# Making The Cut

## How to Make Sure Your Software Is Indispensable in a Down Economy

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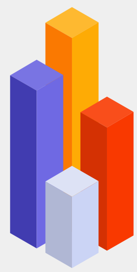
Presented by:

Qrvey | Embedded Analytics for SaaS Companies



SaaS applications have enjoyed years of ongoing growth as vital drivers of business productivity. However, **the stability of SaaS revenue run rates are not guaranteed**. The global economy is poised to slow further, according to the IMF, and US consumer confidence declined in January 2023. Facing an economic downturn, companies and consumers alike will strive to reduce expenses, including software costs.

According to the BetterCloud 2023 State of SaaSOps Report, **40% of IT professionals consolidated redundant/duplicate SaaS apps** in the past year. As analyst Kurt Shenk states, "The software industry has thick (but not impenetrable) skin."

Despite app consolidation, BetterCloud found the net growth of SaaS apps used is still up 18% this year, with organizations now using 130 apps on average. According to Forrester, growth in enterprise software spending is expected to continue at a steady 12 percent.

While the prognosis isn't disastrous, most SaaS companies are unprepared to cope with a challenging economic environment. The vast majority of companies in this industry have never experienced a recession.

To avoid economic slow-down, it's important to reduce churn and **shift your app into the mission-critical category.** We'll cover some steps you can take to make the cut and ensure your app is critical – plus some steps *not* to take.

## Ease of SaaS Implementation = Ease of Extraction

Unfortunately, **SaaS products are inherently more susceptible to churn**. SaaS is easy to acquire, deploy, and implement. Unfortunately, that also makes it easier to *un-implement*. With nothing to technically 'rip out,' SaaS software is simpler to remove than traditional on-prem, client-server applications.

It's also easier to reduce consumption of SaaS apps by subscribing to lower plans and reducing user count. Unlike traditional software, SaaS is typically priced on a per-month or per-year basis, thus making it easier for customers to disconnect or reduce consumption.

Organizations determine where to spend – and where to cut back – by **appraising value per dollar spent**. For your organization to make the cut, you can **reduce the dollars your customers spend or increase the value you deliver**. Let's consider the first option.

## Resist the Urge to Lower Your Prices

Lowering prices to spur growth is as old as time. Unfortunately, it directly hurts the bottom line. The price of traditional software is typically comprised of an upfront acquisition cost with comparatively lower maintenance expenses. New discounts don't impact existing customers, just like we don't expect a refund if next year's model fridge or car is cheaper. But with SaaS users paying month to month, **any price cut will likely have to apply to everybody** – unavoidably.  Additionally, **once lowered, it's extremely difficult to raise prices**, especially within a short period of time.

Slowing sales growth isn't a recipe for recession-proofing your business. A recent Capgemini valuation analysis of over 150 public SaaS companies showed that the industry drew down by 53% from Q3 2021 to Q1 2022. For comparison, the benchmark S&P 500 index has experienced a decline of only 15% in this same time.

Rather than compromising growth, the more profitable and stable long term path is to **add enough value to your product, so it becomes indispensable**. The Capgemini analysis suggests **company valuation was overwhelmingly related to growth**, with growth being more impactful than margins. A recent Forrester report shares this optimistic outlook. "Software solutions are mission-critical in nature and vital to the day-to-day operations of a modern enterprise. **Leading software vendors can raise prices consistently without losing demand**, resulting in high and stable margins."

## Continue to Add Vital Functionality

With an eye on the bottom line, it can be tempting to reduce expenses by cutting back on product enhancements. But you should continue adding new functionality… because your competitors surely will.

While SaaS apps may be more susceptible to churn than monolithic apps, they have the advantage when it comes to product enhancements. SaaS providers can develop and deploy new functionality more quickly and easily. In particular, **cloud native architecture makes it easier to augment your product** by adding new services and swapping others out.

The growth of AWS microservices, serverless architectures, and supporting services have made it possible for SaaS companies to quickly enhance their products, build more robust roadmaps, and improve their customer experiences - all while potentially lowering costs and simplifying maintenance. Microservices separate functions and services, making it **significantly easier to grow and build out your products**. We delve into this topic in the article, [How Serverless Eases Deployment & Management] of Robust Apps.


## Add Value Quickly Through Data Visualizations

One area that adds value directly is data visualizations, including dashboards and reports. The promise of business intelligence is to provide greater insights from which organizations can make numerous productivity gains such as increasing revenue, reducing expenses, saving time, and reducing risk. Offering better BI insights can enhance the value of your app, empowering workers to make more intelligent decisions.

Embedding analytics can impact your revenue by increasing customer retention and win rates. When you empower users to create their own dashboards and reports, **they can build their own value** and gain a sense of ownership, making your app stickier. You can also boost revenue directly if you charge additional fees for advanced tiers.

To add value to your app, SaaS companies should look for **augmentations that are easy to embed and not prohibitively expensive** both to purchase and implement.

## Don’t Stop ‘Selling’ Your Product

Your customer success department should essentially ‘sell’ the functionality to ***existing* customers so they can understand *what* is available, and *how* to take full advantage of it.**

“A bad product fit or confusing onboarding process can cause new customers to look at your competitors. Logan Mallory, the VP of Marketing at Motivosity, says higher churn rates are largely tied to how customers are treated post-purchase.”

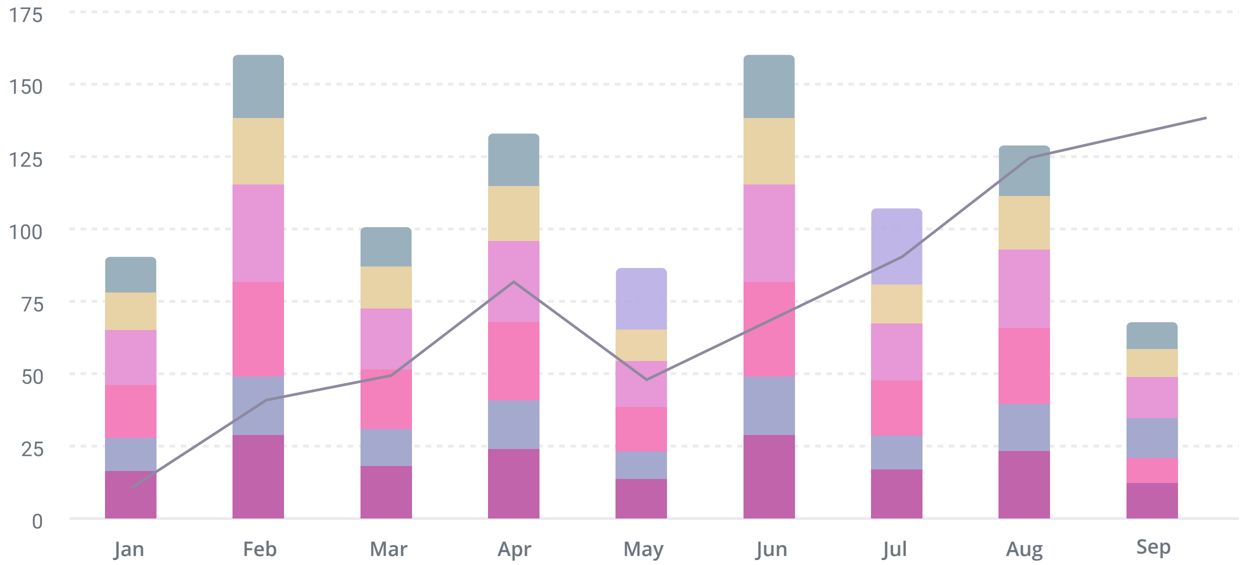
Your **“support” initiatives must exceed** mere bug fixes and responses to inbound inquiries. Help content should also expand beyond explaining how to execute a specific task and also tell them what they ought to do. Instead of only simple step-by-step instructions, also include best practices and ways users can optimize their business with your app.

Support content should also **come in various formats** so users can consume it in their preferred way – from podcasts and live webinars to videos and text blogs. For example, green industry software SingleOps has a robust knowledge base as well as informative podcast on broader issues impacting their users.

## Spread your Tentacles by Expanding Analytics

Empower users with a broader expanse of analytics by incorporating more data points. This makes your app **useful to more employees within each customer’s organization**. With the right tool, you can further expand the utility of your product by enabling **reporting on customer-defined data**, a unique challenge.

Spreading further into each user’s organization, reaching more employees, and analyzing more data are steps that shift your app into the “mission-critical” category.



## Gather and Incorporate Customer Feedback

By staying abreast of customer progress, you can **work to rectify pain points before customers are lost**. If you don't know they're struggling, you can't help. And you can't always depend on customers reaching out to inform you of their struggles.

For example, governance, risk management, and compliance software provider StandardFusion was able to help Wotton + Kearney cope with an implementation which started slowly, and climb the initial learning curve to achieve success.