Applying Lean Methodology to Improve Customer Acquisition Management in B2B SaaS Startups in The Go-To-Market Phase

Master's Thesis

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Abstract

The main objectives of this study are to explore the application of Lean startup methodology in B2B SaaS startups at the go-to-market phase and apply that understanding to improve customer acquisition management.

The research was conducted using qualitative semi-structured interviews where startup founders and executives were asked about their product development, marketing and sales, and customer engagement processes in order to find out the most value-bringing practices. Results from five different startups are cross-examined to explore similarities and differences and generalize empirical findings.

In conclusion, this study finds out that there are certain elements in customer acquisition management that require more resources and careful testing. Marketing channels and sales methods stay at the top of this list, followed by buyer role, customer size and implementation model. We also learned that SaaS B2B startups at the go-to-market phase prefer collecting direct user feedback over A/B testing tools due to less financial requirement and the ease of implementation. Startups seek customer feedback by involving prospects and clients early, after building the minimum viable version of the product.

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1 INTRODUCTION

Companies have been searching for outsourcing partner to do part of their operation to focus their attention to more important matters. Software-as-a-Service (SaaS) solutions raise up as an answer to companies' demand of simple and specified application for various purposes. While SaaS becomes an emergent model for B2B Startups, it has been a struggle for many business ventures to survive due to failure in customer acquisition.

While there are several papers about customer acquisition strategy in startup, there is a knowledge gap in selecting effective acquisition strategies to coordinate with internal factors like product design, promotion and pricing strategies. Digital marketing plan and user acquisition strategy are two widely discussed theme in modern study. However, most of the user acquisition and digital marketing study concentrates on specific outbound factors like marketing channels performance and sale methods, instead of internal factors mentioned above.

Furthermore, studies about user acquisition in the past focus mostly on traditional companies. These studies aim to solve the problems of financial effectiveness of user acquisition strategies through cost optimization and budget allocation. Startup, however, adopts a different development path to comply with its high-risk high-return and constantly changing nature. Lastly, other relevant researches focus on narrow factors such as customer-behavior or customer decision-making process. This study aims to incorporate these resources to create relevant and updated theories on customer acquisition process.

While Eric Ries's Lean startup methodology and Steve Blank's Lean customer development methodology have contributed to the widely success of startups around the world, we have seen more than ninety percent of startups failing during the first two years (Bryant, 2020). In these two years of idea searching and idea validation phase, the most important goals for any startups are getting customers to use the product and using their feedbacks to improve and develop the business. This study aims to apply the best tools for startup - Lean Methodology and Lean customer development - to achieve the most important goals for startups in the early phases, customer acquisition. Hopefully, the result will help more startups to understand the most important elements on startup customer acquisition and gain better result in the early phases.

2   LITERATURE REVIEW

2.1 LEAN STARTUP

2.1.1 Lean Startup Approach

Lean Startup is a methodology used in product and business development, which aims to fasten the product development process and quickly assess the viability of a business idea proposal.

The theory is developed from Lean Software Development and Lean Manufacturing, popularized by its application in Toyota's production system. (Womack et. al, 1990) describes "Lean" as an efficient production system of lean manufacturing and the approach started to popularize since then. It wasn't until 2008 that the term "Lean Startup" first appeared in Eric Rises's blog. The original definition that Eric used is "a combination of agile and customer development and building on pre-existing systems to eliminate redundant effort". This definition was considered too complicated, and Eric re-conceptualizes it to cover a wider range of startups and management approaches (Vi-rani, 2016).

Expanding on the concept of lean in manufacturing and software development, the Lean methodology aims to reduce non-value producing procedures and increase value-producing ones without any business requirement such as large capital investment, fully detailed business plans, or perfect market and product (Rises, 2011). To do this, "Lean" integrates customer feedback as a core process during the development of products or services and assuring that the company does spend resources on features or services that customers do not want (Tam, 2010). Lean Startup methodology draws its main hypothesis that when startup companies concentrate their effort into building products catered to the need of early customers, the company can lower market uncertainties and avoid raising large capital to fund expensive product launches and failures (Penenberg, 2011).

Traditional business practice starts with the business plan, where the founder attempts to draw a full picture of the venture through estimation of the size of its opportunity, the business problem to solve, and forecast of profit. According to Blank (2013), the main flaw of this approach is the assumption to figure out the unknown in business before executing the idea. These plans rarely survive the first contact with customers. Considering the amount of resources spent on developing the product and polishing it before the launch, it is only then the product receives essential feedback from

the endusers. Fundamentally, this traditional approach might produce the amount of wastes that could have been avoided by talking to customers earlier. Nowadays, successful startups go from failure to failure and they do it quickly while adapting based on the information and insights gained from customer feedback.

2.1.2 Lean Startup Process

The concept of Lean is simple to its core and highly practical, and that leads to many applications outside of its origin. According to Croll and Yoskovitz (2013), "Lean" is about eliminating waste and proceeding quickly. Lean companies maintain a substantial portion of similar processes to traditional companies, with a few alterations. These changes are fundamental to support the companies reduce wastes and perform more efficiently.

In this research, we will not adopt the original meaning of "Lean methodology", in which the primary applicable units are business and product development. Rather, we will look at main principles of "Lean" and try to apply it into Marketing mixes with the ultimate goal to acquire new customers for SaaS B2B startups. In his famous "The Lean Startup", Eric Ries (2011) establishes the five principles, which create the foundation through the whole book. Firstly, the Lean startup approach can be applied in any practice that entrepreneurship exists, may it be a company, or an enterprise. Lean facilitates a new type of management specifically to a context of extreme uncertainty. Lean supports learning by running frequent experiments that allow entrepreneurs to quickly test any hypotheses. Feedback loop stays at the core of Lean, developed from three fundamental activities: Build - Measure - Learn. Lean appreciates innovation accountability through progress measuring, setting up milestones and prioritizing.

According to Croll and Yoskovitz (2013), "Lean" is about eliminating waste and proceeding quickly. Applying Lean to marketing and sales is about being agile, about seeing market feedback as the main decision drives toward customer acquisition management. In the next part, I explore the context of the study and the main targets for Lean application of this research.

In this study, the main framework comes from Blank (2013)'s three steps in Lean. The first step in Lean starts from the entrepreneur mindset. Rather spending resources and efforts on an estimation, the founder accepts that they have a list of hypotheses that requires more inputs from the real market. Instead of writing a detailed business plan, the founder starts with stating these hypotheses in something called 'business model canvas'. The canvas is a template chart combined of elements describing how a company creates

values for itself, what physical and financial property the company requires to achieve that goal, and who the end-users might be (Osterwalder et al, 2010).

Considered as the heart of Lean, successful startups emphasize the process of customer development, where the company actively goes out and talks to potential customers, retailers, and partners. This is different from customer relationship development, where companies would attempt to stay on the good side of the customers in hope of generating better sales and customer's loyalty. Customer development facilitates the process of hypothesis auditing, in which the company representatives ask questions to fully understand the customers' needs and how their product can fit in. The two toolsets that company utilizes are 'iteration' - the redesigning and small adjustment made to improve the product, and 'pivot' - substantial changes made to disproved ideas which might include the total abandonment of one and switching to another.

Finally, lean startups adopt a practice derived from the software industry, which is called agile development. Instead of presuming customers' problems and needs, agile development aims at generating new product iterations incrementally. These iterations start at the minimal viable products, which will be tested with real users to generate customer insights. When new information arises, the startup will focus on the next iteration and keep the feedback loop going.

2.1.3 Lean Customer Development:

Customer development stays in the heart of Lean theory. It facilitates a process in which one actively attempts to poke holes in one's own theory. There are four steps in Customer Development framework, according to Blank (2009). They are to discover and create a plan to validate hypothetical model to solve customer's needs (1), build the right product to satisfy that customer's needs (2), test and discover the correct approach to build demands for the product through marketing and sales channels (3), and finally switch the organization focus from ideas to execution stage to meet the customer demand (4).

Individuals with exceptional intellect, intuition or creativity utilize their abilities to create an idea to solve a problem. As confident as startups might be, 90% of them fail (Marmer et al., 2011). Lean solves the problem with product-market fit at the go-to-market phase through Customer Development. Furthermore, good customer development can generate new ideas and reveal hidden opportunities that only the end-user might experience.

According to Alvarez (2014), talking to customers can help one avoid the cognitive bias of one's idea. Confirmation bias signifies the process of interpreting evidence in a favorable way to existing prediction, expectations, or an available hypothesis (Nickerson, 1998). Since a subject might assume confirmation bias consciously or incidentally, an active process to negate such phenomenon is necessary especially when finding the objective truth is vital.

However, there is one main obstacle preventing businesses from gaining true customers insight. According to Alvarez (2014), customers do not always give the right answers or in many cases they do not know what they want. There are several reasons for this. Firstly, it does not occur to customers to mention obstacles and limitations in their work process, when they already get used to these obstacles. Also, human errors and imperfect memories prevent customers from mentioning difficulties that happened in the past. In other cases, customers are not comfortable to voluntarily mention their limitation in skills or capabilities. These reasons and others have led customers to fail to put his experiences into words.

In order to go through this barrier, customer development advises business personnel to avoid asking the direct questions "What do you need? What do you want?" if those questions do not give the answers to help the company. Instead, there are a set of questions described as basic customer development questions that focus on understanding the work process and the thoughts fueling each decision that customers make. These questions will indirectly help customers to think about the underlying reasons for what they do and their hidden assumptions that prevent them from seeking for a more efficient approach. The set of questions do this by asking customers to describe what they do in their daily workflow, the tools they use to complete those daily tasks, and the factors that push them into doing those tasks in the way they are doing. In some cases, the business might use the magic wand question to ask customers if they are able to do something that they are currency unable to do, regardless of how impossible it may sound, then what that thing would be. These questions are designed as conversational guidelines rather than question and answer in a job interview.

Customer Development is not the same as Customer Relationship Management

Customer development is not Customer Relationship Management (CRM). According to Chen and Popovich (2003), CRM is a set of tools, processes and interaction that aims to understand the business's customers. The main goal of CRM is that, through

well managed customer relationships, companies can secure and increase revenues by concentrating on customer retention. A successful CRM effort will reward the companies with profitability and customer loyalty in the long-term.

The distinction between customer development and customer relationship management are the goals and the placement in the workflow. While the latter focuses on customer loyalty, customer development looks for customer insights to solve their product development process. The other distinction is that customer development usually happens before the customer's decision to purchase while CRM happens afterward.

2.2 SOFTWARE-AS-A-SERVICE   BUSINESS-TO-BUSINESS STARTUP

2.2.1 Definition of Software-as-a-Service

There are two main categories in terms of target customers for Software-as-a-Service (SaaS) providers. Business-oriented SaaS providers or Business-to-Business (B2B) SaaS providers are offered to companies and organizations of all sizes, but usually focused on SMEs (e.g. Salesforce.com, Google G Suite, Amazon Web Services). Consumer-oriented SaaS providers or Business-to-Customers SaaS providers are presented to the public consumers for a variety of applications like scheduling, storages, blogging, entertainment, etc. (e.g. Spotify, Dropbox, Trello). To limit the study scope, next I will only discuss literature in the context of B2B SaaS models.

Going through recent literature, many of the definitions of SaaS seem to be unified. According to (Susarla, Barua and Whinston, 2009, p. 206), SaaS eliminates sunk costs for the user firm by offering a rented software, delivered online through a Web browser, that stays on the provider's computer. (Hulsebosch, 2016, p.11) - Key elements of SaaS providers include "processing, storage, networks, and other fundamental computing resources". SaaS customers associate not with the central infrastructure but the operating function, storage, and occasionally limited control of networking functions (i.e., host firewall).

(Watts, 2018) and (Hulsebosch, 2016) put SaaS into perspective of cloud computing, which has three possible models: Software as a Service (SaaS), Platform as a Service (PaaS), and Infrastructure as a Service (IaaS). Looking at the figure below, IaaS pro-vides the least infrastructure and lets the customers have the freedom to deploy their applications and other functionality, all the while SaaS tries to reduce the resources spent on tasks such as software installation and maintenance (Watts, 2018). SaaS also demands the least computer science knowledge in order to use thus leave more time on emergent matters within the company.
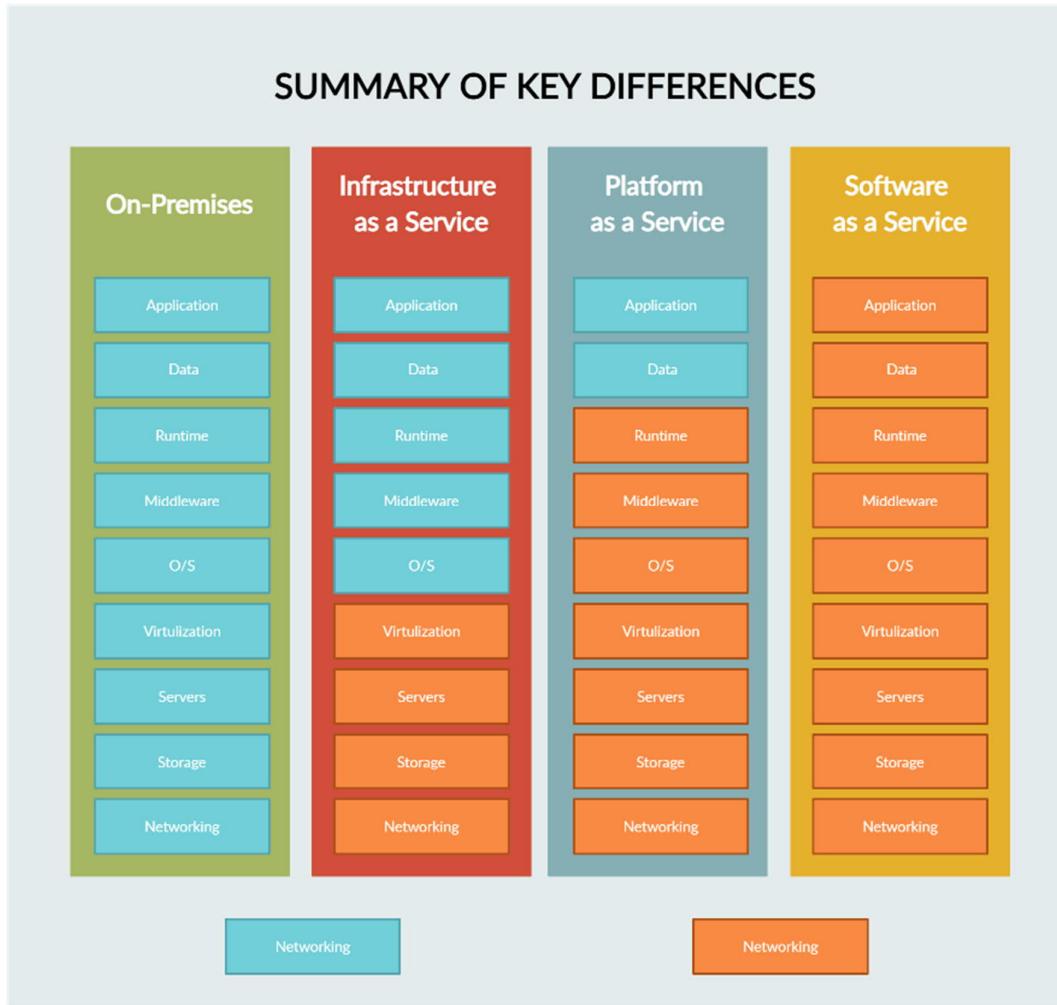
Figure 1: IaaS vs PaaS vs SaaS (Watts, 2018)

SaaS providers ask for a subscription fee - either annually or monthly - while traditional software providers adopt an upfront full payment including setup fee for an indefinite use (Levinson, 2018). The comparatively low setup cost per new user allows some SaaS providers to offer their products using the freemium model - in which a limited functionality version of the product is offered for free, and providers charge fees for enhanced features or larger scope (Deeter and Jung, 2013). Some other SaaS applications secure revenues from in-product advertisement while providing their service to users totally free (Jain, 2018).

To summarize, SaaS possesses the following characteristics: Subscription or Freemium Pricing Model, One-to-many model, Web Delivery with central management. Part 2.3 will discuss how these characteristics lead the marketing and sales approach in SaaS B2B startups.

2.2.2 Customer Acquisition Management

2.2.2.1 B2B SaaS Startups focus on Customer Acquisition Management

According to Saylor (2018), Customer Acquisition Management is a set of practices used to convince a customer to purchase a good or service through marketing. Bruhn (2003) defines Customer Acquisition Management as one of the three strategic options in Customer Relationship Life Cycle Phases. The second and third one is Customer Retention Strategy and Customer Recovery Strategy, with Customer Acquisition Management being the first point of contact between a company and a customer prospect.

According to Bruhn (2003), there are four aspects which clearly show the focus should be on customer acquisition, which are:

a) The company is gaining fewer customers than its competitors, or

b) the company still has a relatively small group of regular customers, or

c) the company has not achieved enough profitable customers, or

d) current customers are less profitable than the new one entering the marketing

B2B startups usually see themselves in the first three problems, with the existence of the first one depending on whether the startup enters an existing market or creates a new niche.

2.2.2.2 Marketing and Sales Model of B2B SaaS Startups

Marketing is a key process aiming at creating and delivering value to customers while sustaining profitability for the interest parties (Kotler and Keller, 2009). Marketing also includes sales as a process of 'closing the deal' (Jobber and Lancaster, 2003). Nevertheless, one objective of marketing is to remove the sales process by designing and offering a highly desired product, which is capable of selling itself to customers (Kotler and Keller, 2009).

SaaS model can be described as a typical software product in which the SaaS providers operated instead of the user. There are two extremes of software providers, each of which embraces a different approach to marketing and sales: single used software and standardized software product. SaaS model belongs to the latter category.

A company might request a software provider or command an in-house team to build a single used software - which has features catering specifically to the buying company. In this professional service business, transaction expenses and the revenue per sale are high while customer size is relatively small, which demands software providers to invest on customer relationship management (Hoch, 2000).

On the other hand, standardized and one-to-many software providers with relatively low prices are typical characteristics of Online companies with strong brand marketing and sales approach (Hoch, 2000). Customer size is relatively big and there is less emphasis on customer relationships. For these software providers, marketing and sales expenditure make up a large portion of their spending (Cusumano, 2004).

Following the statement above, SaaS B2B startups marketing and sale approach highlights cost efficiency, and controlling these costs are an important factor to profitability. Tyrväinen and Selin (2011) construct a model of eight variables in Marketing and Sales for SaaS, which includes service and implementation model, service provider size, customer size, market communication channel, role of buyer, sales channel, entry transaction size, and customer life-cycle value.
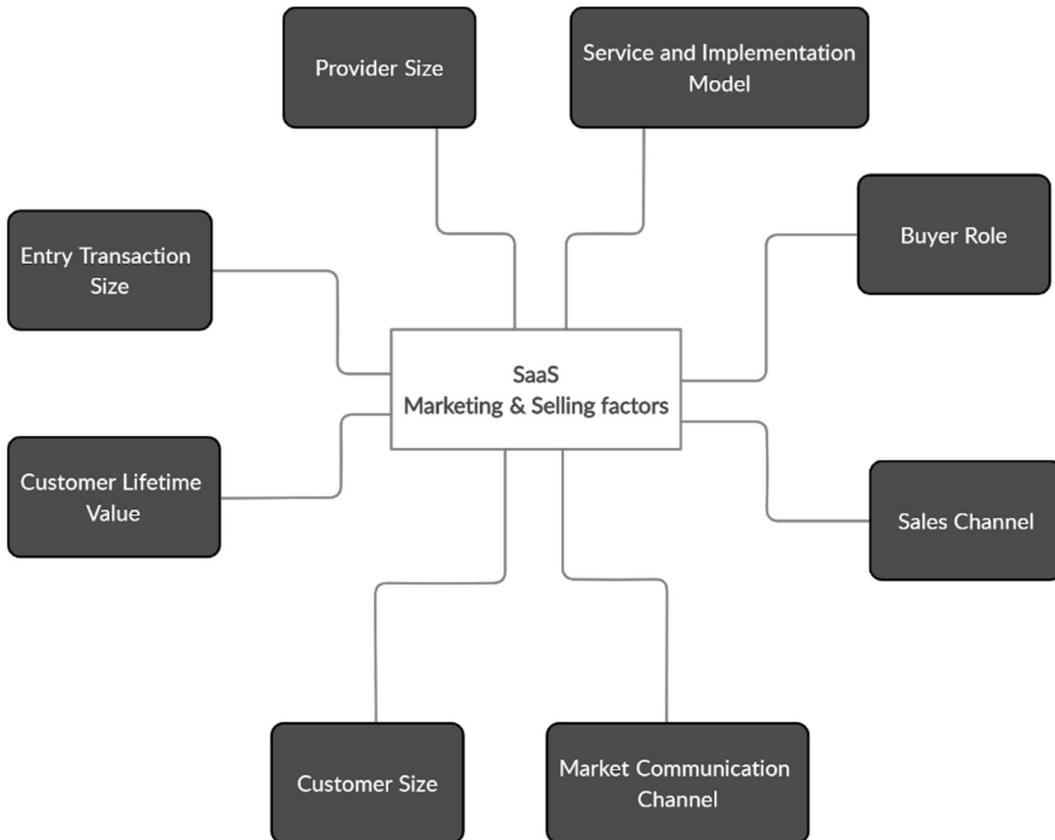

Figure 2: Marketing and Sales Elements in SaaS B2B Startups (Tyrväinen and Selin, 2011)

In this study, we investigate the use of "Lean" in customer acquisition processes, which succeed Customer Discovery and Customer Validation processes. Therefore,

elements of Service and implementation model, Provider size and Customer size, which have been decided in the two preceded processes, are excluded from the research.

Furthermore, the study does not account for the relationship between these categories but rather uses them as a checklist to limit scope of analysis and design interview questions. With that being said, the other five variables from Tyrväinen and Selin (2011)'s model are:

Market Communication Channel includes the means of delivering information about the startup and its product(s) to move prospects to the next step in sales strategy.

Sales Channel depicts how the startup chooses to 'close the deal' – that is the last step before completing a sale transaction.

Role of Buyers includes executives, middle management, specialists and end users. It also depends on the type of SaaS product offerings and the startup's life cycle.

Entry Transaction Size together with pricing model, either freemium or subscription or both, majorly affects the customer adoption of the SaaS product. As discussed above, entry transaction size of SaaS B2B companies is usually smaller than traditional software providers.

Customer Lifetime Value depicts how much budget for marketing communication and sales should be allocated to acquire new customers. The variable also depends on the life cycle of the startup with the underlying assumption that customer lifetime value will increase overtime.

These five elements serve as the five pillars to design interview questions and proposition generating processes in the data analysis section of this study.

2.3 Research questions

This study aims to investigate the importance and practicality of Lean methodology in customer acquisition management of B2B SaaS startups at the go-to-market phase. For clarification, Lean methodology is the theme of the study, B2B SaaS startups are the target of the study and Customer Acquisition plays the role as a measurement tool.

There are two research questions we aim to answer in this study:

- *What marketing and sales factors are important when applying Lean methodology to improve customer acquisition management in B2B SaaS startups in the go-to-market phase?*
- *What practices should be implemented to facilitate Lean approach and to deliver better customer acquisition results?*

3 METHODOLOGY & METHOD

3.1 Research Methodology

3.1.1 Qualitative

The study follows qualitative methodology to generate insights and experience on startup, with the emphasis on customer acquisition management. Due to the variance and distinction in each startup, a qualitative approach would bring more emphasis on the subject with the perspective from insiders (Lapan et al., 2012). A qualitative methodology also provides the opportunity to obtain a thorough view on the subject and discuss important elements affecting the result of customer acquisition efforts. This method can help the research develop and investigate ideas and hypotheses or reveal latest practices. Among startups, opportunities and challenges are not always transparent and this method permits a close discussion with insiders to unveil these hidden elements.

Another reason for choosing a qualitative method is the broadness of the theme. There is a combination of marketing mixes, customer acquisitions and Lean methodology in this research. with the goal to generate practical insights and present best practices within the niche of SaaS B2B startup. Qualitative research can give examples of these best practices, experiences or issues from the industry (Gephart. 2014, p.455). Without a doubt, qualitative methodology is the most suitable approach to this research.

3.1.2 Multiple Case Study

Case study is the research method for this study. When investigating customer acquisition management, interviewing startup's executives is the most applicable method. Startup executives usually heavily involved in the planning and execution processes of marketing. They are both the brain and the muscle in the team when a startup is in early phase and has a tight budget. According to Farquhar (2012), the case study research provides a look into the phenomenon in context. Business research benefits from collecting empirical evidence about the subject where it happens.

In this part of the research, I present Multiple-case-study qualitative method as the centric piece to study the internal factors impact the success of SaaS B2B companies.

A case study is the process which aims to understand an individual, a collective of individuals or non-human unit(s), in which the result can be applied to similar units. Cousin (2005) defines the purpose of a case study is not to analyze, but to define cases and

setup an environment to comprehend it. Creswell (2013) explains a case study as a process of exploring a single or multiple system(s) through a restricted environment, gathering in-depth data about the system(s) and presenting the subject and characteristics of the case. Finally, the finding of a case study research can either be exploratory or conclusive (Gustafsson, 2017).

3.1.3 Why multiple case-study method?

Yin (1994) states that multiple case-study allows researchers to look at individual cases as either an approval or disapproval argument toward each other. Multiple case study is useful based on the availability of comparative methods, in which both contradictory and repetitive behaviors are the main target (Baxter & Jack, 2008). Yin (2003) depicts multiple case study allowing the singular analysis of individual units as in single case study, with the addition of observation in cross-unit setting.

However, Baxter and Jack (2008) explains the concern over the overlying cost of resources in multiple case studies compared to its alternative. The high level of resource demanding also leads to a restrained time frame to conduct studies over the multiple cases. Gerring (2004) argues that even with such restraints on resources, the multiple case study is inclined to be more conclusive. However, the real challenge of multiple case study lies in the researcher's ability to comprehend and structure the case context well enough to convey the research setting to the reader and generate theoretical framework from that setting (Gustafsson, 2017).

This study aims to investigate the lean method practice in SaaS B2B Startup, by looking at how to conduct marketing and sales elements to achieve the best outcome in customer acquisition management. Case study method helps intensively investigate the data from a single case or a small group (multiple case study) to understand the larger crowd of similar cases. Finally, multiple case study generally yields more powerful results which helps in conducting theory than single cases (Eisenhardt & Graebner, 2007)

Yin (2003) also defines case study method as:

"An empirical enquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident."

Case study methods can be categorized into single case study and cross case study (or multiple case study). In order to decide which method is more suitable, I look at

Harvard Case-Study Research Design in Figure 3 and decide to choose multiple case study methodology as it better contributes to the aim of this study.

Competitive Analysis Matrix		
	Case Study	**Cross-case Study**
RESEARCH GOALS		
1. Hypothesis	Generating	Testing
2. Validity	Internal	External
3. Causal insight	Mechanisms	Effects
4. Scope of proposition	Deep	Broad
EMPIRICAL FACTORS		
5. Population of cases	Heterogeneous	Homogeneous
6. Causal Strength	Strong	Weak
7. Useful Variation	Rare	Common
8. Data Availability	Concentrated	Dispersed

Figure 3: Single Case Study (Case Study) and Multiple Case Study Methodology (Goodin, 2013)

3.2 Data collection

3.2.1 Cases

In this multiple case study, each company represents a unit of study, or a case. All three criteria below work as the tool to set the scope of the study. The criteria to select companies for data collection are:

- The company is a startup, or used to be one, and
- the company offers SaaS solution to other business (B2B), and
- the company was or still is at the go-to-market phase

The companies and interviewees are contacted through LinkedIn as the primary source. In this study, Company A will be interviewed first, and we will analyze the answers before moving on to other companies. The purpose is to explore the feasibility of the study from the interview with company A and said interview will serve as the primary case to build preliminary hypotheses to cross check with later interviews.

Another notable case is Company C, who is selected as a controlled variable. Company C has ventured in both Business-to-Business and Business-to-Customer models. While the former does contribute to the main findings of the study, the latter is the focus during the interview since we are looking for the distinguish feature of B2B practices in relation to the B2C ones. Being able to find out the key differences will help the findings more concrete to the study subject – B2B SaaS startup.

Company	Title	Startup type	Product Offerings
A	CEO	B2B SaaS	Booking solution for service businesses
B	CEO	B2B SaaS	Booking solution for hotel
C	CEO	B2B / B2C SaaS	B2C - Snacks and other food products made from an unordinary ingredient B2B - Farming automation
D	CEO	B2B SaaS	Platform for Software Developer Recruitment
E	COO	B2B SaaS	Solution to manage mental health of Esport Professional Players

Figure 4: Companies participating in the study

3.2.2 Semi Structured Interview

In data collection for case studies, there are six possible methods in total, including interview. One of the advantages of using a case study method is its capability to work with various sources of data such as documents, interviews or even quantitative type of data. However, in this study the only data collection method is through interviews. Setting up a pilot case during the collection process is a recommended practice in order to clarify data collection strategy and build up a thorough case description. (Yin, 2003)

The method for collecting data in this study is a semi-structured interview. It avails by allowing the creation of a guideline to conduct the interview ensuring the final data is comparable and generalizable. Secondly, it allows me to confirm the expected answers and explore the new alternatives and innovative practices in the marketing and sales processes.

The interview will include both primary questions and additional questions. Primary questions aim to explore the decision method in five investigating factors of Customer Acquisition Management. Additional questions help with investigating the startup's best practices as well as Lean application's elements such as measurement method and decision-making procedures.

The interview was planned to be conducted via face-to-face meeting, as this allows me to ask additional questions for extensive discussion about certain topics, i.e. clarification questions for measurement method. Considering the target interviewee's top position in their company, the interview is expected to last no longer than one hour, and the same information will be provided to the interviewee in the initial email. Setting this limit is crucial in designing the interview guideline as it is difficult to predict the length of a semi-structured interview, hence preparing a buffer timeframe to ask additional questions is utmost important.

With that being said, I also prepare a guideline for email interviews, in case it is not possible to schedule a meeting with the CEO or CTO of the company. This interview method is secondary compared to face-to-face meetings due to the difficulty of asking followed up questions. Therefore, for interview(s) through email, the guideline will follow two steps: first email will ask the interviewee all the primary questions, the second emails will follow with the additional questions - based on the answers from the first email. In some rare cases, a third email with more additional questions will be sent - with the agreement of the interviewee.

3.3 Data Analysis:

3.3.1 Inductive Reasoning

Even though the study starts with Lean theory to introduce the benefits of feedback loop in startups, the analysis adopts an inductive approach. According to Thomas (2006), the purposes for using an inductive approach are to generate summaries from raw data. The approach can reveal linkage between the study question and the summary derived from the

interview data, based on which we can build a framework of the underlying structure of successful customer acquisition processes.

3.3.2 Case study Analysis

Data analysis processes include handling empirical evidence through inspecting, segmentation, grouping and testing (Yin, 2003). Neuman (1997, p. 426) summarizes the data analysis processes as a means aiming at finding patterns from case evidence. The research uses the patterns as a frame to move from a descriptive chain of actions and events to a more generalizable theory about the subject of study. According to Patton and Appelbaum (2003, p.67), the final objectives of a case study are to recognize pattern, rationalize interpretation, validate conclusion and construct theory.

Quantitative research has a clear and sequential process in data collection and data analysis. However, data analysis in case study can start during the data collection process, as initial theories are formed during the pilot analysis and provisional hypotheses are explored and challenged in following interviews (Kohn, 1997).

Case study allows theories to be developed from empirical data, which increases its applicability and credibility (Hartley, 2004). Hartley also recommends the categorization of data into different topics or hypotheses questions, which serves as a hypothetical pinpoint for cross-comparison to find the similarities or differences between cases.

To conduct the analysis in this research, I divide the processes into two parts: piloting and building. In 'piloting', I interview a single company to generate the first case description and adjust next data collection steps accordingly. In this step, I try to paint a brief overview of the case study setting and primarily identify missing key information to investigate in the following interviews.

In the 'building' part where I conduct the rest of the interviews and analysis processes, the first step is to familiarize myself with each case by intensively reading them one-by-one. This step also allows me to check if there are important details missing thus de-manding a following interview with that specific case. The goal of this step is to list out the unique patterns from each case, separated into four main sections corresponding to four marketing elements in Startups. Next, I will push to find generalized patterns among the cases by detecting the most frequent answers. The patterns will be used to establish the main hypotheses of the study.

3.4 Ethical Concerns

The followings are good practices I adopt in my interview to meet the ethical requirement:

Well-informed: The purpose of the interview is to collect data for the research of customer acquisition management. This purpose is communicated clearly to the interviewee in the first interview, together with the theme of the interview, before the actual meeting is scheduled.

Choice of interview setting: I will explain the preferable setting for the interview - i.e. online meeting with length of one hour - and the executive can offer their alternatives as to how to conduct the interview.

Confidentiality: The following information is considered confidential and will not be released to the public: Name of the interviewee, name of the company and any information that can lead to the identification of the company or the interviewee. Furthermore, the interviewee can withdraw any information they consider uncomfortable to share with the public.

Permission: Any recorded material, in written or audio recording material, taken from the interview will be used in accordance with the interviewee's wishes. I will also prepare a written agreement stating which part of the recorded material will be shared with the public. The interviewee is expected to read through the agreement and sign the paper before any interview is conducted.

4   EMPIRICAL FINDINGS

This chapter presents the empirical findings from the 5 startups interviewed about customer acquisition management. The main purpose of the interviews was to explore the success of Lean Methodology application to customer acquisition, along with learning about the best practices to land more prospects for the startup business. Thus, we will only discuss findings related to the two topics.

In this chapter, we will look at the findings in small sections, grouped by the similarity in theme. In each of these sections, the summary will be presented at the start, followed by the main discussion. There will be examples presented under either a direct quotation from the original or indirectly reported by the author.

4.1   Product & Feature

4.1.1   Convincing the customers to use the product

I decided to put this section at the beginning because the topic is such an important issue for a new startup. I believe this step is even more important than feature developing. Since most startups at the go-to-market phase already had their core product. Having more and more features will make no difference if startups failed to convince customers to try on the product itself.

Developing a new customer relationship is challenging, especially to startups who haven't had credibility in their brand name yet. A business owner might encounter a variety of product advertisements daily with tons of promises of the benefits. It is in the nature of a business owner to first decline the proposal of a new product that they have not used before. That is why even with free-trial tactics, many startups encounter difficulty in pursuing customers to try their product offerings.

One approach suggested during the interviews is to talk to prospects about the pain points of their businesses. A pain point is a problem the client is experiencing. Pain points can be well diverse ranging from financial issues, business processes, or productivity. By asking prospects about pain points, startups can present themselves as knowledgeable experts and enthusiastic helpers instead of salesmen who only interest in selling.

"Where we go and demonstrate the product on how it works, asks kind of a tough questions like "How are your direct bookings doing?" or "Do your staffs not have enough

Company	Products & Features	Marketing	Sales	A/B testing vs. User feedback
A	Keep a backlog of planned features. Speak to customers for direct feedbacks and add more features to backlog. Evaluate use case of feature for usage with other clients to avoid developing feature for single client.	Two parallel methods: organic search to website and pay-per-click ads to website	Reach out for customers using the products for free on website and set up phone call. Next, send out customer demo and then phone call to close the sale	Mostly direct user feedback. A/B testing with website layout and copywriting.
B	Team discussion to generate potential features. Test the ideas with friends from end-user's industry. Then test the features with current customers as a proof of concepts.	Look for hotel businesses from popular platform who has zero or low-quality chat bot. Then contact them and have a chat.	Start with cold calling, then demonstrate the product with a demo. Sales are usually closed through phone call.	Only use direct user feedback
C (B2C side)	Product ideas are generated solely from team, based on theory about customer personas and research materials about food industry.	Working with big food distributors from locals, as these distributors take care of the marketing	No sales process	Little A/B testing with the packaging. Otherwise, there is no user feedback since it is almost impossible to talk to customers without paying a lot
D	Team discussion to generate new ideas	Minimal marketing	Initiate conversation with any	Mostly direct user feedback.

			companies with open positions or potential software companies through LinkedIn. Market suitable candidates if possible, and then set up a meeting. When a candidate is employed, the sale is closed.	A/B testing only with copywriting to generate leads.
	for product features, with reference from clients, users and competitor' products. Clients also sometime come with their own problems, which then become a part of potential features.			
E	Team discussion to generate new features. Then ask prospects and clients to rate those features based on what they love the most. Features are grouped into different batches to create a roadmap for product development.	Direct contact esport teams to setup meetings through LinkedIn.	Sales pipeline are mostly through meetings with decision-maker in the team. Leadtime can be long (average 1.5 months) since the product is not essential.	Mostly direct user feedback. A/B testing only with copywriting.

Figure 5: Interview findings summary

time?" and stuff like that and then based on what the biggest pain point we try to concentrate on that and then fulfill there are problems with our solution."

-   *Company B*

The most important aspect of this approach is to carefully position the product as a solution to those specific pain points. Depending on the prospect and nature of their business, product offerings can be more interesting and valuable if they can solve or reduce the problems that business owners have. It is more beneficial as in using the exact medicine for the medical problem, rather than a general ….

4.1.2   Developing new features

For startups, one of the most difficult tasks is to take the MVP and continue iterating until the business secures a customer base. This iteration process can be divided into two parts: generating new ideas and developing the features. We have already learnt that unlike traditional business, Lean methodology encourages startups to involve potential customers in the development process. While software companies might utilize their production line and existing customer base to facilitate this process, startups struggle with coming up with the right ideas and choosing the best one to develop.

While customers might not help with the development process, their feedback might be the best tool to help businesses decide which feature to focus on. On the topic of choosing the right features to add to the product, CEO of Company D used a formula of 'minimal effort and maximize value'. Having potential clients evaluate the features on the basic of the most beneficial to their businesses.

"So what we try to do is things that take minimal effort to do and maximize the value. So that's basically the formula. And how do you minimize the effort and maximize the value? It's that you need to have assumptions for the value or some proof for the value that would be delivered. So for example if clients are asking for something or they are, you know, saying that they need x, y, z and then I came up with a really minimal way of doing the x,y z that the clients was asking, then that's the feature we're going to add."

-   *Company D*

COO from Company E also confirms this approach. Furthermore, they conduct a quantitative grading method that further the involvement of the clients. This also helps activate the relationship and since clients can be more involved, they feel as a part of the development process.

"Well, typically, the list of five that we give them are something that we've already thought of and would be suitable for the next round, or the next batch of features to set up. And then it's more a matter of timeline. So, which one should we turn on first? And then the two that get, you know, there would be at least one or two that won't get points. So those will remain on the list for another time. And then if the next time we have three or four new items on the list and if they still don't make the cut, then we know that what we are suggesting is not that interesting at all."

- *Company E*

One good thing about developing a feature approved by clients is that you guaranteed a sale. Many startups provide their offerings to a specific customer segment, a niche. If a customer appreciates a certain feature that a startup is developing, chances are other prospects might feel the same as well. According to the CEO from company A, we can learn from a customer if a certain feature is marketable to other customers from the same niche.

"With the conversation they sometimes tell me how valuable it would be for their business to add a particular function. Then I hear from more customers and evaluate the use cases that this particular function could be used with other service industries (that way we are not just spending time on developing one thing for just one customer). "

However, you can't always depend on the customers to make the decision for features. The ideas themselves do not always have to originate from customers, as sometimes they are completely blinded to the problem or the solution itself. It might be either that the client perceives the problem as unavoidable in their operation, or it has been done in a certain way for a long time that they no longer question if there is a better way. Sometimes, startups with a novel approach and technical knowledge can generate the idea to solve a business problem. This feature is the business's own way to solve that specific issue. This is especially true in the case of Company B, where the CEO has about 10 years working in the same industry as their clients.

"The feedback from customers is usually something very important but one thing is no less important is your experience ... Back in the 1990s, if you asked people "What kind of car would you like to have?" or "how would you want to move?" they would say that we want to have faster horses, they would never say to make a car."

- *Company B*

There are four steps to development, starting with building a list of potential features, to evaluating and deciding the prioritized ones, and actual feature development. During this

process, the degree to which clients involved with the decision of new features varies with each startup. Some startups might choose to involve their prospects or current clients with the very first step, which is asking the question "What features would you like to have?" and some prefer to only require customers to evaluate the most important features from a list. Whichever the method of choice is, companies have mentioned the ability to talk to customers and to receive direct feedback can decide the vitality of a startup.

In the interview with company C, whose product offerings used to be divided into B2B side and B2C side. Executive from company C has mentioned the difficulty with their B2C side, notably the inability to gain customer insights at the beginning, leading to the decision to pivot to focus on the B2B side.

"We did not have systematic ways of gathering customer feedback. With the food products, it's very difficult to even get any kind of data because we are working through a channel. We don't know who buys our products, we don't know who looks at our products, we don't know what they think about them unless they contact us directly afterwards and tell us something about that. In the food side, it's quite difficult to get that feedback."

- *Company C*

4.2 Marketing & Lead Generation

When it comes to marketing, choosing the right channels to promote the product or to generate leads is utmost important. This is even more important for startups with smaller budgets and less space for error. While established companies might have the financial capability to spread their brand among different mediums to explore the potentiality of such channels, startups need to spend their marketing budget wisely.

To do so, they must understand well what channels will get their money worth. This depends on which stage the startup is at, who their potential customers are and where these customers usually hangout. Even with the knowledge of where potential clients frequent, promotion might not bring the expected values to the startup because it is not guaranteed consumers would welcome ads or promotion messages on such channels. Thus, every marketing campaign starts with a trial period, where startups dedicate a portion of their time and resource into the channel and assess the outcome of such ventures. Lean methodology can come in the latter part of the trial period, where it facilitates the process

of reviewing and assessing the quality of the marketing channel through lean customer development.

SaaS startups at the go-to-market phase go through such issues when approaching prospects. From interviewing with these startups, we have learnt that some channels are better for generating leads even though they lack the capability for scaling up. On the contrary, we also find that some channels are not so good for startups despite them being wildly popular for other companies.

4.2.1 Cold email, cold contact, direct phone call

Out of the gate, direct contact is the most prominent approach for B2B startups in the go-to-market phase due to its low cost, low dependencies of technology and opportunities for customer relationship development. While the first two benefits are attractive to startups with low budget or in bootstrapping mode, the last element can be crucial to the promotional success in the next startup phase. As we have learnt from chapter 3, startups need to develop a feedback loop between the business and their prospects. Direct contact helps the CEO or salesperson understand better the pains and the needs of their prospects. Compared to other less than direct contact methods, this approach delivers the most quality feedback and opens the pathway to investigate deeper into the rationality behind a prospect's decision to adopt the startup.

All companies participating in this study adopt direct contact as one of their channels to engage with customers. Four out of five startups are still using direct contact in the sale pipeline at the time of interview. Even though direct contact is the most used method when it comes to marketing channels, it is not required that direct phone call or visitation is the first step of the pipeline. For once, startups might choose to send emails to prospects and ask for further contact opportunities.

Direct contact might start with a cold phone call, cold email or direct message through an internet channel. The method of choice should depend on the industry, the country where prospects live and preference of the startup. However, since direct contact rarely has variable cost for each additional contact, startups usually start with all the channels in their ability. Based on the cost and conversion result, startups then choose to continue with any channel bringing the appropriate benefit with the least trouble. When asked about the deciding the best channel for contacting prospects, CEO of startup A said:

"It was through identifying the easiest and fastest way to connect to the customer and showing if the product is a right fit for their business."

- *Company A*

The process of cold contacting should start with researching for product-market fit between startup's offerings and client's needs. Below this paragraph, the CEO from Company B shares his experience with reaching out to prospects through direct contact.

"Usually we just decide, well, for example, the way the UK guy works, he just decides, "Okay, today, Manchester." So then he goes to, for example, at Trivago, and finds out which hotels there are in Manchester, and then he just goes to their website seeing if they do have a chat or not. And based on, if they do and it's working fine, which is only like one out of thousand, then that's done, then we don't do anything about it.

But if they have a chat feature there, then it's actually usually pretty good because they never work well. So then it's easy to say that, "Hey, why didn't you upgrade it to a better thing?" So we make cold calls. We may send cold emails and then we try to arrange a quick 15-minutes Skype meeting or something like this, where we go and demonstrate our product, how it works, ask kind of tough questions like, "How is your direct bookings doing?" "

- *Company B*

When it comes to cold contact, some startups choose to do filtering before making the contact. Instead of sending cold emails to all businesses in the niche, companies can decide to focus their efforts on the ones with the highest chance to converse into clients. Startups can make decisions for this filtering layer to be as thin or thick as they see fit. We already saw it from Company B, where they only aim for hotels with available booking tools which the startup decides that they can offer superior service than the current solution. For company D with service offering in recruitment, they only contact companies with hiring opportunities or open positions.

"So we do our sales with trust. So that's the recipe. So we don't use any automation, or any sales bots, or anything that, you know, chats, or stuff like that. We contact companies that have open positions, or software companies that might hire or if they have an open application. And then we just ask them how things are and if they--out of curiosity at first, and then if we find out that there's something that we could offer them, then we of course ask them that if they need something. But it's more of (asking for) a permission marketing or a permission direct marketing, rather than spamming every single person on earth and trying to see."

- *Company D*

Email and phone call are not the only choice for the first point of contact. In recent years, LinkedIn has risen up as the prominent social media channel for professionals. LinkedIn is suitable for B2B contact since startups can look up and send messages to company representatives quickly and avoid personal errors like typo with email address or wrong phone number. Especially, COO of Company E has mentioned LinkedIn as his favorite tool for contacting new prospects due to the trustworthiness the platform creates. Since prospects can look at the startup contacting personnel before engaging in conversation, there is no anonymity

"...even if I have their email—email is quite faceless, sort of impersonal. Whereas LinkedIn, you know, you start off by asking, have them approve your request for contact. And then you can send the messages through LinkedIn, and typically I just—my message is quite short, and I put in a calendar link where they can book a meeting or for a call directly from my calendar. So that we don't have to dance through the whole booking a call thing with different time zones and everything. So it's been very useful."

- *Company E*

4.2.2   Website and Pay-per-click Advertisement

One of the most favored inbound channels is lead generation automation through websites. A startup might choose to set up a lead generation pipeline, with pay per click advertisement at the top of the funnel and website sign up or enquiry at the bottom. Every part of the funnel also works as a filter to reduce contact point with unsuitable prospects. This pipeline is adopted by many SaaS B2B startup, like Company A for example:

"Sometimes people fill in a form and request for a private demo instead of self-registering and trying out the product themselves. This makes it easier for them to see if Serviceform is the right fit for them without spending too much time on the product. I set up a time with the person for a quick phone and ask a few questions about their business and requirements. Based on that conversation I put together a custom demo and send it to them. Usually they ask for a couple more adjustments and are happy to go ahead."

- *Company A*

However, the other three SaaS startups did not incorporate this automation pipeline into their sales process. The biggest factor is the cost to set up and maintain the pipeline. Usually, it takes some amount of time for the PPC algorithm to learn and self-correct itself before the seller profits from this channel. This process may take from two weeks to several months, depending on the industry and the company, and during this time the

company must continue spending money so the PPC algorithm can continue learning. Combining with the cost of hiring a PPC specialist, it is understandable that startups in the go-to-market phase do not spend their scarce resources in this channel. However, most of the interviewing startups have a plan to utilize inbound marketing and lead generating automation in the future.

"Obviously, going forward, we're hoping that word will spread. And then like any SaaS product, it will start having inbound buyers so that we have the capability where the team can just purchase it online with the correct card…"

- *Company E*

4.2.3 Expo

Next promotion channel on the list is exposition, or Expo. Expos are large local, national or international exhibitions where industrial goods are displayed, and business owners gather. This makes them the perfect opportunity for B2B startups to introduce themselves and talk to their potential clients. Expos are good since they gather many people from the same industry and business niche. Even without direct sales opportunities, there are good chances for startups to establish connections or have discussions about the problems that businesses experience which later transpires to a list of shared pain points for businesses in the same niche. CEO of the startup E shared his experience to utilize expo to reach out to prospects:

"The best way for you to be known is to be on the stage. So contact them, tell them that you have a topic that you would like to share, preferably with some research attached to it. And then offer yourself as a speaker, or offer your boss as a speaker, or make your team or your partner offer you as a speaker. So getting those speaker slots are a great way to meet a huge number of people, but if you hold to that event, if you end up flying somewhere, that's going to cost you like, at least 20,000 euros. So you need to come back with at least 20,000 euros.

So spend at least two weeks booking meetings for the event, so that you're meeting everybody that's at the event and everybody that you need to meet. And then spend the next two weeks after the event continuing the conversation so that you don't just meet them, get their business card, and then nothing happens. So keep the ball rolling."

- *Company E*

To summarize the strategy to achieve maximum return from attending industry events, there are three important steps: Get on stage, get to know everyone and keep in

touch. A startup might not be able to finish all the steps without at least two weeks to plan and reach out to event participants. Finally, like any other venture, startups must be able to estimate the benefit of joining the event. Unless the whole trip is sponsored, the company needs to pay for their stays and fees to join the event. All this cost should result in tangible results for startups, which could be from new leads or even new customers. Exposure is also important to startups, but for ones at the go-to-market phase, something more pragmatic like a lucrative deal with a real client is more crucial. It is important that startups should do research about the event and who is going to be there, to make sure these are the right prospects which can be converted to customers.

When it comes to presentations on stage, COO from startup E urges startups to focus on an interesting topic that can capture the attention of event attendees. Similar to conducting content marketing, startups should focus on creating values for their audience rather than promoting their products. The main idea is to sell the startup's image of an expert in the field, which will be beneficial for further advancement with potential clients at the event.

"I mean obviously nobody's going to put you on stage if you're just going to sell your product. So it needs to be something else than your product. You're making yourself out to be an expert in your field; that's the thing. So for us, that might be putting our CEO on to talk about nutrition and how it affects the sleep, and therefore cognitive skills for gamers. The effects and some research to that, and then a presentation about that for fifteen minutes or a half hour... "

-   *Company E*

When companies initiate the conversation and reach out to prospects, that approach is called Outbound marketing. Even though outbound marketing is considered to come with high cost and low yielding, startups at the go-to-market phase benefit from the direct engagement with customers. As we just learnt from the previous chapter, Lean product development requires startups a deep understanding of customers' pain points and a two-way customer feedback loop. Outbound marketing is helpful not only to build a bridge for customer development but is also financially suitable for startups at the go-to-market phase. While inbound marketing brings the huge upscale capability, the company practices such approach must be at a place ready for such upscaling. This demands a certain level of maturity of a product, a reliable follow-up sale pipeline, and a sizable budget to spare.

4.3 A/B testing and User testing

Optimization is a process startup need to go through to improve their businesses. One of the end-goal for startups is to build a smooth and fluent user experience, from the moment the prospect learns about the company to the decision to purchase, and this continues until the customer exits. In this study, we focus on the first half of the customer journey, which ends when the customer decides to purchase.

Whether it is related to product offerings or marketing messages, Lean approach suggests startup start with a minimal solution and keep building the next iteration which improves on the former. One of the big challenges is learning how to improve the current products. There are two tools that bring this insight: User testing and A/B testing.

User testing approaches gain insight from direct discussion with customers about their experience with the whole pipeline. Depending on the feedback they received from prospects and customers, startups might find out the weak point in their pipeline or even actual solutions to the issues.

On the other hand, A/B testing approaches gather customer feedback from their actual behaviors. In this approach, the business sets a goal and conducts split testing with two versions that are identical in everything except one. Based on how well each version performs relatively to the goal, startups might decide to pull their resources to the better version for future offerings.

Since the beginning, we have looked at multiple uses for direct user testing. Therefore, the following findings demonstrate the sentiment of B2B SaaS startups about the two testing methods but mostly focus on how they conduct A/B testing in the workflow.

When being asked about the more preferred method, the CEO of startup A states that both measurements are important.

"I would say both are important as we use both methods. But still being in the phase of a startup, it's more crucial chasing after direct customer feedback while the A/B tests play in the background."

- *Company A*

From the interviews, one of the B2B SaaS startups does not use A/B testing at all. And the other startups that participated in the study agree that they do not use A/B testing as much as user testing in their current workflow. Their primary use cases of A/B testing are in copywriting, especially in cold emails to prospects who are not in the pipeline yet.

"But I would say we do a lot of A/B testing on the, like, I would say it's like copywriting. Like when you try to write the messages that you would try to generate leads with or try to understand what kind of message has the best conversion rate, or what-ever. So, I would think those are the A/B tests that we do the most. So see what kind of offering, or what kind of slides, or things that we present help the sales get closed."

- *Company D*

However, most of the companies share their intention of future use cases for A/B testing. They said in the interview that there would be more use of A/B testing when there are more customers and the websites are up and running. What they meant by that is A/B testing is useful if they have a website and a pipeline that can automatically con-vert visitors and prospects into clients. Without a large enough sample, i.e. website visitors or leads, startups cannot conduct meaningful A/B testing.

Moreover, startups at the go-to-market phase value each prospect highly and do not wish to risk their already small pools of potential clients. When conducting A/B testing, two or more versions at the opposite extremes of the testing elements are presented to prospects. As a result, different prospects might react differently depending on the version they are displayed. Some prospects will therefore decide against purchasing from the business, which they will not do if they were offered the other version. In the mind of the startup founders, these lost clients as A/B testing costs are not something they can afford at the current state of the business. That is why startups prefer to always do their best when encountering potential clients, especially who are already far in the pipeline.

CEO of Company D prefers a running different and better iteration of the offers rather than doing A/B testing:

"But yeah, I think it's just like constant iteration rather than A/B testing. It's like some things work, some things work for a month or two, and then we came up with a better idea like, 'Hey, we are probably not saying the right things, and this could be a lot shorter, and then we could operate it in a different answer,'"

- *Company D*

On the same sentiments, CEO from Company B changes their website every 2 months and monitor the changes:

"Not yet. We plan to do that on our web page. But then we realized that making AB wasn't that easy… I mean, we thought that we could have like two different websites. But what we decided is that we are going to do one website and have that for two months. And

then we're going to change that for another two months and see if there are any differences. "

Company B

5 CONCLUSION

5.1 Empirical findings in respect to theory

5.1.1 Customer Acquisition Management in go-to-market B2B SaaS Startups

From Tyrväinen and Selin (2011)'s SaaS startup model of main factors affecting marketing and selling, the study looks for factors that play the most important roles and receive more attention from startup executives. There are a couple of clarifications before we go into the details of each factor. Firstly, this assessment only applies to the study target of this paper, which is B2B SaaS Startups in the go-to-market phase. Other startups, even B2B SaaS ones, who are in different phase like growth or scaling might not share the same views toward these factors. Next, a factor is considered to be important when executives have to design their marketing and sales approach around said factors. However, a less important factor does not mean that it does not have an important role when designing customer acquisition approaches, but it could be that there exists a well-accepted best method that works well with any SaaS, such that executives need not to pay too much attention to such factors. Finally, these will be categorized into four different groups, arranged from the least attention required to the most important factors: not important, best practice exists, testing and validation, constant iteration.

The least important factor that receives the least attention from executives is Customer Lifetime Value. In the go-to-market phase, startups mostly look for clients with the need for the product. The cost of acquisition is minimal, and the executives look more for replicable patterns to improve their product offerings and sales approach. So even though Customer Lifetime Value plays an important part in later stages when startups are looking for scalable approaches, the factor plays a minimal role when startup executives decide the clients to engage with.

Next, we look at two factors that are also important to startups but are less concerned to startups during the customer acquisition process. The first one, Entry Transaction Size, involves a pricing model that works well for SaaS B2B startups. In reality, most of the startups in this study adopt a subscription model. The only case where this does not apply is for startup D where their product website is under working, and the executives confirm that is the future pricing model they are heading toward. Next, the Provider Size factor also stays in this group due to the recommendation of keeping startups size to micro (less than

10 employees). This helps startups make decisions quicker and be more agile with changes. An also important reason is that startups during the go-to-market phase usually do not have financial capability to hire more personnel.

The second most important group will require more startup attention and demand the business to test and validate the most effective answer to each factor. Usually, these answers will stay right to the startups for long enough periods, and do not need constant iteration and user testing like the final group. Buyer role, Customer Size, Service and Implementation Model are the three factors that stay in this group. Buyer Role and Customer Size are discovered through marketing and sale channels, where startup executives can test for the target group that brings the most conversion with the least cost. An example from this study is where COO of startup E decided to go for the second tier esport teams to avoid high competition from other companies and reap conversion with a noticeably lower waiting time. On the other hand, Service and Implementation Model is one of the most important factors for startups, since any modification to the choice will require the startup to make a big pivot to their operation. Luckily, this factor can be answered quickly from the customer insights at the beginning of the go-to-market phase and will likely stay true for a long time.

Finally, Sales Channel and Marketing Communication Channel go hand in hand as the most important factors in customer acquisition. These factors will demand heavy testing and validation from the beginning of the go-to-market phase. And the answers found out after validation might change depending on the prospects and the industry in which they operate. Not only startups need to find the most effective channels and offerings to go with, they need to constantly improve the marketing and sales approach to reap the most benefits and lower the cost. Apart from product development, Sales Channel and Marketing Communication Channel should stay at the top of priority in the weekly, monthly and quarterly workflow of any B2B SaaS Startups in the go-to-market phase.

5.1.2 Lean Methodology & Lean Customer Development

When it comes to Lean methodology, all startups in the study share the same or similar ideology with Steve (2013). The three steps in the Lean methodology application process are entrepreneur mindset, customer development and agile development. The first is out of the study scope, since startups have already gone through the step of listing hypotheses in a 'business model canvas' in the previous phase even though hypothesis testing is mentioned many times during the interviews. Though the final step, agile

development, is an important step for the study's target startups, it is not the main target of the study since its role is more dominant in product development and not customer acquisition. We will compare our findings mostly to the second step in Lean Methodology, which is customer development.

Alvarez (2014) stated that even though companies shouldn't ignore what their customers say, customers might still be unreliable when telling us what they need and what they will purchase. This study found the same answers from startup' founders, that there were times they developed a set of features based on the prospect's feedback, only to experience that customers were still unhappy and unwilling to make purchase. This is one of the main reasons why companies have different methods to approach customers and different choice of time to engage customers in development cycle. We have seen companies going to for customer feedback right after the first product iteration, and the same for others waiting until they have readied a set of potential features then asking customers to rate those features at the same time.

In order to tackle this issue, Alvarez (2014) advises companies to focus on their needs, instead of what they want from the product. In practice, this means asking questions to understand the deeper motivation for customer's each small decision and feeling. In this study, we also discover another practice that helps bring customer's feedbacks closer to their true intention and motivation. Two companies have mentioned that when they shared their products to customers first, they found that customers began to share more thoughtful ideas. Having the products at hand and trying it helps customers get beyond their taken-for-granted assumptions – a phenomenon that Alvarez (2014) describes as when customers acknowledge the limitation and constraint in their workflow but fails to mention them because that is just the way things are. By exposing themselves to the fresh solution and approach, companies might challenge this assumption and invoke customers to think "What more have I looked over?"

5.2 Recommendation for startups customer acquisition

Involve clients immediately after you have the MVP

From most of the interviews conducted in this study, startups' CEOs and COO have attributed the success of their offerings to customers. The only case where that did not apply is a B2C startup, which ceased to exist when the interview was conducted. One of

the many reasons for the end of that venture is the lack of customer development, which was not possible due to the B2C nature of business. The study confirms one popular theory in Lean methodology that clients' accessibility stays at the top of the most important element for the success of startups.

For B2B startups in the go-to-market phase, this effect is even stronger caused by the lack of financial and human resources. After having the MVP, startups might consider contacting clients immediately since that is the perfect place to look for ideas to complete the product package. This will help startups to gain the quickest and most correct insights and more importantly avoid delaying the sales process until the founders think they have a 'good enough' offerings, which sometime might include excessive features that do not add more value to the end-users.

Let prospects and clients be a part of feature development, with an appropriate level of involvement

Now that we have confirmed the importance of customer development during the early periods of the go-to-market phase, we need to discuss how to involve the clients for the highest benefits. First of all, both prospects and clients bring valuable insights to the product offerings. While the former's insights will help increase the number of sales, the latter will help startups retain the current clients and complete the product offerings. Deciding to focus on prospects or clients is vital for startups, and the right answer depends on the current goal of the businesses.

Another matter to consider is the degree of involvement. Should clients and prospects provide new ideas and features to develop? Or should they pick out the most wanted features from a list? This will depend on the industry and the startup's current goal. Since customers in many cases do not know what they need, startups need to assess the quality of each suggestion and decide their answer case-by-case. Similar to any business problems, Lean methodology suggests trial and testing to see which approach works the best for the individual startup.

Direct customer contact is still the best marketing channel in this stage of startup

When it comes to marketing and sales channels, direct contact is the most popular and viable option for SaaS B2B startups in the go-to-market phase. Firstly, it is in-sync with everything we have discussed about product development and Lean methodology, which values user testing and customer development at the core of business strategy. Moreover, the low cost of the channel is suitable for startups in bootstrapping mode of spending. Last but not least, this approach will help startups avoid unnecessary churn in

later stages of customer relationship development. Since startups are having close relationships with the customers, any discomfort from the customer side will show up thanks to the active communication between the two parties.

Sales and lead generating automation can be worth a try, only if there are early results

Sales automation has been the center of discussion whenever the topic for scalable pipelines is mentioned. For our study targets, this might not be the case of a profitable channel. The consensus from startups executives is that website, advertisement and automation pipeline is costly to implement with low guarantees of success. Combining that with the indirect and passive communication nature of the channel, startups in the go-to-market phase could not receive the valuables and appropriate feedback that they need to continue developing the product offerings and improve the sales pipelines.

However, there are still cases in which website and lead generation automation is useful. In this approach, startups need to ensure direct contact with customers is at the end of the pipeline. If startups can acquire hot leads with acceptable costs, this can be profitable for the businesses in the long-term. However, careful testing is always required to make the pipeline work properly and this needs to be done as quickly and cheaply as possible.

Look for scalable sales pipeline from successful sales

Even though sales automation is in the back during the go-to-market phase, it is the most dominant channel which brings scalable and long-term opportunity for businesses in the next growth phase. Direct contact is good for generating customer insights but is not suitable for scaling up, especially if startups have the financial capability to exponentially grow their customer bases. That is the reason why one of the main goals during direct contact is to find out the most effective selling points, or messages, or any other information that may help converse a prospect without the presence of a salesperson. The technology might help with more repetitive processes during the sales pipeline, but the sales pitch and offerings need to be direct input from the startup based on their experience talking to prospects.

A/B testing can be applicable, but only to a limited extent

Not all startups in the study have adapted A/B testing to their workflow. The most used case is in emails and other copywriting materials, which helps startups seek out more effective sales pitch. Otherwise, A/B testing should stay in the background and leave the spot for user testing. Obviously, this will be different depending on each individual startup

and their industry, but the cost for A/B testing is the biggest reason that startups avoid the approach. In many cases, direct user testing is a better choice in both theory and practice for B2B SaaS startups in the go-to-market phase.

5.3 Limitation of Study

From the start of this study, the main objective has been to investigate Lean methodology application in customer acquisition management within a specific subset of companies. While the findings have showed several practical techniques that are useful for startups, the nature of an exploratory research of the paper has left numerous stones unturned.

First, the study did not cover if following specific practices helps startup successfully move on to the next stage. There are two elements of limitation here. Due to the time retrains of the research, it was difficult to unveil the actual success of each startups since their go-to-market phase may last from minimum six months to two years. Moreover, even if the startup has succeeded, it is difficult to attribute the success to the correct elements in a scientific way, might the actual reasons be the human, the time in market, the actual Lean practices, or other elements.

Another limitation is the lack off customers testimony. As customer acquisition being the main measurement for the effectiveness of Lean practices, talking to potential prospects and customers allow the study to understand whether there are discrepancies between what startup founders think are their key elements for sale and the actual view from the customers being sold to.

5.4 Suggestion for further research

Following what has been stated in the previous section, an in-depth research about the effectiveness of individual Lean practices for startups would be interesting. In this study, we focus on the exploratory of practices which has been beneficial for startups in the go-to-market phase. However, there is no field research on the customer side about how these practices contribute to purchase decision and commitment to the product offerings.

- *Which Lean startup practices endorse to the purchase decision of startup prospects in the go-to-market phase?*

Another suggestion is to investigate the viability of these Lean practices covered in this study for startups in the next step – scaling phase. We have learnt that startups chose

their direct and relatively manual processes in the go-to-market phase to prepare for the next phase, where they have learnt more about the customers and how their products fit into their client's workflows. It will be interesting to learn how much of these practices will stay during the scaling period, and how companies should handle the transition period, from direct and manual types of work to indirect and automated processes.

- *Which startup practices prominent in the go-to-market phase can still be important in the scaling phase of B2B SaaS startups?*

- *How should B2B SaaS startups transition workflow from a direct and manual approach to a direct and automated one?*

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