Ankur: (00:05)
Hello everyone and welcome to yet another episode of Building It Up with Bertelsmann. This is your host Ankur Warikoo and today I have a very dear friend and a star techie, Anand Jain from Clevertap. Anand is the founder and CEO of CleverTap and comes from the very famous Burrp mafia where he was one of the founding members of Burrp, which then got acquired by Infomedia. He then served as a CTO of Infomedia and in 2013 started CleverTap. It's a customer lifecycle management tool and engagement tool. It's done remarkably well. It got seed funded by Accel in 2014 and is now, in my opinion, destined to be one of the foremost B2B saas companies building out of India, but serving the entire world. Please welcome Anand, it's a pleasure to have you. You come in from what is famously called the Burrp mafia and you guys build something fantastic. I always ask myself, what if Burrp had actually stayed? It could have been a big competition to the existing guys, but nonetheless, when you were thinking of the next journey after Burrp and everything that happened and Infomedia and so on, was B2B saas something on your mind? Did it come your way or was it unexpected? Walk us through that starting point.

Anand: (01:18)
Sure. So first of all, thank you for having me. I think when he started there were not too many SaaS companies or the sector was not very hard, but we didn't, start out to enter a hot sector or to capitalize on the wave or anything of that sort. Right? We started to solve a fundamental problem as engineers. We didn't really give too much attention to the total addressable market or, you know, where could we take the solution. We were just a bunch of three guys trying to build something very cool. So that was the starting point.

Ankur: (01:47)
So let's talk about that journey. Now building a B2B saas company was not the cool thing. Building it from India was definitely not the cool thing. Was it hard to convince yourself, investors, customers, that you are an Indian company trying to build software, and do a good job about marketing automation and customer life cycle. What were the main challenges just growing up?

Anand: (02:12)
As we started exploring this problem domain, right, we figured out that a lot of the solutions back then were dated. They were built for like five years, like the market of five years ago. What we noticed that there are two or three things that are happening. Number one, the phone is solving more and more used cases, right. Number two, the amount of data that the device generates is growing exponentially. And the third, our attention spans are shrinking. So can we utilize, I mean, using these as hypothesis like, you know, what does the world need? All solutions, they were kind of based on sampling what you may, so we literally started this inventing this database, the core technology of CleverTap, is a database that we've invented. Took us two and a half years to write, that does all of this stuff in real time. So the hard part was, you know, not building the database, the hard part was as you said, like, you know, it was convincing investors. They said, hey, you guys have lived and worked in the US, why don't you go there and start your company? Or even if you don't want to do that, at least go to Bangalore. Why stay in Mumbai? So it was hard for us, thankfully, our starting point, well after, right after writing the database, I called up, Ashish, of Bookmyshow and I said I had something very cool to show you. He was, in fact looking for something similar, so that was a good coincidence. You know, we tried out the product with him, he loved what he saw and he in fact made the introduction to Accel. So in that sense, we didn't have to struggle too hard to find an investor because if you have a warm intro from someone who's used the product, not because they know me, but because the product works for them, that worked for us.

Ankur: ([03:49](#))
That worked, that really worked. And then for the longest time you were centered on India and you build the product for India, did a fantastic job. Was that then hard or was an international place something that you always thought you would get into, but you were waiting for the right time? How did that pan out?

Anand: ([04:09](#))
Yeah, so, this is my favourite analogy that we are not in the footfall market, right? I don't have to find the most attractive spot in the mall to, to get, you know, people to come into my store. I'm building a global product. So a global outlook, happened to be made in Mumbai, in India. But, it could have been anywhere else in the world. Right? You're competing globally with other software companies and that was the point of time that we saw an Atlassian being made out of Australia and so and so forth. Right? So not everything happened in the valley. That one gave us the confidence, two, we said, let's build for the global markets. Why sell only to India? So the starting point of it is, I'll come to that in a second. Why build only for India when you know, the world is a lot bigger than that. And so that was the starting point. Investors thankfully like, you know, did not have too much of an objection, you know, the larger the TAM (Total Addressable Market), the more happy they get. So that was the process.

Ankur: ([05:02](#))
And the initial strategy if I want to get deeper into it, did you follow more of a quote unquote SME (Small Medium Enterprises) small ticket size, large volume model? Or did you go for the enterprises, the slower sales cycle, but the large ticket sizes? And how does an entrepreneur who's got PMF (Product Market Fit) or semblance of it, begin to think of it? Because at least my understanding is that these two are very different approaches. Thus, will require a very different product approach, sales approach, so on. So what did you guys decide and what would you recommend to any entrepreneurs at that stage?

Anand: ([05:33](#))
Correct. So before I talk about the selling and you know, who do you sell to? I have to go back a little bit and tell you the product, right? So we wrote this database and thankfully while writing the database, we got our Series seed from Accel. We still didn't have the product, we had some semblance of it. So, you can go to the command line and you can type a query and you'll get the results, like as numbers. And that's what we showed to Accel. We sold to them the concept of what we were building. So that was good. And from there on, again, as a startup, you don't have too much confidence, right? Especially B2B startup. You start selling or you start showing the product to whoever cares to see it. So, it started with a few startup founders I knew, and I said, hey, this is what I'm working on these days, you know, if you care, we will give it to you for free. And the free was not because we lacked confidence, the free was because we did not think that we had the full product. And the full product for us was what we were building, right? The analytics or the insights part, the segmentation part and the engagement part. So 2014, when we got Series seed and 2015 is when we got our Series A, we were still not monetizing the product at Series A. So it's a good or a bad thing, I do not know, but we were not doing that, that was the honest truth. And that's when, we were giving out the product, right? Advanced customer support was Anand and Sunil, we would go out meet people, do the event design for them, get the SDK integrated and so forth right. We had no plans of how much should we charge for it and so and so forth right. So when we first started monetizing, that was in March, sorry, May of 2016. First time, it was 250$ a month. So we start, and

of course like this 250$ was the list price. We were giving it away for free or highly discounted. I have signed up people that, you know, would give me $10 a month back in those days just because we wanted to kind of get some logos, you know, put some names on the website. And so, we started SME (Small Medium Enterprises) right, because $250, you are not going to attract, you know, the large enterprises. But very quickly we realized in less than one year of our journey that we had started climbing up the ranks as we added more to the product, so the $250 happened when we internally thought we had MVP (minimum viable product). Right after MVP, we added like more things to the product and we started attracting, larger enterprises through purely word of mouth, number one. Two, larger enterprises, and adding more things to the product, helped us go enterprise. So we didn't start on the enterprise, we started out with a core thesis of being a WordPress or a Google analytics, right, let's give away the product for free or for very cheap and we will make our money from value added services on top. Unfortunately, well fortunately, that plan did not pan out and in less than 18 months of our first transaction, we were very much into the enterprise sale.

Ankur: (08:40)
Wow, very nice. So fascinating journey. So in 2014, you raise and then you are almost zero revenue for a year and a half, two and then you strike your first monetization base, which is SME.

Anand: (08:52)
15 is Series A, so 14 was seed. 15 was Series A, that's when Sequoia came in and no money to show for, no revenue to show for, absolutely nothing.

Ankur: (09:04)
That's a brilliant story man and I love the patience of it. Like I don't know how many entrepreneurs will go through that pressure. I don't even know, you make it sound very easy. But for someone outside who is in that, what is it that was going inside? Like, were you, were you convinced that this product is the right product, or what kept you going?

Anand: (09:26)
So for CleverTap, we needed that minimum viable and minimum viable took us three years right, until 2016. So we needed that minimum stuff to happen in the product. Once we had that again, we were, you know, because at some point of time you've got to like switch your hat, like say okay, from being an engineer, I need to think about the website, pricing and pricing is a very hairy subject, right? You don't know how much to price your product at. Number one, you don't know how to, what is the unit of measure through which you will sell. And will you have different pricing for different markets? Will it price the same? Will you put your hands deep in someone's pocket and see if it's an enterprise, I'll charge millions of dollars to start up. Like, you know, I'm giving it away for free. You know, these are hard decisions. So we would never kind of, there was never a moment like, no Monday we woke up and said, today we want to discuss pricing. Because we are very happy, as engineers are building those features out. Like so we're riding our own internal mini wave of feature, one feature after the other until one of the board members told us that, hey, you can, there's no pressure to monetize. So that was a good news for us. Or you can monetize whenever you want to monetize, right? But the lessons that you will learn from monetizing the product, right, you will not learn until you monetize the product. So while you today can give away the product for free and maybe all of them are your friends, etc, or people that know you, right? You know, the money part of that will make it solid, right? Voting with money, we'll bring out all their concerns out, SLA (Service Level Agreement), vendor viability, enterprise contract, security, all of that stuff. So the

lessons are for you to learn, so decide whenever you want to decide.

Ankur: ()
That's a, that's a very, very sound advice. I'm glad you got that. Okay. And I'm a stress upon, pricing. You mentioned this, it almost seems like half of the labour is building the product in B2B saas, but half is actually pricing it and gets even tougher when you are both enterprise and SME. Gets even tougher when you are international. Do you localize pricing and so on and so forth. So, when did you know that this is the right price? How was it $250 was even a price in your head or was it just "dekhte hain kahan jata hai upar neeche and so on" (in English, meaning we will look where the price goes, up or down). That's question one, and two is when you went international, did you start thinking of pricing locally? If yes, how, walk us through that please.

Anand: ()
So there were three prices that went up on the website. 250$ and I think one of the prices, I don't remember, maybe it was 399$ and the last one was $1,000 all you can eat, like it's an unlimited plan. We had no idea about unit economics, we had no idea about how much, what AWS (Amazon Web Services) hosting provider would cost us. So, you know, it was just like we were completely, I don't know what we were thinking, but we had to pick a starting point, right? So from the thin air, we got this $250. So anyway, from that point on, we went through a few pricing revisions. Again the market would price the product based on monthly active users, MAUs, we were trying to price it on the amount of data we hold for you. So there are two, three different thought processes here, right? Number one is, do you price the product on the value that you are providing? So forget how much it costs me. I'm going to provide you value and I'll take a top like a skim a little bit from the top of the value and that's my, you know, that's what you pay me. That's one. But, that is hard, if you cannot prove the value, they cannot attribute that to you. It's very hard. Right? Again, early days, you know, people won't give you credit. Like you know, you are a tool provider. The second way is monthly active users, that's what everyone in the market did.

Ankur: ()

Okay. And then did this also change when you went international, did every market have a different price until the time you had the pricing page or was it like?

Anand: ()
No, even now, like, you know, we kind of offered the same price across whether no matter what, where you are in the world.

Ankur: ()

Is that what you would recommend as well?

Anand: ()

No, not really. But, you know, it's very hard because most of my early clients also had international presence and they do not know like, what to use as a measure. So we kept it simple, because if we can't set pricing, it's very hard for us to explain it to an enterprise. But yeah, for us it has worked so far I think, we might require a few more iterations on pricing. So earlier, it was one product, you buy either the whole thing or you don't. Right. We have broken that down into packs. So there's a discover pack, there's an optimize pack, there's an engaged plus, there's a corporate pack for our back and single sign on and all that, all those things.

Ankur: (13:54)
Okay. Got it. How does one begin to think of unit economics at scale? As starting up, possibly, you don't care about it because there's this lump sum production cost that has to be borne. But once you get into the rhythm of selling, how should one as an entrepreneur in B2B saas think of unit economics?

Anand: (14:11)

Well, Saas is one of the most mature fields, I would say. Right. Especially now with all the IPOs that have happened in the last few months. So, the unit economics for a SAS business, is laid to bear for anyone that wants to take a look at it. Right. And it's a fantastic business, right. Because every month, someone decides, whether they're gonna pay you or send you a notice to churn away, right. So you always have to be on your toes to make sure that your product is sticky with the customer and they continue to pay. The longer it happens, the better your unit economic looks, the better your LTV/CAC (Lifetime Value to Customer Acquisition Cost) looks and all of that. All of those numbers add up then in the end.

Ankur: (14:51)
In that piece, setting up the entire sales org becomes a very important determinant. I've seen models, there's a tele sales model who feel that I could sell over the phone. You rightly pointed out, enterprise still doesn't buy into that process at all. It's very hands on, it's very babysitting mode. That begs the question, do you have to always be close to the customer geographically? Do you have to have a sales outfit there? What have been your learnings from setting up a sales org particularly a company based out of India selling globally?

Anand: (15:25)
So in the early days it was me and one other person who we got from Microsoft, called Kuldeep, on Skype all day. We would not take flights to Bangalore when we're selling in India only. You're not going to Southeast Asia, we'll be on Skype all day giving product demos and just being happy if someone said, hey, this looks great, how hard is that integration. Right. How many days will it take? So we started from that point of time and sales was the last organization that we have set up in the company. Literally. So a lot of the sales organization kind of was formed into place starting last year and 2018, mid 2018 we started getting professionals. So we first augmented the India team, we set it up fully with South India and the rest of the India run from Bombay. Then we set up the US team. So if you look at today, yes, you're right. Like you have to be close to your customer, you have to be in the same time zone, have to speak the same language. So we have got a nicely, geographically distributed team, so super close to the customer.

Ankur: (16:28)
And you picked up in building that sales org, locals who'd come in with that sales expertise or did you ship Indians?

Anand: (16:37)
No, no we did not. No, no one got shipped from India. It's about understanding the region's requirements. So to a US guy, it's very hard to, you know, impress upon like, why is WhatsApp so important in this part of the world? And similarly, if I was to go sell to the US, here no one gives a shit about email, to be honest. No one cares how good your email editor is. Like it's all about push notifications, scale. In the US, email is still a big thing. In Europe, they're still talking about the quality

of the email editor, deliverability of email. They don't care about scale. So that's where that cultural sensitivity from that perspective, speaking local language, sometimes being at the same time zone as opposed to, Oh, you want to meet me today, let me take a flight, you know, Indians, we need a visa and all that stuff. So let me take, you know, find a visa and show up.

Ankur: (17:24)
Got it. Okay. Interesting. And, if you knew what you know today, would you have started your professional sales org earlier? Or would you give that advice to people that once the product is there, possibly don't try and sell it on your own because maybe?

Anand: (17:44)
Here is my theory, okay and I underline the word theory. You can't scale down, right. The fun that you had as a 5 people company, you can't have with a 50 people company, right? And once you have 50 people company, there's a lot of planning, there's a lot of meetings. You know, five people, if they think of something in the morning, it gets done by the evening. It gets completed and shipped. It's very hard to scale down unless you have a, like unless it's a bad market, or your investors, kind of not very happy with you and all that, right? But once you've scaled up, so take your time, don't be in a rush. Like, you know, as kids, we were told like, you know, why, what's the big rush growing up? Like, you know, just enjoy your childhood and we couldn't understand that. Right. What does that mean? So I think as startups also, you got to enjoy every part of the journey and there are some lessons that are yours to learn and maybe not having a sales team early on was our lesson to learn, the hard way, right. There are enough medium posts, there are enough smart people we can go to, board members, other saas entrepreneurs like who we could have gone and taken advice and they would've said, hey, build your sales team. But we deliberately did not go to any of those and we did try and find our own path.

Ankur: (18:51)
Got it. The other pieces as you were growing up, there was also this, I shouldn't say the rush, but there were enough, very high quality B2B startups being built in India and, and we've seen some great success come out and so on. Did you ever, try and ride on their quote unquote success or their distribution or their sales channels? Is there some sort of a congenial, collaborative approach key? It's not the same wallet share. So if you're trying to sell something in a completely different domain, I'm in different domain, maybe we can partner together and go and speak to the same guy. Does it happen in India?

Anand: (19:27)
No, we did not do that, and that's one of the lessons I would have adviced to anyone to start a bit early. We've just got our partnership guys one month old into the company. We never had a partnership and alliances person. We never thought that we could co-sell with anyone because the way we sell was very different. We use a lot of hustle in the early days and hustle is to get through the door once and then the product takes over. Partnerships help, I think I've seen force multiplier happening with partnerships. So, now I think things have gotten a lot more, we watched the ratios a lot more closely. We and with partnerships also what this person is doing is, he's brought out all the things that a partner will give us in the partner and so on, so forth.

Ankur: (20:09)
You were, in my opinion, in a market that was crowded because marketing is like the first default of software for a large company and you've managed to create a very strong niche. People value you

for what you do. There's a very strong sentiment that at least I can echo being, on the other side of the table. Was it purely good product and specking and customer awareness that got you to this point? Or did you have to play some battles or some moves to win over in what is a largely crowded market?

Anand: (20:45)
Correct. From the beginning I always thought, and my thought has changed a little bit now, but from the beginning was, it is always about the product or if you build it, they will come. Marketing came in, two years ago. For us, it was a happen chance the head of marketing wanted to move back from the US. I think what we've realized is there might be races that we may not even be participating in, and you need to be present in all the races to be able to know whether you want to win it or lose it. Right. And you learn from both. You learn from your wins, you learn from your losses, but you need to be able to participate to know whether you won or lost, right. So, hence, marketing comes in, hence, sales comes in. So today we have a phenomenal motion, we have contemporary sales, we write white papers, we participate in events. Before that it was just me hustling with a delicate past trying to, you know, get my voice heard in the crowd. But now we have proper boots. So we've gone legit, in events. So these are the changes like in the last 18 to 24 months, we now measure the MQL (marketing qualified lead) to SQL (structured query language) ratio. We measured the SQL to opportunity, opportunity to close. We have a reason for wins and losses, and we are now setting up sales ops (operations), etc, to just like mind through a lot of the data that we internally generated and come up with these nuggets.

Ankur: (22:02)
The other piece, which is possibly the most important metric that everyone frantically tracks in B2B Saas is churn. And it's always this thing we know we have to do, but we don't know how much and how far. So one is, is this true and is churn really that important and if yes, is there any scientific way of getting to what is the right choice?

Anand: (22:23)
Correct. So I think, the two metrics that you keep an eye on, churn is one of them and the other being gross margin. So keep an eye on gross margin. This is what we've learned in the last six years and keep an eye on churn. The reasons of churn can be several, right? But you've got to find out why are people churning away. Thankfully, in our case, a lot of the churn happens because these startups could not raise the next round or they're dying. We have not lost a single enterprise customer in the last three years of monetizing the product. So that shows that it's a fairly sticky product. We do have churn, but it's for different reasons. Not because the product lacked depth or it was a laggy product or a buggy product. Bugs, bugs are there, but that's not the reason people churn away. I think anything more than a percent of churn is something you're going to be very hawk eyed about and you have to match it, right. Anything more than that, you are in deep trouble. So try to keep it as low as possible. Talk to your customers, find out what you know, what are they happy about? Our instrument, your own dashboard, like know, learn from your own data, right? Like figure out what parts of the product people are using, what are they not using and just learn from that.

Ankur: (23:34)
And, is it advisable to be tracking this on a monthly, quarterly basis or map it to your pricing, subscription? How does that?

Anand: ([23:46](#))
yeah, so we track it at a board level, on a monthly level, on a monthly cadence. Internally, we do it every week.

Ankur: ([23:50](#))
Every week. Wow. Okay. And let's say if there is, you have got to a point where you can predict churn or you are reacting to it?

Anand: ([24:00](#))
We are largely today reacting to it. But we know that whenever someone churns, I mean startups die, they die, right? Or someone like you know, when we increased prices through price discovery, all of that stuff. Someone goes away, they've gone away, but we take that feedback into account, into a pricing or product building.

Ankur: ([24:19](#))
Fantastic man. On that note, thank you so much for being part of Building It Up with Bertelsmann. It was a pleasure to have you and all the best for everything that you're doing and more.

Anand: ([24:00](#))

Thank you very much. I'll take all your love wishes. Thank you.