TALLINN UNIVERSITY OF TECHNOLOGY

Faculty of Information Technology

Department of Informatics

Chair of Software Engineering

UNDERSTANDING USER CHURN IN SOFTWARE AS A SERVICE START-UPS WITH A CASE STUDY METHODOLOGY

Master's Thesis

Author: Johannes Kanter

Student code: 132942 IABMM

Supervisors: Alexander Horst Norta,

Kaarel Oja

Tallinn

2016

Author declaration

I hereby declare that this thesis is based on my own work. All ideas, major views and data from different sources by other authors were only used as reference and/or for research purposes. The thesis has not been submitted for any degree or examination in any other university.

Johannes Kanter

Date and Signature:

Abstract

As cloud technologies have significantly changed our culture, economics and way of life, they have also promoted a favourable ecosystem for new technology start-ups. It can be stated that cloud based Software-as-a-Service (SaaS) start-ups are one of the most common forms of technology start-ups in contemporary business ecosystem. Taking into account the extensive amount of investments start-ups receive, from private investors, venture capital firms and governmental institutions, it is highly relevant to address the issues of sustainability of start-ups. It is also necessary to point out that the ratio of new ventures to succeed is undoubtedly very low. Various researches suggest that 9 of 10 start-ups fail. Moreover, researchers suggest that the company's ability to retain its customers is directly linked with sustainability.

As traditional customer retention models are oriented towards retaining paying customers, these are not fully applicable for SaaS start-ups whose aim is to acquire non-paying customers first. Therefore, it is necessary to fill the gap and address the question in customer retention in SaaS start-ups. The aim of this thesis is to answer the research question: how to improve the user retention in SaaS start-ups? In order to answer the question, an exploratory case study methodology is used. To get insight from SaaS start-up users, interviews are conducted with two sets of users – active and churned users.

The findings indicate various motivations and concerns that influence the adaptation of software. It can be concluded that the main motivations to adapt and continue using software provided by a SaaS start-up are relatively similar for both active and churned users. Among others the design and usability is highlighted by all the candidates. On the other hand, the proposed concerns have less similarity, as churned users pointed out the discomfort of changing the service they are already using and service not meeting their expectations in terms of features, while these concerns are not evident on everyday users. These findings aid in answering the research question and provide useful input for future research, as the topic is increasingly more important and SaaS start-up growth and sustainability concerns are being addressed.

Thesis is written in English and contains 88 pages, 7 chapters, 9 figures and 8 tables.

Annotatsioon

Pilvetehnoloogiad on märkimisväärselt muutnud meie elustiili, kultuuri- ja majandusruumi. Lisaks on uued tehnoloogiad loonud sobiliku pinnase erinevate tehnoloogia idufirmade kasvamiseks. Võib öelda, et *Software-as-a-Service* (SaaS) tüüpi idufirmad on ühed levinumad kaasaegses äriökosüsteemis. Võttes arvesse nende idufirmade kasvu populaarsust ja investeeringuid, mida kaasatakse erainvestorite, riskikapitalistide ja riiklike asutuste poolt on oluline adresseerida firmade jätkusuutlikkuse küsimust. Oluline on siinkohal ka välja tuua, et uutest firmadest enamik läheb pankrotti. Erinevad uuringud näitavad, et ligikaudu 9 10-st uuest firmast läheb pankrotti. Sellele tuginedes on uurijad täheldanud, et firma võime hoida kliente on otseselt seotud firma jätkusuutlikkuse küsimustega.

Traditsioonilised kliendi hoidmise mudelid on orienteeritud maksvate klientide hoidmisele, mis ei ole täielikult rakendatavad SaaS tüüpi idufirmadele, kelle esmane eesmärk on saada ja hoida mitte-maksvaid kliente. Seega on oluline uurida lähemalt kliendi hoidmise küsimusi, mis puudutavad SaaS idufirmasid. Selle magistritöö eesmärk on vastata uurimisküsimusele: kuidas parandada kliendi hoidmist SaaS idufirmades? Sellele küsimusele vastuse leidmiseks kasutatakse juhtumiuuringu metodoloogiat. Uuringu küsimusele leitakse vastus intervjueerides kaht SaaS idufirma kliendigruppi – kliendid, kes on jäänud tarkvara kasutama ning kliendid, kes lõpetasid tarkvara kasutamise.

Uuringu tulemused näitavad klientide erinevate motivatsioonide ja murede mõju tarkvara kasutusele võtmisele ja kasutamise jätkamisele. Kokkuvõtlikult võib öelda, et peamised motivatsioonid, mis on seotud tarkvara kasutusele võtmisega ja kasutamise jätkamisega on mõlemal kliendigrupil sarnased. Üheks olulisemaks on toodud tarkvara disain ja kasutajaliidese mugavus. Vastupidiselt motivatsioonidele on kliendigruppide poolt väljatoodud murekohad grupiti erinevad. Kliendid, kes ei jätkanud tarkvara kasutamist tõid välja ebamugavuse ühelt tarkvaralt teisele ülemineku osas ja oluliste funktsionaalsuste puudumise tarkvaras. Kumbagi nendest muredest ei mainitud nende klientide poolt, kes jätkasid tarkvara kasutamist. Saadud tulemused aitavad vastata uurimisküsimusele ning annavad kasulikku sisendit tulevasteks uuringuteks samas valdkonnas, mis on järjest aktuaalsem ja oluline idufirmadele, investoritele ja muudele seotud osapooltele.

Magistritöö on kirjutatud inglise keeles ning sisaldab 88 lehekülge, 7 peatükki, 9 joonist ning 8 tabelit.