

YOUNIUM

# The Five Steps of SaaS Success

The screenshot displays the YOUNIUM software interface. At the top, there is a navigation menu with items: Insights, Accounts, Products, Orders, Invoicing, Accounting Periods, Usage, Bookings, Journals, Reports, and Settings. On the right side, it shows 'LEGAL ENTITY: Demo company 1' and 'DEMO: Chris CFO'. The main content area is divided into several sections:

- Create Batch:** A form with fields for 'INVOICE ALL ACCOUNTS' (YES), 'TARGET DATE' (2017-06-01), and 'INVOICE DATE' (2017-06-01). A 'CREATE BATCH' button is visible.
- Batches:** A table with columns: BATCH NUMBER, CREATED, INVOICE DATE, INVOICES, and OPEN DRAFTS. It lists several batches with their respective dates and counts.
- Invoices:** A table with columns: ACCOUNT, NUMBER, STATUS, TARGET DATE, and TOTAL AMOUNT. It shows three draft invoices for 'Goalplan', 'Company AB', and 'CrazyTech AB'.
- Lines:** A table with columns: PRODUCT NUMBER, CHARGE, SERVICE PERIOD START, SERVICE PERIOD END, QUANTITY, UNIT OF MEASURE, and SUBTOTAL. It currently shows 'No records available.'

## SaaS Subscription Management

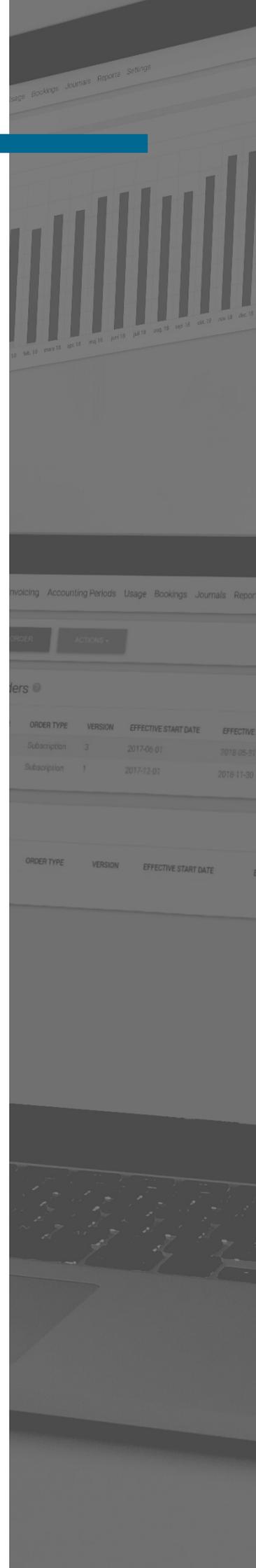
# Introduction

SaaS Companies are facing unique problems today that haven't before been seen in traditional business. While the subscription model presents many advantages for companies offering products and services that are online and cloud-based, the industry is also seeing growing pains when it comes to finding a formula for fast and sustainable success.

Through our experience working with SaaS businesses, we've come to find a path that works for subscription model companies to build sustainable, long-term business growth through agile data and intelligent decision making.

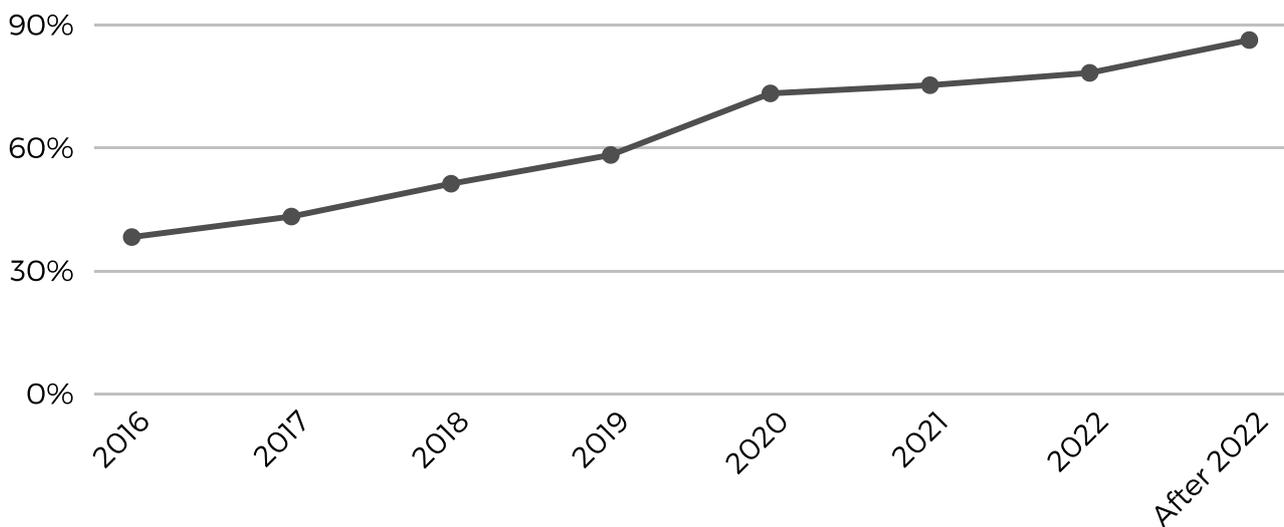
The path can be seen as a recipe for SaaS businesses to follow. Each step is integral for continual growth, as is the order they come in. Often times SaaS businesses in early stages or growth phase lose organisation and direction when they don't have a prescribed or defined process they are following.

What we have found is that successful SaaS companies: first (1) define the business, their products, pricing, and goals, then (2) secure correct master data, (3) establish controlled subscription management, (4) measure data for growth, then (5) make improvements continually.



## SAAS BY NUMBERS

### The state of the subscription model business



Percentage of organisations estimating when 80% or more of their business tools will be SaaS

## INDUSTRY TRENDS

**\$76 BILLION**

Expected growth of the public SaaS market by 2020

**33%**

Year over year increase in number of companies using custom B2B SaaS in 2017

**38%**

of US companies that began being a SaaS only workplace in 2017

Source: Finances Online

There's no doubt that the SaaS industry is expanding and won't be slowing down any time soon. As more companies look to transform their entire organisations to using only SaaS and cloud-based platforms, it presents immense opportunities for SaaS companies that are right now establishing and growing.

It is important, however, that SaaS companies realize that there is a lot more to succeeding in a rapidly growing market than just being in the right place at the right time. As with most industries, there will come a point of saturation and the companies who are most poised to succeed will be the ones that have clear direction for their business, clearly defined and organised processes, and infrastructure in place to best manage customers and accounts.

### STEP 1

## Define the Business

It can be difficult to achieve the direction for your business and the results you desire without first defining what your business is. While it can be fairly simple to articulate what your business does and what concept you're selling, you need to set up your business plan as a means to define your business and understand the goals you want to achieve. How will you achieve those goals, and what and how you define success when you get there? By starting with defining your business, your path towards monetization and successful subscription management will be more clear.

#### **What are your long term versus short term goals?**

Since growing SaaS companies tend to change over time, you likely want to think about what you can achieve in the short term, versus where you want your company to go in the future. If you do this, you can be more realistic about what you can achieve short term, while setting yourself up to be able to achieve the long term goals. If you do not align short term goals versus long term goals, you may find a disconnect in your ability to get from point A to point B.

Do you want to eventually be a "full-service" type of SaaS platform with designated account managers? Do you want your customers to mostly be autonomous except for when issues in the software arise? Do you aim to secure only long-term contracts with enterprise companies?



94% of the surveyed senior-level executives believed personalization is important or critical to reaching customers

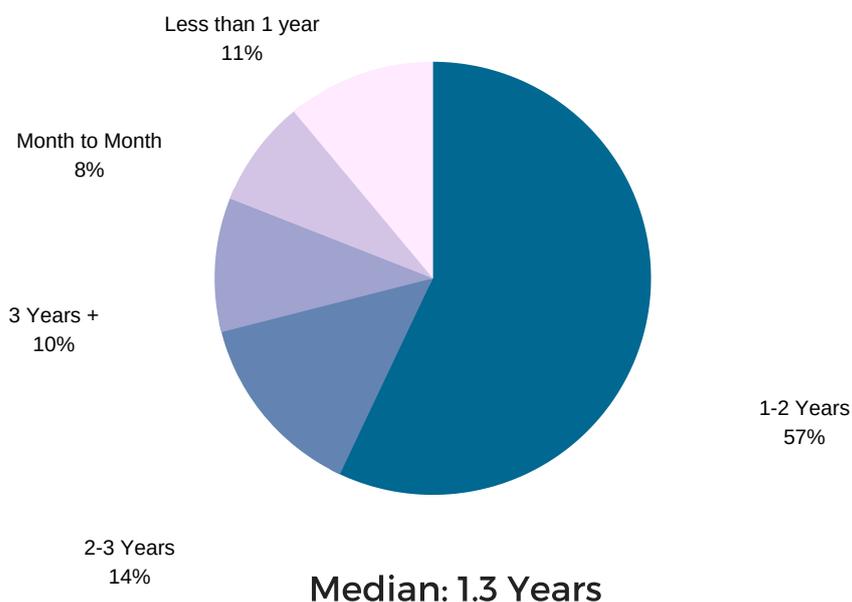
Source: Finances Online

## ESTABLISH GOALS

- KPIs
- Business Plan
- Investment Strategy
- Marketing and Sales goals
- Feature and services roadmap
- Pricing and Term offerings

## STEP 1 CONTINUED

### AVERAGE CONTRACT LENGTHS



Source: Digital Media Stream

What are the activities you need to achieve right here and right now to be able to secure what you want later down the line? Think of it as the “walking before you run” mindset. If you can think about short-term goals and how they impact long-term goals, you can be in a better position to be realistic about building a successful and agile SaaS company.

#### What are your offerings?

It may be tempting to launch your SaaS platform and worry about details like subscriptions and packages later, but word to the wise: once you start obtaining customers, it can be very challenging to later define your offerings for two reasons: customers may not be happy if you switch things up on them, and you may get stuck with customers in subscriptions that are not actually optimized for price or service capacity.

While of course your subscription offerings may change over time as your business grows, you should start off with established offerings and have a clear picture of what you want to base your business model on.

#### What to consider

Will you have termed contracts, or will they be evergreen? Will your payment model be pay-per-usage or will you have recurring payments? If you are utilizing a recurring payment structure, what will the payment period be? Do you bill your customers annually or monthly? Will you offer a model of pay-per-usage to a point then users must add features, or upgrade? What are your pricing tiers and how do you add value for each level?

These are all questions you should consider when establishing the definition of your SaaS business and how you want it to operate. Without considering these alternatives for how you offer your services and product features, you may find yourself unable to manage different types of payment structures and subscriptions across your platform which can make bigger problems in the future.

#### Set up

##### KPIs and align your reporting

Some SaaS companies are so eager to just get going, that they forget to decide how to define success. Without understanding your performance and aligning reporting to be able to do so, you may have trouble establishing these things later on.

SaaS companies are unique in that they have varying types of KPIs that may not be applicable for other types of business models, that's why it's important to understand the important metrics from the get go. These include recurring revenue, customer lifetime value, renewal and upsell rates, and churn rates. You also want to be tracking your costs versus revenues to know what your customer acquisition costs are and your marketing and sales return on investment.

## STEP 2

# Correct Subscription Master Data

### WHY COMPANIES ARE MOVING TO SAAS

- It costs less compared to their legacy systems
- It cuts their operational costs
- It enables them to maintain a consistent working process
- It enables collaboration in large and decentralized teams
- It facilitates access to data
- It is mobile-optimized, and independent from the devices they're using
- It reduces (or eliminates) the burden of upgrading, maintenance, and safeguarding data

Source: Finances Online

When we talk about master data, what we mean is the metrics and information that are crucial to operating your SaaS business. Without having access or control over the information about your customers and your subscription portfolios, you will struggle to be able to value performance and understand how to make improvements over time.

#### **Create one source of master data**

A major problem that SaaS companies run into is having too many import sources of data. If you're running your business using several tools for financial reporting, customer relationship management, subscription offerings, etc, you run the risk of not being able to align your data or create reports that allow you to drill down into your subscriptions to manage them efficiently.

If you create one source of this master data, then you possess the ability to measure data points against one another rather than having to do these types of things manually. For example, if you're using a spreadsheet to compare financial reports to customer information to measure things like average revenue per account for different pricing tiers, you may not easily see that perhaps a certain pricing tier isn't performing, or bringing in enough revenues to be sustainable over time. By using one source of master data, you may more easily be able to see when a subscription offering isn't performing, then you can make real-time adjustments to help boost revenues.

#### **Ensure you're collecting the right information**

Just as important as having one source of data, is making sure you're collecting the right data. With the amount of information that's available to cloud based companies these days, it can be overwhelming to know which data points are the most important and will actually benefit your business insights.

While every SaaS business is different because of varying KPIs and goals, there are a few integral metrics that are important to collect to ensure you're getting a clear picture on performance. To be able to measure things like customer churn percentage, you need to collect customer acquisition versus customer loss data. To be able to measure customer lifetime value, you need to collect data on contract length versus contract values and potentially measure these values against renewal rates and churn.

You may also need to ensure that you aren't collecting superfluous data that won't necessarily help you understand your customer needs or subscription performance. In fact, collecting too much data without a clear intent of the purpose might hinder important conclusions from being drawn.

## STEP 3

# Establish Efficient Subscription Operations

Now subscription management is one of the most important things for SaaS companies, and yet can be one of the most challenging tasks. Because many SaaS businesses do not have the right tools or methodologies for creating efficient subscription operations, they struggle to have control over their portfolios and offerings. But without enabling effective subscription management, SaaS executives may end up spending a lot of their time on manual activities and reporting, rather than focusing on running the businesses or growing sales.

### Set up automations

Here, of course, the main task would be to set up automated reports. This is why using one source for master data is so important, because it can be very difficult to automate reports when obtaining data from different places.

If you can automate your reporting, you can save an enormous amount of time that would otherwise be spent doing tedious manual tasks working in spreadsheets. By also setting up manual reports, you are much more likely to be able to spot issues as they arise, or find opportunities for upsells, renewals, and other revenue boosting activities. With manual reporting, there is more room for human error, and is also typically done less frequently which can prevent you from addressing crucial elements in real time.

### Set up workflows and processes

Once you set up automations, you can then be able to set up workflows and specific processes that follow a prescribed set of situations. For example if you set up workflows for subscription renewals, your automations can alert your system if a customer's subscription term is coming to an end and they do not have an agreement in place to renew. The workflow can be triggered to send this customer an automated email encouraging them to renew, or send the customer information to an account manager who can be alerted to the impending subscription renewal period and can then contact the customer directly.

Without setting up these kinds of workflows, it can be overwhelming to keep track of which customers are in which phases of their lifecycle, and what opportunities may be on the horizon. As your SaaS platform grows, it may become impossible to keep track of each customer individually, and you may miss important activities that encourage retention and reduce customer churn.

**-400%**

DECREASED  
CONVERSION RATE

A Drift survey found that if a SaaS company failed to respond to a lead within 5 minutes, the likelihood of conversion decreased 400%

**16%**

OF ANNUAL NEW  
CONTRACT VALUE

The average SaaS business generates 16% of its new Annual Contract Value (ACV) from upselling to existing customers.

**10%**

ANNUAL CHURN  
RATE

In 2016, the median annual churn rate was 10% with 2/3 of companies having a churn rate above 5%

**95%**

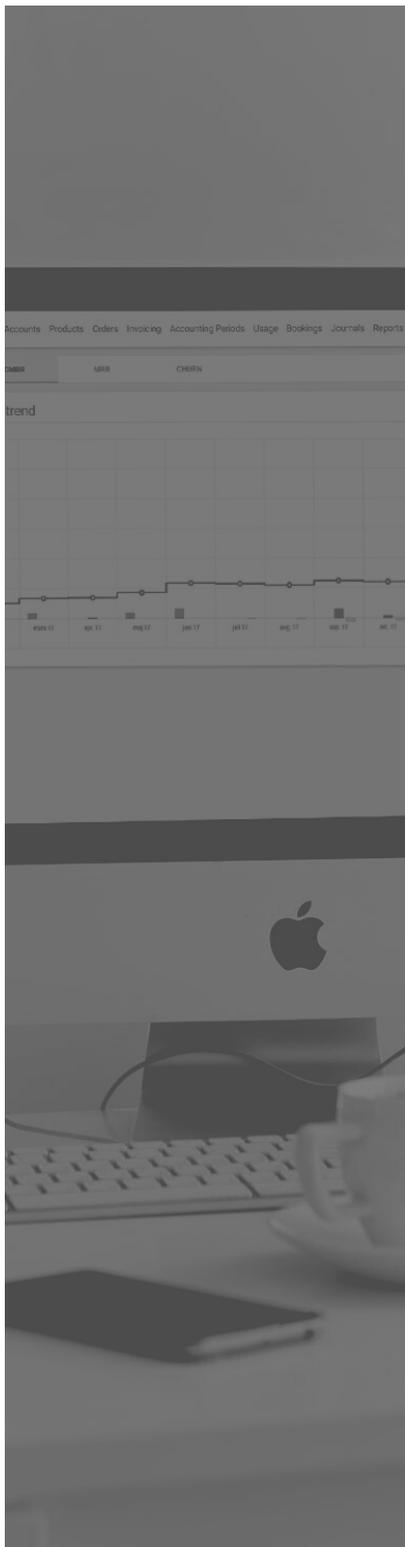
INCREASE IN  
REVENUE

When companies increase their customer retention rates by just 5%

Sources: Price Intelligently, Teks Mobile, Digital Media Stream,

## STEP 4

# Measure Data for Growth



### BUSINESS AGILITY

Tracking real-time data allows SaaS companies to adapt offerings

### CUSTOMER RETENTION

Having individual customer data ensures you keep more customers

### OPTIMIZED PRICING

SaaS pricing should be adaptable and determined by data

While setting up automations and reporting will ensure that you are able to get the right information about your customers and subscriptions, you need to ensure that you're using your data in the right ways. Having the right reports is the first step, but there are other things to consider to ensure that you are accessing and measuring your data in ways that contribute to growth activities.

#### **Make sure your data is available and transparent**

Reporting automations and master data is only good if it is accessible to the people on your team who need it. Your reports shouldn't only be available to executives if it's your customer success associates who are interested in the day in and day out information about how your offerings are being used. In fact, it's an important function for customer support and renewals if those who work in sales are aware of how your products are used and what issues there may be. You can better mitigate arising problems if you don't have to rely on data trickling down to customer-facing employees, instead of them simply having access to it in the first place.

With traditional software sales, often once a purchase is completed, that information goes to archive. But with subscriptions, the customer relationship is cyclical, not linear.

### STEP 4 CONTINUED

You need the right employees to have access to customer information and subscription reports, rather than these details going to archive, making it a challenge for subscriptions to be managed in real-time.

#### **Set up testing and measuring against KPIs**

So you set up KPIs early on, and you've established reporting and automations for how you manage your data, now comes the part where you are actively measuring and testing against those KPIs.

While you can more or less passively measure against KPIs, you'll find much more success if you can test alternatives. This can be running special offers and campaigns to boost sign-ups or referrals, or creating a short-term product offering at a special price to see if this can motivate prospects stuck in the sales funnel. Or, if you offer different packages and features at comparable prices, which performs better?

When you set up testing in this way, you can better discover the activities and actual product and service offerings that can have an impact on your bottom line.

#### **Use your data for forecasting**

One important use of your data is forecasting. SaaS subscription businesses are in a unique position to be able to use their subscription data to make predictions about future revenues based on contracts and term agreements.

Forecasting is beneficial for a number of reasons: you are able to show predictions of results to investors and stakeholders which can help with valuation. You can create budgets for future expenditures such as hiring or marketing spend based on secured contracts and future revenues. And you can also see if your result is actually less than what you want and if you look like you're going to miss your targets, so that you can make changes now that may impact your results positively in the future.



### STEP 5

## Make Improvements



Pricing is one of the most important financial levers that companies have at their disposal to influence the financial success of their business

Source: Forseti

So why are all these activities so important for SaaS companies? In the end it comes down to the ability to make improvements. Cloud-based SaaS subscription businesses can be much more agile than traditional software companies, because they can quickly adapt to customer demands and implement changes as need be.

#### **Learning from your data to make intelligent decisions**

In order to actually be agile, however, SaaS businesses need to know how to make intelligent business decisions based on the information they have available. Again, creating reports and automating data and workflows is all well and good, but data can only do so much on its own if you aren't adapting and making improvements over time.

As with forecasting, you can look at your subscription data and customer information to better understand the types of customers you have, how you are acquiring them, and what products or services they are best responding to.

With this information you can be in a better position to reinvest funds towards acquisition activities, or research and development for new products or services.

#### **Manage your subscription portfolio, become more agile**

With SaaS subscriptions, agility comes down to quickly and efficiently managing your portfolio. For example, if you're finding a high volume of cancellations on a particular pricing tier, you can perhaps infer that you aren't providing enough value for the price. You can then move to introduce more features at this price, or reduce the recurring rate for what you are offering. Then, measure the performance again and see if there is a reduction in cancellations. If your data is telling you there are issues, or performance against your KPIs is not positive, you should be taking swift action to remedy these situations.

On the flip side, if you are seeing positive result and growth, use the data to help dictate future offerings, what products are becoming your most valuable assets, and decide how you can recreate success you have now for the future.

## SaaS Subscription Management

# Conclusion

When SaaS businesses follow these five steps, they can be in a much better position to have sustainable growth and control over subscription offerings. While subscription management can be challenging, having a clearly defined business from the start, setting up master data, establishing efficient subscription operations, measuring and testing data, and making improvements over time will help SaaS companies perform better, longer.

Over time, this model can be replicated and repeated for subscription businesses to continue to be agile and adapt to current trends, changes in technology, and customer demands more easily than traditional software companies ever could.

### Contact

Get in touch with us to learn more about how the Younium platform can help your SaaS company achieve these five steps of success.

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YOUNIUM: SUBSCRIPTION MANAGEMENT FOR B2B COMPANIES