The secret to Atlassian's success

Head of marketing for productivity and collaboration solutions Spencer Frasher unpicks the clever marketing strategy that underpins the company's growth.

The product that Mike [Cannon-Brookes] and Scott [Farquhar] decided to build was team-based. Team-based is important because you don't need a chief information officer to buy it. The products are bought and used by development managers, software managers, product managers and marketing managers. The price was extremely low in comparison to other software providers. And they published the price and refused to negotiate on it.

You can imagine when a major client calls you up and says, "Hey, I'd love to buy your software. Let's start negotiating," and you say, "No." That's a hard thing to do. And it's hard the first time and the second time and the 100th time.

They said no every single time and they took that risk because they said, "We will never get to the scale that we want to if we have to negotiate all of these things."

Transparency is one of our core culture values: open company, no bullshit. So having a price that is obviously cascaded or negotiated, or somebody else is buying at a different price, was not OK with them. The benefit of low price is that it's low risk, so we can get a lot of people to try it.

When it comes to promotion, if you have low price, you can't pay a lot for promotion. You have to decide on promotion vehicles that support the price point, especially when you want to be cash flow positive the entire time. They heavily relied on word-of-mouth marketing.

Today, it is commonplace to sell online. In 2002, nobody was doing that. But Mike and Scott wanted to be a global company. To do that, they needed to be able to scale. They made the decision early on to sell all of their software online so people can download it and deploy.

All of these things, with the benefit of hindsight, look so simple. But at the time, each was a risk. And the reason why the risk worked out is because they understood their customer from the beginning and they picked their four Ps [product, price, placement and promotion] and they made huge bets on each one of those.

Atlassian spent 20 per cent of overall revenue on sales and marketing in their last fiscal year, and we spent 46 per cent of our revenue on research and development during that same timeframe. We're investing heavily in our product and by investing heavily in our product, we hope that it almost sells itself, that people want to talk about the great experience they had with it.

That's key to the flywheel model: you download the software, you like it, you invest more on it, it gets better, you tell your friends, you quit that job, you go to a better job. You say, "You know what, we don't have JIRA here and I used to use it in another place. I'm just going to use it, put it on my credit card; I know it's going to work. The product gets better and better all the time."

Word of mouth is extremely low-cost advertising. It really comes down to four things:

The first thing is user groups where people get together, typically in a city, and talk about Atlassian stuff. There are power users from big companies and small who raise their hand to start a user group and get people involved.

These volunteers are our Atlassian User Group leaders and we support them in a variety of ways and set them up with some stuff, like product licenses, starter sheets, and a global community of other group leaders to share best practices. But everything else – the food, the pizza, all the people

– is the responsibility of the user group. They become the owners of making this happen and it becomes a real passion project.

Philanthropy has always been a part of Atlassian's DNA. We pledged 1 per cent of equity, employee time, product and profit to charity more than 14 years ago when we were just getting started. Our approach was to make a public pledge of our intentions so the world would hold us accountable. With Atlassian now valued around $US6 billion, that "1 per cent of nothing" set aside 14 years ago equates to roughly $60 million.

As an early adopter of the 1 per cent model and a great example of the good that comes from the 1 per cent approach, Atlassian co-founded Pledge 1% to inspire and help other people and companies. At the end of the day, employees, customers and community all benefit when a company builds giving back into its culture. It's one of the best decisions we made.

We probably do feedback better than most companies. So, from the very beginning, we've had jira.atlassian.com. It's a bug tracker. You come in, you can find bugs, you can file feature requests. We get a thousand pieces of feedback every month from our users.

There are very few public companies who are actually exposing this amount of information to customers. Just imagine how powerful you feel as a user now you have that conduit and action is taken. You can say, "I was part of that solution. That feature is now one of the things I'm going to do. And again, that's a thing I contributed to."

The other thing we do is net promoter scoring. At regular times, we'll pop it in a certain product. It says, "How likely would you to be to recommend this to a friend? From zero to 10?" So, if you give us a nine or a 10, we catch you as a promoter. If you give us an eight or seven, if means you're neutral. And six or below, we're going to say you are a detractor.

We have 15,000 pieces of feedback a month through that tool. We have this algorithm that's looking through and able to give us a sense of what the comments are about: speed, or functionality, or usability, reliability, whatever it is, we rank all that, and we look at this weekly.

We look at our [net promoter] score weekly, and we have goals against it. We need to figure out what are the things that people are really talking to us about when they're detractors. It's not just the place for us to listen to people, we're actually taking that feedback and changing our products based on what that is.

The decisions made at the founding had profound effects on the strategy that was executed. Understanding your customer is critical and the decision you make on how you're going to spend your money have really important impacts on asset allocation in your company.

This is an edited transcript of an address to the Melbourne Accelerator Program delegation to Silicon Valley in November 2016.