



Good to Great: Maximizing your SaaS success

Explore best practices and strategies for realizing the full potential of Software-as-a-Service (SaaS)



Finding the path to great

Adopting a software-as-a-service (SaaS) delivery model represents a big step for most organizations. SaaS touches every dimension of how you build, sell, manage, support, and operate your solution. It also means weaving SaaS into the cultural fabric of your organization, altering the dynamics of teams, the scope and definition of roles, and how organizations measure their progress.

SaaS also requires a different approach to how and when you engage your customers. As a service company, you must put models and strategies into place that will allow you to be more directly connected to your customers. Knowing what they're thinking, reacting to them in real-time, viewing them as part of your community—these are all fundamental goals of building a robust as-a-service model that puts greater emphasis on driving loyalty through proactive and regular engagement with customers.

Technology and operations teams also take on new responsibilities in a SaaS environment. They must be focused on enabling the agility and innovation that SaaS providers need to grow their business, engage new markets, and respond to shifting industry trends. In addition, technology must embrace the often-complex matrix of customer tiers and pricing models while promoting rapid growth, flexibility, and efficiency.

As the AWS SaaS Factory has helped organizations define and adopt their SaaS delivery models over the last four years, we've had the chance to develop a better sense of what it means to be a best-of-breed SaaS company. We've helped hundreds of customers build SaaS businesses on AWS. In addition, we've observed some of the patterns and strategies associated with building SaaS solutions that enable organizations to realize the full value proposition of the SaaS delivery model.

The goal here is to explore some of the key areas where we see lines between good and great. Then, for each area, we will list two states. First, we will look at "Good SaaS", outlining some of the common traits with organizations that fit into this classification. Then, we will review "Great SaaS" to identify the common strategies and mindsets that are often associated with those organizations that are maximizing the full SaaS value proposition.



Not a one-size-fits-all model

The insights captured here are meant to provide specific examples of how organizations are maximizing their SaaS potential. For new SaaS companies, this may impact how you prioritize and approach the operational and agility needs of your business. For established SaaS companies, this may be more about identifying targeted areas where you may want to refine your SaaS strategy.

The reality is that not everyone will adopt every aspect of these SaaS best practices. There may be factors that make it impractical to broadly adopt these different cultural and organizational strategies. It would be rare to find any one organization that has applied every aspect of these practices. At the same time, we thought it would be helpful to capture and express these best-of-breed practices with the idea that they might provide a bit more insight into the landscape of SaaS possibilities.

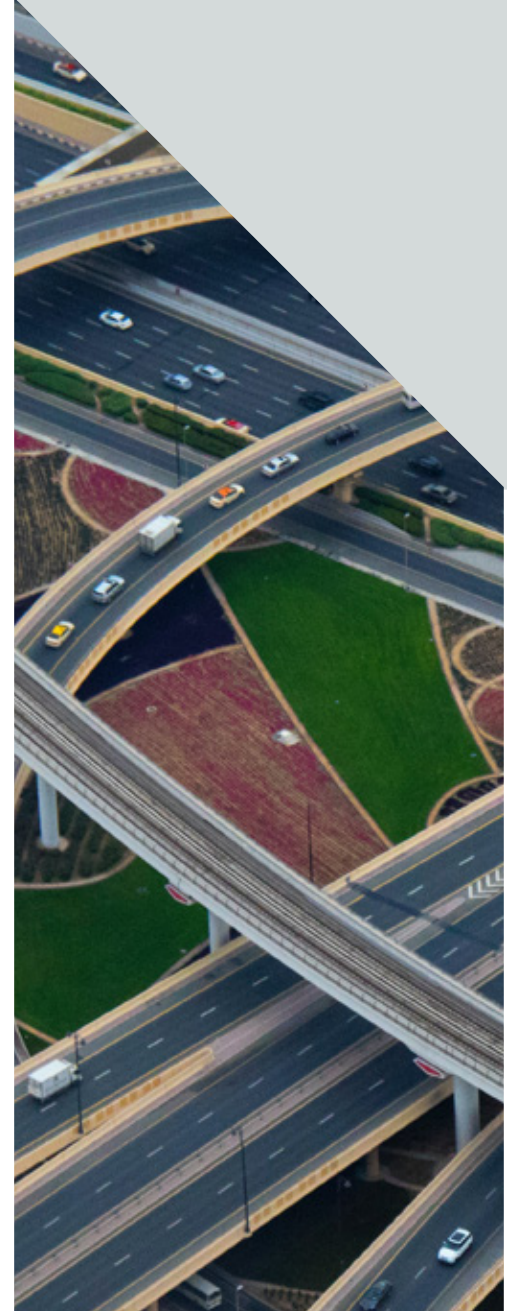
Make agility ubiquitous

Good SaaS

SaaS providers recognize the importance and value of business agility. It's often one of the primary motivators for moving to SaaS. SaaS providers want to put themselves in a position to rapidly respond to market dynamics, customer needs, and competitive pressures in a way that allows them to continually reshape their product and business strategy. In these organizations, though, agility may be more heavily correlated with the technical capabilities of the service. Here, agility is often mapped to your ability to release more frequently and react to market pressures in a more timely manner. The teams in these organizations are largely focused on maximizing operational and cost efficiency.

Great SaaS

Great SaaS organizations infuse agility into every layer of their organization. This means thinking more broadly about how every corner of the business can shift its practices, metrics, culture, and focus to a more agile-centric mindset. This starts at the top, where leaders must promote the adoption of agile constructs across all layers of the organization. Marketing, sales, product management, customer success—each department must consider how it can be more connected to the real-time realities of customers, competitors, and market trends. Here, agility shifts from a technology-centric model to an organization-wide culture.



"Usually, it takes around 4 months to complete a needs assessment. With the SaaS model, we can move much faster through the sales process, with decisions that can be made in days instead of months."

- iBASEt

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You're not a product—you're a service

Good SaaS

While many SaaS providers have adopted elements of the “as-a-service” model, they continue to operate as product companies. In this product-centric model, organizations will remain internally connected to thinking about their product as a collection of features and functions. This can have a cascading effect on the business, undermining an organization’s ability to prioritize the “service” experience of the customer. This approach tends to shift focus and priorities away from thinking about the customer’s experience with all the surfaces of your service. Here we see organizations trading key operational and agility needs for features and functions that are driving near-term opportunities.

Great SaaS

Great SaaS organizations will fully embrace the “as-a-service” mindset, making the service and customer experience a top priority for their business. The goal here is to put the qualities of a service front and center, focusing more on the attributes of the service (operations, availability, performance, scale, customer experience). How a service is acquired, how quickly a customer gets value from the service, how rapidly the team responds to issues—these are all areas that are core to ensuring that a SaaS business will deliver a rich as-a-service experience that drives loyalty, community, adoption, and revenue growth.

Design for growth

Good SaaS

Organizations are often drawn to SaaS based on its potential to accelerate the growth of the business. Reaching new markets, customers, and channels is part of the growth formula associated with the broader SaaS value proposition. The challenge here is that organizations may build a new product offering that opens up new channels for growth without creating the corresponding mechanisms that can accommodate that growth (customer success, operational agility, and others). So, just as the spike in growth hits, these SaaS providers may discover that their service isn't prepared to support the rapid growth the market demands. The trend here is for teams to do "just enough" to accommodate some moderate growth with the expectation that they can stay ahead of any spike in usage. However, when the spike actually comes, these organizations may end up slowing their growth while they attempt to introduce the operational mechanisms needed to support this new load.

Great SaaS

The shift here is toward a more significant up-front investment in the technical and operational elements needed to support larger-scale growth. This means adopting a strategy and execution model that is continually preparing for the moment when a wave of growth hits the company. The key here is to take an approach that welcomes new customers and channels without fearing the operational or cost burdens that might come with a large influx of new customers. These organizations will put more emphasis on their cost efficiency and operational scale, investing upfront in the constructs that will enable the system to streamline tenant onboarding and ensure that this growth does not compromise your service or adversely impact your unit economics.

"Accelerating our investment in SaaS platforms means we can deliver the best customer experiences in partnership with AWS."

- Amdocs

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Metrics are part of your service

Good SaaS

SaaS organizations generally acknowledge the importance and value of metrics. Some SaaS providers do invest in well-established metrics (e.g. ARR, MRR, churn). These metrics are indeed essential to a SaaS business. However, the tendency here is to focus more on the revenue and spend of SaaS and less on building a complete metrics view of the SaaS business and technology trends. These holes in the metric profile of a business can represent missed opportunities to enhance the overall footprint and efficacy of a SaaS business. In addition, the race to build new features and functionalities tend to move metrics to the background, undermining SaaS provider's ability to assemble the data that is fundamental to shaping the evolution of their SaaS offering.

Great SaaS

Organizations begin to treat metrics like they are a core part of their service, placing them on equal footing with the functional capabilities of their SaaS offering. This means investing in a much richer set of metrics that extend the reach of your analytics insights into all corners of the business. In this mode, metrics become essential to measuring all the dimensions of your operational, technical, and business performance. Agility, for example, can be measured. Onboarding friction can be measured. The idea here is to work backwards from the goals of your SaaS business and identify the metrics that tell you more about how you're performing with regard to the key pillars of SaaS success (agility, innovation, customer experience, operational efficiency, cost per tenant, and so on). As part of this, we should see more parts of the organization relying on metrics to make key strategic decisions. Product managers will use metrics to better understand how features might impact your SaaS service's operational and cost profile. Architects might use tenant and tier profiles to assess the system's ability to balance cost, scale, and availability. Leadership would use these metrics to evaluate the company's agility, operational efficacy, and ability to rapidly respond to customer needs. These are just snippets of the broader impact that should be part of the overall metrics experience. It's less about which metrics you have and more about viewing metrics as part of your actual service.

Migration speed matters

Good SaaS

The path to SaaS doesn't always start with a clean slate. In many cases, organizations begin their move to SaaS with an existing solution that must be migrated to a SaaS delivery model. The complexity and challenges of migration often have organizations taking a more carefully orchestrated path to SaaS that may introduce long delays into their overall path to market-ready SaaS offering. Any number of factor can contribute to this mindset. Some organizations may presume they have a captive audience and the freedom to take more time. Others may seek to fully modernize their solution before offering it to the market. The general challenge here is that the speed of migration doesn't get the urgency it demands. This dynamic also tends to extend the time it takes to begin engaging customers and transforming all the moving parts of your business into a SaaS delivery model.

Great SaaS

The path to a SaaS offering—in almost every case—should be focused heavily on time to market. Few migration journeys suggest that you benefit from a slower, more deliberate path to a SaaS delivery model. Multiple factors are behind this push. First, your window of opportunity is rarely as large as you might expect. If you're on a two-year path to SaaS, it's not unlikely that a new SaaS provider could show up in your space before you're ready. The more important factor here, though, is the need to begin to engage your customers in a service model as quickly as possible. Having more immediate feedback from customers and re-evaluating their expectations will enable you to evolve your system better and begin to shape your SaaS offering based on the continually shifting needs of your market. These insights also serve as a forcing function for the business, creating a higher degree of urgency around migrating the entire organization to a SaaS model. Marketing, sales, customer success, product management, operations—they can all start making the shift to a SaaS model sooner. Yes, this can mean delaying the modernization of your solution. However, it will add significant insights to this modernization effort that might go undetected in a model that goes dark for some prolonged period. It will also enable you to accelerate your organizational transformation, which will need to happen on any of these paths.



You're building a community

Good SaaS

The move to SaaS, for many, is still about building and delivering a product. Yes, they may have some connection to their users and some notion of community engagement. However, this tends to be addressed through the classic mechanisms like user groups and business relationships. These environments often lack the feel of an active, organic community with a passion and loyalty rooted in a rich customer experience. SaaS customers in this scenario are not necessarily as active or connected to the overall evolution of these SaaS services. While the impacts of this level of community engagement may be challenging to quantify, this can still limit the acceleration and innovation derived from having a more active community. A fully engaged community can provide tighter feedback loops that generate valuable insights that directly shape your direction.

Great SaaS

There's a reason many SaaS providers don't end up with vibrant user communities—it's hard. Building and nurturing a genuine community requires SaaS providers to implement measures that actively enable, promote, and value customer engagement. This means opening more and better channels that streamline user engagement. It also means investing in features and capabilities within your service that open up more direct avenues for providing feedback. The investment in community building leads to more organic promoters of your offering and a higher degree of loyalty. It also creates a more direct infusion of feedback into your strategy and direction. This feedback, paired with rapid agility and innovation, can make a significant market advantage for SaaS providers.

Pricing and packaging are never static

Good SaaS

SaaS providers have grown accustomed to creating tiered offerings for their customers. This shift to a new pricing model often represents a significant transformative event for the business. The challenge here is that, once a pricing plan is created, organizations may assume their model addresses the full spectrum of personas and customer needs. This can be true. However, in many SaaS markets, the personas and pricing needs of customers may be regularly evolving. As a result, the pricing and packaging structure you have today may not align with the market's needs tomorrow. Technology and operational efficiency can also introduce opportunities to reshape your pricing model. Having a narrower, more fixed view of pricing can artificially constrain the potential of your SaaS service, limiting your ability to reach new segments or opportunities

Great SaaS

SaaS providers should take a more dynamic view of product pricing and packaging. The goal is to create an environment where your SaaS business can offer new pricing and packaging based on new strategies and shifting customer needs. This requires a more substantial commitment to capturing and re-evaluating customer personas. It can also require a willingness to push the organization to consider models that may require changes in how you build, market, sell, and support your offering. The key here is that we want to be open to a model where pricing and packaging can be continually challenged and evolved.

SaaS is a journey—not a project

Good SaaS

Software companies have acknowledged the importance and value of moving to a SaaS delivery model. This has created a wave of migration activity where organizations push to create SaaS versions of their offerings. For some, the journey alone is so significant that they will view the fact that they have created a SaaS solution as success. However, once the product is available, the push for innovation and agility can take a back seat with more emphasis shifting to the marketing and sales of the new offering. This is an entirely natural motion. However, it can also limit your ability to fully realized the value proposition of your SaaS environment.

Great SaaS

SaaS providers should never get too comfortable with where they are now. The key to SaaS is to build a technology and operational footprint that can accommodate shifts to address new and emerging needs. The idea here is that you never want to view your path to agility and innovations as “done”. Instead, successful SaaS organizations will continue to challenge all the dimensions of their business, looking for opportunities to achieve greater operational efficiency, higher agility, and tighter customer feedback cycles. The quest for continual improvement will differentiate your offering and drive the innovation engine that is essential to SaaS success.

"We didn't want to just innovate, but rather disrupt the market by offering something niche to build and deploy apps faster."

- Freshworks

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Customers are buying value— not technology

Good SaaS

SaaS organizations realize that they need to rely on cloud providers to deliver their solutions. The scale, availability, and cost model of cloud environments align well with the overall goals of SaaS providers. SaaS providers frequently rely heavily on the strengths of cloud services to enrich the cost, agility, and innovation of their offerings. However, there are still some SaaS businesses that will opt to limit their adoption of the full range of services being offered by a cloud provider. Multiple factors may drive this behavior. Some will take a least common denominator approach as a way to continue to support the needs of legacy environments. Others view this as potentially limiting their ability to sell to a more diverse collection of customer profiles. This notion moves organizations away from the “as-a-service” mindset where customers have minimal awareness of the underlying infrastructure. It can also impact complexity, developer productivity, operational efficiency, margins and—most importantly—agility and innovation.

Great SaaS

Great SaaS providers see the continual need to be agile and more cost-efficient. In this mode, SaaS providers will view the services and capabilities of cloud providers as foundational element of their as-a-service experience. Embracing these cloud services becomes essential to their ability to achieve the operational and cost efficiencies that are core to their SaaS business strategy. The key here is that your customers are ultimately consuming a service—not infrastructure. As SaaS customers become more comfortable with this concept, they’ll be less interested in which technology is used to deliver that service. Those that have best positioned themselves to lean on the innovation and capabilities of their cloud provider will also be in the best position to pass those innovations, availability, scale, and cost benefits along to their customers. In many respects, great SaaS providers will view the cloud provider as an extension of their team, aligning their product evolution to the roadmaps of their cloud providers. It may also create new opportunities to reach into markets and segments that were previously unreachable. Ultimately, this will shift the customer’s focus away from the technology you use to build your service, placing more emphasis on the value your service provides.

Nail it before you scale it

Good SaaS

The pressure and push to adopt a SaaS delivery model can be significant. If you're a startup, your focus may be squarely on how to get something to market ASAP. If you're migrating an existing offering, the competitive or cost pressures may have you looking for ways to cut corners. Of course, these are the realities of building any software. With SaaS, though, how you get started—even when you're making compromises—can make a significant impact on your ability to succeed as a SaaS company. For example, suppose you deliver a SaaS solution that doesn't take some measure to address core SaaS operational and agility considerations. In that case, you may immediately find yourself facing a range of challenges that might directly impact the scale and agility of your business. Imagine racing to a SaaS offering, drawing the market's attention, then being unable to successfully onboard a wave of new customers.

Great SaaS

If you're on the path to SaaS, your strategy needs to consider the operational and agility footprint on day one of this effort. How customers onboard, how they're billed, how operations will support multiple tenants, how you address spiky tenant workloads—these are amongst a list of fundamental concepts that need to be baked into your initial strategy. Deferring these concepts to land your first few customers will have a cascading impact on your business. It's true that you may not have the luxury of building the long-term, most robust version of these concepts. However, ignoring them and leaving them until later could have real impact on your ability to successfully scale your SaaS business. Great SaaS organizations will recognize the need to invest in the foundational concepts, realizing they will be essential to the long-term success of their offering.

Connect business goals to SaaS goals

Good SaaS

For some organizations, the adoption of a SaaS model is more about adopting a new way to sell a product. In this respect, they view SaaS as describing what they sell instead of who they are or how they operate their business. This may seem like a subtle difference. However, it can influence the cultural and agility footprint of a SaaS company. A more product-centric mindset may limit the degree to which core SaaS principles find their way into the day-to-day fabric and behavior of an organization. If leadership, for example, does not connect the success of the business to the organization-wide adoption of these principles, it may limit the overall success of the service offering. In this scenario, teams may be less likely to make agility, innovation, and efficiency a priority.

Great SaaS

For Great SaaS businesses, the adoption of SaaS will be a transformative experience. In these organizations, leaders will develop goals and metrics to measure their ability to weave the principles of a SaaS business model into every dimension of their business. This will enforce and accelerate the adoption of a SaaS culture that is centered around agility, innovation, and operational efficiency. The broader goal here is to achieve SaaS success by creating a service-centric company that has baked SaaS principles into all layers of the organization. This could mean altering the organization's structure and infusing SaaS expertise into critical roles within the organization.



"As we were developing our SaaS offering, it was challenging to think about how to organize across our functional teams. AWS helped us uncover potential gaps and come up with great solutions to bring more value to customers."

- BMC Software Inc

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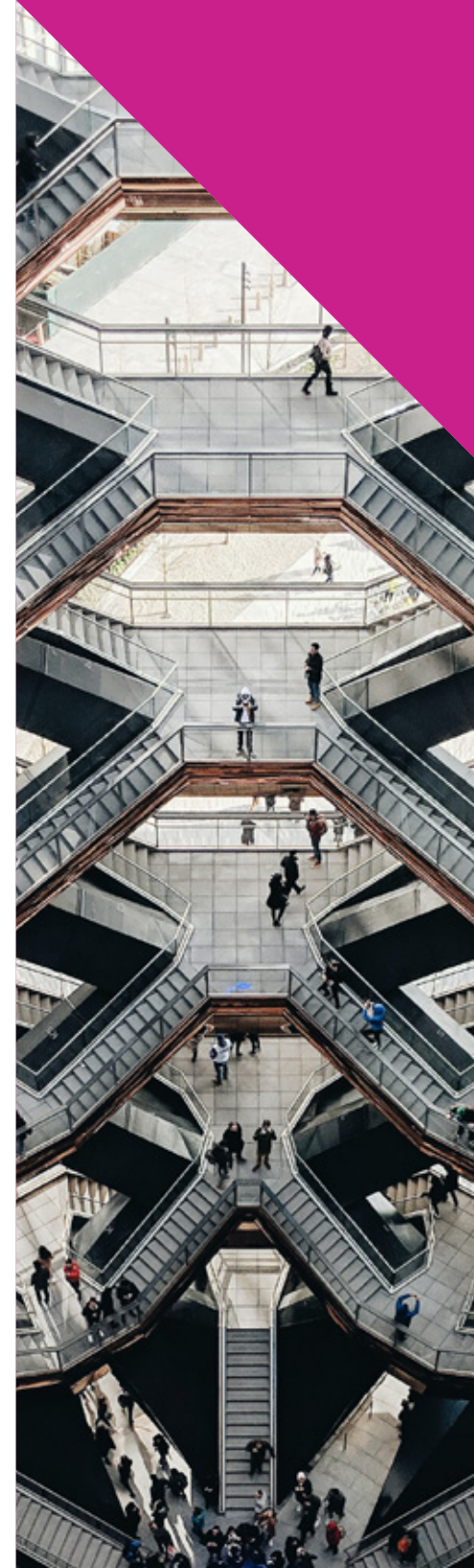
Embrace new sales and onboarding models

Good SaaS

The move to SaaS is often viewed too exclusively as a way to control costs and achieve economies of scale. This has SaaS providers hyper-focused on the technology and operational footprint of their organizations, often translating into a model where success is measured based on the cost savings and technical benefits of your environment. This over rotation to internal efficiencies can limit an organization's ability to embrace new sales and onboarding models. Here, teams tend to put constraints on the types of customers/personas they might reach, creating a narrower view of their tiering models and onboarding experience. These limits can impact your flexibility as you look to embrace new segments and personas.

Great SaaS

SaaS should open new opportunities to re-think and optimize how a service will be sold and acquired by customers. The move here should be to embracing strategies that enable the sales organization to scale more effectively. It also means making the onboarding flow—even for enterprise customers—as seamless as possible. The focus here should be on enabling the shortest path to value for customers that is as automated and low-touch as possible. This is an area where great SaaS organizations will adopt a mindset and approach that allows them to rapidly respond to shifts in markets and customer needs.



Identifying Opportunities

The list of items we've outlined here represents some of the common themes we've seen as we have worked with various SaaS companies. The list is not meant to be comprehensive. It's more about surfacing some of the areas where we see opportunities for organizations to refine their SaaS footprint or, in some cases, aspire to build new SaaS offerings that apply one or more of these best-of-breed strategies.

The broader goal here is to define a landscape of possibilities that you can use to assess where and how these concepts might influence how your organization shapes its approach to SaaS. This can help you identify areas where you may be able to extend and maximize your SaaS potential. The nuances of culture and organization alignment, for example, are often elusive for some organizations. At the same time, building a team with a unified, service-centric mindset can play a crucial role in shaping the overall success of your SaaS offering.

In looking back at this list, it should be clear that simply getting to a SaaS delivery model is not enough. Great SaaS organizations are continually re-assessing their ability to provide a rich service experience, respond to customer needs, react to market trends, and put themselves in a position to be continually innovating.

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