's possible to fix the business and transform it into something that works. But you can only do that once you put it to the ultimate test, see how it functions in the real world, and expose it to the possibility of failure.)

Here’s why you should charge anyway

Let’s start with the most important reason first.

Reason #1: Insights (that actually matter)

On the way to product/market fit, startups constantly tweak, improve and optimize their product.

Most of the improvements are driven by the feedback they get from a) their market and b) their users.

If you're not charging users early on, you're taking an enormous gamble. You might be listening to the wrong people and optimizing for the wrong audience.

There’s a hierarchy of data value:

- Feedback from people who say they like your product.
- Feedback from people who say they will buy your product.
- Feedback from people who (actually) pay for your product.

Unless your business model is to give away your product for free to your users, you should **focus in on the feedback you get from people who actually pay for your product.** That’s the source of your most valuable insights.

Example: Which vertical to pursue?

Let's say you have a product that could be valuable in many industries, and you haven't decided which vertical to focus on first.

You might find that you have three main groups of users:

- Political campaign groups
- Brands
- Small businesses

Maybe the political groups are the most enthusiastic and vocal. They give you the most love and energy. They're all excited, saying "Oh my god, this is going to change everything!"

And you're thinking, "Wow, these guys love us! We should go after this market!"

But once you ask for money, the brands go, "Yeah, here's my credit card." The political campaigners? "Well, that's too expensive, you know our budget constraints, bla bla bla ..."

Suddenly, the picture has completely changed. Now you're thinking, "We should totally focus on brands! They really want to buy our product, whereas the political campaigners just want to use it!"

Let the money do the talking

People will say all kinds of nice things about your startup and your product. But don’t take that at face value. **Don’t base your business model on opinion polls and enthusiastic feedback.**

We're not in politics, we're in business. The only vote that truly counts is what they vote for with their own money. If they’re willing to part with their cash for what you have to offer, you know they’re truly getting value out of it.

Reason #2: Find your price point

Early on is the best time to experiment with different pricing. However, you can only do this if you're charging money.

Avoid market-based pricing

Many startups look at the pricing of other similar startups and copy their pricing. Seems reasonable, but it can be a very misleading strategy. By all means, research your competitors' pricing, but don't assume that's going to be the right pricing for you.

Experiment with outrageous prices

When your product is still in its MVP stage, you should run bold experiments with pricing. Hit prospects with heavy numbers and see what happens. You think the right price is $249? Make it $500 and see what they say!

Anticipate and be prepared for their reaction when you're doing this but be immune to it. Approach this experiment with the following mindset: “Well, the next five are going to say no because I’m telling them a crazy number.”

Is that the reality of how people react? It might happen that you say $500 and it has zero impact on the conversation. And then you go back to your team and go: "Holy shit, we should totally charge $500, because nobody even flinched when I told them that number!"

Settle in the upper middle

If you've aggressively experimented with pricing, you'll have a spectrum of responses in between these two extremes:

- A price so low, most people don't seem to care about pricing at all. When you tell them this price, most of them won't push back. They'll just say, "Okay, I'll buy."
- A price so high, most people won't buy and will complain you're too expensive.

Your ideal price is between these two. If 10% to 20% of your prospects tell you you're too expensive, and 10% to 20% don't even blink when you mention the price, you're in the golden middle.

You want to settle in slightly above the middle, so that most people say: "Hey, that's quite a high price but, you know what, the value I get from it is so high, I'll pay it anyway."

This is in line with Harry Beckwith's (author of *Selling the Invisible*) time-tested advice to raise your prices until 15% to 20% of your qualified prospects resist your pricing.

Reason #3: Money

Call me old-fashioned but running a business that makes money is not the worst thing in the world. Getting funded is awesome, but even in Silicon Valley, generating revenue is a good thing. Investors like it, and it can give you the freedom to choose whether you want to do the VC dance or not.

What should you do when an initially enthusiastic prospect turns cold once you quoted your price?

Find out why they think your offer isn't worth it. Ask a lot of follow up questions to uncover the real reasons. It's almost never price!

- Why don't they want to pay your price?
- How much would they want to pay, what number did they have in mind?
- How much would this be worth to them?
- What would you have to offer to make them want to pay your price?

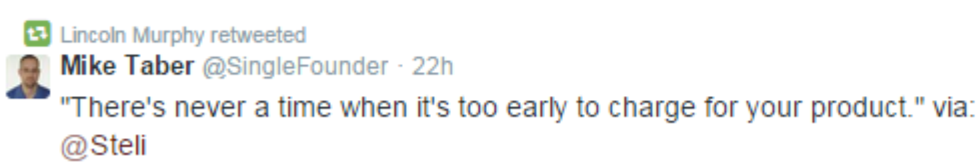
Not getting real answers?

If you feel the prospect isn't being fully honest with you, bring it up:

"This is really hard for me to understand. Help me out here. What am I not getting right? It seemed like you were really interested, and our solution is the perfect fit for you, and I'm open to hear the price you had in mind to make this work. Help me understand how we can move the conversation forward. What am I missing here?"

Are you charging your users?

A lot of founders delay charging users. They feel their product isn't ready yet; they don't want to alienate users, and they'd rather have 1,000 free sign-ups than try to sell one prospect at a time. Big user numbers, impressive growth charts—all that can help to sustain your belief in what you are doing and keep you going. But you can't build a sustainable business based on wishful thinking and vanity numbers.



Start charging money. It makes things more difficult in the short-term, but the obstacles this puts in your way are great teachers.

How to charge money for things that don't exist yet

I was talking to a good friend of mine who founded a very successful SaaS (Software as a Service) startup a few years ago and is currently considering a major new direction in their product.

He was asking me about my opinion on this new direction and the sales implications of going after a particular market with a very particular approach. As I was asking more and more questions to dig deeper into the matter, he said one thing that raised an immediate red flag for me.

“We’re getting a lot of interest for this but many potential customers want a key feature that we don’t have yet, so we can’t sell to them today. I think we’re going to build out the product over the next few months, since we know exactly what the market wants, and then start selling!”

Beeeeep! Wrong answer!

The best way to discover if your product has a real market is to **SELL FIRST** and **BUILD SECOND**.

I told him what I always tell founders, "You need to charge for the product today."

No matter if it’s ready or not. See here is the thing: **getting interest from businesses and getting customers are not the same thing**. Not even close.

You want to test interested parties to discover if they are true buyers with real buying intent.

But how do you do that when you know they need these key features that are missing? How can you charge for something that doesn't exist yet?

It’s simple.

Give incentives

They might not be able to benefit from the product/features they need right away (since you haven't built it yet), but they can pay upfront in order to receive one of two key benefits:

1. A massive discount for pre-ordering your product
2. A shortened timeline for the feature/product release if they commit today

The minimum viable pitch

Here’s what you say:

“All right, dear interested prospect. It’s clear that once we have feature XYZ, we’re going to be the perfect solution for you. We’re planning to get that feature done and released in six months. The pricing will be around $$$, which would deliver [insert massive value] to your business.

We want to give you the chance to get on the early customer list for this and gain some massive benefits. If you commit to making a deposit today for purchasing this product with feature XYZ in the future, we will give you a lifetime discount of 50% and we will move the development in our roadmap to be finished in three months instead of six.

The deposit is fully refundable so in case something unexpected happens to your business in the future, you have no risk. Sounds fair enough?”

Most prospects won't bite and that's OK

If they are not interested in this deal, chances are they are not a real early customer anyway.

Their pain is not big enough and their intent to purchase not strong enough to get them excited about these benefits.

But if you can’t close one out of five or 10 prospective customers on this type of early-bird deal, you’re in trouble and might not really be on to something in the first place. You might want to spend a bit more time validating that there is a real demand for this product/feature before spending months and millions in feature development.

(Here’s a little secret: ElasticSales and Close started out like this. We sold our service before we were even able to deliver it, before our company even existed.)

Fast track to product/market fit

The hardest (and most important) thing in the early phase of every startup is getting to product/market fit. Don't build and then sell. Do it in reverse. Once you have people that give you real $$$ in order to get the chance to buy your product earlier and for a discount, you know you're really on to something worth building.

It’s a simple strategy that will help you to get to product/market faster and with a lot less pain.

Coworkers as your first customers: Your office as the ultimate development environment

This article was written by our very own Phil Freo, Elastic's Lead Engineer/Hacker.

After months of development, we finally launched our product, Close, two weeks ago.

As many of you know, shipping a product can be an exhausting, exciting, and often stressful time as your team races to make sure it doesn't break! However, it can also be a great time to reflect on everything that's happened up to that point.

In doing so, I realized we did something amazing, not just by shipping a product that people seem to love, but more so, how we did it.

What's amazing was that the core concepts behind my product were developed in the same room as its users—in this case, salespeople—which doesn't often happen.

I'm not talking about beta users in your hometown; I'm talking about sharing desks (and sometimes headsets) with a salesperson as you write code for the product on their screen.

Startups often build software based on limited understanding of problems, or in the best cases, based on their own past experiences. However, they still remain disconnected from real users during most of the development process. (There are exceptions if you're creating a developer-facing product like GitHub, but these are relatively rare.)

And this sucks because, as a developer, it's too easy to start working on the wrong problems. We went a different way, building our product from scratch as our core users actually used it. Here is a look inside our unique development environment and why you need to try our method too.

Our dev environment—sharing desks with our users

The biggest single way to take good software and make it great is watching coworkers (with no training) try to use it. Other good companies try to do it with focus groups, friends, or even going up to people at Philz Coffee, but the ability to do this every day in a real work environment is very insightful.

In our case, we had Elastic's sales team use Close to make sales and manage the entire sales process for each of their clients. This gave my development team direct feedback on real, live sales campaigns for dozens of clients, in a variety of industries.

Both seeing new users try it (when we hire someone new or introduce Close to a client), as well as seeing how existing users try out a new feature or redesign, is really helpful. The best part is that this can be done anytime just by walking over to a coworker and looking over their shoulder.

This feedback loop went several steps further over the course of the product development. Sharing space (sometimes even desks) with salespeople, having lunch every day, happy hour, and even trips to Vegas developed a bond between the engineering and sales team. This bond would have been impossible to create had it not been for us working so closely together. We even went so far as giving my engineering team headsets and having us make cold calls to get a better understanding of sales.

Additionally, if a salesperson had their heads in their hands, frustrated by a sales call or the platform itself, our process allowed an engineer to walk over to the salesperson, discuss the root of the problem, and walk away leaving the salesperson with full confidence that we'd develop a solution for those frustrations.

Better than anything else, this process helped us:

- Simplify workflows
- See reactions
- Identify pain points in the software

On numerous occasions, we thought a feature was simple to use but realized after watching users that it could be much better.

There's really no substitute for watching real life users and I can't think of a better way to have developed Close than side-by-side by our sales team—our first customers.

Challenges & risks

There are, however, challenges working this way. Users, in this case our Elastic sales team, would occasional walk over, interrupt development workflow and ask us about bug fixes, timelines for new features, etc.

We can't really blame them though. If the person I needed to speak with was sitting across the couch, I would probably speak with them face-to-face too.

Additionally, one risk of this development model is focusing too much on a single group or type of users all the time. In early versions of the software, we did a really great job making those people, our sales team, super happy but eventually realized we were solving problems a little too narrowly.

It wasn't as bad as it could have been because Elastic didn't just do one type of sales, they did sales processes that were completely different per client. However, there was definitely value in getting external people with completely different types of needs to start using the product in order to hear their feedback.

Our gains

By working side-by-side with "real users," my engineering team was not able to simplify workflows; it also gave us a lot more access to direct ideas and "you know what would be awesome …" conversations.

Some of those are things we (developers) would have never thought of ourselves but turned out to be a great feature. Other times, their exact idea didn't seem great from a product perspective, but it sparked something even better.

I can also say that before this effort, I couldn't call many salespeople friends or even colleagues. Engineers tend to know other engineers for good reason; we're all working on similar things in similar ways.

However, working and spending quality time with our users allowed me to form connections with people to whom I'm rarely exposed, expanding my understanding of technical needs and ultimately improving what's important—my product.

Depending on your market, it may be difficult to replicate this process. I'd imagine it near impossible to set up shop in a doctor's office to tweak your EMR, or a law office for a new eDiscovery tool.

But if you find a way to build your product "in the same room" as your users, watch them carefully and keep the communications channels open (even if it's sometimes distracting), you'll be amazed how your product evolves.

From the ground up: Develop your first sales process

How to develop a first sales process for your company

You've validated your idea. Now, it's time to start building a sales process. At Close and Elastic, we've had the privilege to work with dozens of early stage startups, helping them establish their sales processes.

Many come to us looking for guidance as they develop their first sales processes and teams. The best startups are those in which the founders are actively involved with developing the process or have conducted their startup's early sales themselves.

For tech entrepreneurs without sales experience, here's how you build a sales process for your startup from the ground up.

1. Begin customer outreach as early as possible

The best thing you can do to develop your sales process is to get out there as early as possible. That lean startup mentality works just as well in sales as it does for development. Spend a week, even a few days, picking up the phone and cold-calling your customers and getting a feel for how to best communicate with them.

During these early calls, you'll get a sense of their challenges, objections you might face, and hopefully how a good call should go as well as direct customer feedback about your product. You might even realize a key aspect of your product that needs to be tweaked before you push hard into the market.

As a founder, YOU absolutely need to do this before handing it off to someone else. Conducting preliminary outreach to your customers will help you better understand your customer, their needs and your market place, as well as refine your product as you develop your sales process.

2. Do a full walkthrough of one close

Walk through simulated conversations that begin with finding the lead and travel through the complete sales process—ending with handing the customer off to your support team.

Do this with colleagues who understand your space, then try your pitch on someone who doesn't. (Outsiders quickly notice problems and inefficiencies.) These scenarios not only give you great practice before implementing your process, they'll help you identify gaps in it.

Say on your first call, you get a customer's credit card, then what? How do you process the payment? Who do they speak to next? Mock calls are a great way to practice your pitch and refine the logistics of a sale.

This is obviously best to do before you deal with a ton of customers and look like an idiot because you don't know how to use Stripe!

3. Establish qualifying criteria

Qualifying criteria is a list of traits that makes a lead a good fit, or qualified, to buy your product. Sound easy enough, but lots of young companies have no idea what they need to know about a customer to make a sale!

So how do you develop qualifying criteria and track them?

Common criteria for leads:

- Does your product solve their pain point?
- Does your product save them money?
- Does your product save them time?
- Is your product in their budget?
- Are they using a competitor's product and paying for it?
- How fast can they make a buying decision?

It's best to develop just five criteria based on what you THINK you need to know about a buyer, and then reach out to a subset of customers. Identify those five criteria in the customers, and then see if the criteria need to be expanded, or even cut down, to know if they would be a good fit.

Once you close a few deals, look back at the deals and figure out what you really needed to know in the first conversation to mark someone as "qualified" and move the deal to a close.

DO NOT get into the habit of marking every lead qualified, because "you had a nice conversation." Most folks are nice over the phone and the myth of getting chewed out by a lead is the exception rather than the rule. Remember, a qualified deal is very different than an "active opportunity".

A qualified lead should be a prospect that matches all the criteria to purchase your product, and one that has expressed interest in learning more and speaking again.

An active opportunity is a qualified lead with a value attached to it. This means that you have communicated the cost of the product/service to the prospect, they understand it, and have expressed that it is in within their budget.

In the next chapter, I'll explain how to find qualified leads in even more depth.

4. Establish a sales script

A good call script is a way for you to guide a customer through your sales process from start to finish, while showing them the value of your product/service.

A call script typically has the following sections:

- Introduction
- Qualifying questions
- Q&A about features, pricing and next steps
- Asking for the close
- Managing customer objections
- Establishing next steps

Developing a script is an iterative process but begin with research. Know your product and how it fits into the market, and find a way to convey that as simply as possible to the customer.

It's important that your script incorporates your qualifying questions (so you know they're a good fit), common pain points, and benefits around which to position your solution.

It's also important to include objections that your future sales reps will encounter during their calls.

5. Establish a conversion funnel

Here's an example of the ideal basic conversion funnel: calls/emails --> reaches --> qualified buyers --> closed deals

A conversion funnel should be built with a "reverse" approach. Establish a range of deals you'd like closed over the course of a week or even a month. Then ask yourself, "To close that many deals, how many active opportunities/deals do I need to qualify in order to achieve that goal?" This is called a conversion rate.

This will help you determine how many qualified opportunities you need to achieve in order to reach your “closed deal” goal. But how many scheduled calls or demos do you need to perform each week to in order achieve the desired amount of qualified opportunities?

Using the conversion rates you've estimated (be conservative), determine how many calls/emails, or leads generated, you need each week in order to schedule that target amount of calls.

It’s important to note that the amount of calls or emails you need to send each week is pretty large—this is the top of the funnel. In turn, this might mean that your “closed deals” goal might be too large. Start with a number you believe to be attainable, but aggressive. Work through the entire process and reach the goals you set out at the beginning of the week.

Once you've done that, start increasing your goal by 10% each month. You need to have 10% month-over-month growth to really have a healthy funnel as a startup.

6. Optimize implementation

Sales doesn’t end with the close. As a salesperson, you need to make sure that the customer is successfully integrated, and this means a clean handoff to your support team. As you develop your sales process, communicate with your customer success team and check in with your customers to see how they’re doing.

As a founder, you’ll quickly find out ways to improve your process and ensure that your customers stick around. This is also crucial for securing customer references, which are integral in bringing in new business down the road!

7. Iterate, iterate, iterate …

Just because something works, doesn't mean it's the best way to do it. Make sure you are constantly stress testing your process to figure out what's broken. Maybe your script is still a bit clunky, emails don't generate the response rates you'd like, or your conversion rates are too low.

Don't get stuck doing something because it works "well enough." Lack of iteration is what prevents companies from making a good sales process great!

It's crucial that you, as the founder, conduct some of this early outreach and help develop your company's sales process. Doing the grunt work is the price you pay for getting an unfiltered view of the marketplace.

You need to experience the reactions of the prospects when you try to get their attention.

You need to hear with your own ears the words they speak when you pitch them.

You need to see their responses with your own eyes.

You need to understand what it takes to find a hundred quality leads, what works and what doesn't.

It's not good enough to outsource this to sales reps, because they don't see the full picture. They lack the context required to make the kinds of judgment calls which will shape your company's outbound sales process.

Only once you've developed this repeatable process, and know it works, can you confidently hand-off sales to a director that can refine the process even more!

How to create your ideal customer profile for B2B lead generation

The first step: **create an ideal customer profile so that you can focus your sales and marketing efforts on generating high-quality sales leads.**

Pretty much every week, I speak with founders and sales directors who struggle to reach their sales goals because they haven't nailed their ideal customer profile yet. Many of these are very small teams, but in some cases, even startups with millions of dollars in funding aren't clear on who their ideal customer is.

So, let's start with the basics ...

What is an ideal customer profile?

It’s basically a description of a fictitious organization (company, government agency, non-profit organization …) which gets significant value from using your product/service and provides significant value to your company.

Let’s further examine three parts of this ideal customer profile definition.

1. How does this imaginary organization provide value to your company?

First and foremost, they pay you for the value you provide them. However, there are many other secondary ways a customer could benefit your company.

- They might help refer you to other companies.
- They might become advocates for your company.
- They might give you access to resources to grow your business.
- They might provide you with valuable insights into new opportunities.
- They're pleasant to deal with and don't require excessive amounts of support.
- They might let you use their logo and provide a testimonial that you can use in your marketing materials.
- They might just be a constant and never-ending stream of positive feedback and encouragement for your team.

Having listed all these, it's worth restating that the most important indicator of value they provide to your company is the amount of money they pay you!

2. How does this imaginary organization get value from using your product/service?

- You help them make more money.
- You reduce their expenses.
- You alleviate pain points.
- You increase productivity.
- You raise morale.
- You help them better service their customers.
- You help them to become more successful.
- And a thousand other ways …

But ultimately in B2B, it's about how you affect the bottom line. If your solution doesn't have a direct correlation with profits or expenses, you should be able to demonstrate how it will indirectly affect the organization's finances.

3. It’s an fictitious organization, but the fiction is based on some solid facts and real data

You don’t just fabricate an ideal customer profile out of thin air. Instead, you systematically identify shared traits and characteristics of real customers who are succeeding with your solution. We’ll talk in more detail about how to do this, but first, let’s look at some of your real customers.

Make a list of your "best" customers

Create a list of your 10 best current customers.

You should be able to call these customers and ask them: “How much are you paying us for our solution? And how much value are you getting out of it?”

The second number they tell you should be a multiple of the first number. For instance, if they pay you $100 a month, they should be getting at least $200 of value in return from using your solution.

It’s not enough that they pay for your solution. They need to get significant value from it and be aware of the value derived from your solution.

Sell to your customers in three stages

Don't assume that this magically happens by itself. You should take charge of making this happen by selling them in three stages:

1. **Before they buy,** you need to sell them on the promise of your solution. You need to convince them that your solution has the potential to make them successful and is worth investing in.
2. **After they buy**, you need to sell them on implementing your solution. It's not enough that they just paid you for it—they must invest time and resources into utilizing it, so that the promised value is created.
3. **After they've received the value,** you need to sell them on realizing that it's your solution that has created the value. You need to ensure that the people in the organization are aware of the value your solution has created. This is not something that happens by itself; it's something that needs to be engineered and directed. (Especially in large organizations, where there will always be individuals and departments eager to claim credit for achievements.)

Don't have 10 ideal customers yet?

If you can't come up with 10 customers, drop everything else and focus on getting these 10 ideal customers. Either support some of your existing customers over to the top until they reach that level of success with your solution or bring in new companies and onboard them to ensure their success with your solution.

Find common attributes

Now look at this list of your ideal customers, and ask yourself: **what do they have in common?**

This is where you need to brainstorm and do your research. Dig deep and come up with lots of attributes for each of these 10 companies so that you later find commonalities.

Your ideal customer profile template

The best way to go about this is to identify which questions are worth asking your ideal customers. Here are some ideas to get you started in different directions:

- What's the size of the organization? (Measured in revenue, number of customers, number of employees, etc.)
- What's the size of the relevant department?
- Do certain job titles exist in the organization?
- Which industry or niche are they serving?
- From which academic institutions did they recruit their employees?
- Which companies have current employees previously worked at?
- Do they largely promote people from within the organization, or do they mostly bring in experienced leadership from outside? (e.g. In the first case, they might value training their personnel higher, versus in the latter they might have more demand for recruiting services.)
- How long have they already been in business?
- What's the number one reason that would prevent them from buying your solution?
- What's the number one reason that would make them decide to buy your solution? What makes your offer appealing to them?
- What goal do they want to achieve with your solution?
- How are they currently trying to achieve this goal?
- Why did they decide to try this approach? (What was the decision-making process that led to this choice?)
- What's the main pain point with their current approach?
- What are the three most important features for them?
- What's their buying process like?
- Did they ever make a purchasing decision to fulfill the need? If yes, how often did they already do this?
- Which industry publications, blogs or websites are they following?
- What kind of tools or services are they using?
- Where are they located? (Geographic region? Rural vs. urban area?)
- Were there any recent personnel changes? Restructuring? Other recent events in the company?

- Seasonal or temporal factors? (e.g. Spending remaining budgets before end of year? Selling remnant advertising before going to print? Having to meet goals before end of quarter? Low demand during summer?)
- How have they been affected by changes in the economy or other developments outside their sphere of influence?
- What kinds of social media platforms do they use?
- What kind of usage patterns do they show?
- What’s their culture like, what values do they practice?
- How do they position themselves in the market?
- What words do they use to describe their product or service?
- In which directories do they get listed?
- Which associations or trade groups are they members of?
- Are they more driven by a desire to be innovative or to reduce risk?
- Which trade shows or industry events do they attend?
- How technically sophisticated are they?
- Where do they source their materials?
- What distribution channels do they use?
- What’s their awareness stage? Do they already know your product and just aren’t motivated enough to buy? Do they know the end-result they want but not that your solution can deliver it? Do they know that they have a problem, but have no idea how to solve it? Aren’t they even aware of the problem, and need to be educated of the fact that they have a tremendous opportunity for improvement?

As you can already see, there are hundreds of questions you *could* be asking, and it's impossible to provide an exhaustive list. That doesn't mean you *should* be answering all of these.

Don't get stuck in generic templates which try to define your ideal customer in terms of broad demographic, psychographic and behavioral attributes. These fill-in-the-blank customer profile templates are no basis for creating highly targeted lead lists.

Get together as a team for a couple of hours and brainstorm which questions are relevant to your ideal customers.

The non-ideal customer profile: How knowing who not to sell to can save your company

Picture this: You're the founder of an early stage SaaS company. You've been prospecting and going after your first few clients, when all of a sudden, a massive enterprise company starts waving cash in front of you. They found you and they want to buy what you're selling.

But wait. You didn't build your tools for these kinds of companies. Hell, you've never even sold to an enterprise client before. But the money's just sitting there, waiting for you to reach out and grab it.

So, what do you do?

If you're like most founders, you're going to take the money. The problem is, **this is one of the biggest mistakes you can ever make**.

Taking money from the wrong clients is a death sentence for your company. And I should know.

How selling to Google and Oracle almost killed my startup

Back in 2007, a senior manager at Google reached out about a startup I was working on. Even though we knew our product wasn't built for enterprise clients, the money was just too tempting. So we took it. And within a few weeks, we were running trials with not just Google, but Oracle and Intuit as well.

I thought I'd hit the goldmine. Not only were we selling to some of the world's biggest companies, but they seemed like easy customers. They kept telling me they didn't need any special treatment or changes to the product.

The thing is, they were all lying.

Fast forward a year and all the deals had fallen flat. Our product hadn't been built for clients that big, and of course they had needs we couldn't meet. We'd sold to our non-ideal customer, and it almost killed us.

You need to chase the smart money. Not just the most money

Especially in the early days, turning away sales is difficult. But no amount of cash can make up for selling to the wrong customers.

If you get someone to purchase your product who *isn't* your ideal customer—meaning they won't get value or see success from using it—they're going to destroy your business. They're going to do the following:

- Create an insane amount of support needs and noise
- Bombard you with feature requests and try to influence your product roadmap in a direction you shouldn't take
- Complain and add a lot of negativity to your culture and team

Inevitably, they're going to churn. And worst of all, they're not going to go quietly. They're going to tweet about you, write a blog post about their bad experience, and tell anyone who will listen how terrible your product is.

I feel like I need to say it again before we move on: **Taking money from the wrong customer can kill your company and your brand.**

How to define exactly who your non-ideal customers are

To understand who your non-ideal customers are, you need to be super clear on all three types of customers your business is going to come across:

1. **Ideal customers:** Customers whom you built your product for and know intimately
2. **Secondary customers:** Customers whom you'll sell to and make a bit of money, but you aren't really focused on
3. **Non-ideal customers:** Customers whom you don't want and have to actively stop from buying your solution

At Close, we started out knowing we were committed to SMBs—the small and medium businesses. They were our ideal customers, and we knew they'd get huge value and see massive success from using us.

Then, there were our secondary customers: freelancers and independent users. We hadn't built our tool directly for them, but we wouldn't stop or prevent them if they really wanted to buy.

Lastly, there were our non-ideal customers: enterprise companies and government agencies. We hadn’t built our tools for them and their needs, and we knew they wouldn’t see success using us.

No matter how much money they waved in our faces, we knew we had to tell them no: "We didn’t build our tools for you and we don’t want your money. If you still want to purchase, you’re going to be treated like an SMB and that’s going to be a very bad experience for you."

Use this information to create a Non-Ideal Customer Profile (NICP) for your entire team

Once you know who your non-ideal customer is, you need to make sure your entire team knows them too. Just like you should have a one-page summary that spells out who your ideal customer is, do the same thing with your non-ideal customers.

This summary can be as simple as you want, as long as it says, *“Here is the type of customer we don’t want to sell to. They’re not ideal for our business and we can’t deliver value to them. In every possible situation, we should turn them away.”*

If you can create that level of clarity in your team—especially sales and marketing—they're going to be laser focused and be able to move much faster and see bigger results.

Turning down your NICPs creates powerful referrals

What? How does turning down customers bring in more customers?

Well, there’s a beautiful dynamic that happens when you tell a prospect, “Based on what you’re told me, this is not the right solution for you.”

Potential customers aren’t used to hearing no. They’re going to fight you on it and try to get you to change your mind. But you’re not going to.

Because when you're authentic and transparent like this, people will remember you forever.

They're going to tell other people about you. Not only that, but they're going to tell the *right* people about you. When you told them they weren't your ideal customer, you were also telling them exactly who your ideal customer is. And because you built that trust by being transparent and open, they're going to refer the right people your way any chance they can.

Marketing *against* your NICP keeps them from adding noise to your pipeline

When you know who your non-ideal customer is, you can also actively tell them in your marketing, "This isn't for you." You can disqualify them *before they even send you a message and muddy up your pipeline.*

Here's an example. Let's say we're writing an ad for Close. Instead of saying:

"The best inside sales CRM in the world." (Which would potentially bring in a huge range of prospects).

We could say:

"The best inside sales CRM *for SMBs*."

All of a sudden, we're telling enterprise and larger companies, "Don't click here." We're cleaning out the noise.

And what if we're getting clients without enough budget or who want a free tool? We could switch our ad:

"The best inside sales CRM. *Starting at $65/month.*"

Now, those people looking for a free tool aren't going to click. They know it's not for them.

All these negative qualifiers prevent non-ideal customers from coming through your funnel and creating noise. But you can't do this unless you know exactly who those customers are.

But Steli, what if I don't know who my ideal and non-ideal customers are yet?

If you're just starting out, you might not know who your ideal customer is. Or maybe you're seeing a lot of demand from customers you didn't expect. This is fine. Sales is all about listening and learning.

Look at the prospects you have coming in and start asking:

- Why is this organization looking at us?
- How did they even find us?
- What are their alternatives?
- What is the pain point they have that is so big that they searched a tool like ours out?
- How much budget do they have?
- What is their decision-making process?

If you ask these questions to 20–30 people and find a pattern, you'll know you've got an opportunity to chase.

Never sell in a knee-jerk reaction. Instead, take your time, and listen and learn from your non-ideal customers. Serving the right customers in the best way will be the difference between moving fast towards success and zig-zagging to nowhere.

How to create a killer startup pitch

Why do most startup pitches suck? Because they follow a flawed formula.

They start at the top with some grand vision—“*Here’s where we’ll be in 10 years*”—and then work backwards to today. But that timeline doesn't make sense for most startup pitches. Here’s a quick example.

It's 1998 and you, Sergey Brin, and Larry Page have started a little company called Google. One day, I run into you at a party and ask, “So what’s your new startup doing?”

And you say, “Glad you asked, Steli. We’re basically trying to capture the world’s information, organize it, and make it universally accessible to everybody.”

What the fuck does that even mean?

Remember, it’s 1998. Phones looked like this:

Unfortunately, this is how most startup pitches go. They start with some grand vision that's nearly impossible to imagine. This pitch, while concise and aspirational, doesn't help me understand what it is that you actually do. Are you creating an on-demand library? A worldwide book sharing service? You've created zero concrete images in my mind.

Instead, **you need to begin your pitch at the bottom**. Start with your current situation and add layers until you arrive at that grand vision.

Here's what the bottom-up framework looks like in action:

Explain what you do

When you create your pitch, start by telling me *exactly* what it is that you do. Tell me in the most concrete, least sexy way possible.

Back in 1998, here's what I'd want you to say about Google:

"We're a website with a text box that lets you search for things on the internet. It's a search engine. When you enter a word, phrase, or question in that text box, we'll deliver the content that's most relevant to you."

You’ve started with a clear image that I can reference throughout your pitch. At this point, I'm ready for the next step...

Demonstrate value

Show me why your idea is better than what exists right now. Explain why your particular product or service is valuable to me.

If you were pitching Google, you could say:

“Other sites out there already do this, but the problem with most search engines is that they don’t really provide relevant results. You end up with content that’s tangentially-related at best. Many times, the results don’t even answer your questions. So you’re left searching over and over to find what you’re looking for, which can be incredibly frustrating. Have you had a similar experience with search engines?”

I was definitely experiencing these sorts of problems in 1998—most search engines were awful. So now I understand what you do and why your product *could* be valuable to me.

Create credibility

My next question will be: “Can I trust you?”

Which means it’s time to create credibility. You might start by saying:

“We’re Stanford students, and we’ve developed an algorithm with a professor who happens to be an expert in this field. We launched our search engine on campus and every day—simply through word of mouth—we add another thousand students. They’re currently using Google multiple times a day, and they’ve switched from other search engines because we’re finding them more relevant results.”

You’re building a lot of credibility with this response. For one thing, you guys are students at a reputable university. You’re also working with a known expert. You have tons of power users. And you have plenty of user traction.

Other ways to build credibility include:

- Press (*We've been covered in CNN…*)
- Investments (*We just received $10 million in funding…*)
- Data (*Tests show that we're 35% faster than the competition…*)

For many of you, establishing credibility is a difficult step. You may not be Stanford students. You're probably not working with other well-known experts. You don't have explosive growth...yet. But this is a crucial step, so you need to find some way—*any way*—to create credibility. Run tests, conduct a study, do press outreach, ask for testimonials. Do anything you can to convince me that you're not the only one who believes in your startup.

Build understanding and rapport

After you create credibility, it's important to build some understanding and rapport. You need to show that you understand who the customer is and why they need your product or service.

What's the easiest way to do that? **Ask questions**:

"Have you used a search engine? What do you normally search for? Have you ever had trouble finding the information you need?"

An effective startup pitch needs to be a two-way exchange. You can't just talk your way through the entire conversation. When you ask me the right questions, not only do you better understand my problem, but you also build rapport. I know you're listening, and I know you care about my answers.

This is also a great way to qualify me—so this step actually accomplishes two goals.

Manage objections

Typically, most people will have objections, like "I don't have time," "I don't have the money," or "We're probably going to use someone else."

People will always have reasons for why they don’t want to change their behavior. But it’s your job to manage these objections, so that you ultimately get to the final step in your startup pitch ...

Go for the close

Once you’ve managed their objections, go for the close. Here's all you have to say, “What would it take for you to become a customer?”

What would it take for you to start using Google today?

And no matter how I respond—even if I say, “Thanks, but I’m sticking with Ask Jeeves”—you know it’s not the end. It’s the beginning.

This is your chance to say, “Everything you just told me seems like a perfect match for Google. So you saying no right now means I’ve missed some critical information. What am I missing? Help me out there.”

Or, if you’ve done a convincing job in these previous steps, there’s a good chance I’ll say, “This sounds great. I’ll give Google a try.”

When you’re crafting your next startup pitch, remember this bottom-up framework

Most founders think your pitch needs to be fancy, but it doesn’t. Here are the six steps you need to take:

- Explain what you do
- Demonstrate value
- Create credibility
- Build understanding and rapport
- Manage objections
- Go for the close

When you follow this bottom-up framework, you create a stronger user experience for me. I understand where you’re coming from. I get what you’re trying to do. I feel comfortable with you and your product. I start believing what you say and, before I realize it, I want to become a customer of yours. Follow this framework and I guarantee your startup pitches will be a lot more successful.

Is cold calling right for your business?

You have a great pitch. The next step to figure out: “Should we be doing cold calling?”

A lot of new founders and small business owners ask themselves this question.

First of all: Cold calling isn’t dead. It can enable incredible growth and millions of companies are growing rapidly because of it—even Uber started out cold calling. If you know how to use it, it will be of great value to your business, too.

In this chapter, I’m going to give you two highly tactical question that’ll help you determine whether you should be doing cold calling.

2 simple questions to determine whether you should cold call

Start by asking yourself these two questions:

1. Do my customers buy over the phone?
2. Do my competitors successfully use cold calling?

These two questions answer one core question: **Is cold calling a channel that will help me successfully reach my customers and sell to them?**

There are two main ways to find out if your customers are likely to buy over the phone.

1. Learn from your potential customers.
2. Learn from your competitors.

Here’s how to do it.

Learn from your potential customers

Let’s say you’ve created an ideal customer profile. Next, find your ideal customers and survey them.

Ask:

- Are you being cold called today?
- Have you ever been cold called?
- Have you ever bought anything after a cold call?

Survey your potential customers and learn from them.

If your prospects tell you that they don’t buy over the phone, ask them why. Is it because nobody ever cold calls them? Or is it because nobody reaches them on the phone?

If your prospects are receiving a lot of cold calls, but the pitches suck, well—that’s a good thing. Because naturally, a huge part of cold calling is being able to reach your customers. It's also means learning how to cold call the right way will give you a leg up over the competition.

Learn from your competitors

Ask yourself if there’s a company in your industry that’s currently doing cold calling.

Do they have the same type of customers as you and are they succeeding with this strategy? You’ll want to talk to these companies, so start dialing.

Don't know how to get started with calling your competitors? It's easy. Call your competitors on their main sales line. Shortly, you'll find yourself speaking to someone that's very likely to be a junior rep. Just keep calm and act like a prospect.

Here's the thing: You don't even need to lie to them. If you approach the conversation the right way, they'll want to answer all your questions. Why? Because you might potentially become a very important customer to them.

Eventually, you'll get to the topic of how they grow their business and they'll be happy to answer.

Let the data guide your decision

If your potential customers are buying through cold calling and if your competitors are using cold calling successfully, then the answer is, yes—it's a strong indicator that you should explore cold calling as a channel for your business.

If your competitors tell you they don't do cold calling, you'd want to know why. Did they try it? If so, what were the results? Did they not try it? Why?

Getting started with cold calling today

Let's say you've answered these two questions and arrived at a "Yes." Next, you'll want to ask yourself two things:

1. Is this the best strategy for your business? Based on all our options when it comes to reaching prospects, is this the best one? Is it cost-effective? Is it competitive? Is it a priority to explore this right now? Like any strategy, you're going to have to invest time and resources into exploring whether it'll work or not.
2. Does anyone on your team have experience in cold calling? If not, will you train someone internally? Will you hire a sales rep?

While it's tempting to just hire a pro, oftentimes the best thing you can do at this stage is to do the cold calling yourself. Even if you hate cold calling people and are bad at sales, you want to be the person speaking with prospective customers before you hire someone to do it for you.

Setting up your first funnel

You've decided to give cold calling a try. Next, it's time to set up your first funnel.

Word of advice: Don't overthink it. All you're trying to do during your first attempt is see if you can close one customer.

Here's what your first version of your cold calling funnel should include:

- Dial phone numbers
- Reach prospects
- Qualify prospects
- Demo the prospects
- Close the deal

When you're doing this for the first time, it's very likely that the numbers you'll get are horrible. You'll have horrible reach rates, horrible qualifying rates, horribly close rates. But if you can create any results at all at this stage, it's a strong indicator that there's real potential for success.

Keep it simple and focus on one step at a time. Can you reach one person? Can you qualify that prospect? Can you demo that prospect? Can you close the deal?

Once you've established a basic funnel, no matter how many flaws it has—that's a great first step, now you can start improving it. (Don't worry about the numbers at this point!)

Six simple steps to getting started with cold sales emails

One of the biggest challenges in B2B sales is reaching the right person, the person who can:

a. Understand the value your software can provide for their company
b. Make a buying decision

Salespeople and lead generation teams generally waste too much time on this task. Your company can create a lot more high-quality leads in less time by using cold emails based on Aaron Ross' predictable revenue model.

When I talk to many B2B SaaS startup founders, they get it. They recognize that cold emailing could make their outbound prospecting more effective. But they don't know how to get started in implementing it into their sales process.

Let's look at these six simple steps to getting started with cold emails.

1. Write your subject line

It’s just one line, but it’s the line that matters most. If people don't open the email, nothing else matters. There are many things you can do to increase open rates, but one easy best practice is using their name in the subject line.

2. Write your email copy

Be brief. Give context. End with a clear and specific call to action. Every sentence is sealing the value proposition of giving you a bit more of their time and reading the next sentence you wrote. (Remember: most email clients display not just the subject line in the inbox, but also the beginning of the email copy).

3. Get feedback

Show your outbound cold emails to different people, especially current clients of yours with whom you have a good relationship. Ask them: "Would you reply to this? What's unclear? What would you change?" If you have investors, ask them the same questions. Get feedback. Edit, iterate, test.

4. Send 25–50 emails a day

Don’t blast out hundreds (or even thousands) of emails when you’re just getting started. Your goal here is to find out what works, while at the same time having enough resources to follow up properly with those prospects who respond.

5. On the following day, look at the two most important metrics

a. Open rates benchmark: 15–30%
b. Response rates benchmark: 10–30%

The open rates allow you to track the effectiveness of your subject lines while the response rates indicate how effective your email copy is.

6. Iterate

Try different subject lines and email bodies. Experiment and measure results.

If your response rates are below 5%, you're doing something really wrong. In the 10% range, you're on the right track. Anywhere between 10%–30% you're doing really, really well.

Want to write better cold emails? Stop listening to experts, and ask your customers for help

Let's say you've begun using email to sell. You know email is one of the most powerful tools you have for bringing in new customers, but you just can't seem to hit the mark. Your open rate is tanking and your responses are non-existent. So what do you do?

You read blog posts, attend webinars, download cold email templates. And sure, they help with the little tweaks and hacks. But there's one resource you're forgetting that I guarantee will blow your response rate through the roof.

Better yet, it's dead simple: Just ask your customers.

I’ve explained this tactic to hundreds of people in private, but this is the first time I’m talking about it publicly. Yet it’s one of the fastest, most foolproof ways to increase the success of your cold emails.

No one will teach you more about how to write winning cold emails than your customers and prospects

But how many people are actually talking to their prospects about this?

The problem is, you jump on a call and before you know it it’s pitch, pitch, pitch. Sell, sell, sell.

I won’t fault you for wanting to close the sale and bring in the money. However, you’re missing a massive opportunity by skipping the foreplay and jumping right into the sale.

Most companies never think to involve their customers and prospects to help them improve their sales process. They only think of them as opportunities to make money. But you’ve already got your prospect on the phone. Now, don’t you want to know why?

So slow down. Take a breath. Thank them for their time. And then before you jump into your pitch, ask this simple question:

“When you received the email from me, what made it stand out to you? Why did you decide to open it and respond?”

And then listen. Take note. And learn.

What you’ll find out by talking to your customers

It sounds too easy. But this one simple question will uncover everything you need to know about how to write a killer cold email.

From what your prospects say, you’ll start to understand:

1. **The best time to send emails:** Did you hit them when they first woke up? At the end of the day? Right after an important meeting? Try to get inside their mind and ask them when they saw your email and what they were doing.
2. **The right language to use to get a response:** What words and phrases do your prospects keep using when they talk to you? Lead your email with them and see what results you get.
3. **What are their priorities?** What was it that got their attention? Was it the features you mentioned? Your pricing structure? Or something less concrete, like how you nailed your description of their pain points?

It won't always be pretty. And more than a few of your customers and prospects will give you negative feedback. But this is just as important. What parts of your email did they hate? What language felt fake or spammy?

Whatever they tell you, you're going to learn. And then you're going to be able to change.

Great. Now what do I do with all this information?

Ask, iterate, analyze, and adjust.

Don't just talk to one customer and change your entire outreach strategy. You're looking for patterns in what people say. Once you hear the same thing 5–10 times, you know you've got a winner.

Gathering this information creates a never-ending improvement loop where you're never just blindly seeing success. Instead, you'll know exactly what you're doing that's working (or isn't).

Here's what that loop looks like in practice:

1. Send cold email
2. Get response and schedule call
3. Ask prospect what worked/didn't work about your email

4. Identify patterns
5. Iterate cold email templates
6. Repeat

Each pattern you pick out is a chance to get closer to the perfect cold email template for your customers. Keep asking. Keep iterating. And keep improving.

It doesn't stop there. Ask the people who didn't respond to or open your emails "why not?"

The people who opened and responded to your emails are the easiest group to try this tactic on.

But you don't have to stop there. Go a step further and reach out to people who didn't respond to your email or even those who didn't open it.

But wait, why would anyone who didn't open your email want to talk to you?

Sure, it sounds like a lost cause. But here's the thing: **Something magic happens when you ask people for advice.**

If you approach people as experts and ask them for help, they know you're not trying to sell to them right now and will let down their guard. This is when you get the most unfiltered, honest advice that can change the trajectory of your business.

Here's how that conversation should go:

You: "Hey! I sent you a few emails over the past week. You're probably not interested, otherwise your would have responded, right?"

Them: "RIGHT!"

You: "I understand and don't want to waste your time. But we're a small startup. We're trying to make it happen. You're an industry expert, and I was hoping to get some quick advice from you. What was it about my email that made you decide this wasn't for you?

If you were my mentor, what would you tell me to improve in the way I reached out to you?”

Don’t think of a negative response to your cold email as a closed door. Frame the conversation around asking for help and see what happens. These are the people you want to sell to in the future and hearing their needs and opinions now will be invaluable as you grow.

Use this strategy for all your communications, not just emails

I’m sure you get the idea by now. But the last thing I want to say is that this strategy works for all sorts of things. Not just emails.

For example, let’s say you ran a webinar and asked people to sign up for a trial at the end. You could contact the people who didn’t sign up and say:

“I saw you didn’t start a trial after our webinar. I just wanted to ask what it was that interested you about the webinar? What about our messaging made you not want to look into this more deeply?”

All you have to do is ask the question and listen.

More customers, more money: Grow your customer base

B2B referrals: The magical outbound growth engine most startups never use

Want more, higher quality customers with a lot less effort than it takes to do cold outbound sales or inbound marketing? Use this simple referral sales system to grow your business, starting today.

Every week, I talk to startups who want to get more leads and are considering starting or expanding existing outbound sales efforts.

"How can we get more leads? Are we ready for outbound sales yet? How can we improve our cold calls?

Have you ever thought about your existing customers as a great source for new leads? Yes, I'm talking about referrals from happy customers. It sounds so simple, yet nobody does it.

Referral sales can be your #1 source of new hot leads and turn into a massive growth engine for your B2B startup if you do it right. The funny thing is most startup don't do referral sales. And those that try, do a half-assed job at it.

What does referral sales really mean?

Referral sales means closing your new and current customers on the concept of introducing you to other companies that are likely to need the solution you've built.

Why are referral leads better?

No outbound lead you could ever generate in any other form will ever have the same quality as referral leads. There are two levels of quality:

1. Your best customers will most likely know others who run very similar businesses, which means they are highly qualified leads for your company.
2. You are being introduced to them via a friend and have the benefit of trust right at the start of the relationship.

Are referral leads still considered outbound leads?

Yes, they are. They were introduced to you, which is the warmest form of outbound sales you could ever do.

However, it's still reaching out to someone who didn't come to you in the first place. If you're thinking of doing outbound sales, you might as well start at the warmest point possible.

Why are so many salespeople doing referral sales wrong?

Because they're afraid. It's scary to ask for more once you close a deal. Salespeople worry that they might jeopardize a deal, or that it'll turn a positive conversation awkward.

Go where others are afraid to go and you'll find massive opportunity. Don't let fear get in the way of winning.

When is the best time to ask for a referral?

Right after somebody makes a purchase.

I know that people like to wait until customers have been around for months. That's fine, but it's also a waste of time.

Once someone decides to buy, they are likely to be convinced enough to tell others about it. You should take advantage of this moment to grow your business faster.

The way most salespeople try referrals

They ask for a referral, the client says, “Yeah, let me think about it and get back to you later.” The salesperson replies, “Okay, thanks!” rather than pushing a bit further.

The right way to do referral sales

1. Ask for a referral.
2. Anticipate the no (or “I'll think about it.”). Ask one more time right, then and there.
3. Make sure to give them an email template and make it easy and frictionless to actually make the introduction.
4. After you've closed a referral, make sure that your new customer thanks the person who introduced you, so you're closing the feedback loop in a positive way (inspiring more referrals from the original referrer).

Referral sales script

You: “Are you happy that you chose our product?”

Customer: “Yes.”

You: “Great. Who else do you know who could benefit from a solution like ours?”

Customer: “Hmm ... I'm going to think about this later and get back to you.”

You: “I appreciate that, and I’m sure that over the months and years as you benefit more and more, we’re going to get lots of referrals from you, which is going to be awesome. Today, let’s take a minute right now and think about just one friend who is in a similar position and would really benefit from this.”

Some will tell you “no” in a slightly more annoyed way. That's ok. Just tell them “Okay, I respect that, I will follow up in an email, I really appreciate that you are offering your help.” And just leave it at that.

Some will give you one or more names just because you pushed one more time. (My experience has been that 40% of people will give you referrals after the second ask.)

Write those names down and tell them: “Great, thank you. I want to make it as easy as possible for you to make that introduction, so you’ll get an intro email from me. Just copy and paste it, and send it to Bob and Steve. Feel free to make edits or write something yourself, if you like. Let's make this happen today!”

Referral intro email template

Hey [first name],

I wanted to connect you with Steli, their company does XYZ. I think this can be really interesting for you, and a contact would be mutually beneficial.

I’ll let you guys take it from here,

Ben

After you close a referral

When you sign somebody up whom was referred to you, ask them: “Who is actually responsible for you getting all these benefits from becoming a customer of our product?”

Many times, you will get a response like: “Uhm … who? You mean ... you?” And then you say, “No, the person who introduced us in the first place …”

“Oh, yeah, Bob!”

“Do you mind doing me a favor and sending Bob a quick thank you email for making a connection between us, so he knows that you appreciate it?”

The moment they send Bob the thank you email, you're closing the feedback loop, which will likely inspire Bob to make more referrals. The first thing Bob thinks when he gets that email? “Hmm, who else do I know that I could introduce this to?”

Everybody wants to make successful connections and help others discover something they are grateful for. If you treat referral sales as a separate product that gets the same, if not more, attention from your sales team, you'll see an ever-growing amount of new hot outbound leads.

Make referrals part of every deal

Once you've seen success with referral sales, you should make it an upfront part of the experience of buying your product and service.

After you’ve had the initial meetings and the prospect seems likely to buy, try saying this:

You: “It seems like we're a great fit. I'm excited. Before we go any further in exploring a potential deal, I want to bring up that we're fully focused on building world-class technology and on servicing and supporting our customers to massive success. What that means is that we're not investing in marketing and sales as heavily because our happy customers are referring us to others who could benefit from our product. Does that sound like a fair arrangement to you?”

Prospect: “Yes, that sounds fair.”

(I've never heard someone say, "No, I want you to spend less time on product and service and do more marketing and sales so I don't have to refer you to anyone.")

Referral sales: The warm outbound lead generation growth engine

I've taught this system to hundreds of SaaS startup founders and many have implemented it to great success. But I have to warn you—it takes conviction to keep asking for referrals even if people say no at first.

It takes patience to ask again after someone says no. Just like anything in sales, you need the emotional stability to go on as you face failure in the early days.

If you can do that, you'll start a growth engine for your company that's going to help scale sales for many years to come!

What about referral incentives?

Someone on HackerNews asked a great question: "What about referral incentives?"

I've found that in B2B sales, you don't want to "pay" for referrals and that people are more likely to make them when they feel like they are providing value to their network without any selfish incentives.

Once in a while, someone will ask for it and it's up to you to decide if you want to give people a discount or something else for helping you close new business. I personally think that's reasonable when asked but wouldn't offer it upfront.

Convert more trial users with email drip campaigns

One of the easiest ways to convert more free trial users into paying customers is by using automated (drip) emails.

Set it up once and profit forever. Here are the 4 simple principles of an effective SaaS trial email series.

1. Frequency: Send 4–6 automated emails during the trial

We found that this is the ideal number of emails your trial users should receive from you. The three main objectives:

- Activate users and remind them that they signed up for your trial
- Get them engaged (click on a link, take some action, reply to your email, etc.)
- Get a chance to connect with your users and communicate with them

2. Style: Be personal

If you want higher response rates, then even your automated emails should make a personal impression. There are a couple of simple ways to do this.

Send from a personal email address

Rather than sending an email from something like newsletter@yourcompany.com or service@yourcompany.com, make it yourname@yourcompany.com.

Text-only emails

Don’t send out a professionally designed, HTML-newsletter style email. Instead, send an email that looks like a real human being just typed it up.

When the email has the look and feel as if it comes from a person, response rates go up. Sometimes, people are surprised by this, but think about your offline mail behavior. If you receive a personal, handwritten letter, you’ll be much more likely to actually read it than a mass-printed company mail.

"Sent via iPhone"

This is a bit of a gray area, but we’ve seen it work effectively. At the end of the email, add “Sent via iPhone” after your signature—just like it would be the case if you actually sent the email from your iPhone.

Not everybody is comfortable doing this, but we’ve seen this work successfully for some startups.

3. Triggers and timing: Send emails in response to user activity

Use triggers for your drip emails based on the actions your trial users are taking. Examples?

When they sign up

No explanation needed here.

When they actually engage with your software

For example, when your user copies a piece of JavaScript code and puts it on their website, uploads contact data into your system, embeds something, or [insert whatever action is needed to get started with your product].

When they are inactive

If a user signed up and has just been inactive, send them an email to remind and reactivate them: “Hey, I saw you signed up 6 days ago, I’ve seen you didnt really have a chance to dive into the product, here are two things that you can do today.”

You could also tell them, “Hey, I want to offer you a quick guided tour. I can jump on a quick 10 minute call with you to help you out and show you how our product can benefit your organization.”

When their trial is about to end

Offer your users an extension before the trial ends: “Hey, your trial is about to end in two days, we didn’t have a chance to chat yet. Do you want me to extend your trial? Is there anything I can do to help? Just let me know!”

4. Call to actions: No emails without them

Every email needs to be call to action oriented. You always want to inspire them to take one specific action with every email that they receive from you.

For example, you can send out an email that gets them to:

- Schedule a call with you
- Reply to the email with a question
- Sign into their account
- Try a certain feature

There are many things you can do during your trial to convert more users to paying customers but setting up an automated email campaign is one of the easiest yet profitable steps you can take. If you haven't set up automated emails, what are you waiting for? Do it now!

Why you need to call every trial signup user within 5 minutes

If you're a B2B SaaS startup, you need to be calling all your free trial signups to convert more of them to paying customers and raving fans.

Specifically, you need to be calling new users within 5 minutes of their signup!

Why call within 5 minutes?

Because that's your best chance of getting people on the phone. The longer you wait, the greater the likelihood that you will be wasting time on voicemail or waiting in vain for someone to pick up.

The reason why many startups don't want to call people is that it can be a huge time waster. Calling within 5 minutes can fix that.

Dr. James Oldroyd, a researcher at MIT, researched how big the difference is in reach rates depending on speed to call. He looked at two things:

1. What are the chances of reaching a lead if you follow up after ____ (x amount of time)?
2. What are the chances of qualifying a lead if you follow up after ____ (x amount of time)?

Turns out, following up with a lead is best within 5 minutes, and after that there's a **very significant** drop. You might say this is obvious, but most people underestimate how big that difference is.

What is the difference?

Call within 5 minutes and your chances of reaching a lead will be **100 times higher** than calling after 30 minutes of sign up. Your chances of qualifying that same lead? **21 times higher**.

Boom!

The difference is even more pronounced if you wait longer than 30 minutes.

Our own experience helping over 100 venture-backed startups optimize their sales funnel supports the numbers from this research.

Not only do you reach more people, but your conversations are better.

They will know who you are and why you're calling them. They're at their computer right now, and not in a meeting. In short, it's the perfect time to speak to them about your product.

What to say?

You don't need to be a slick salesperson or smooth talker to make this call. Simply say this: "Hi, my name is ___. I wanted to personally reach out and say hi. I saw that you just signed up, so I know you didn't have a chance to play around with it, but I wanted to see if you have any questions that I can answer or give you any guidance. What can I do to make sure that you get the maximum out of your trial experience?"

People **love** that!

This will often be a good opportunity for your trial signups to ask you specific questions. They want to know how a certain feature works or how your product can help them to accomplish a certain task better.

If you can answer these questions in a personal and direct manner, it will make a huge difference in how activated these users will be during their trial and how many of them ultimately convert to paying customers.

Calling within 5 minutes of sign up is probably the most effective thing you can do to improve your overall sales numbers!

Many startups work on optimizing the end of the funnel, training their salespeople and improving their demos and sales scripts.

All that is important but worthless if you don't reach enough people to sell to in the first place.

The funnel math

Let's say you have 100 signups per day, call all of them within 1–2 days, reach about 20% and convert 50% to paying customers (a pretty typical conversion funnel).

This means you close **10 out of every 100 signups**. Not bad.

Now let's say you work hard to improve your conversion rate and now can close 75% of the people you reach. Impressive! This means you're closing **15 out of every 100 signups**.

What would happen if you decided to optimize your reach rate instead and start calling people within 5 minutes of signup?

Your new conversion funnel looks like this: You have 100 signups, reach 50% of them (within 5 minutes), and close 50%, which means you're closing **25 out of every 100 signups**.

A 66.67% INCREASE!

If you're calling your trial users, please stop everything else you're doing right now and start implementing the 5 minute rule!

What if they don't pick up?

If we don't get a chance to connect with a new user within the first day of their 14-day trial, we make sure we follow up with a call on day 7. If we still can't reach them, we leave a voicemail telling them we'd love to chat and see if there is anything we can do to help them succeed with their trial.

One distinct advantage we have is that Close is a product that has VoIP integrated so we assign new users with a Close phone number. When we can't reach them, we call their Close number and leave the voicemail there.

The reason? If you get a voicemail in Close, the system sends you an automated email with a link to the call recording on the Close lead page. Since we're a lead in Close, you get to experience the power of the product, get re-engaged, and hear our personal message.

Keep them coming back: How to retain customers

Make them buy AND use your product

In SaaS sales, it’s not enough to sell your customers on *buying* your product. You need to sell them on *using* it too!

Many founders underestimate how much this matters, and their SaaS startups will never gain traction until they get this right.

I recently talked with two talented founders working on their early-stage startup. They did a lot of things right. They had a bright idea which they packaged beautifully, and sold their product successfully.

Great hustle and vision is not enough

They had signed up 100 businesses for their alpha, and they were confident that they could get 1,000 businesses to become paying customers within one year.

They told me about their grandiose marketing, sales, PR, and distribution strategies.

They told me about product improvements they had in the pipeline and features they would implement over time.

But there was one thing they didn't talk about: the value their current users got out of using their app.

Which users get the most value from your product?

I asked them a simple question: "Who is your most successful user currently? Which of these 100 businesses you signed up gets the most value out of using your product?"

They told me the name of some company.

How much value are your most successful users getting from your product?

I asked them: "How many contacts has that user imported into the system?" (We had previously established that the number of imported contacts was an meaningful gauge of the value a user would get. It would take at least 300 imported contacts for the product to be truly valuable for a user.)

Do you know how many contacts their best user had imported? 30!

Their very best user would have to import 10 times more contacts to even begin getting value out of using the product!

To put this another way: none of their users got any true value out of using their product!

Make your customers successful before you sign up more customers

If your product doesn't deliver value to its users, don't worry about sales, marketing, PR, or growth. Forget features and functionality. Even if you've got the sales chops to win businesses as paying customers, it's meaningless if they churn after their first or second month.

In the case of this particular startup, they needed to make at least 10 of their current users successful. And we already had defined what "successful" meant in this context: having imported more than 300 contacts, and using the app on a daily basis.

What's your product's perceived value?

In SaaS sales, it's all about value perception in the eye of your customer. There are some truly valuable products that don't get perceived as valuable. And there are inferior products that do get perceived as super valuable by the people who pay for it. This perception matters a lot, because it's what will keep your customer paying month after month, or cause them to churn.

If you call up your best customers, and they don't tell you how amazing your product is and how much value they get out of it, put everything else on hold and work on fixing that first!

Upsell your customers

Your current customers are the best prospects for future sales.

Yet, very few startups act that way. Whenever I talk with founders, I observe that their thoughts about existing customers are mostly focused on these 3 points:

- How can we retain them?
- How can we support them?
- How can we get referrals from them? (This is a distant third.)

If your company isn't generating a steadily increasing percentage of revenue through upsells to your existing customer base, you owe it to yourself and your business to read this entire chapter.

Before we dive into the how and why of upselling, let me address one thing first.

Upselling isn't evil (although some companies make it so)

Think upselling is a sleazy business tactic? I'm not surprised, because as consumers with upselling, the most memorable experiences we have are often obnoxious and annoying:

- Wanting to register a domain but having to click your way through three pages of overpriced hosting, email forwarding upsells, website backup plans, and ridiculous certificates.
- Calling your mobile phone provider to ask one simple question and having to withstand a barrage of “special promotion offers” and “suggestions on how you could get more value out of being a customer of Bigcorpmobile”, instead of a straightforward answer.
- Going into a Chinese restaurant for some fried rice and dim sum but having to battle psychic kung fu from the waiter who wants you to feast on $80 abalone.

I want you to set aside any moral judgments for a moment—you’ll see in a minute why upselling, when done right, is not just not nefarious, but indeed the right thing to do for both you AND your customers.

Does your product or service provide real value? Is your offering making your customers more successful? Does it help them achieve their desired outcome? For every $1 they invest in you, do they get $1+x in value in return?

If the answer is yes, then you should look for opportunities to support them even further in their quest for success.

Upselling to a customer is easy

If they’ve already bought something from you, you’ve already gained their trust.

If you’d invest even half as much effort into upselling your current customers as you invest into new sales leads, you’d probably make a lot more money with a lot less effort.

But why isn’t upselling common practice then? Why aren’t *you* focusing more of your sales efforts on upselling to your customers?

Upsellophobia

That’s not a real word, but if there’s Sesquipedalophobia (being afraid of long words…), Upsellophobia should be a real condition.

There are basically two thing people fear when it comes to selling to their current customers.

1. Not wanting to harm customer relations

If you’re under the misconception that selling is selfish or annoying, then you obviously don’t want to do it to your existing customers. You want don’t want to risk upsetting people who are paying you money.

If that's what's holding you back, just get over yourself.

2. Worried about unhappy customers

If you’re harboring suspicions that your current customers aren’t satisfied with your product, reaching out to them can seem risky. Maybe they’re currently not really satisfied, but as long as you don’t rattle the cage, they’ll keep paying you money. If you re-approach them to sell them more… it might just be the straw that breaks the camel's back and prompts them to cancel.

If that’s your line of thinking, consider this: by giving them the chance to voice their discontent, you get a clearer understanding of the problem and are better equipped to solve it. It’s an opportunity to improve your product, your service, your sales process, your training, or onboarding.

If you’re the kind of company that doesn’t just avoid problems, but proactively seeks to solve them, it can strengthen the relationships you have with your customers and turn them into evangelists for your brand.

How to upsell

Here five simple upselling ideas you can put to use right away.

1. Qualify for upsells from the beginning

Even when they're still just an opportunity in your sales pipeline, start qualifying prospects for future upsells.

Ask them:

- How are you intending to grow the business?
- How are you intending to grow the usage of our service?
- What's kind of your vision for the next twelve months?
- If everything went right, would you use the service or our product at the current capacity, or would it grow? And to what degree?

By doing this, you create a goal to work towards as partners with mutual interests.

2. Announce the upsell

When you're closing the initial deal, let them know you'll upsell them in the future.

Ask them:

- If we deliver on all our promises, I will come back to sell you more, so that we get more revenue from you, and you get more value from us.
- If we deliver all this value to you, is it fair that I approach you in 3/6/9 months once you've accomplished x, y and z to take our relationship to the next level?

It's a simple thing to set the tone for the relationship they're engaging in and primes them for what's ahead.

3. Determine future opportunity value

Try to figure out what the value of this opportunity could be in the future. You want to focus on opportunities that will grow with you over the next 12 months and more and prioritize your sales efforts on opportunities with strong expansion potential.

With our sales CRM, for example, we love it when fast-growing sales teams sign up for our service, because they'll buy more seats as they expand.

4. Quarterly check-ins

Reach out to your customers at least every quarter and have a real conversation to gauge how satisfied they are, how effective they're using your product, and how you can deliver more value.

Sometimes this can even mean things like introducing them to a potential customer, sharing valuable insights with them, or helping to make them successful in any way you can think of.

Every interaction with your customer should be an extension of the value they get from your product or service.

5. The ultimate upselling tip: JFDI

I often get asked about examples of upselling techniques, how to upsell over the phone, and best practices.

The best advice I can share? Stop overthinking and start doing.

Here's a simple 3-step-plan for you right now:

1. Take a piece of paper and a pen or open a text editor.
2. Write down 10 names of current customers you think are happy.
3. Send them an email or call them today and ask them if there are ways you could serve them better. Ask them to get on a quick 15-minute call and have a conversation about this.

It really boils down to this: upselling today in a makeshift way is a lot better than upselling next year with a sophisticated, clever plan.

Turn outages into opportunities

On March 5, 2017, our customers couldn't use Close to make calls for a couple of hours because of a technical problem with our telephony provider.

And if salespeople can't make calls, they're losing money and missing opportunities—which is the last thing we want to happen to our customers.

But rather than letting this outage drag down our business, we turned it into a sales opportunity and came out winning.

If you're in business, crisis situations are inevitable at any stage of your company. There will be outages, bugs, and errors, which is why I want to share our crisis-into-opportunity game plan with you.

First, it's important to state that this works only if you have a genuinely valuable and generally stable product.

This isn't a compensation strategy for a crappy product. Constantly providing more value to your customers than they expect is the number one thing you should focus on.

This is a strategy for those rare crisis events that disturb business operations despite your best efforts and preparations to prevent them from happening.

What to do when lightning strikes

Be prepared. When Slack users took to Twitter over a massive service outage, Slack was ready. Using an internal team tool that notifies them of customer support inquiries via Twitter, within a few hours, the @SlackHQ account had tweeted over 2,300 personalized messages to users tweeting about #Slackdown. Users loved their hands-on approach—and Slack gained over 3,300 Twitter followers in a day.

Fix things first. That should be your number one priority. Do everything you can to get things up and running as fast as possible.

Be transparent. Let your customers know what's happening and share updates frequently.

Be as helpful as possible. Do more than what's expected of you, and more than what would be "reasonable" if you'd look at it from a purely rational perspective. Think of it as an opportunity to really demonstrate how much you care. Call as many of your affected customers as you can on the phone. (It's again one of those times where I tell SaaS startups to pick up the phone!)

Apologize with friendly strength. Don't let aggravated customers abuse you. You're not their emotional punching bag. Show them you're genuinely sorry—but do it from a point of friendly strength. Don't be apologetic, and don't come from a place of fear. (And by all means, don't make it one of these meaningless corporate "apologies." Own the apology and be personally responsible.)

Assess the damage. Find out how much of an impact an outage has on your customers. In our case, there were some customers who weren't calling during the outage anyway, others just used their cell phones. With those people, it wasn't much of an issue. For others though, it seriously affected them.

Support them. For those whose performance was badly affected by this, we advised them on quick workarounds to enable their sales teams to start making calls ASAP.

Ask about their overall satisfaction level. Once you've put out the fires and helped them to get things up and running again—don't hang up the phone! You've just had a long conversation with them, so ask them: "Hey, apart from this one-time crisis right now, how happy are you with our product? How much value have you been getting from the software? What do we need to do better?" Ask a few probing questions so you get a feel for the overall strength of the relationship with this customer.

Address issues that affect overall satisfaction. Some of the companies had issues, problems, and grievances. We worked with them on those issues and put them on a watch list to support until we could get them to a high level of satisfaction.

The next step is where the magic lies.

Crisis management → support → success → sales

Some companies told us they were super happy and got a ton of value out of our sales communication software. At this point, we would turn the crisis call, which had by then morphed into a support and success call, into a sales call.

"If you're happy with the software, and our product provides a ton of value to you, let's make this an even bigger win-win. Could you see yourself using Close for the next year or so?"

If they said yes, we pitched them on a pre-paid or annual contract, rather than the monthly contract they were on right now.

That day, we converted several monthly customers into annual customers.

Rather than having a whole day wasted on crisis management, we now turned this into a great day for sales and made a big chunk of extra revenue.

Recap

Next time your company lets your customers down:

- How can you transparently communicate as quickly as possible, so your customers know what’s going on?
- This isn’t just a support team issue or a technical issue. Let the sales team also take ownership and responsibility for managing this crisis. Call people to apologize, help, and find out if they’re happy.
- If they are happy, sell them an annual plan!

That's how you turn a crisis into an opportunity.

Do things that don’t scale

Inspired by both Paul Graham and 37Signal’s Jason Fried's advice to do things that don't scale, I wanted to share some of the most successful, yet hard-to-scale tactics we are using at Close to connect with our users and turn them into raving fans.

1. Short trial periods. Liberal extensions

It's common to sign up for a service, get distracted, and forget you ever signed up. We use a short (14 day) trial period but send two notices when a user's trial is expiring. We even automatically extend some folks. This has been a great way to reactivate larger accounts who have lengthier decision-making processes.

2. 1-hour training sessions

We also offer free, limitless 1-on-1 training to our customers. What that means is that if you are a customer of Close, we will take the time to do a live online demo and training session with you, answer all your questions, help setup your entire system, and customize it to perfection. There is no time limit to this. We will spend as much time as it takes to set you and your team up for success.

We’ve always given our customers great support (more on that later), but we didn’t proactively spend a lot of time training them on the product.

Now that we do, we have learned a huge amount from our customers and seen where we can improve the product to make them more successful. Our customers love us more for it (and they are a lot less likely to churn as a side-effect).

Remember: every business is different—your trainings should be focused on solving the unique challenges of your customers.

3. Give free sales consulting

A new thing we're testing is offering our customers free sales consulting. Inspired by HubSpot's mantra of making marketing superstars, we want to help everyone become a sales superstar.

So, we are taking time out of our days to help new startups setup the correct sales workflows as well as give them feedback on their pitch, their emails, their scripts, their lead generation efforts, and anything sales-related.

This isn't directly connected to our product, but we do it because we believe better sales organizations will become better Close customers and make the world a better place at the same time.

4. F*cking Amazing Support™

Support is an extension of sales—be fanatical about it. We give all our users (trial and paying) support via email, phone and live chat. Our help chat is staffed by our engineering team at the most ridiculous hours of the day. The team is always there to help and if there is an issue, there may be a good chance we can solve it on the spot. It's not uncommon for us to be answering support requests at 4 AM.

Doing this means taking a hit when it comes to engineering productivity. However, we do it for the benefit of our customers and to better our understanding of their problems and real-life use cases of our software. It also means that when our customers are in most need of help, they can talk to the smartest people in the company to fix their problems and help them out.

This produces happier customers and more empathetic and knowledgeable engineers. Win-win.

Why startups need to visit their customers

When was the last time you visited a customer?

If you're a startup, I'd risk betting on the fact that you haven't visited a customer in a very long time (maybe ever). At the same time, if I'm talking to another entrepreneur and say something like "It's super crucial you physically visit your customers", they all look at me as if I just said the most obvious thing in the universe.

Few startups actually visit their customers

Visiting customers is like working out or eating healthy: everybody knows they should do it; very few people actually do it.

And it's not like we're above others. We launched Close in January 2013. Our first customer visit? May 2014. It took us more than a year to set foot in a customer's office. Isn't that crazy?!?

We get why so many startups are putting this off:

- It takes a lot of time. One customer visit can eat up about half of your day—driving there, spending time with them, driving back. You're just too busy to fit that into your schedule.
- It's too easy to append this to the end of your long to-do list.
- Your customers aren't worth hundreds of thousands of dollars to you, so it's too easy to tell yourself it's not worth investing all this effort into a customer visit.
- It seems more sensible, urgent, and important to focus on getting new customers to sign up, rather than visiting those who are already on board.
- The benefits seem intangible.

What are the benefits of visiting your customers?

Here's a quick rundown of the value we got from our first customer visits.

Motivation

Seeing real people use your product is inspiring. It energizes you. It recharges your batteries.

When you experience how your product empowers people to perform better, it boosts your morale. *And that's the most valuable resource you have as a startup.* How fired up are you about your mission? It's like pouring gasoline on the fire that fuels your engine.

Everybody on your team—from CEO to intern—should visit a customer, just for this reason alone.

It is different from *hearing* customers tell you how much they love your product or how great they think it is. You just have to experience it. You need to see real human beings depending on what you built. You need to witness how your product helps them to operate better, to be better at what they are doing.

The impact you make on other people's lives is a much stronger driver than any number on a spreadsheet can ever be. Do not underestimate how much this affects you. It's powerful.

Context

Your customers are more than the sum of all their clicks on your product. Yes, you might be monitoring product usage and read all the feedback people send you via email or even tell you on the phone, but you're missing a lot of crucial context if you can't see your customers using your product within their work environment.

- How exactly are they using your product?
- What's happening around them?
- What else is on their screen?
- What's competing for their attention?
- What's their workspace like?

When you visit your customers, you get to see the environment in which they use your software. You experience how your product is embedded into somebody else's workday and get a sense of the entire puzzle, rather than just a single piece of it.

And it's little things, like ...

- What kind of headsets/chairs/desks are they using?
- What other software/apps are they using during their day?
- What little hacks did they come up with to make them more productive and efficient?
- What makes them smile or frown when interacting with your app?

It gives you a better picture of what's working and what's not.

Even a multi-billion-dollar startup like Pinterest is visiting their users at home. Mind you, that's users, not even paying customers.

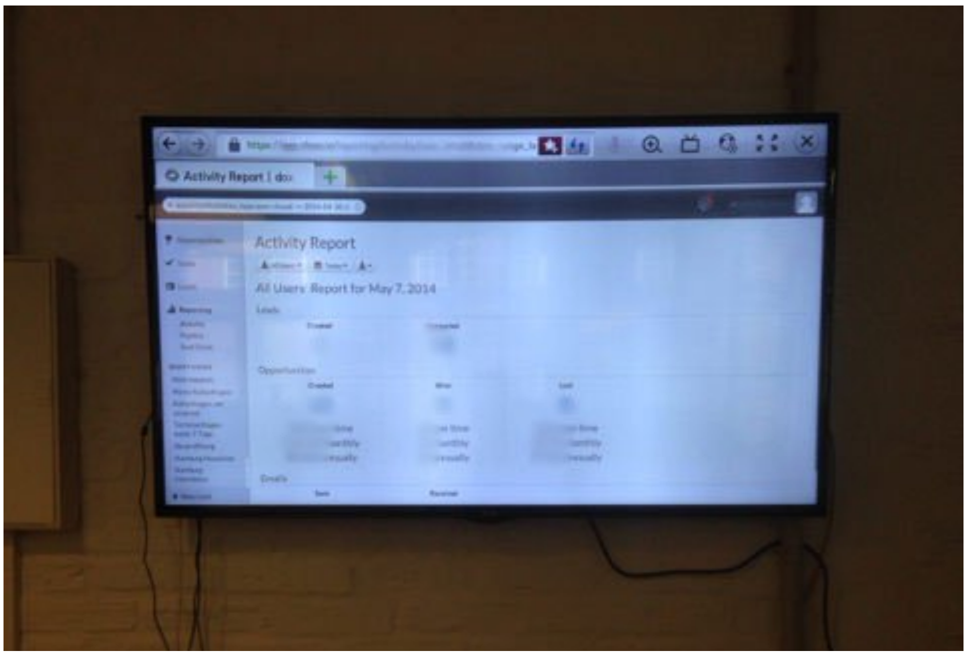
Sounds too abstract? Let's look at some concrete examples.

A better dashboard

One customer we visited had a TV on their wall displaying our reporting screen. But our reporting page wasn't optimized for full-screen TV display—it looked crappy.

When I saw that, I remembered one of our engineers had already worked on a quick fix that would make it look better, but we never released it. So, I took a picture of the screen, sent it over to our team on HipChat and asked if we were really ok with having such an ugly display page in our customer's office. :)

Phil released the quick fix/tiny feature within an hour, and our customers loved it. It's the small things that can sometimes make a big difference.



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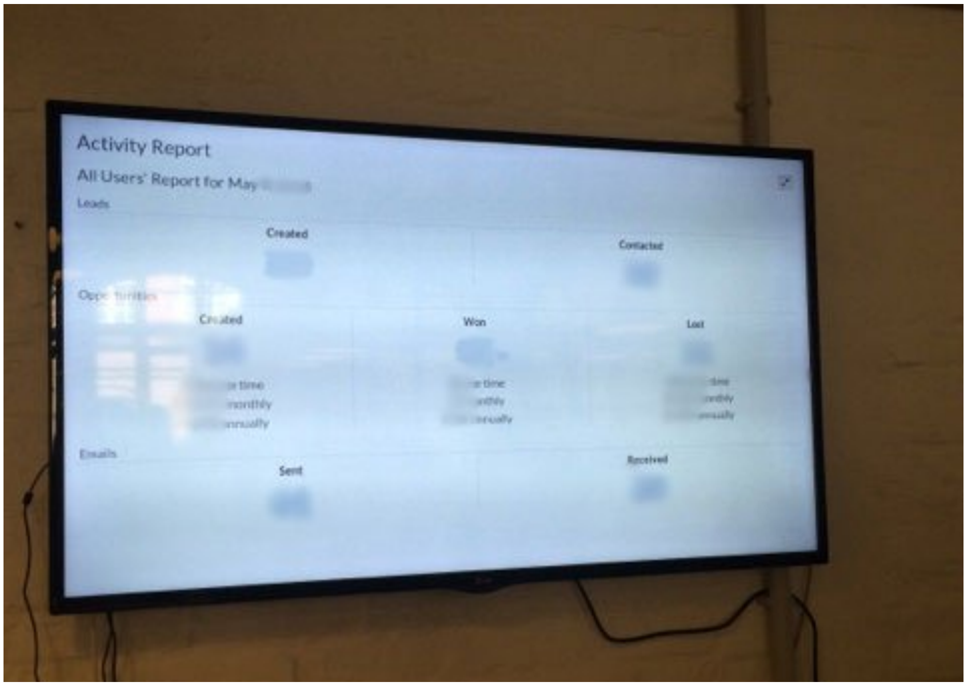

After

User guide

One of our customers had a guide laying around. Just a couple of pages that told their employees how to use our app.

We loved it. Yes, we have a getting started guide, extensive documentation, video walk-throughs, weekly live demos, and all that, but this was a quick and easy way for team members to get up to speed with our sales communication platform.

We took a couple of snapshots and are now turning this into a template we can share with all our customers.

Relationship building

Meeting someone in person adds another dimension to your relationship with your customer. You can do a lot of relationship building via email, chat, phone and Skype, but nothing has the same effect as meeting someone in person. It creates a human bond between the two of you.

It deepens the commitment on both sides. If one of the people we met needs help one day, we'll be more eager to support them. And I'm pretty sure they'll be more forgiving if there's ever an issue with Close and be more loyal to our product. Jason Lemkin never lost a customer whom he had personally visited while he was CEO of EchoSign. Spending time with your customers transforms a transactional relationship into a partnership. It builds empathy on both sides which ultimately leads to better business.

Insider's view

You get the inside scoop on a company. You get a feel for the office politics and what the internal power dynamics are. Which role are people in the company playing? What are some of the "secret things" your customers are working on and what does their future look like? You'll learn a lot about their business if you spend some time at their office.

Upselling to a higher plan

One of the customers we visited was on our Basic plan (which does not include calling). They made tons of sales calls through another provider. We didn't like that at all, because if you're our customer, and you're making sales calls but not using Close to call, you're basically driving a Porsche with the parking brake on.

We talked about this with the founder, but he said there'd be no way they'd use Close for calling again. Our calling feature inside the app once was down for several hours, and it hurt their business. They didn't want to get into a situation like that again. *"No chance."*

We then asked the guy in charge of managing the sales team if he would be open to giving VoIP another try. His reply? "I'd love to go back to calling with Close! It would make the life of our sales reps so much easier!"

Now that we had our "internal champion", we gave him everything he needed to make the transition happen and they're now using the calling features in Close.

The extra revenue is good for us but the effect this will have on THEIR business is even more important. It will pay for the upgrade many times over, their sales reps will be happier, and they get so much more value out of being our customer.

You can't precisely predict which benefits you'll get from visiting a customer—but you will always get value from it!

What do you say when you visit your customers?

Hopefully by now you are sufficiently motivated to actually visit your customers. But what do you say and do? How do you get the most value out of these visits? How do you prepare for them? How do you wrap them up? How do you get started when you visit their office?

Setting up the meeting

First, you set up the meeting with the founders or CEO. That's the person you'll be officially meeting. But it's not necessarily the person you'll spend most of the time with. Focus on the person managing the team that's using your product.

What to talk about

- Start out by talking in general, broad terms about their business and your business. Then progress to more specific topics and product use cases.
- Be both a student and a mentor. Learn as much as you can about your customer and look for opportunities to help them.
- Inquire about their workflows.
- Ask them to describe their goals in detail.
- How do they implement your product? Get a sense of the nuts and bolts.
- What bugs do they encounter?
- What features are they missing?
- What do they like?
- What do they hate?

Ask for and give referrals

This is a great opportunity to get referrals. And to refer them to others as well. Don't just limit referrals to potential customers—any reason to put them in touch with other people is fair game.

How often should you meet them?

I don't know what the right formula is here. I'd say it depends on your startup, but, in general, you should meet them more often than you're meeting them now.

Jason Lemkin recommends every co-founder, CEO and Customer Success Manager should meet on-site with five customers a month.

Being able to see the environment in which your customers use your product, the atmosphere at their work place and talking with the people who use your product daily is always an insightful experience.

Here is a picture of customers we visited in Berlin, Germany in 2015:

Here's our Canadian sales rep Rebecca and I visiting a Close customer in Ottawa:

When speaking with them we gained some valuable insights on how they experienced our Customer Success efforts, and how we can improve moving forward.

Another thing you're probably not doing? Running customer meetups. Let's dive into that next.

How to run customer meetups (and why they matter)

I always felt like customer meetups were a luxury. They helped you look good on social media—"Look at all the fun we're having with our customers!"—but they didn't actually generate much value.

I couldn't have been more wrong about this.

It took us over a year to visit our customers; it took even longer for us to host our first customer meetup. In 2017, to be exact. And even then, we only hosted four events that year. Considering how often I talk about visiting customers, that's not a huge number. In 2018, however, we're planning to host twelve. That's how valuable these meetups have been.

Why have they been so valuable for us?

Let's talk about a few of the benefits.

- **Meetups create customer intimacy**. If I've said it once, I've said it a million times: whoever understands the customer best wins. Hanging out with your customers inevitably leads to a better understanding of their day-to-day challenges. Once you truly understand where they're coming from, you'll know how to create a product your customers love.
- **Meetups create brand loyalty**. When you meet with customers in person, you form a bond that's more powerful than any feature. Sharing pizza and engaging in honest conversations goes a long way toward establishing brand loyalty—and that's a huge advantage, especially in a competitive market like SaaS.
- **Meetups create opportunities**. You interact with prospects. You meet the perfect candidate for that Product Marketer position. You find a quick solution for a customer who's thinking about leaving. Every time you meet with customers—and their friends and colleagues—you have an opportunity to make your company stronger.

Now that we've hosted a few customer meetups, I thought it'd be a good idea to share some of our early learnings, so that you can start hosting meetups, too.

What’s the ideal number of customers?

You can probably run a customer meetup once you have 20–30 customers in a given city. If that feels like a stretch, feel free to invite prospects, investors, and friends, too. For us, we look for at least 50 customers. That’s our benchmark for 2018.

If 100 people say they plan to attend your meetup, there’s a good chance only 30–40 will show up. It’s not because they don’t care, or they’ve changed their minds about you. Things just happen. Meetings run long, deadlines get moved. Don’t take it personally. Be realistic about your attendance goals and focus on the people who do show up.

What about the venue?

We usually host meetups at our customers’ offices, especially if we have a close relationship and there’s a conference room available. If that’s not an option, we find a nearby coworking space and book that for the day.

As I mentioned earlier, expect a smaller audience, even if 100 people say they’re going to attend. There’s no need to set up 100 seats. Instead, set up 30. As the seats fill up, grab some folding chairs and add rows, as needed.

Also, it’s important to keep the room cool. People get tired and lose focus when a room gets too warm. A roomful of people will increase the overall temperature, anyway, so set the thermostat a little colder than you’d like. It’s going to keep people feeling fresh and energized.

We occasionally order pizzas, but we’ve also just brought in beer, water, and a few snacks. Don’t overcomplicate things. Meetups are opportunities to learn from each other—they’re not all-you-can-eat buffets.

When should you announce the meetup?

Email your customers (and prospects) a month before the meetup. This gives them plenty of time to make room in their schedules. It’s also a good idea to send at least one reminder email, usually a week before the event.

What format should you follow?

Give people an extra 30 minutes to arrive. Customers can use that time to mingle, network, grab a drink, and find a seat.

Start with a welcome. Thank people for attending and give a shout-out to the venue and any customers co-hosting the event.

Next, introduce your team. Ideally, you want to bring one or two people from sales, support, and engineering, so you have plenty of experts on-site to answer questions and make connections with customers. Attendees have probably interacted with your team before, so it’ll be good to put faces to names. But it’s also nice for them to know who to approach with questions throughout the meetup.

Then give them a quick roadmap. Tell them what you’re currently working on and what you plan to work on in the future. You don’t need to cover the next five years. Focus on what you’ve accomplished in the last six months, and what you plan to accomplish in the next six.

From there, open the floor to questions. Be sure to moderate the conversation carefully. If a question gets too detailed or narrow—if a customer has a specific problem that doesn’t relate to the other people in the room—acknowledge the question, provide a high-level answer, and promise to follow up immediately after the meetup. That way you don’t waste time or lose momentum.

If you have prospects at your meetup, you might also consider a brief interview with one of your current customers. This is especially effective when there’s a specific challenge or workflow to discuss. Panels work well, too, if a few of your customers can speak to a common issue or solution.

When the Q&A is over, wrap things up with another short networking session, and you're done. It's not a complicated process.

After the meetup…

- Remember to post any photos and videos to your social media accounts.
- Email attendees to thank them for joining you and ask for their feedback. What could you have done better? What would have made the event even more valuable?
- Share a few highlights with those people on your email list who signed up but were unable to attend. Most companies forget this step, but it's a great way to engage customers and recruit for future events.

It's not always easy to carve out time for your customers

But if you want to create an amazing product, you need to know them better than anyone else. You need to make time for them. You need to create—and nurture—customer intimacy.

One of the best ways to do this is to meet with them and give them opportunities to meet with each other. Take it from someone who was completely skeptical about customer meetups. I was totally wrong. These things really work.

Watch people, not clicks: Optimize your metrics without fancy analytics

Stop f#cking around with growth hacks if your metrics look like this

Startup founders love to experiment, especially when things aren't going well. They map out hundreds of tests and hacks, hoping to find that one perfect path to success.

But if your startup isn't growing as quickly as you'd expected, you might have a problem that growth hacks can't solve.

Let's start with an example.

A startup founder recently asked for feedback on a few experiments he wanted to run. He'd successfully landed enterprise deals for his company, but the self-service SaaS product he developed hadn't found its footing. He believed in the product, but something needed to change.

So, the founder sent along a bunch of potential optimizations:

- Improve the onboarding experience
- Start a drip campaign based on user activity
- Sell directly over the phone
- Add new features
- Create in-app upgrade notifications
- Ask for a credit card up front

He wanted to know which options would grow his SaaS business

But when I reviewed their monthly KPIs, here's what I found:

- 40,000 unique visitors
- 2,000 free trial signups
- **10 paid upgrades**

That's a conversion rate of 0.5%.

In other words, 1,990 people who signed up for free trials didn't find value in his product. And to make matters worse, nearly 5% of those paid customers churned every month.

What was my advice?

Forget about growth hacks. Forget about onboarding, drip campaigns, and new features. There's a much bigger problem: **you have no idea who your customers are**.

You're driving traffic, but no one feels compelled to purchase your product. No one wants to be your customer.

When a conversion rate is this painfully low, no amount of optimization can save you. It's tempting to think you can test and experiment your way out of this mess, but when you're converting 0.5% of your free trials, it's time to start over. Direct phone sales and in-app notifications won't move the needle. A 50% improvement only gets you 5 more conversions each month—that's not enough to turn things around.

You need to blow everything up

The first step is to figure out who your customers are. Where can you find them? How can you market to them? How can you build a product that solves their problems?

When I asked the founder who his ideal SaaS customers were, he couldn't give me an answer. That's because he didn't know.

So how can you identify the right customers for your product?

Create an ideal customer profile

There's a good chance you're missing out on the right customers by focusing on the wrong ones. Ultimately, you want customers who:

- Get significant value *from* your product
- Provide significant value *to* your company

If you're failing to convert free trials, you're likely missing one (or both) of these critical factors.

I've covered this in an earlier chapter, "How to create your ideal customer profile for B2B generation", but to summarize: make a list of your 10 best customers and search for common attributes (company size, industry, how long they've been in business, etc.). This will help you focus on generating high-quality leads—you know, the ones that will actually pay for your product.

Do things that don't scale

If you're struggling to identify customers, find new ways to connect with them. Many times, that means validating your ideas with the power of hustle. At Close, we know one of the best ways to connect with potential customers is to do things that don't scale.

We've called new signups, left voicemails after 7 days of a trial, emailed users from personal accounts, given free hour-long training sessions and sales consulting, and offered engineering support (almost) 24/7. These weren't optimizations for us. They weren't growth hacks. We did these things to understand our prospects and to learn what makes them tick. To generate real customer insights—and solve real customer problems—we couldn't rely on in-app notifications.

Visit customers

Your customers are more than a collection of data points. You can monitor usage and review feedback all you want, but if you don't see customers using your product in the wild, you're missing a lot of context.

Visit your customers. Build customer outreach into your schedule. Make time for the people who interact with your product every day. Ask questions. Dig deeper. Observe them in their natural work environment. How are they using your software? What's competing for their attention? What makes them smile?

Over time, you'll build stronger relationships with your current customers, and you'll better understand what prospects are looking for in your product.

When should you optimize?

Before you consider possible growth hacks, you need strong conversion rates. **Optimize for growth only when there's evidence of product/market fit**.

When we launched Close, we knew we had built a CRM that would help sales teams close more deals. But early on, we offered practically zero reporting. And while this may have been a drawback for some people, tons of customers purchased our product.

Why? Because they loved almost everything else about Close. We understood how to build a powerful inside sales CRM for our customers. And those productivity gains outweighed any lack in reporting. Eventually, we knew we'd improve the platform once we gained more traction.

If your conversion rates are garbage, forget about growth hacks

Forget about onboarding and in-app upgrades. There's no quick fix for a product that nobody wants.

Go out and find your ideal customers. What do they need? How can you empower them? How can you add value? Until you have the answers to these questions, nothing else matters. Not even that new drip campaign.

Death by data: Numbers are killing your business

"When we let data drive our marketing, we all too often optimize for things that are easy to measure, not necessarily what matters most."

—Ezra Fishman

Too many startups focus on the numbers, rather than the people behind the numbers.

Forget about automated reports and real-time dashboards for a moment. So many crucial elements to the success of your startup can't be quantified.

Let's talk about why you shouldn't be too focused on the numbers and how to find a balance between quantity and quality that will set you up for success.

Meaningless numbers

Every user interaction that happens on our websites and apps can be tracked, quantified, and analyzed. As a result, many startup founders have an unhealthy fascination with data, metrics, and analytics.

They think all these numbers contain the answers to the mystery of business success.

They don't.

So you have your churn rates memorized, your cold calling metrics on display for the sales team, and a daily email with your trial conversion rates?

Great.

Now ask yourself: Are you actually *doing* anything with that data? Does it actually *mean* anything to you?

Without context, numbers are useless. **If your data isn't translating into action, your metrics are a waste of time.**

Lack of context

Reports, real-time dashboards, and one-on-one observations all serve the purpose of gathering data. But there's one vital difference: When you talk to your customers in person, your data has context, and context completely changes the story your data tells.

Make customer visits and customer calls a priority in your startup, whether you have 10 customers or 10,000—make sure you talk to users during all stages of product development.

A first-time user will have a very different experience to someone that's been using your product for a year. But to develop a product that generates true value, you need insight from both.

Lessons from Pinterest: People before metrics

Back in the early days of Pinterest, way before their $5 billion evaluation and before anyone knew what "pinning" was, founder Ben Silbermann spent his days in coffee shops, turning strangers into beta testers.

Silbermann would approach people and ask if they'd be interested in trying out his social website. Then he'd carefully watch how they interacted with Pinterest and take note of their activity, body language, and facial expressions.

If they seemed particularly frustrated or entertained, Silbermann would ask questions about their experience to better understand what was going on. At the end of each session, he'd have a wealth of data he never would have gotten from a dashboard or a spreadsheet.

There's more to UX than just clicks and conversion rates. If you really want to understand how customers are using your product, you need to sit down with them while they use it.

Finding the balance

Knowing your data and knowing your customers are not the same thing. Your data needs context, and you can't get context without human interaction.

But before you start talking to your customers, make sure you're tracking the right metrics. Your metrics should:

- Correlate to your overall business goals, e.g. increase MRR by 15%.
- Have goals attached to them, e.g. add 200 new customers per month.
- Have an action assigned to each metric, e.g. bring in more qualified leads.

Once your metrics have been set, it’s time to start talking to your customers to put those numbers into context.

Because when you do, you’ll discover how you can move your leads through the funnel and start moving your numbers up.

How to determine the ROI of your marketing (without analytics)

Do you sometimes wonder which of your marketing efforts have the highest ROI?

It's a question we've been pondering quite a lot. At Close, we do a ton of things to promote our sales platform, but we don't always know which ones are effective and which ones are mostly a waste of time. We have ideas, opinions and theories, but not enough data.

(We thought) we needed analytics!

To remedy this, we planned on installing some super-sophisticated analytics and tracking solution to get a clearer picture of what really drives our signups and to get a better understanding of the customer journey from discovery to purchase.

But we also had our heads down in other activities, because, you know, this is a startup, and in a startup you're never not busy. We kept perpetually postponing the setup of proper tracking magic.

One day, I was talking with my friend Noah Kagan of AppSumo and SumoMe fame, bouncing marketing and sales advice off each other. At one point, he asks me this next question.

"What's your most effective marketing channel?"

I flinched a bit, and embarrassedly responded: "Well, the thing is, we haven't gotten around to setting up the kind of analytics we need to really pinpoint that, so, I really don't know."

Noah: "Dude, almost nobody has set up all their tracking correctly. Forget about that for now. Just get on the phone and call your customers and ask them how they found out about you."

WOW. I was SERIOUSLY embarrassed.

I am the guy who's telling others that they should call new users within five minutes.

I am the guy who's been advising startups to visit their customers.

I am the guy who's been telling startups to pick up the phone and start dialing for years.

I am a relentless proponent of unfiltered 1-on-1 conversations with customers.

And here I am getting lost in complexity, instead of talking to my customers. Duh.

So, guess what I did after I got off the call with Noah?

I started calling our customers

I called recent signups and some long-time customers, and asked them, "How did you find out about us? What made you buy?"

Some of the answers surprised me and challenged some of my previous assumptions.

What should you be doing next?

Start calling customers and ask them questions that help you understand how they discovered you to determine your most effective marketing channels **today**.

Tomorrow, of course you should go and build amazing analytics and metrics dashboards and track everything as you scale your company, but don't waste a single minute wondering and worrying about your marketing ROI, thinking you can't know anything without technology. The abyss of analytics, as Jon Evans calls it, is real. All your need is a phone (or email) and some good ol' hustle.

Say goodbye the right way: Learn from former customers

Why you need to call your churning customers (and how to do it right)

It's hard to confront failure. When your customer cancels, the last thing you want to do is talk to them.

There is real fear in phoning someone up, knowing they are going to criticize you. *What if this is just the first of an avalanche of cancellations? What if they point out a fundamental flaw in your product?* It's easy to concentrate on what you do well and leave these terrifying doubts alone.

But that same reason why it's so hard to talk to your canceled customer is the reason why you absolutely must start calling them: you need to learn the truth about your service, and you need to know now.

Why your customers churn

Fundamentally, there's one single, harsh reality behind your customer cancellations: You are not providing *value*.

This failure comes in two flavors:

1. Your product doesn't give them the features or service they need so you're not providing **literal value** to your customer, or
2. The value of your product is hidden somehow, and they can't see why they should continue to pay for it, so their **perceived value** of your product is low.

Face up to that, and you have an opportunity to save and grow your company. Hide from the truth, and you won't just have lost a single customer—you'll lose your entire business.

It turns out that avoiding discomforting information is a trait that can literally kill you. Research has shown that some people will avoid unpleasant information to an extreme, even when it puts their life at risk, such as by not getting a cancer screening. These people selectively expose themselves only to information that's favorable to them, preferring to be validated rather than correct.

Don't hide behind your desk and only hear what you want to hear. Be brave and call your churned customers to learn exactly why they churned.

Sure, some of the issues will be unavoidable, like having your customer go out of business, and that will hurt because there's nothing you could've done to stop it. But you'll find that the vast majority of issues will be avoidable—things like product or support problems—and that'll turn a depressing conversation into something that's incredibly empowering.

Here's how to call your churned customers and turn your learnings into changes that will give your business a chance at success.

How to start the conversation

Get your churned customer on the phone. Only do email as a last resort. Having a real conversation with your departing customer is integral to learning something meaningful from the exercise. It's all about going deeper, asking questions, and coming to a real, detailed understanding of your customer.

Start with this:

- "Hey, I wanted to personally take the time to reach out. I saw that you just cancelled the service, which I'm really sad about, and wanted to find out what happened. What we can do better, and what we can do for you today?"
- "Is there anything I can do for you so that what happens next creates the maximum value for your business?"
- Continue asking open-ended questions to find out what the problem is and drill down into the specifics of their issues.

There's one crucial reason why the focus of the call is to create value for your churned customer: if you're making first contact now, you've already missed the warning signs.

You've missed the months of the customer logging in less and less, plummeting usage stats, even multiple downgrades prior to total cancellation. Your customer has been paying you and you haven't been delivering value.

That's the situation that this call is meant to take a step towards rectifying.

You must show them that you want to find out what happened and take responsibility for what didn't go right. In the process, you'll learn not just what you can do in the individual case, you'll take away the invaluable learning of how to build value for your customers going forward.

3 key areas of your business you'll improve by learning from churned customers

Most people will tell you that you should call churned customers because it’s an opportunity to win them back—but that’s 100% the wrong approach. It will lead you astray and misplace your focus on closing deals and extracting short-term value.

Put your complete focus on learning how you can deliver more value for your customer. Those learnings are going to serve you well in the long-term. Only incidentally might you find that the best way to bring value to your ex-customer is to get them back on the product—and if that’s the case, close the deal.

If you don’t discover a way to keep them and keep them successful, let them go. It doesn’t make sense to pressure them into staying for another month or two. They’ll churn eventually and when they do, they’re going to be a lot unhappier than they are now.

Always act in the best interest of your customers and keep building value in these 3 areas of your business using your churned customer’s feedback.

Your sales process didn’t work

It’s surprising, but you’ll find that a ton of your customer relationships were doomed from the get-go. They were a good fit for the product, but it was only a matter of time before they churned.

This typically happens as a result of selling to a customer before you really go deep with them to figure out what the problem they want to solve is and how the solution to that problem should work for them.

You need to do the work now that your sales process should’ve done up front. You’re likely to find out that:

- Your product solves a related problem but not the specific problem the churned customer has.
- Your customer wasn't deploying your product towards a strategy that had a likelihood of success.
- Your product didn't fit into their workflow.
- The customer's pricing tier wasn't a good fit for their needs.

Do this one thing to change your sales process**:** qualify your leads better. Your sales team shouldn't be doing this:

Salesperson: "What is really important to you?"

Prospect: "What we need is a way to get metrics on our sales emails."

Salesperson: "Guess what, our product offers sales analytics!"

Train your team to go deeper.

Salesperson: "What is really important to you?"

Prospect: "What we need is a way to get metrics on our sales emails."

Salesperson: "Why are you tracking metrics on your sales emails? What kind of metrics do you want to track? How are you going to use the metrics?"

Keep going until you reach an understanding, and you feel confident that your product will deliver value so that your customer will find success using it.

The reason why this is so important is that you want to focus 100% of your energy and resources on customers who have a chance to succeed with your product. Diluting your pipeline will waste your time and money. Worse yet, it will confuse your team on who your best customer is and what the solution exists for.

Your support structure failed

It hurts when you hear from your customers that they didn't feel supported, saying: "Every time we struggled or needed help, you didn't support us or helped us too late."

When you hear that, you'll immediately want to jump into your support process and fix things. That's understandable, but before you do that, pause for a second.

The easy answer is to just make your support better, but that's often not the right answer. Consider these 3 possibilities as the root cause behind a negative customer experience:

- **Mismatched expectations**: Customers can have different expectations on support levels from what you offer, and that can result in customer frustration. Adjust your sales and marketing to better manage expectations around whether you offer one-to-one support at all, wait times, and in-person customer success and consulting.
- **A failure in sales, marketing, onboarding, or product**: You've brought on the wrong kind of customer (say, a non-technical person for a developer tool) or your product has some nasty bugs. Better support doesn't get at the root cause of a negative customer experience.
- **Bad support**: It's just support. If your response times are too slow or the quality of your support isn't sufficient, dig into the support process, remove bottlenecks, and make whatever changes are necessary.

Think about this all in the context of your business. If you have a frictionless SaaS product, the economics of your business might not justify a top-notch support team and close customer hand-holding. Instead, you'll want to make the support level clear in your pricing plan and use that to segment your plans into a prosumer or SMB plan and an enterprise plan with higher support and 2x-10x the price.

Your product didn't inspire

When you hear, "Your product doesn't do X, Y, and Z," and you know that it does, don't immediately shout, "But we do have X, Y and Z!"

Take a deep breath, and ask, "Tell me more about X, Y and Z. What do you need X, Y and Z for? How does it need to work? What does it need to accomplish?"

When you find out their exact problem, if you see the following two scenarios, bring the churned customer back:

- They didn't know about a feature that you have that solves their problem. Their perceived value of the product was low, but the literal value of the product for them is high because you do solve the problem. If that's the case, then you should say, "We can do this. Sorry we missed the opportunity to do this for you, but maybe we still can. Let me guide you through it, here's what the product does . . ."
- You have a new feature coming on the roadmap that solves their problem. A good rule of thumb is if the feature is coming within a maximum of 2 weeks. Then, say to them, "We're actually about to release this. Let me understand a bit better how exactly you need that feature to work, and we can see if it matches what we're developing."

In these two cases, it's in the best interest of the customer to stay, and now is the time to make a passionate pitch for your product. Help them avoid the "grass is greener" trap that tempts them to switch to your competitor by emphasizing that you're a known entity, while starting a relationship with a new provider comes with a ton of unknowns and risk.

Sometimes, they need to go

You might hate the idea of calling up people who are unhappy, who are going to tell you what you've been doing wrong and why they are taking their business elsewhere.

Worse yet, the right way of talking to your churned customers means not accepting surface-level explanations for what happened. You'll have to dig deep into the painful reasons why they canceled to get the root cause of what's not working.

But what makes it so tough is also the reason why it's going to be a huge reason for your success. You'll take that feedback and learning and pull it back into the product, sales, marketing, support, and all areas of your business, making sure you make more and more customers successful.

Final thoughts

Thanks for reading Talk to Your Customers

This is it. You're 99% ready to start hustling to learn more about your customers.

The missing 1%, the final thing I want to emphasize, is this: gaining and maintaining customer intimacy isn't a "once and done thing"; it's a constantly evolving process.

Learning from your customers should be baked into your startup's philosophy. It should be a priority for everyone, starting with you and going all the way down to even the most junior employee. Maintaining focus on what matters the most—your customers—will keep you nimble and hungry even as competitors and markets rise and fall around you.

So, call your customers. Visit them in their offices. Organize customer meetups. Go in with an open mind and be prepared to have your assumptions turned on their heads.

When you need inspiration or advice, revisit the lessons in this book and head to the Close blog for more hard-earned startup advice.

Go get'em!

Steli