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How marketing aids in the scaling of a business

Case study: Visualizer Group

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The purpose of this thesis was to get a deeper understanding of the marketing and sales processes currently in use in the Visualizer Group and identify possible areas of improvement in marketing, that can help scalability. Visualizer is a cloud based interactive presentation tool, that aims to substitute PDF and Power Point presentations in the Hospitality industry.

The methodology consists of qualitative research and interviews with the CEO and the International Sales Director of the company. The theoretical part includes key marketing and sales concepts and frameworks.

The conducted interviews provided the author an overview of the main challenges for the company, the marketing and sales processes currently in use, and the specific characteristics of the hospitality industry such as decision-making processes, the adoption of new technology and preferred ways of interaction between venues and their customers.

After evaluating carefully, the marketing and sales processes of Visualizer Group it is recommended that the high acquisition costs need to be reduced and development and improvements to the marketing funnel are needed. The lead qualification process will need to be clarified and communicated better within the company. A possible online sales process for Visualizer products that require minimum interaction of personal sales, can boost the scalability further.

| Keywords | Sales funnel, Marketing funnel, Scalability, Hospitality |

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1   Introduction

The purpose of this thesis is to identify areas for improvement in marketing, that can be used to support the scalability and international expansion of the Visualizer Group.

Visualizer Group is a Finnish company founded in 2013 by passionate hospitality professionals, with the single goal to revolutionize the slow and inefficient sales process of meeting and events and help venues and customers forge stronger connection. Since then the company has over 500 hotels and venues in their portfolio with a 100% retention rate.

Visualizer is a digital sales presentation tool used almost exclusively by venues to promote their meetings and events spaces. The application can be easily shared with meeting organizers and customers, allowing them to get the true understanding about the size of the space through high quality photographs and 360 degrees photos. The customers are able to browse through different layouts of the meeting rooms, check different types of hotel rooms and even get a digital version of the restaurant menus.

The application can be easily integrated to the venue's website and used as a meetings and events booking tool or installed in a tablet and used offline. For venue marketeers and sales professionals, Visualizer provides important statistics regarding how the client is using the presentation, what pages of the presentation they visited the most, where do they click and interact, and on what page they drop off.

The versatility and simplicity of the product reduces the need of Power Point presentations and PDF file brochures, and it is a preferred presentation tool of many professional meeting and event's organizers.

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2 Literature review

The goal in the following literature review is to describe the key marketing and sales fundamentals that play a crucial role in the business performance within Software as a Service (SaaS) companies. Software as a Service is a model of distribution of software hosted in an online server that customers can access and use over internet, through apps or a browser. (Techopedia, 2019) The main difference between SaaS and the traditional methods of using software is that with SaaS products the users do not need to store a downloaded copy of the program on their own hardware but access it over the internet. A big advantage of this model is that updates can be applied automatically without the need of customer's collaboration. Software as a Service can be used in many business areas such as accounting, financing, real estate, transport, hospitality and many more. The review will help the reader to get more understanding what marketing is, what are the different stages of the marketing funnel and how marketing and sales are related. The theory will aid in determine what improvements needs to be done in the current marketing and sales processes in Visualizer group.

2.1 Marketing and core marketing concepts

2.1.1 Marketing

"Any customer can have a car painted any color that he wants so long as it is black." Henry Ford, (Ford, 1923)

The concept of Marketing has been evolving over the past century from simply "telling and selling more" to identifying the needs and wants of the customers. Key influences for the development of the Marketing concept have been shaped by industrial leaps and milestones such as the Industrial revolution, consumer behavior and changes in the economic landscape.

It is considered that Marketing originated in 1904 when the Wharton School of Finance and Commerce offered the first ever marketing course "Marketing Products". (Wharton, 2018)
In the early stages of the Marketing school of thought Clark argues that "*Marketing consists of those efforts which effects transfers in the ownership of goods, and care for their physical distribution*" (Ringold, 2007). One of the most influential marketers Dr. Philip

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Kotler acknowledges that Marketing is not only about selling and advertising but also about delivering value that can satisfy the needs and desires of the consumer for a profit. Kotler expands the Marketing definition to "*the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return*" (Kotler, 2010)

In 2013 the American Marketing Association defines marketing as *"the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large."* (AMA, 2013)

Dr Philip Kotler who is regarded as the father of the modern marketing, identifies that marketing deals with the customer side of the business by turning human and social needs to profitable business opportunity. One of the leading Marketing theorists Peter Drucker says *that "The aim of marketing is to make selling superfluous"*. As Marketing is often wrongly accepted from the public as a promoting and selling activity, the most important part is not to sell but to understand the customer's needs and wants, and that there is a product fit that will result to a transaction. (Kotler, P.A., 2010, p.29)

2.1.2 The marketing mix

Marketing mix is a set of controllable marketing tools that firm uses to implement its marketing strategy for the targeted market. There are four tactical tools in the Marketing mix that are known as the ''Four P's of Marketing'' – Product, Price, Place and Promotion. (Kotler, P.A., 2010, p.76-77)
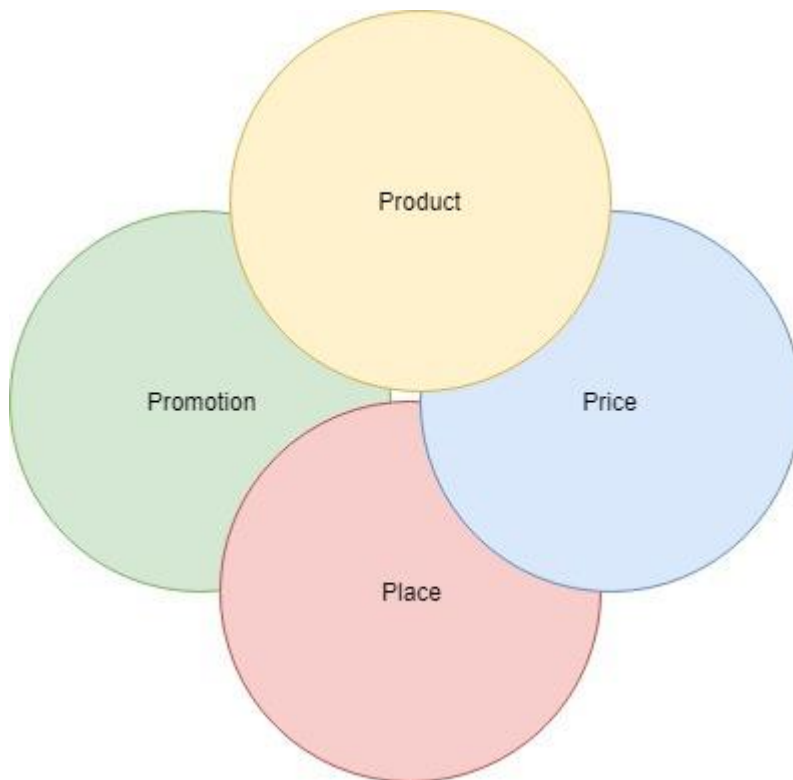
Figure 1. Marketing mix diagram

Product is the combination of goods and services the firm is offering to the market in order to satisfy a want or a need. The product can be tangible, intangible or a combination of both.

Price is the monetary value of the product or services, that the customer needs to pay in order to receive the product.

Place is company activities that make available/distribute the product or services to the target customer.

Promotion are the communication activities that that the firm uses to reach target customers and create awareness about the product.

2.2   Marketing communication mix

The "promotion mix" or "marketing communication mix" is the set of tools that companies use to communicate their value proposition to the customers and build profitable customer relationship. (Kotler, P.A., 2010, p.426)

The marketing communication mix is formed of five marketing strategies:

- Advertising is any form of non-personal paid advertisement that presents or promotes products, services and ideas by identified sponsor. The usual channels for advertisement are internet, social media, tv, printed material, etc.

- Sales promotion is identified as short-term incentives to encourage a sale or purchasing of products and services. Such promotions include discounts, additional products or services with no extra cost, demonstrations, etc.

- Personal selling is personal interaction between the sales force and the client, with the purpose of making a sale, create or strengthen customer relationships. Personal selling can be cold calling, email, trade shows and presentation events.

- Public relations are aimed to build a positive image for the company through beneficial publicity such as press releases, sponsorships, customer stories, etc.

- Direct marketing includes the use of email, phone marketing, internet and many more, to establish direct connection with carefully picked consumers to gain immediate feedback and strengthen relationship.

Companies today are using a very carefully selected mix of channels where they can reach and interact with their ideal customer. Recently, social media along with influencing blogging and Search Engine Marketing (SEM) gained a large advertising share compared to only a decade ago. Companies can now access almost instantly important data about the advertisement performance and sales and target their most desired buyer groups very efficiently to deliver their message.

2.2.1   Customer needs, wants and demands
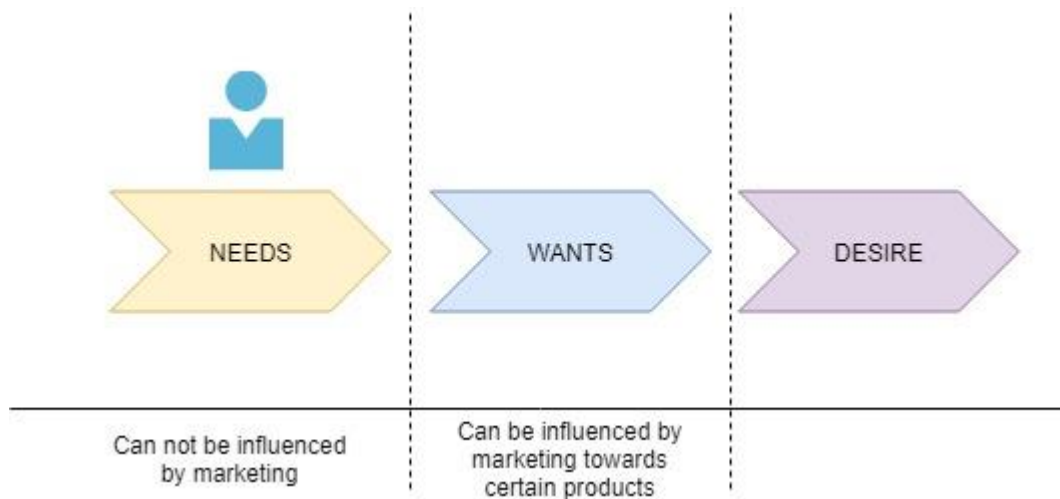
Figure 2. Customer's needs, wants and desire

Needs are the basic human requirements that are needed for survival such as, food, clothes and a shelter. Additionally, there are secondary needs such as education, entertainment, recreational activities, etc. Wants are directed to specific objects or services that can help for satisfaction of the basic or secondary needs. Wants are shaped by the society, culture and individual preferences. Wants become demands when they are backed with the ability to pay for a specific product.

Marketing in combination with social factors can influence the Wants towards a certain product that can satisfy the needs of the consumer, but it cannot influence the Needs for the product. (Kotler, P.K., 2006, p.13)
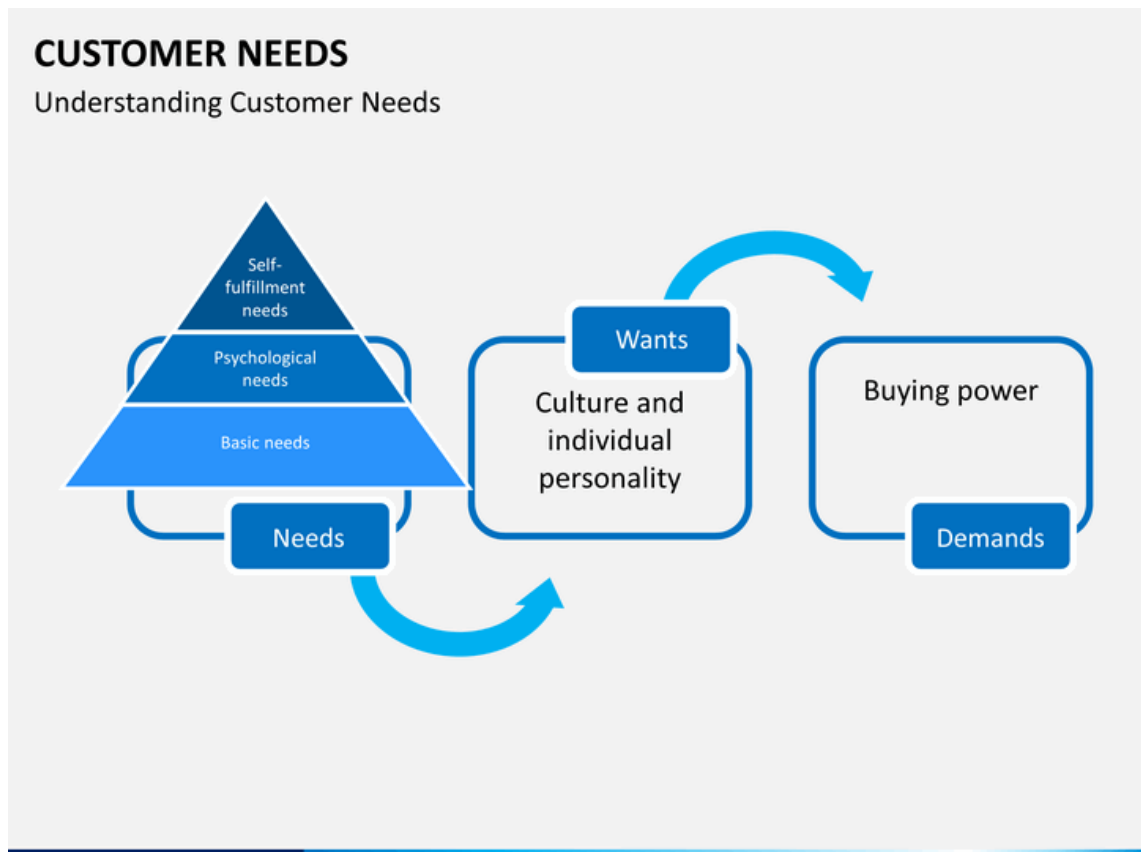
Figure 3. Customer needs diagram (Sketchbuble, 2019)

2.2.2   Market offerings – Product, services and experiences

For each target market a firm a develops a Market offering. The Market offering aims to fulfil the needs and wants of the consumer and it is consistent of a combination of product, services, experience and information. As market offerings are not limited only to physical products, they might include intangible products such as services that do not result in product ownership, as well as other entities such as person, places, organizations ideas and information. (Kotler, P.A., 2010, p.30-31)

2.2.3   Customer value and satisfaction

Customer value and customer satisfaction are the level of expectations set about the value of the product. Balancing the right amount of value and expectations is crucial for every firm as this reflects directly to the customer and how well their needs, wants and demands were satisfied. (Kotler, P.A., 2010, p.31)

2.2.4   Exchanges and relationships

Exchange is the obtaining the desired product offering something in return. In Marketing the product can be intangible such as memberships, audience, followers, personal data, etc.

Marketing aims to build and maintain a profitable relationship and desire for exchange between the firm and the target audience. (Kotler, P.A., 2010, p.31)

2.3   Types of customers

Customers are one of the most important factors for any organization. Products, offerings, marketing and sales activities are aimed at satisfying the wants and needs of the target customers and create strong relationships with the brand. According to Philip Kotler there a five types of customer markets that companies can target. (Kotler, P.A., 2010, p.93)

- Consumer markets that buy products and services for personal consumption. This market is made up of individuals and households.

- Business markets buys products and services to be used in their production and operation processes or further processing.

- Reseller markets are buying goods and services with the sole purpose of re-selling them for a profit.

- Government markets is consisting of government agencies who are buying products and services to produce public services or allocate them to others who need them.

- International markets are made of all of the buyers above who are located in other countries.

In comparison, consumer markets and business markets are quite similar as they both are trying to satisfy the needs of the buyers. However, there are noticeable differences between those two markets in terms of market structure, demand, decision and buying processes. It is considered that the Business market is much larger than the Consumer

markets due to the high volume of business transactions needed for production and the sale of products.

In the business market there are usually fewer, but larger buyers compared to the consumer market where there are many buyers but smaller transactions. Demand is driven by the demand for consumer goods and often small changes in consumer demands can result in large increases in business market demand.

When company's primary focus is to sell products and services to business markets it is often referred as Business to Business (B2B) sales. In B2B, the types of purchase decisions and decision process are much more complex compared to the consumer buyers and it takes longer for business buyers to make a decision. The main slowdown comes from a combination of larger transactions, technical and economic considerations and the involvement of many people in different levels of the buyer's organization. (Kotler, P.A., 2010, p.193-194)

2.4   Segmentation

Kotler identifies Market segmentation as *"dividing a market into smaller groups with distinct needs, characteristics, or behavior that might require separate marketing strategies or mixes."* (Kotler, P.A., 2010, p.215)

In today's world companies find it difficult to appeal to all potential customers in the same way, due to many variables such as needs, decision making and buying processes. For better efficiency, companies have changed their strategies from mass marketing where all buyers are treated the same, to a more concentrated and targeted approach where large markets are divided into smaller market segments. Target marketing allows companies to address and serve better the specific needs of the customers and build profitable relationships. With Market segmentation companies can address the needs of the buyers with different marketing strategies depending on the target segment and their specific response to the Marketing mix.

There are four steps that companies are using to design a customer-driven marketing strategy:

- Market segmentation – The process of dividing the market into smaller groups of buyers with specific needs, characteristics and distinct response to different marketing strategies and mixes.

- Market targeting – The evaluation of the attractiveness of the markets and selection of which market segments can be served better and most profitable to enter. Part of the target market segment is the Concentrated marketing.

- Differentiation – The evaluation of several market segments and how specifically tailored marketing mixes for each.

- Positioning – What differentiated value proposition will company create for specific segments and how the product's attributes will be defined compared to existing competitive products in the same market segment.

A part of market targeting is the concentrated marketing also known as niche marketing. This is a strategy where a firm goes after a large share of a smaller segments or niches instead of small share of a large market. By going after smaller segments instead of much larger markets, companies can use their specific knowledge and reputation concentrate on selling very targeted products and services that are an exact match of the needs of the segment

Through concentrated marketing companies can gain a strong position on the niche market if they manage to identify the very specific needs of the consumers and build strong reputation specific for the market.

Niche markets can be very profitable due to needs of very specialized services and products and the possibility companies to target buyer more efficiently, but in the same time Niche markets possess higher than normal risk for companies especially if companies rely solely on one or few market segments. Small companies who do not have diversified market segments for their products a slowdown in the market or the entry of a new competitor with better product with larger budget might cause a huge negative impact.

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2.4.1   Consumer markets segmentation

To segment consumer markets, marketeers can use two groups of broad variables – descriptive and behavioral characteristics. The main goal for using either of the approaches above, is for companies to be able to profitably adjust their marketing strategies to the customer's needs by recognizing their differences. (Kotler, P.K., 2006, p.120)

By using descriptive and behavioral characteristics companies can create segments of consumer markets

The major consumer segmentation variables are Geographic, Demographic, Psychographic and behavioral.

Geographic's locations are used for dividing the market into different geographical areas such as countries, cities, neighborhoods, regions and nationalities. Companies can localize products, marketing and sales processes to fit the needs of different regions and enter markets where there is a low or non-existent competition.

One of the most popular bases for segmentation is the demographic variable. This variable is easier to measure compared to the other variables, as it is known that similar demographic groups often have similar needs and wants. The demographic variable covers the buyer's personal characteristic's such as religion, age, gender, race, occupation and income, education, family size and family life cycle, nationality and generation.

The psychographic segmentation, same as the demographic and geographic variables is also descriptive and it focuses on the personality, social class and the lifestyle of the byers of the targeted markets, as often buyers from the same demographic group can have very different psychological needs.

As the name suggests the behavioral variables are focused on the behavior of the buyer and it divides the segment into groups based on experience, knowledge, attitudes and responses towards products. Buyers in this segment can be defined as *Initiators, Influencers, Deciders, Buyers* and *Users*. (Kotler, P.K., 2006, p.123)

Because of some major differences between the consumer markets and business markets there is not one set of variables to be able to segment both, but two broad groups of variables for each of the markets. (Kotler, P.K., 2006, p.120)

While some of the customer markets variables are used in the business markets segmentation, there is a need for some additional variables specific for business markets and business operations. Geographical, demographical, benefits sought and usage rate from the customer markets are still relevant for business users, and additionally operating, purchasing and personal characteristics. (Kotler, P.K., 2006, p.125- 126)

Bonoma and Shapiro describe the major business markets segmentation variables as follows:

- Demographic – In the demographic variables for business markets the companies need to identify which industry are planning to serve, specify the geographical area of their market and the size of the companies that they want to create value for.

- Operating – The set of variables that will set the focus on the user type (heavy, medium, light and no users), what technology of the customer the company needs to concentrate on and decide if the company needs to serve customers that they need wide range or very few services for their operation.

- Purchasing approaches – By identifying correctly the purchasing capabilities and purchasing policies of the market, companies will be able to choose if they want to serve more centralized or decentralized purchasing organizations and to focus on the preferred purchasing policies. By examining the power structure and purchasing criteria of the market companies can focus on the right companies and their main criteria for the product in terms of price, quality or service. Finally, companies can examine what relationship will bring the most value for both sides – going after companies with already established relationships or for most desired new customers.

- Situational factors – These are the factors that will identify what needs of the market a company should target – immediate needs in forms of urgent orders,

size of the orders and on what part of their product range companies need to concentrate on.

- Personal characteristics – The final set of variables is concentrated on the buyer organizations - their loyalty towards supplier's, core values and willingness to take risks. Often companies are seeking for buyers with similar values and people as this is one of the easiest ways to connect. Small companies, even with good products can also be considered as higher risk due to the lack of reputation in the industry, previous relationships or geographic differences. The loyalty towards suppliers cannot be underestimated either. Many organizations prefer paying premium only to be sure that the quality and the delivery of the resources, services or products can be guaranteed.

2.5   Marketing funnel

It is very important for any company to find the right moment for interaction with a potential customer, thus marketeers spend a lot of efforts to understand how the buyer decision is formed and what would be the easiest way to navigate them through the buying process. Kottler identifies five stages in the buying process through which buyers move towards purchasing of a new product that formed the so called "Marketing funnel".

- Need of recognition –Usually the buyers start the buying process by identifying a need for a product or a problem that needs to be solved. This step of the process can be triggered by primary needs such as the need of food or wants such as a golden watch.

- Information search – The second stage of the buying process is to gather information about available solutions for the needs and wants of the buyer. There are number of different sources that a buyer might seek information about the product, ranging from personal to commercial sources, public sources and experimental sources. This stage is also the stage where the buyer will seek more information about different brands, solutions and alternatives. (Kotler, P.A., 2010, p.178)

- Evaluation of alternatives process will allow the consumer using already gathered information about the product and alternatives, to reduce their choices to a few that match closely the requirements of the wants.

- Purchase decision – This is the stage where the consumers are forming their brand preferences and opinions which product should they buy. However, intention to buy can influenced by personal influencers or unexpected changes in the economic environment of the consumer.

- Post purchase behavior – This is a very important stage for every marketer as this is where the consumers expectations should match with the product offering or exceed the expectations over purchase value. Kotler suggests that often major purchases result in cognitive dissonance due to compromises made during the purchase process. Consumers might be satisfied with the product but still concentrate on the lost benefits the other brands had offered. As satisfaction or dissatisfaction of the product could result in increase or decrease in sales and brand reputation, marketeers need not only to meet the expectations of the buyers but to ensure that the brand provides excellent customer experience.

The buying process is illustrated as stages in the marketing funnel and represents the customer journey that customer stake from discovering the need to post purchasing evaluation. There are many different forms of the marketing funnel but the most common processes that all have are Awareness, Interest, Evaluation, Trial and Adoption. These processes are also known as the adoption process. Kotler describes the adoption process as the mental process that customer is going through from first learning about the product to the purchase of the product. (Kotler, P. A., 2013)
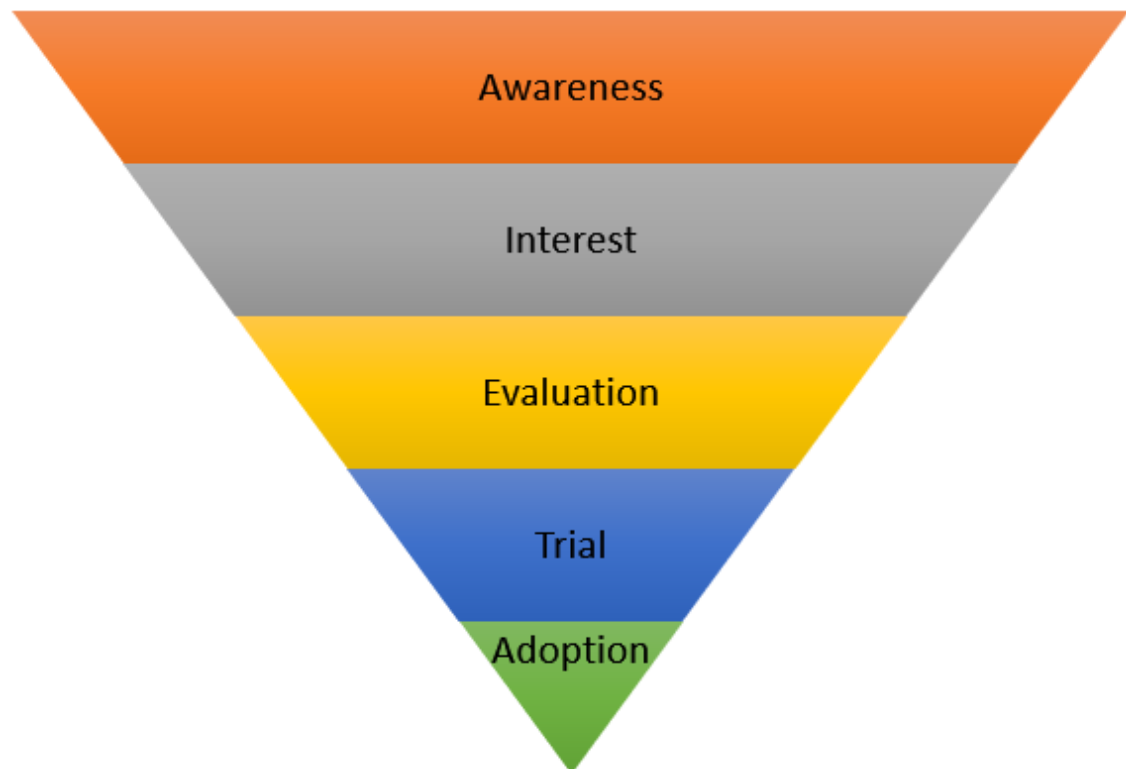
Figure 4. Example of marketing funnel

The narrowing "funnel" shape represents that a lot of potential customers can be interested in finding a solution to their needs and wants, but as they gather more information about the brand and the product, they narrow down their choices depending on influences and the requirements formed by their needs and wants. It is the marketeers' main job to help consumers to go to through the next stage of the funnel as efficient as possible by deploying carefully selected marketing campaigns to influence their purchasing decision.

2.6   Sales funnel

"if the rate of new customer acquisition exceeds the churn, the product will grow"
Eric Rees, The Lean Startup

The sales funnel is different than the marketing funnel as it concentrates mainly on the customer acquisition process through personal selling, involving the sales force of the company. The sales funnel is comprised by the main touch points and processes that the sales force will have to cover in order to turn a lead to a customer. The sales funnel

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process overlaps with the marketing funnel processes and depending on the business model it might start as early as the consideration stage.

Depending on the selling strategy companies can use couple of strategies to engage with their customers: push and pull strategies. Pull strategy is used for promotion of the product, and the aim is directly to motivate the consumers to buy the product. Usually this involves heavy advertisement in order to create awareness and demand.

When companies are using push strategy for promoting often, they might involve personal selling to the mix. Personal selling is considered as the most effective tool for certain stages of the buying process especially when the buyer forms their preferences and makes the decision to buy the product. (Kotler, P.A., 2010, p.441)
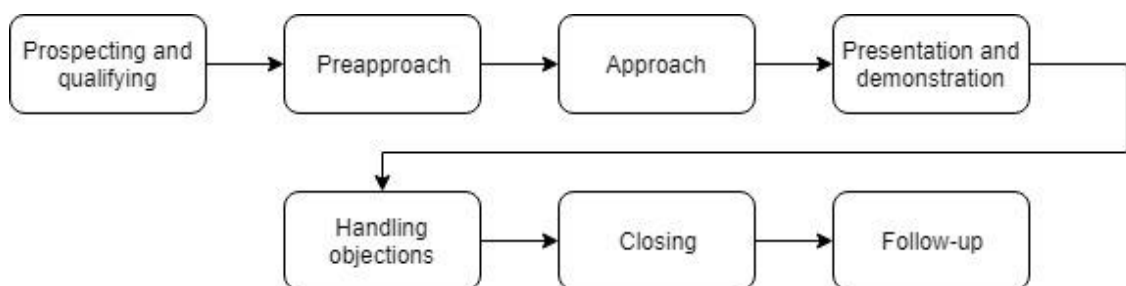
Figure 5. Personal sales process *(Kotler, P.A., 2010)*

The first step of the personal selling or sales funnel is *prospecting and qualifying*. This is the process where the sales person turns marketing qualified leads into sales qualified leads or cold leads into prospects and segments them into buyer groups or not a good fit for the product.

Qualifying leads into prospects is crucial for any business as this is where the sales force decides to whom they will concentrate their efforts, time and company's budget in order to boost sales. As this is the top of the sales funnel, sales people want to enter as many prospects as possible as only few of them will turn into customers.

Once the prospects are identified the pre-approach stage starts. Before contacting a prospect, the sales person want to gather and analyze as much information as possible regarding the prospect's company, buying processes, budgets, decision makers, organizational structure, etc. By identifying potential bottlenecks or opportunities, the sales force can be able to create individual strategies how to approach and handle the prospect.

With the starting of the *approach* stage, the sales person should already be familiar with the prospect and the company and should have a proper plan how to approach for first time the prospect and on what value proposition or problem solving to concentrate on his opening line. How the approach is executed can set up the tone to build a relationship, learn more about the specific ne eds and want of the prospect's organization and boost desire for the product.

The *presentation and demonstration* step concentrate on the value proposition of the product. This is where the sales person tells the story of the product and demonstrates how the buyer can benefit from it. The main goal of the presentation and demonstration is for the buyer to get a clear picture what are the product capabilities, how can it fit in the organization and be differentiate the brand and the product from the competition. Today sale people can use various technology to create and do presentations that no longer require physical presence in a meeting room, and even to present at the same time to decision makers and users from different geographical locations.

Handling objections is the next step of the sales funnel. In very rare occasions buyers will continue to the purchase stage without any objections. For unskilled sales person objections can be terrifying as it might indicate rejection, but for skilled sales force they are opportunity to bring additional clarification about the product and turn the objections into a reason to buy.

Closing the sale is the step where the sales person asks the buyer for order or direct purchase. In this stage the sales person can be involved in contract negotiations or assistance to speed up the closing process.

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The last step of the selling process is the *Follow up*. At this stage the sales person follows up with the customer to ensure that the product is a good fit for the buyer's company and to build strong relationship with the brand that can result in more future business.

2.7   CRM and Marketing automation

Customer Relationship Management (CRM) systems and marketing automation are important part of the digital driven business today. Many marketeers realized that more efficient link is needed between the lead management, engagement and qualification processes. It is crucial that both marketing and sales can cooperate and align their activities to deliver uninterrupted customer journey for their leads and existing clients moving through the marketing and sales funnel.

2.7.1   Customer relationship management

Customer relationship Systems are the main source for containing and managing customers data. (Rowles, 2014, p151) CRM systems are used to track the whole customer experience with the brand and CRM's are not limited only to existing customers. Often, they include data about leads, prospects, partners and suppliers.

In the companies' CRM systems, marketing and sales can find important information such as with what marketing campaigns the users have been interacting with, marketing materials that sales have sent the prospects and important information regarding the user's location, company's size and revenue, connections, current place in the sales funnel and many more.

2.7.2   Marketing automation

Marketing automation is the process of triggering highly targeted automated communication by using scoring system. (Rowles, 2014, p152-153) Depending on the type of the user, his place in the sales funnel and the individual interaction with marketing material and systems, a certain message is triggered and delivered. Rowles argues that the differentiation between advanced ESP's and marketing automation is exactly the scoring system. The main function of the marketing automation is to help with the sales process, and it is invaluable tool for companies with complicated products and longer sales cycles.

The scoring system is set by the marketing team which first needs to identify key inter-actions points and desired user behavior. Scores can be negative or positive and the exact set of points rewarded to an action are subject to a strategic marketing decision. Score points can be awarded for almost any action and interaction such as email opened, email link click, started a chat to increased usage of the demo product, etc. For example, a user who visits the pricing page or product page is awarded +5 points for each, but if he visits the product page in combination with pricing page during the same session he can be awarded with +20 points as the visitor can be considered as "interested in the product". Negative score can be awarded if a user visits for example the "jobs" section or haven't been interacting with the brand for a while.

Triggers depend on the user score, rules and thresholds set by the marketing. This is where the need of integration between CRM and marketing automation software arises. The reason is that marketing automation software needs data for its triggers, that can be scattered between the two systems such as the prospect's company size, previous sales, personal sales interactions, website visits and behavior, card abandonments, etc. Most marketing automation tools are having their own CRM system and recently we see an increase in CRM systems adding marketing automation functionalities as well. In certain cases, when companies do not have a universal solution for CRM and marketing auto-mations or simply decides to use two different systems, additional integration will be re-quired.

An example for marketing automations can be if a visitor visits pricing page and product page within the same session, to trigger a specific chat message, or when user reaches the score of +80 to trigger the start of an email campaign. To understand the complicity of marketing automation and CRM working together I will use an example automation by User.com.
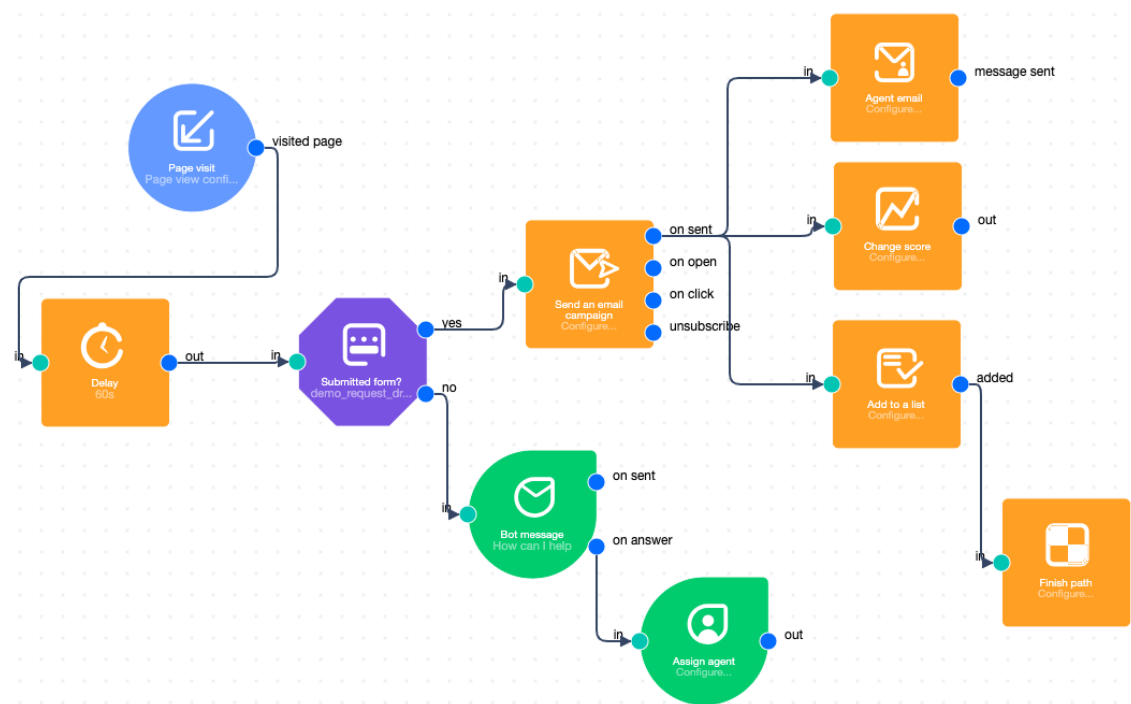
Figure 6. Example of marketing automation process (User.com)

The screenshot on figure 6 is a basic example representing the some of the interactions through marketing automation, when an anonymous user acquired through online advertising campaign visits a landing page with a set goal of submitting a request form for a product demo. As this is carefully targeted user for which the company invested certain monetary value to visit the page, conversion is important and marketing automation is triggered to reach the goal.

Conversion scenario 1

The user clicks on the add and it is redirected to the landing page. During the set waiting time he leaves his email to be contacted for a personal demo. Reaching of the goal will trigger simultaneously few actions:

1. An email will be sent for the next steps.

2. A sales person will be notified with an email containing the contact's link in the CRM.

3. A score points will be added to the prospect in the CRM.

4. The prospect will be moved to a different marketing list for further marketing activities or nurturing.

5. Marketing automation ends.

Conversion scenario 2

The user clicks on the add and it is redirected to the landing page. During the set time he does not complete the goal set by the marketing. The following actions are triggered:

1. Chat bot is triggered to assist conversion (in other scenarios can be a chat with an agent, pop up or an email if the user already exists in the CRM database).

2. If the user answers the bot will notify a customer support agent to follow closely the case. (Optional)

The example above can be set simultaneously with few more automations for different scenarios such as tagging the user on arrival with the medium of the campaign (social media, Google, LinkedIn, etc.) and automation for an exit pop up, if there were no interaction or goal completion. By having such a powerful data and tools in use marketers can make more relevant and personalized campaigns with appealing offers for the visitor, track real time interactions and make necessary corrections that can bring the prospect closer to the sale.

2.8 Key metrics for SaaS business

Due to the complexity of Service as a Service (SaaS) business compared to the traditional business models, a specific set of business metrics needs to be applied in addition of the standard metrics. There are some noticeable differences between SaaS business and traditional businesses that needs to be considered and making small improvements in specific key areas can reflect heavily on the profitability of the company. One of the major differences is that the revenue in SaaS business is recurring and it is acquired over the period of the subscription. Thus, retaining the customer and ensuring satisfaction becomes of key essence. David Skok, a venture capitalist, serial entrepreneur and author of the famous forEntrepreneurs blog breaks down the key focus areas into acquiring, retaining and monetizing customers. (Skok, 2019)

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There are two types of SaaS businesses: primarily consisted with monthly subscriptions and primarily with yearly subscriptions. What connects them both is that in most cases the investment of acquiring the customer overweight's the monthly and sometimes the yearly cashflow from the subscriptions. David Skok argues that the best SaaS companies have a customer's Lifetime Value (LTV) to customer's Cost to Acquire (CAC) ratio higher than 3, and it takes them approximately 5-7 months to break even on the initial customer acquisition cost. During his research he notices that Months to recover CAC is a very good indicator how the company will perform in the feature.

Figure 7. Key guidelines for SaaS startups (Skok, 2019)

2.8.1   SaaS bookings

SaaS bookings examines how Annual recurring revenue (ARR) or Monthly recurring revenue (MRR) will change in comparison to the previous year. To calculate what will be the Net MRR and ARR bookings we need to calculate the number of new customers with the number of customers who continued to their subscriptions and subtract the number of lost customers.

Example of new ARR bookings formula:

(New AAR + existing ARR) – churn = Net new ARR

2.8.2 Churn

Churn is the number of subscribers who ended their subscription and it is direct metric for customer retention. The lower the churn the higher customer retention is. One of the ways to lower churn is to be paid in advance as the level of commitment and barriers to switch to another subscription are higher for the customer. However, during his time at HubSpot, David Skok notices that asking for a large amount of money as a first payment might push away new and existing customers.

2.8.3 Customer engagement score

According to David Skok that one of the ways to predict churn is to assign scores to key features of your SaaS product and follow the engagement frequency. If the customers are happy with the value of the product, they are more likely to be engage more frequently and use more features of the product.

2.8.4 Net promoter score (NPS)

NPS is measuring how the customer sees your brand by evaluating customer experience through standardized numbers range. (NPS, 2019) The responders are grouped into three groups:

- Promoters – loyal customers who are likely to buy more and advocate your brand (score 9-10)

- Passives – still satisfied but not likely to promote your brand. Vulnerable to competitors. (score 7-8)

- Detractors – unhappy customers who can damage the reputation and the brand. (score 0-6)

The formula is NPS = % Promoter - % Detractors

3 Research Methodology

The methodology that is used in this thesis aims to support the conclusions and recommendations sections with existing concepts from thought leaders and influencers in the industry. The study is backed by existing and available literature, online sources, company materials and interviews.

3.1 Types of Research

There are three types of research: Explanatory, Descriptive and Causal research. (Sreejesh, 2014)
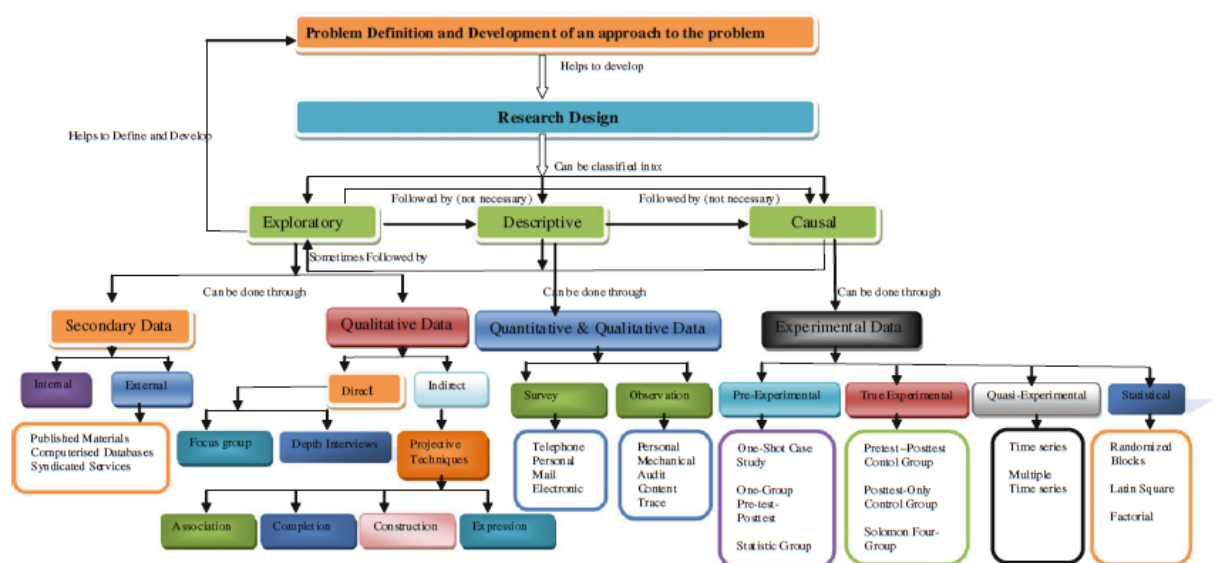
Figure 8. Research design process. (Sreejesh, 2014)

3.1.1 Explanatory research

Explanatory research is to gather necessary information that will help the researcher to make the problem more relevant to precise investigation. Explanatory research aim is to help analyzing the current problem, alternatives and discover new ideas.

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3.1.2 Descriptive research

The objective of descriptive research concentrates on surveys and observations using quantitative and qualitative data. Surveys are coming in the form of interviews using mediums to conduct such as telephone, personal mail and electronic.

3.1.3 Causal research

Causal research is used to identify and test the cause and effect between variables and how one change in a variable can influence another. (Sreejesh, 2014, p.82)

The most relevant research method used for the thesis is the explanatory research, as the researcher's aim is to gather theory and primary data to assists with analyzing the current processes of the company and suggest areas for improvement.

3.1.4 Primary data

Primary data covers interviews, questioners and direct observations. The data is collected from respondents using direct intervention, often face to face and it can provide valuable insights to the researcher.

3.1.5 Secondary data

Secondary data is already existing data that is available for use from other researchers such as books, journals, directories, industry experts, articles and online sources.

3.1.6 Qualitative data

Qualitative research allows the researcher to concentrate on the human perspective to understand the organization, the variables and solving the problem. This method gives an excellent opportunity for the researcher to explore the variables through interviews, focus groups and protective techniques. Qualitative research is technique that uses open questions and the generated results are in non-quantitative form.

3.1.7 Quantitative research

Quantitative research is technique that uses numerical data to describe the research problem. Sreejesh states that quantitative research has a pre-defined set of responses and responders are limited in their answers. Collected data from quantitative research might not be capturing the real feelings of the responders and it is possible that they must choose an answer which does not reflect the real situation, but it is the closest answer option.

For this study, the author uses qualitative research, to support the further direction of the thesis research. Primary data and relevant information in the form of theory and company data was collected through research, interviews and email communication with Arturs Vavilovs – International Sales Director of Visualizer Group and Kimmo Kaitala – CEO of Vizualizer Group. The questions for the interview were designed to capture the operational structure of the company, sales and marketing processes, key performance indicators and the customer journey. An evaluation was carried out for the conclusion and recommendation part of the thesis.

4   Research results

The following section will give an overview of the product, clients, marketing and sales processes of the company from the perspective of Kimmo Kaitala, CEO and Artūrs Vavilovs, Director of International Sales for Visualizer Group. The data was collected through email communication and in series of discussions and in person interviews. Open questions were used for the face-to-face discussions in order to understand fully what the unique value proposition of the product is, what problem does it solve and how Visualizer uses marketing and sales concepts in practice.

4.1   Interview results

4.1.1   The problem

Kaitala and Vavilovs both agree that the way how hotels are using presentation pdf's and prints in the current digital environment is outdated and ineffective. Today's customers want to get all the necessary information as soon as possible.

During the conversation Vavilovs said that *"Pdf's brochures are important for hotels. Sales and marketing are using them in all their communication starting from quotes, offers, client visits and even trade shows. Pdf's have been in the industry since the 1992."* Hotels use power points to send offers or presentations to prospects and clients and often are failing to make it look appealing by using low quality photos and large power points, that the customer often needs to endlessly scroll and try to decode.

When sales agents are replying to RFP's they often need to combine multiple data from different sources to form a proposal for a specific meeting room, layout and number of attendees. This can be a lengthy process as it is done manually and can take few hours to prepare a couple of offers. One of their researches indicates that large hotels in central locations might receive 20 to 60 requests per day, which the sales team need to process and reply. Often sales teams are small and might be formed of just a few people and they are not able to reply efficiently to all new requests and negotiate and communicate details with earlier requests from event organizers and clients.

The second part of the sales process for venues is handling existing RFP's. Potential questions and requests from clients and agencies, often cannot be handled in time due to the large workload of the sales teams. Replies are usually slow and might take anywhere from few hours to couple of days depending on the priorities of the sales agent. This is strong indication that the RFP handling process is slow and inefficient.

During the discussion Vavilovs described the decision-making process from the end-user perspective as costly and inefficient. Often the client or the agency need to do a site visits in order to be able to get full understanding of the venue's size, capacity and layout possibilities.

The challenge for the venue is that it is not guaranteed that when the client comes for a site visit, they will book the space or even view the meeting rooms. Often event spaces can be in use at the time of the visit and alternative rooms with different capacity and layouts could be presented instead. Such inconvenience makes it very challenging for the client to get a complete overview of the space and the for the venues to present their product in the best possible way.

Vavilovs states: *"This is where we can help. Hospitality professionals need a tool to help them reply faster to the client's request, because meetings and events business is so*

competitive that if you fail to answer in couple of hours you might have lost the prospect already. Millennials do not want to wait anymore."

4.1.2   The product

Visualizer is a digital sales presentation tool for displaying and sharing interactive presentations of the venue's facilities, meeting rooms layouts and promote available and additional services. The application supports sales and marketing teams by providing a powerful tool designed to ensure that MICE client's requirements will be met timely and accurately. Visualizer provides a new level of visual presentation and communication between venue's sales agents and event bookers, that drastically increases the efficiency of the sales teams and RFP conversions. The application is most suitable for venues who are offering any kind of meetings and events space such as hotels, conference centers, restaurants, wedding venues, etc.

Visualizer's main function is to optimize the sales process of Meetings, Incentives, Conferences and Events (MICE) by allowing sales agents to attach a link to the part of the presentation. The presentation contains a virtual tour, consisted of 360-degree images or still pictures of the most suitable meeting room and layout along with additional information and services such as restaurant menus, additional equipment pricing, hotel rooms tours, etc.
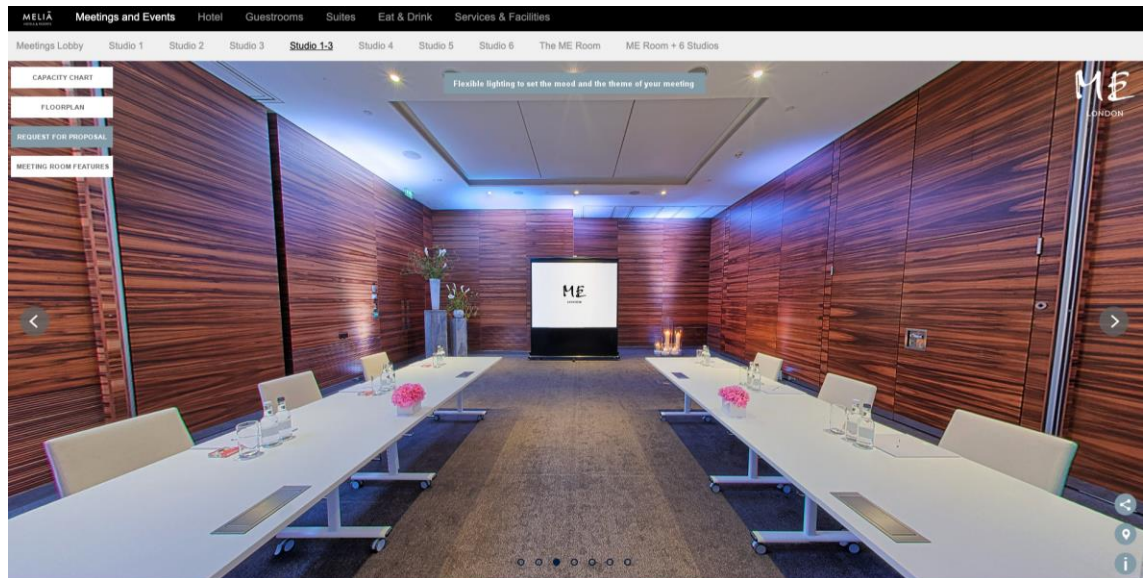
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Figure 9. Visualizer app screenshot

The presentation can be distributed and promoted in 3 different ways:

- Online: The hotel's presentation can be shared as a URL link on social media, emails and any other online tool that supports exchange of messages and promotion. With the online version of the iPad app, Visualizer can be placed on strategic locations within the venue such as in the reception are to help upselling room upgrades or provide more information about facilities. The iPad app can also be used by the events teams, in occasions where a potential client shows up for a visit, but the meeting rooms are in use or not available.

- Offline: Through the iPad application, Visualizer can work even offline where there is no access to internet, without limitations in functionality. The application is very suitable during trade shows, business trips, etc.

- Embedding: Visualizer can be embedded in the venues website code and it can also act as an RFP tool that allows visitors to send requests directly from the presentation, highlighting the desired option of meeting room, setup and additional services. If embedded correctly Visualizer will be undistinguishable from the website branding.

In the digital world these days marketers can easily extract real-time information about website usability, but they could never accurately track how prospects and clients are

using brochures as they are usually in electronic or printed form. Visualizer is a valuable tool for marketing as it can provide usability and user behavior insights of the presentation in the form of analytics, such as number of sessions, number of users, number of views, RFP email openings, link-click counts, time spent in certain parts of the presentation, dropping off rate, exact drop-off URL, etc.

The Visualizer presentations is also available on more than 10 languages that can be changed only by a press of a button by the venue clients such as Nordic languages, German, Spanish and even including rare languages such as Chinese.

Visualizer is currently available in two yearly based price models: one for small and individual venues and one for hotel chains that might require customization and integration. The price can vary depending on the chosen features. In the near feature the company will have a third model which is currently in testing.

4.1.3 Customers and markets

The customers of Visualizer are any types of venues that rents out a space for meetings, conferences or any type of events, weddings, celebrations, anniversaries, etc. Visualizer tool can efficiently be adapted provide value for individual travelers and leisure guests. However, the company is focusing mainly on providing services to hotels, conference centers and restaurants.

Currently Visualizer has over 500 clients and it is available in 16 different countries, but the main target markets are Germany, UK, Spain and Scandinavia. The company has strategic partners in Germany, Spain and UK to represent the brand and product and increase trusts in their client base by being closer to the customers. One of the most extinguishable brands that use Visualizer are Barcelo Hotels, Mövenpick Hotels, Crowne plaza, Hilton, Novotel, Corinthia and Scandic Hotels Group. Since their first customer in 2013 the company has never lost a customer.

4.1.4 Marketing mix and communication mix

The Visualizer's product is priced relatively low and being a SaaS product allows a monthly or yearly subscription model. By the end of 2019 the product will be available

for direct purchase through the company's website by using online registration and payments. Visualizer relies mainly on organic traffic for promoting their product along with company's participations on industry related trade shows and exhibitions.

From the marketing communication mix, the company is using a combination of personal selling though sales force interaction, public relation and direct marketing in the form of webinars, emails and phone calls to establish initial connection with their target buyer groups.

Visualizer often receive leads through referrals or so-called word-of-mouth advertising, especially in occasions where a hotel successfully implements their solution and refers it to the rest of the hotels from the same hotel group. Once the lead enters the marketing funnel is taken over by the sales team who has the task to qualify the lead and move it through the sales funnel.

4.2   Customer analysis and segmentation

MICE is a multi-billion global industry that is of high importance especially for hotels and conference centers. There is not a one accurate number for the MICE spending per year, but it is speculated that only in UK alone more than 1.3m events are held annually and the revenue generated from Meetings, Incentives, Conferences and Events is over £42.3bn and growing every year. (Booker, 2018)

As Visualizer operates in a niche market, customer segmentation is of high priority of the sales team. During the interview it was identified that there are three main buyer personas that are of interest for Visualizer. Each one of the buyer personas can also be a product user as well. Ideally, for the prospects to be qualified and enter the sales funnel they all need to share the following common threads:

- They are in key Marketing, Sales or Management positions at the venue

- They have a need of the product

- They understand the value and the features of the product

- To show interest towards the product

- They have the budget to purchase the product

This qualification of the leads allows Visualizer to segment further their customers by confirming that they have the need, they want the product and they have a buying power and desire to purchase it.

4.3   Customer journey

The customer journey for Visualizer's customers usually starts with creating awareness from visiting the company's website, meeting at industry event or any form of "cold" approach.

The sales process starts immediately after the lead is acquired. The target group is mainly sales and marketing managers or directors who can bring along in the decision process revenue managers, business development managers and general managers. However, dealing with multinational corporations is challenging as there can be layers of gate keepers and decision makers, and the person who can approve the budget can vary from any of the buyer personas mentioned above.

Next step of the selling process is the Demo. Visualizer is using face to face presentations or online presentations through webinars or personal online meetings. It is crucial for the company to be able to demonstrate the product live as Visualizer is a complex solution that needs to be properly differentiated from virtual reality tools. In certain cases, Visualizer's sales force must hold more than one demo if the client's company structure and decision-making process is more complicated and needs involvement of more than one decision makers.

After the demo sales people are preparing to meet any objections that might arise during the presentation. The usual objection for rejection is budgetary or the prospect is not the decision maker.

The next stage is closing of the deal where contract terms and next steps are negotiated and agreed upon. For a lead to move from the awareness stage to closing stage usually takes months of presentations and negotiations.

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The last step is the follow up. This is where the sales person follows up with the customer to make sure that all stages of implementing Visualizer are completed successfully and the users have been trained. There are usually more follow up meetings with the client where the sales person is trying to identify if there is a need for any additional products.

5   Discussion and conclusion

5.1   Conclusions and recommendations

With customer retention rate being a 100%, there are solid indications that Visualizer's products are validated and very well accepted in the industry. It also appears that Visualizer have the critical mass of customers that can be used as a referral and to identify buying behavior patterns that can be used for improving sales.

The interviews are leading to conclusion that Visualizer will still rely on personal sales as personal interaction and connections are highly valued factors in the industry. However, the current high customer acquisition cost caused by the long sales cycle might have an impact on the feature profitability of the company.
By implementing a targeted and well-planned marketing strategy the Visualizer Group can effectively scale their sales and grow their current client base. During the interview several suggestions became apparent for improving marketing, lead generation and qualification processes.

Proper segmentation and qualification will help the sales team to concentrate only to the right prospects who have the need of the product and a budged to purchase it. This can ultimately improve the sale process, reduce the sales cycle time and increase the conversion rate. There are indications that there are overlooked segments of the targeted markets. As a suggestion, through highly targeted marketing campaigns venues with poor or outdated image banks on their website, can be approached as they might already have planned and budgeted a photo shoot session.

Marketing can also play a bigger role than segmentation. There have been indications that the current lead generation process seems to have low effectiveness and new sales

depend mainly on leads who are acquired in face-to-face meeting or personal referrals. Refining the value proposition for the buyer personas and using more strategies of the "Marketing mix", the company can execute more targeted campaigns to bring high quality leads. Once the lead shows interest of the product and becomes a marketing qualified lead, then it should be passed to the sales team for further qualification. Aproper marketing strategy can increase leads generation and help moving prospects more efficiently through the sales and marketing funnels. The use of advertising, public relations, sales promotions, direct marketing and personal selling is extremely important in creating awareness and interest about the product, as well as keeping prospects engaged with the brand.

A possible self-registration can affect directly on the scalability of Visualizer as it will concentrate on a new segment of potential customers with minimum or no involvement of a sales person.

Further considerations should be put on measurement of marketing and customer engagement with the product and the brand. In order to get better understanding of the market, the product performance and help Visualizer to identify the best strategies how to drive growth, key performance indicators should be analyzed and reported on regular bases with the key stake holders in the company. Predicting potential churn and getting more understanding how visitors interact with the brand and move through the marketing funnel, will provide Visualizer with actionable metrics that can be invaluable for forward planning and increasing the return on investments on acquiring new leads.

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