

How Retention is Changing



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platinum sponsor





HOW RETENTION IS CHANGING

**We're ill prepared for the speed of the market.
This has dire consequences for your business.**

Who in the world are you?



Price Intelligently

SaaS pricing software and tech enabled services

ProfitWell

Free financial metrics for subscription businesses

Happy customers big and small





We've seen inside more software companies than anyone else on the planet.



LET'S DIG IN TO SOME DATA GOODNESS TO GET BACK ON TRACK

- Consumers are getting hammered
- The market is dropping out beneath us
- We make life so much harder on ourselves

Consumers are getting hammered.

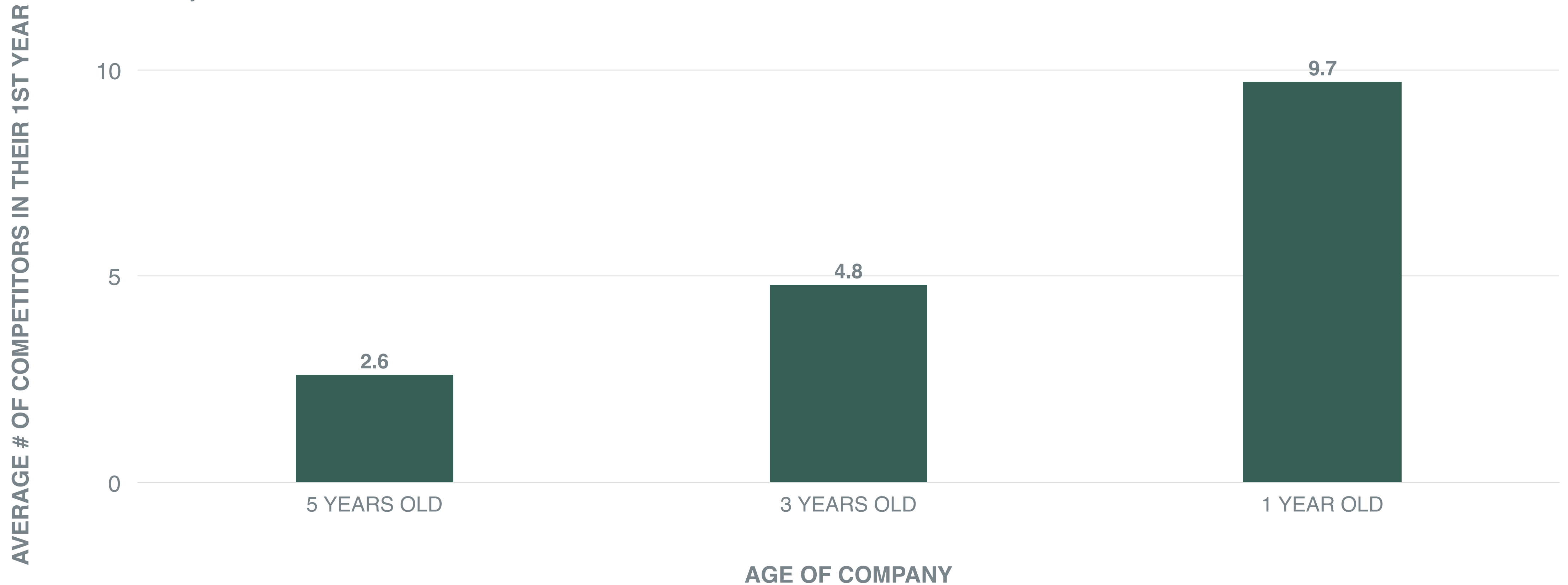


Competition is now rampant.

CONSUMERS ARE GETTING HAMMERED

Number of Competitors in First Year in Business

Companies started more than a year ago had far fewer competitors in their space than companies started today.

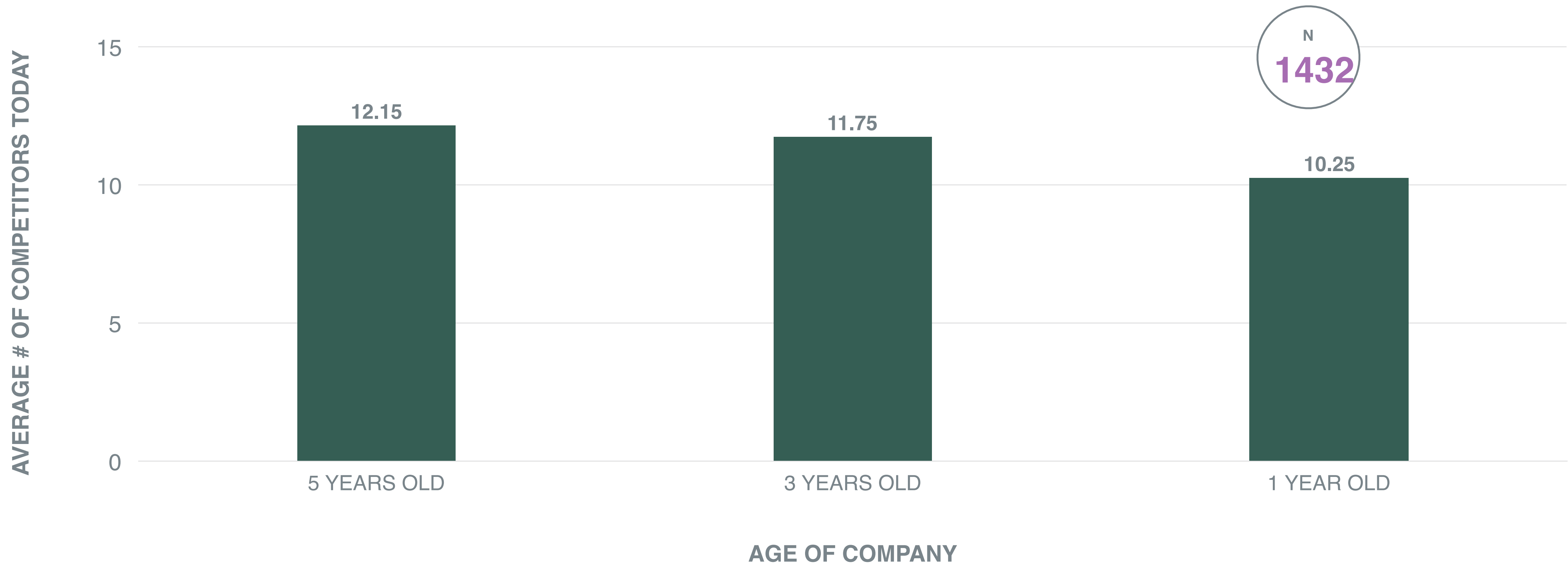


N = 1432 software founders and executives

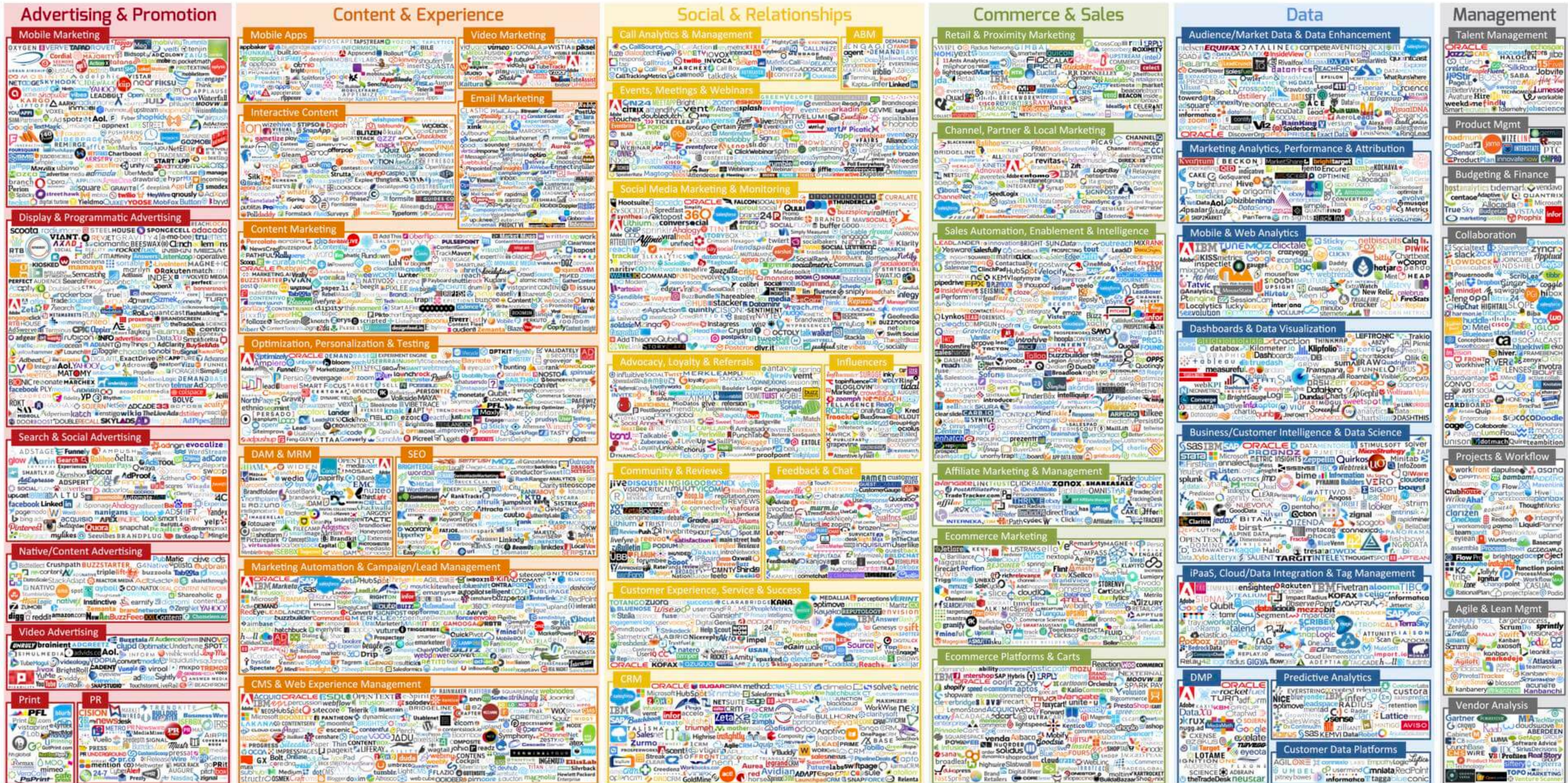
CONSUMERS ARE GETTING HAMMERED

Number of Competitors Today

Older companies increased competition over time, likely due to attracting new entrants, as well as decreased barrier to entry



N = 1432 software founders and executives



Sources: CabinetM (<http://cabinetm.com>), Captterra, G2 Crowd, Google, Growthverse, LUMA Partners, Siftary, TrustRadius, VBProfiles — see <http://chiefmartec.com/2016/03/marketing-technology-supergraphic-2016/> for details.

Created by Scott Brinker (@chiefmartec).



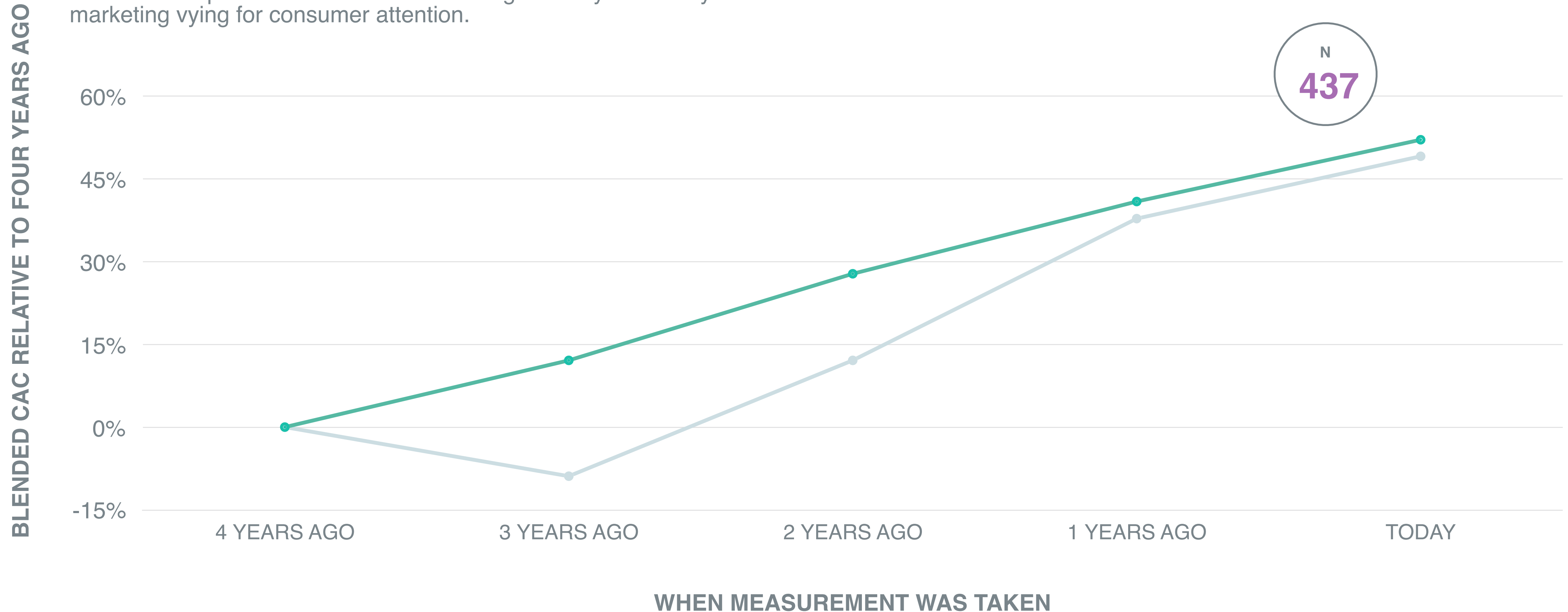
CAC is Steadily Increasing Over Time

UNIT ECONOMICS AREN'T WHAT THEY USED TO BE

Customer acquisition cost has increased significantly

● B2B
● B2C

Customer acquisition cost has increased significantly over the years due to market saturation of marketing vying for consumer attention.



N = 437 companies

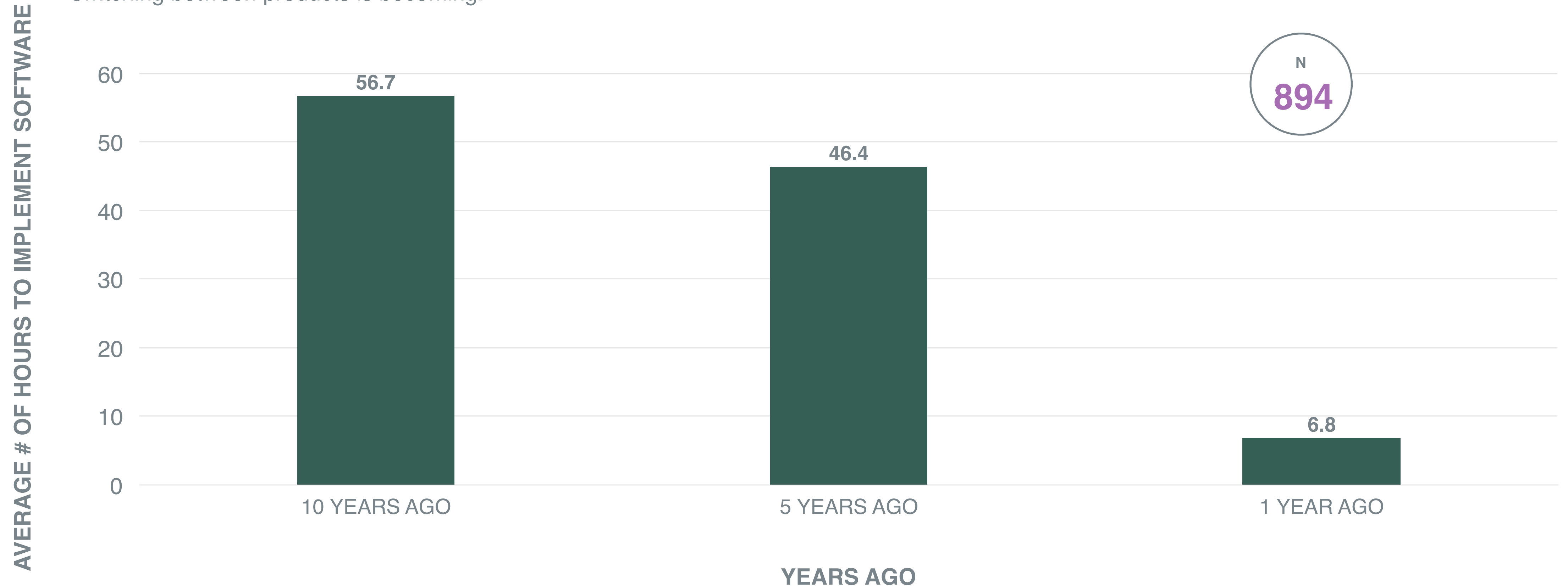


Switching costs have decreased dramatically.

CONSUMERS ARE GETTING HAMMERED

Time Taken to Fully Onboard Product in an Organization

Over time, implementation time has gone down substantially, providing a leading indicator of how easy switching between products is becoming.



N = 894 software companies

The Market is dropping out beneath us.



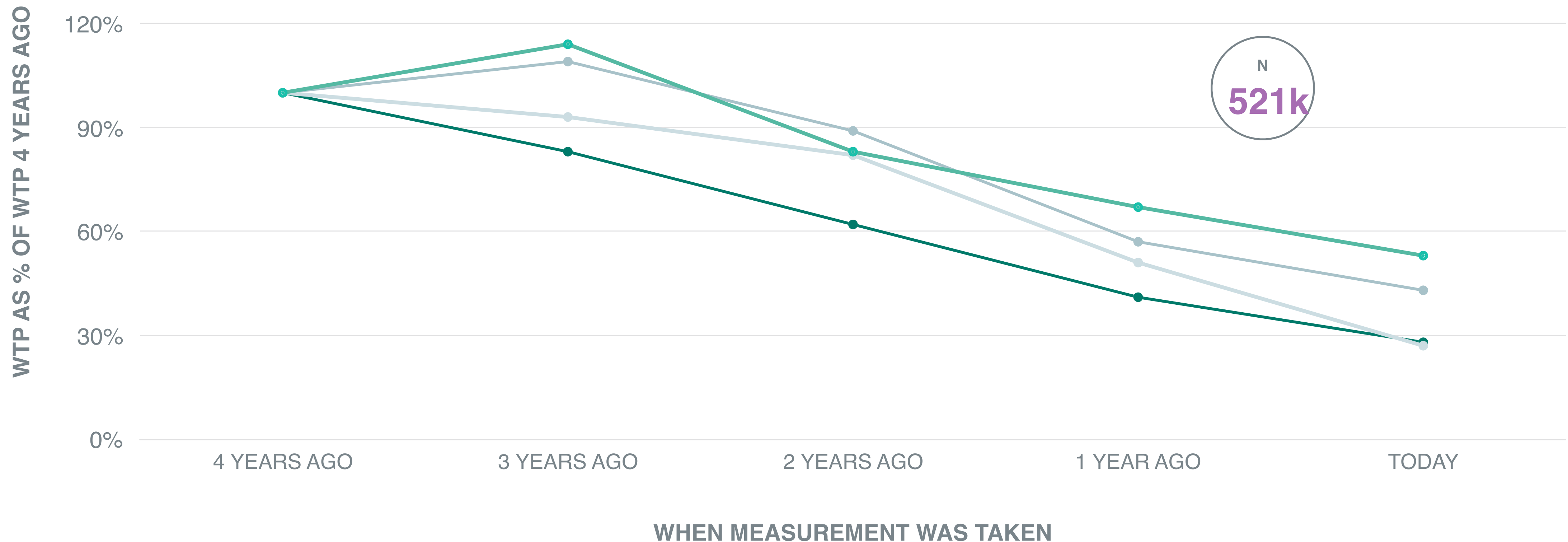
The relative value of features is declining.

THE MARKET IS DROPPING OUT BENEATH US

Consumer Willingness to Pay has Declined Over Time

Software willingness to pay has declined significantly over the past few years due to increased options and higher demands.

- Core Features
- Single Sign On
- Integrations
- Analytics



N = Varies by line, but minimum of 10,000 customer respondents per line

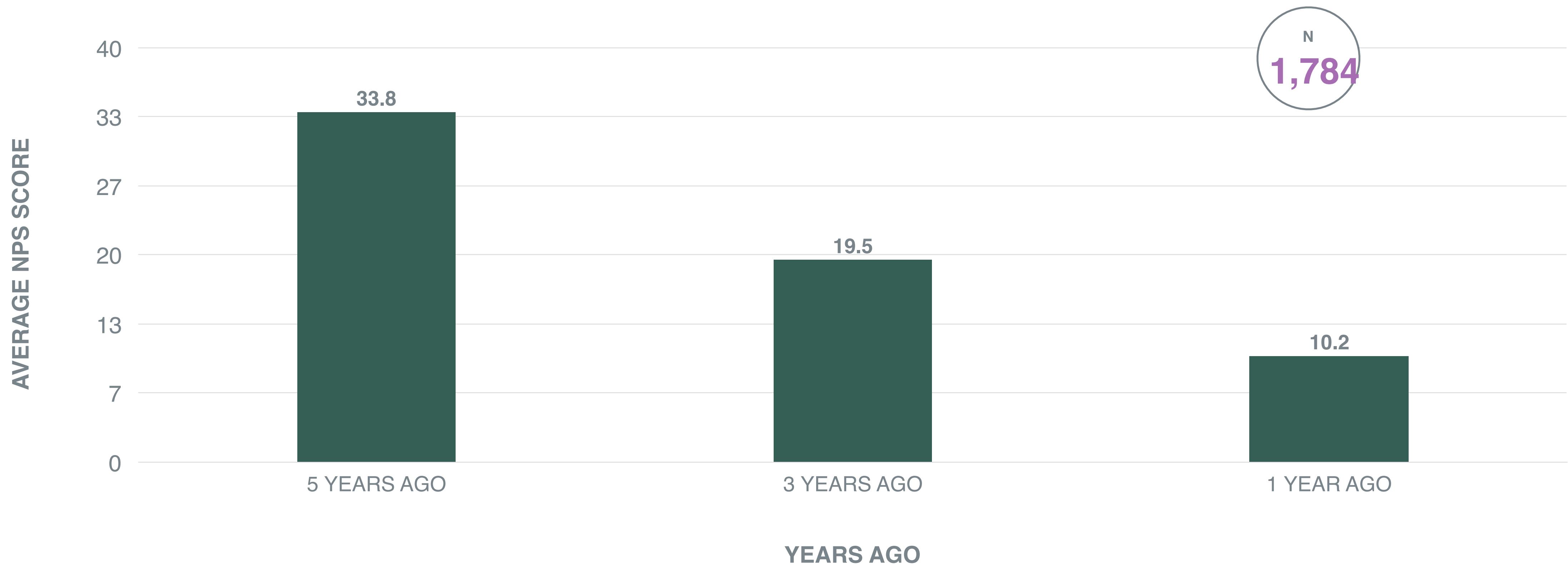


Consumers are so much pickier.

THE MARKET IS DROPPING OUT BENEATH US

Despite Amazing Advances, NPS is Actually Down Overall

Average NPS scores are actually falling pretty dramatically over the past five years, indicating either we're just getting worse at our jobs or consumers are expecting more



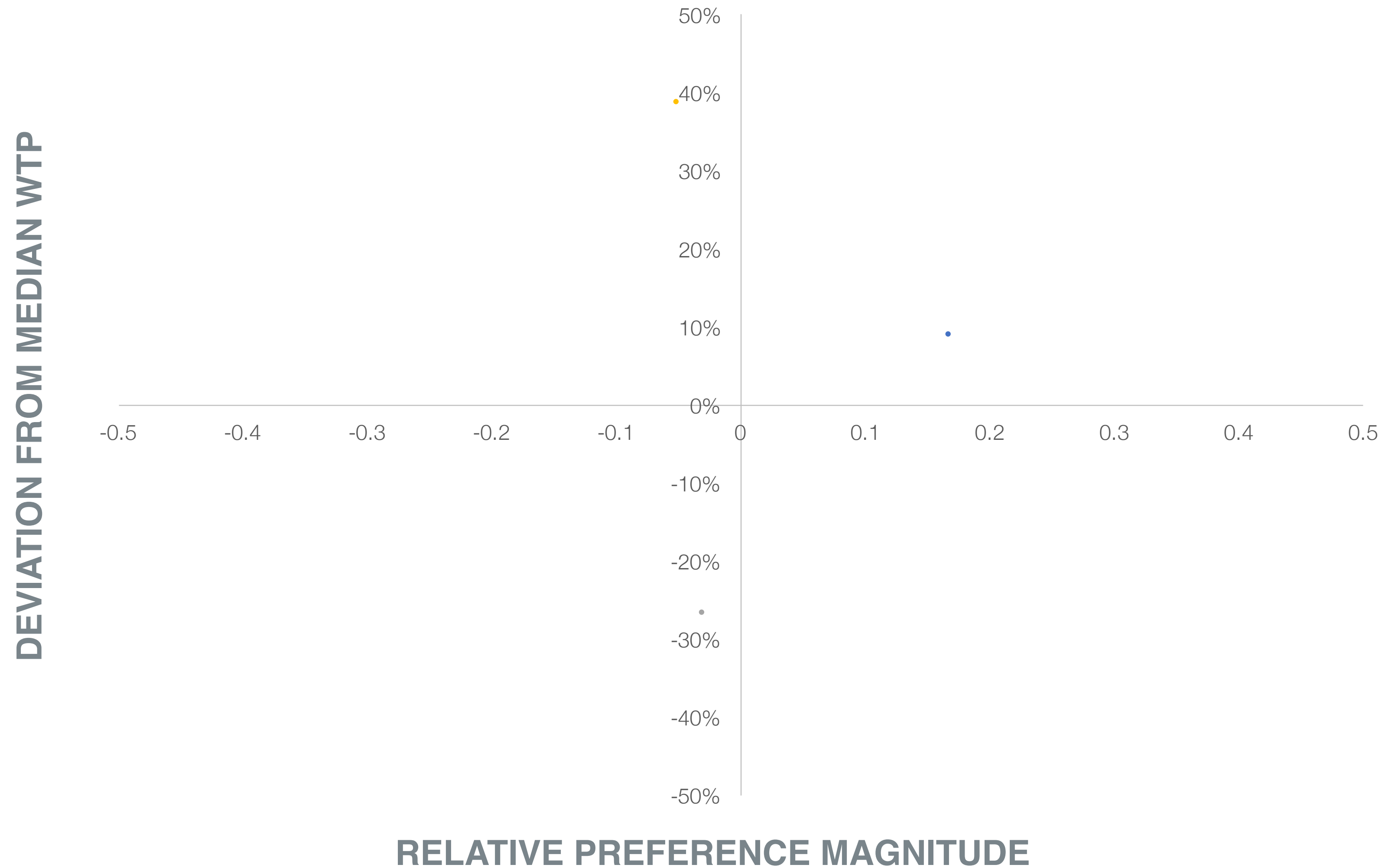
N = 1,784 software companies



We're building the wrong product.

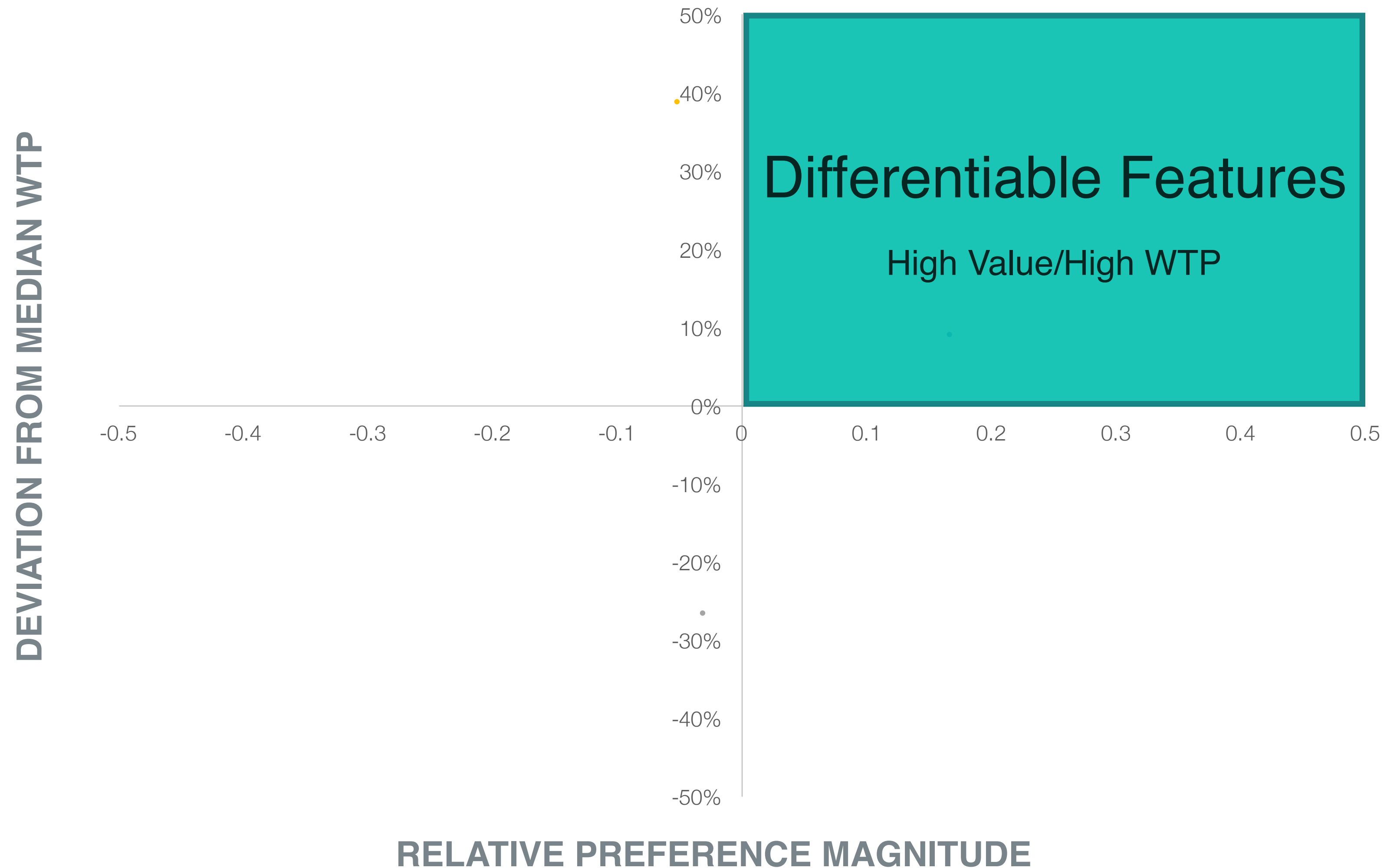
THE MARKET IS DROPPING OUT BENEATH US

Measuring consumer sentiment to what we're building



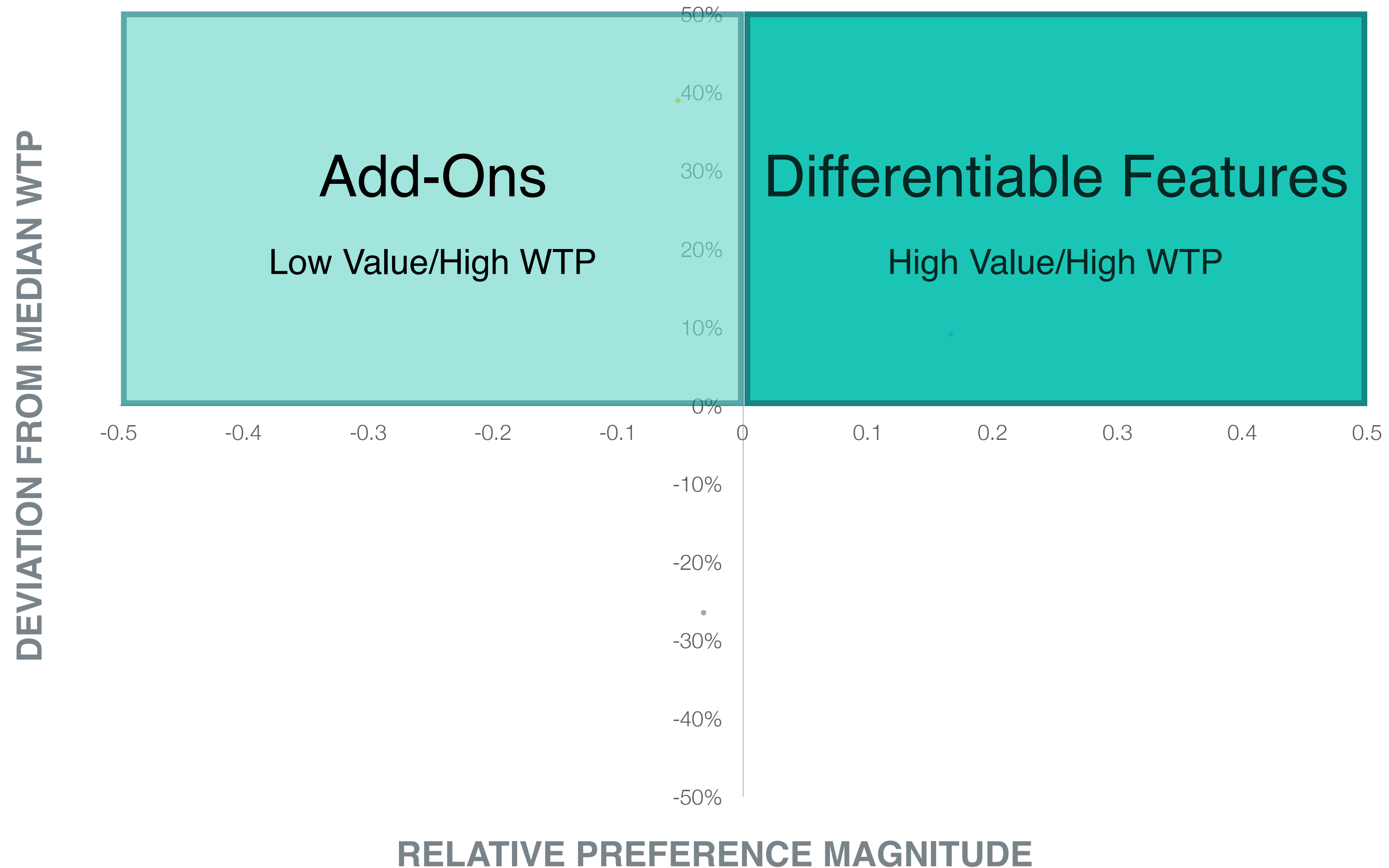
WE'RE BUILDING THE WRONG PRODUCT

Calculating the expected impact of product on growth



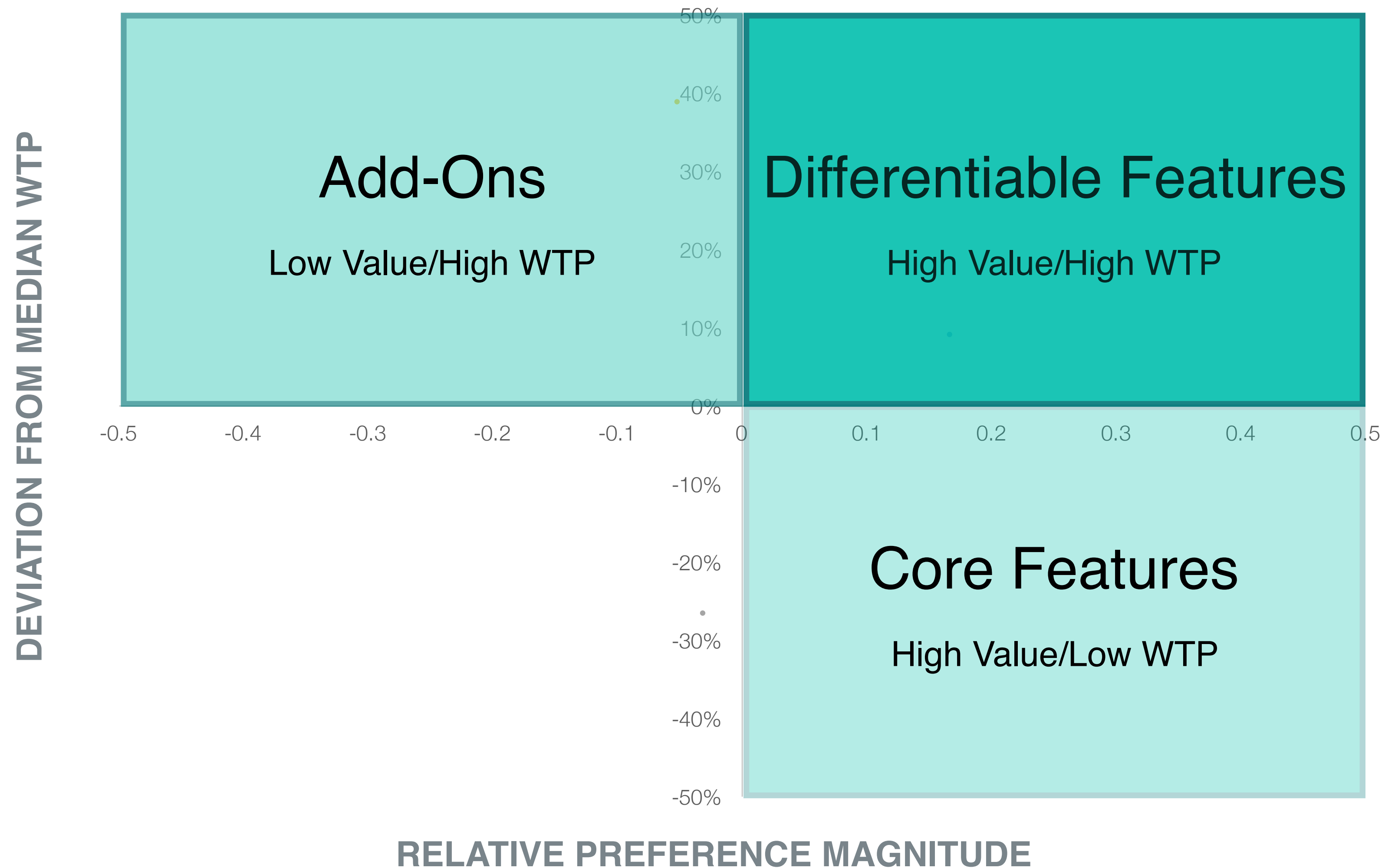
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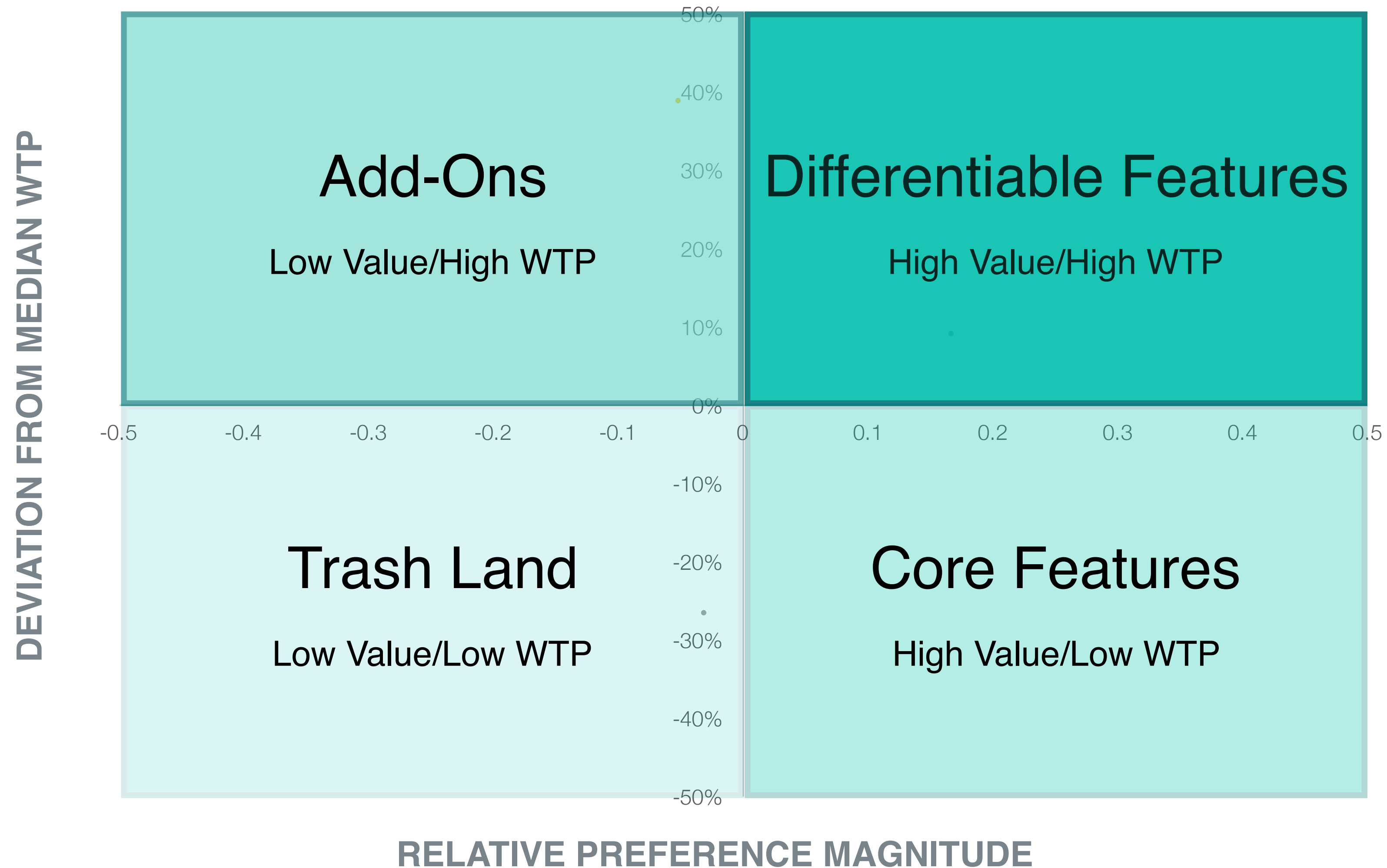
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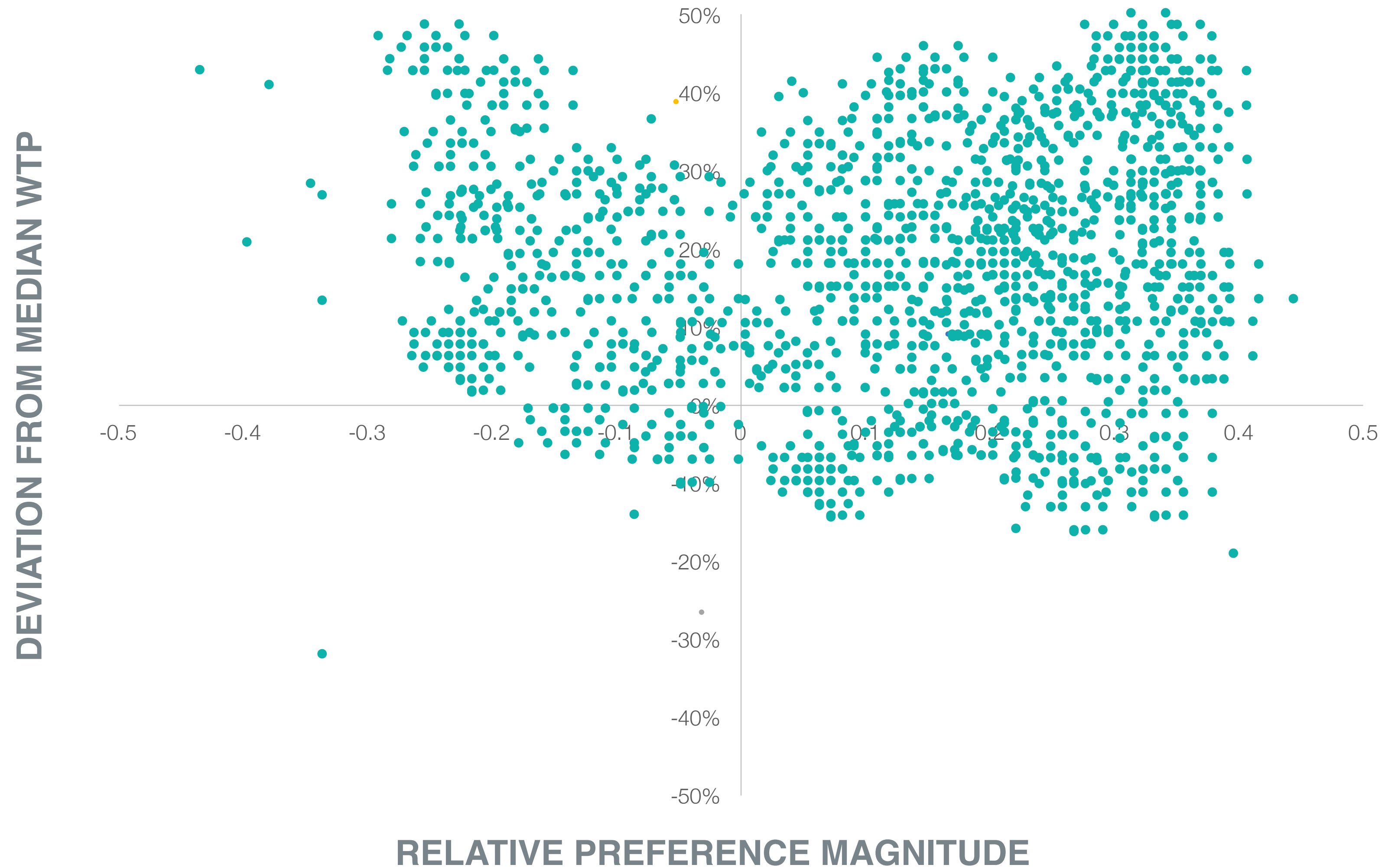
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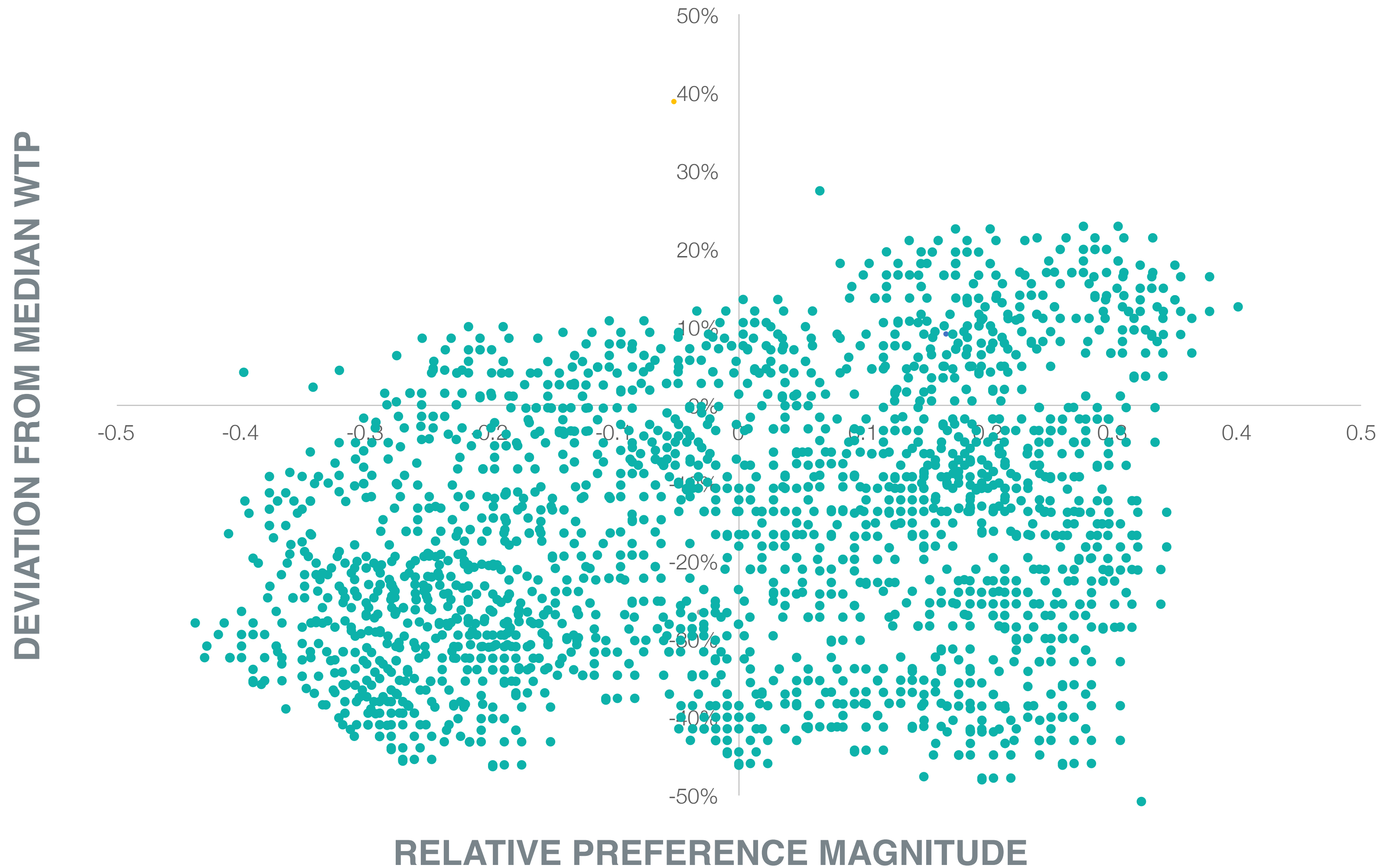
WE'RE BUILDING THE WRONG PRODUCT

What we think we're building



WE'RE BUILDING THE WRONG PRODUCT

What we're actually building



We make matter so much worse.

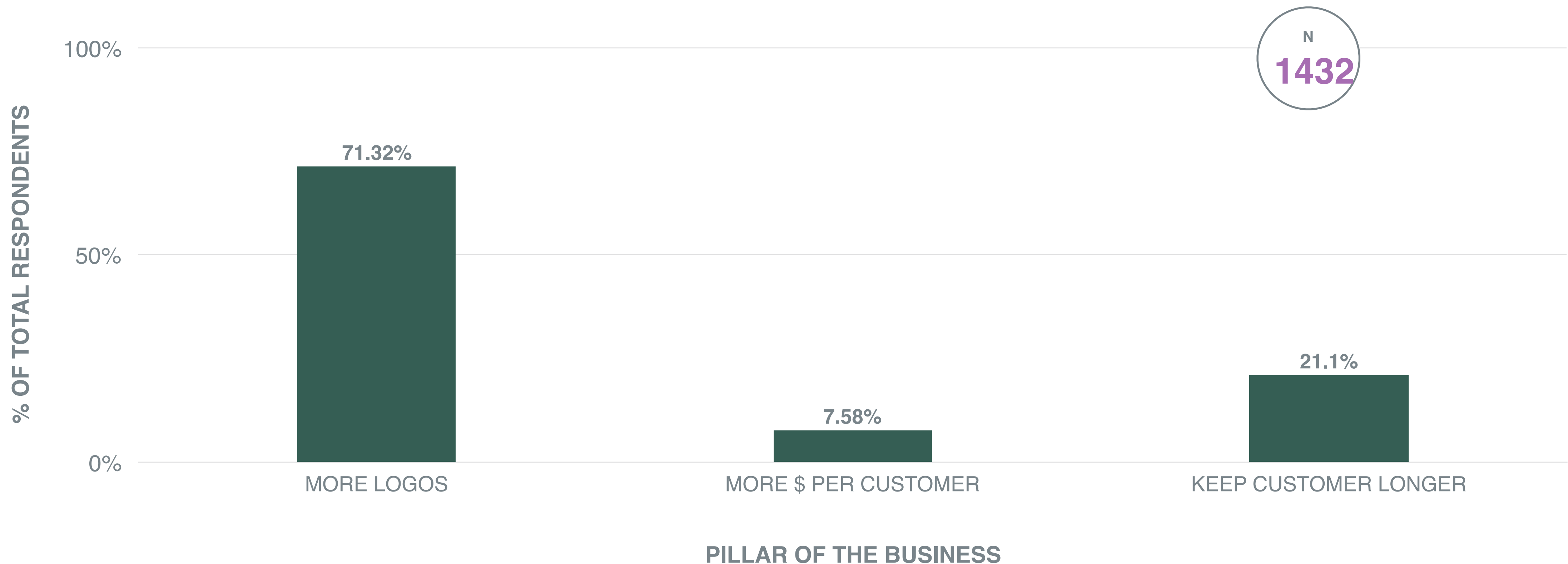
The background features abstract, flowing teal wireframe patterns in the top and bottom corners, creating a sense of movement and depth. The central text is set against a plain white background.

We focus on the wrong fundamentals.

WE MAKE MATTER SO MUCH WORSE

Which Pillar is the Most Important in Our Business

Founders and software executives overwhelmingly put their support behind acquisition based growth instead of caring about monetization or retention.




N = 1432 software founders and executives


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We don't know our buyers.

WHAT ARE QUANTIFIED BUYER PERSONAS?

Quantified buyer personas are data driven profiles of the customers you're targeting or choosing to ignore.

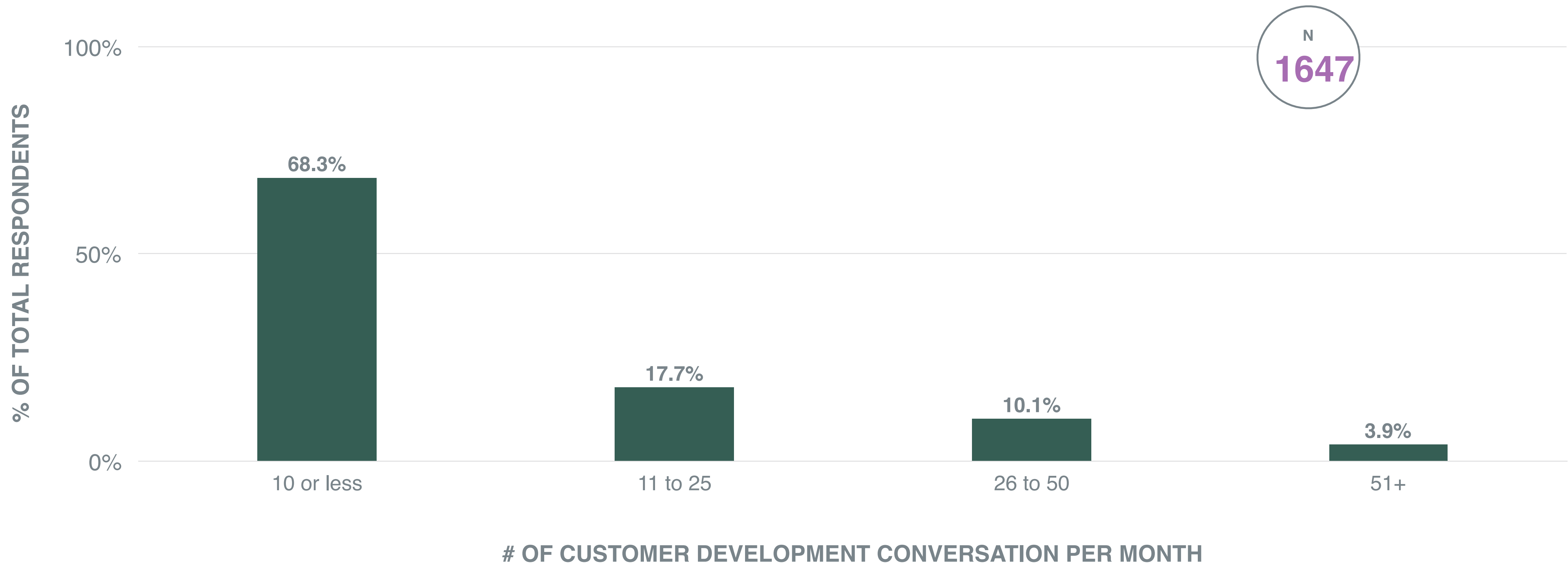
✔ TARGET PERSONA	
	Table Stakes Tony
VALUED FEATURES	LEAST VALUED
<ul style="list-style-type: none">› SFDC Integration› Chrome extension	<ul style="list-style-type: none">› Analytics› API access
LIFETIME VALUE	\$160
WILLINGNESS TO PAY	\$10/month
CUSTOMER ACQUISITION COST	\$22

! IGNORED PERSONA	
	Advanced Arnie
VALUED FEATURES	LEAST VALUED
<ul style="list-style-type: none">› Analytics› API Access	<ul style="list-style-type: none">› Chrome Extension› Premium Support
LIFETIME VALUE	\$75
WILLINGNESS TO PAY	\$25/month
CUSTOMER ACQUISITION COST	\$58

WE FOCUS ON THE WRONG FUNDAMENTALS

Customer Development Conversations Per Month

SaaS founders and executives indicated that their companies are primarily only talking to less than 10 customers in a cust dev capacity per month.

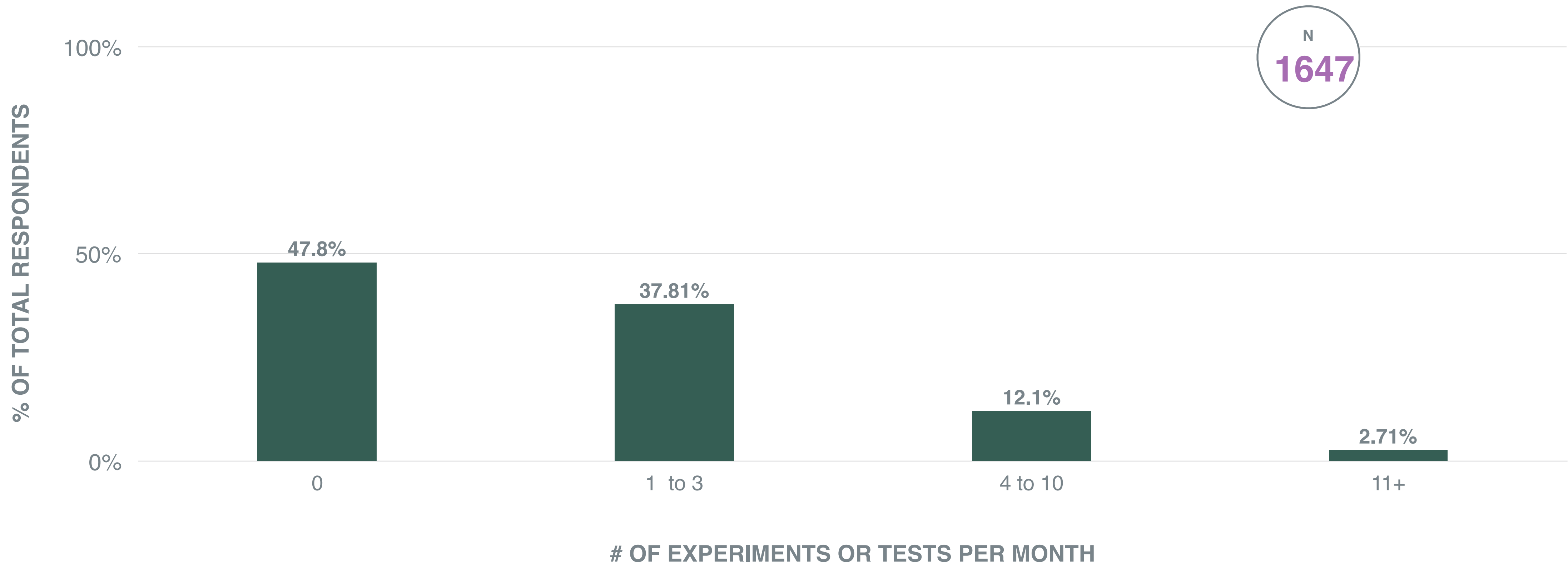


N = 1647 software founders and executives

WE FOCUS ON THE WRONG FUNDAMENTALS

Experiments and Tests Per Month

SaaS founders and executives indicated that their companies are overwhelmingly running less than 10 experiments per month.



N = 1647 software founders and executives

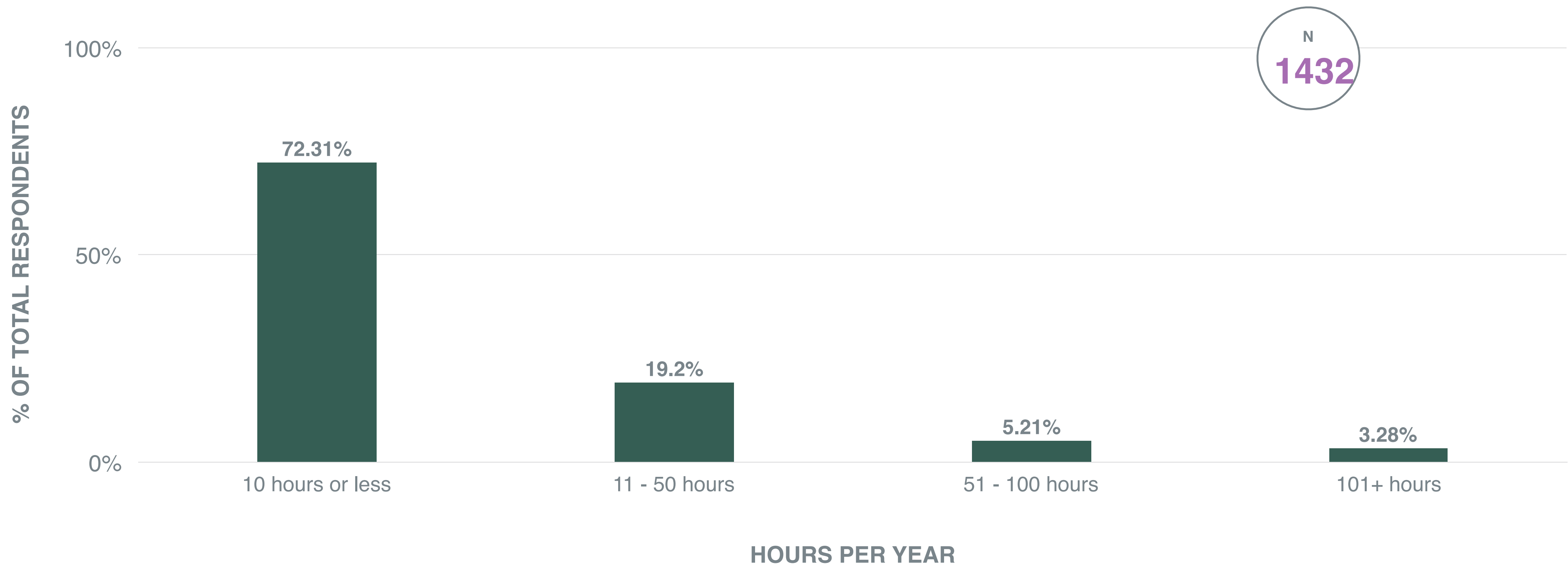
The background features abstract, flowing teal wireframe patterns that resemble a mesh or grid, curving and undulating across the top and bottom of the page. The central text is a bold, teal-colored statement.

We've never heard of pricing.

WE FOCUS ON THE WRONG FUNDAMENTALS

How much time per year do you spend on your pricing

Founders and software executives overwhelmingly indicated that their organizations are spending very little time on their pricing each year.

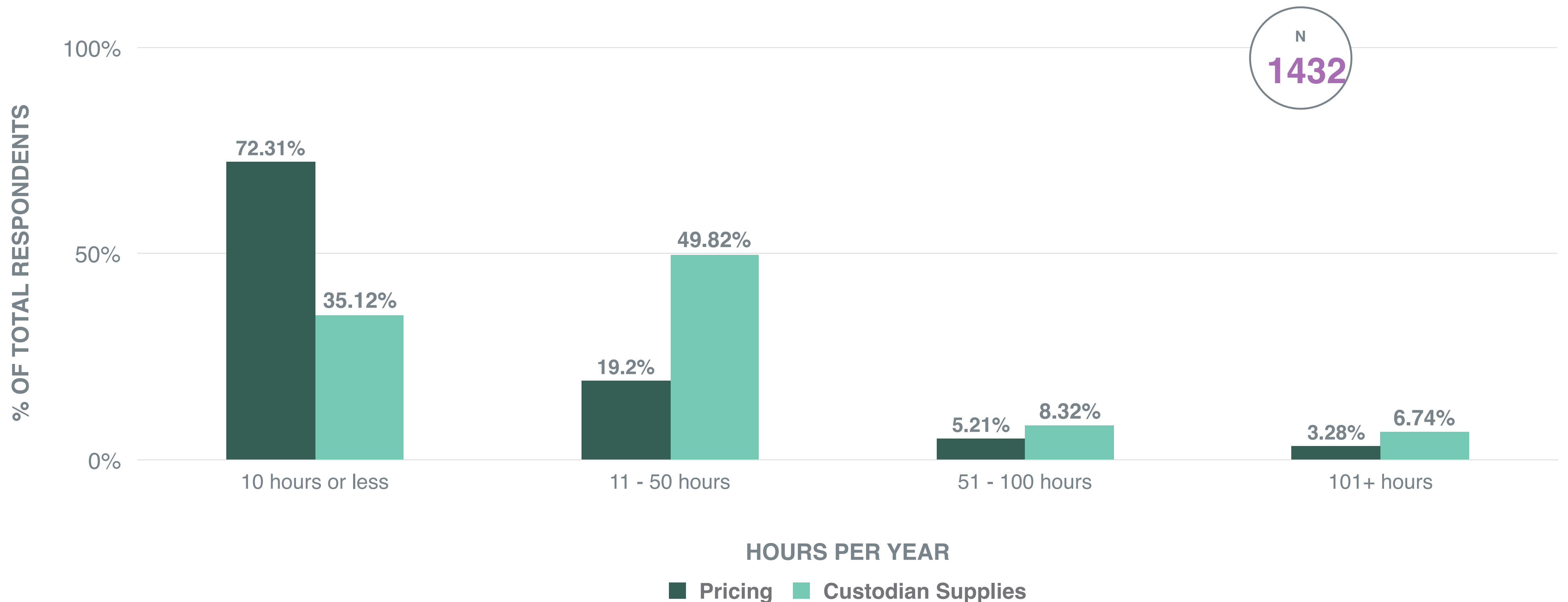


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WE FOCUS ON THE WRONG FUNDAMENTALS

How much time per year do you spend on your pricing

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N = 1432 software founders and executives



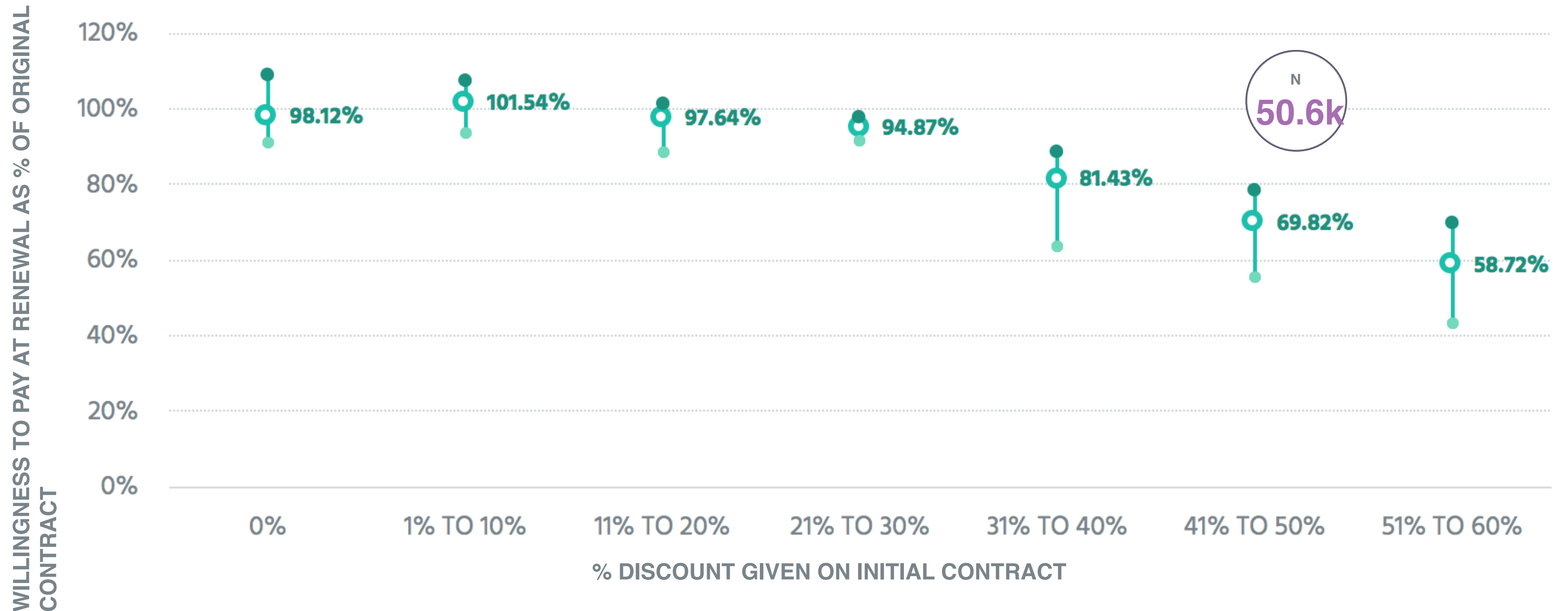
We let sales teams ruin our job.

MONETIZATION BENCHMARKS

Discounting Impact on Renewal Willingness to Pay

When we discount over 30%, we're setting ourselves up for failure when it comes time for renewal.

- Q3 = 75TH PERCENTILE
- Q3 = 50TH PERCENTILE (MEDIAN)
- Q4 = 25TH PERCENTILE



N = 50.6k Customers of B2B and B2C Products



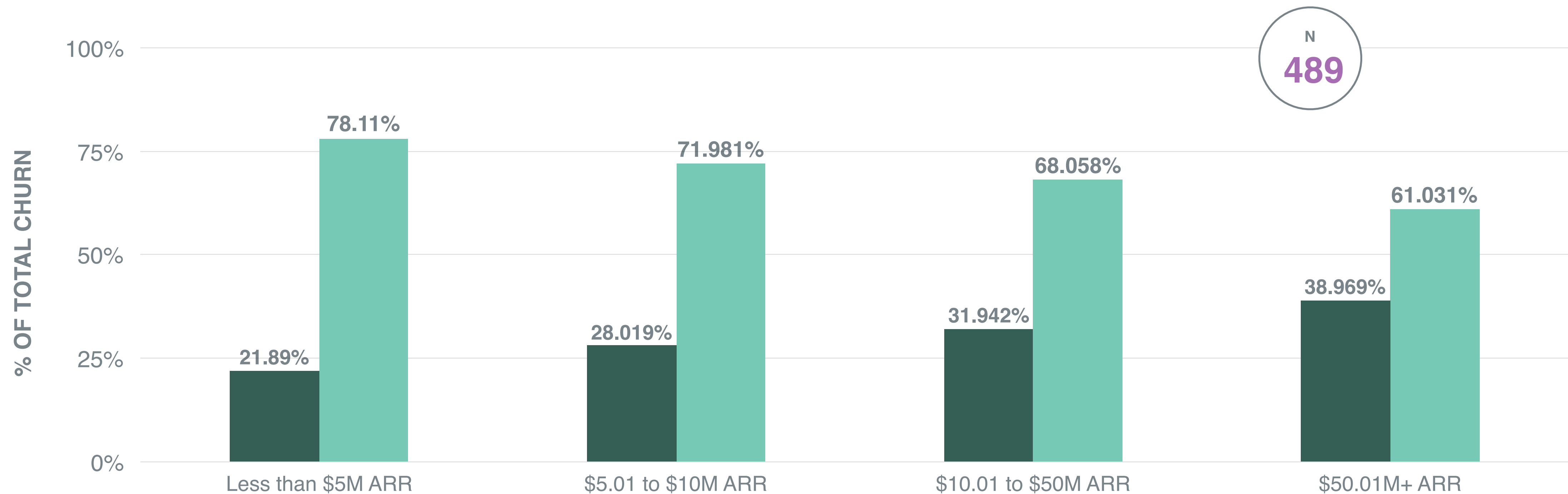
We don't do the basics - delinquent churn.

CHURN BENCHMARKS

■ Delinquent Churn ■ Active Churn

Delq churn accounts for 20-40% of churn in B2B/B2C

Delinquent churn accounts for 20-40% of overall churn in B2B and appears to grow significantly as a proportion of total churn as a company becomes larger. The recovery rate on this churn is less than 20%.



N = Minimum of 489 companies per segment pulled from the middle 2/3 of companies in terms of churn. This, along with a dampening model was used to control for outlier spikes in churn rate.

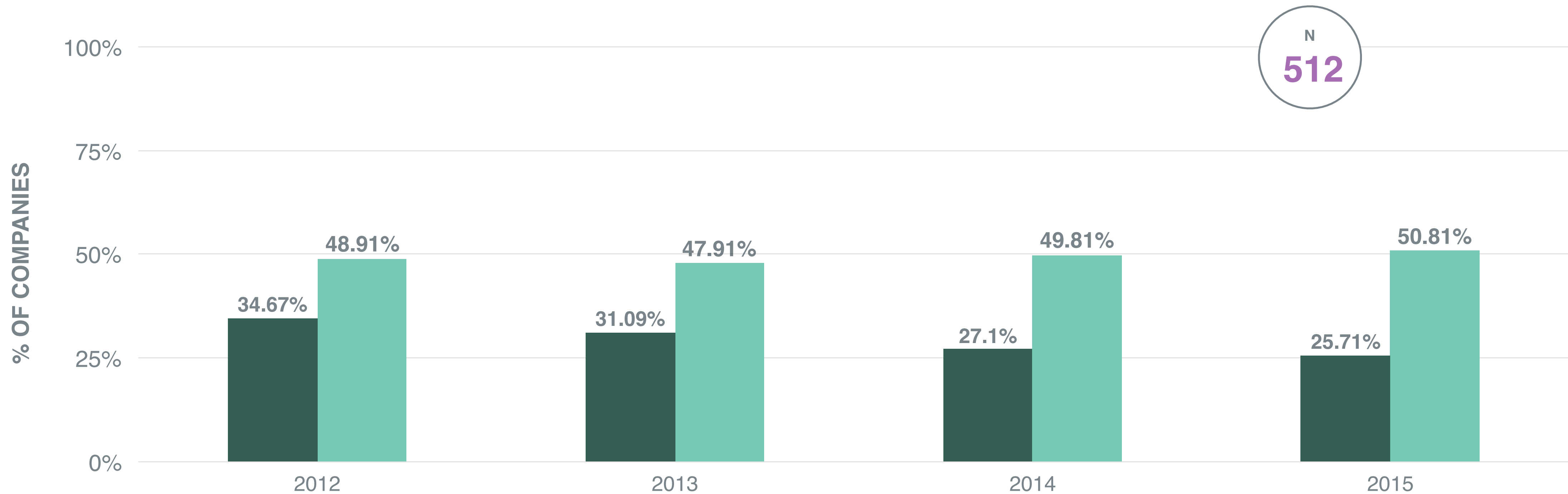
There are clear winners and losers in this environment.

WE FOCUS ON THE WRONG FUNDAMENTALS

Comparing Growth Strategies of Companies

Acquisition based growth companies grow at a smaller rate than those with a balanced growth approach (growth from all three pillars of growth).

■ Primarily Acquisition Growth
■ Balanced Growth



N = Minimum of 512 companies per segment pulled from the middle 2/3 of companies in terms of growth rate. This, along with a dampening model was used to control for outlier spikes in growth rate.



Microeconomic Impact

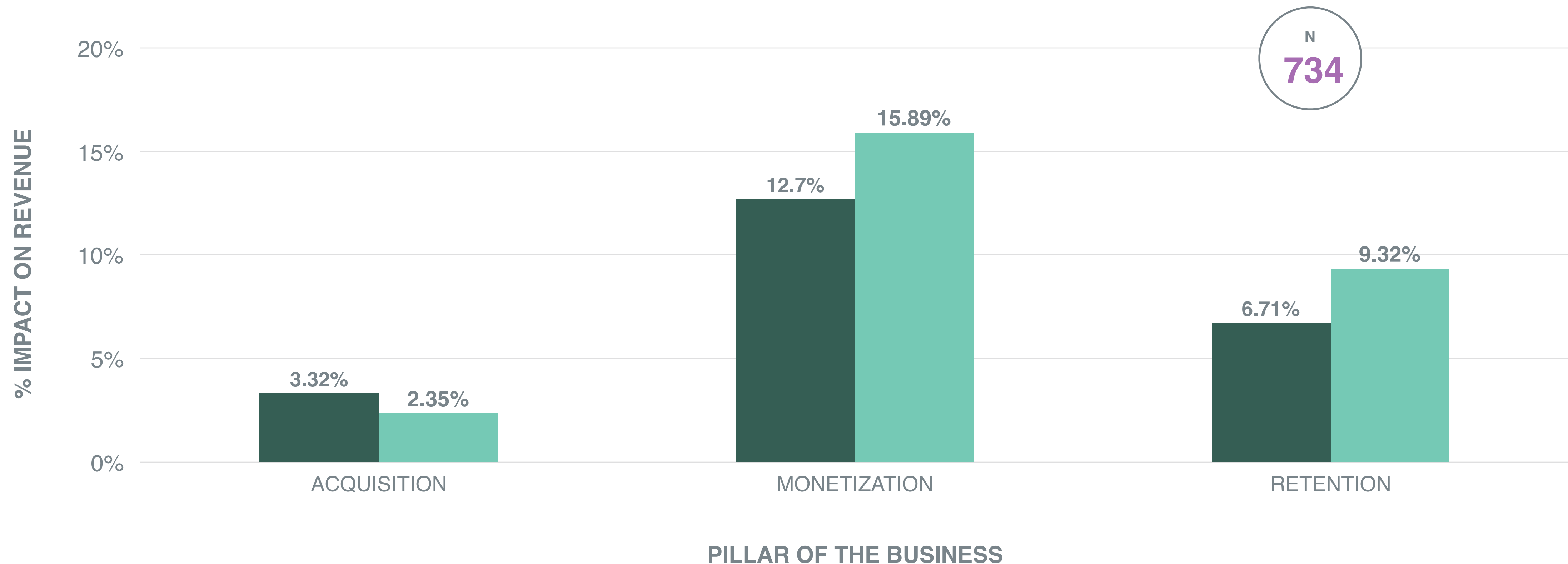


WE FOCUS ON THE WRONG FUNDAMENTALS

■ 2008 - 2012 ■ 2013 - 2016

Impact of Improving Each Pillar of Your Business

Monetization and retention based growth far outpaces acquisition based growth. This impact is getting greater over time.

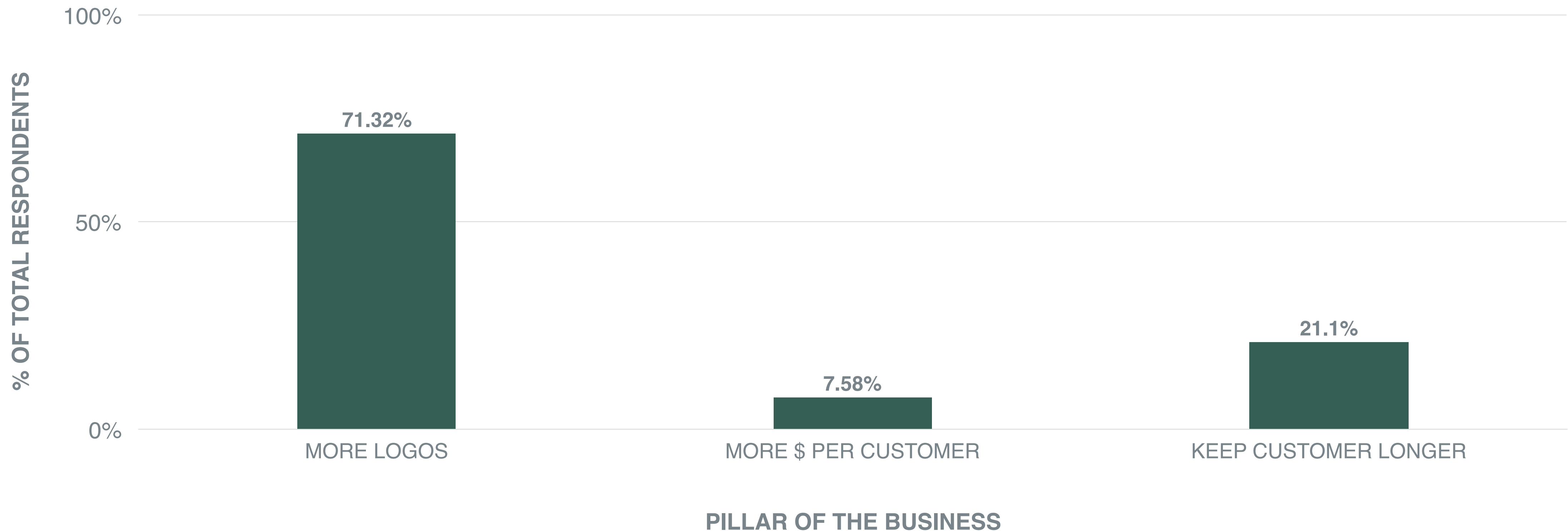


N = Data from 734 software companies

WE FOCUS ON THE WRONG FUNDAMENTALS

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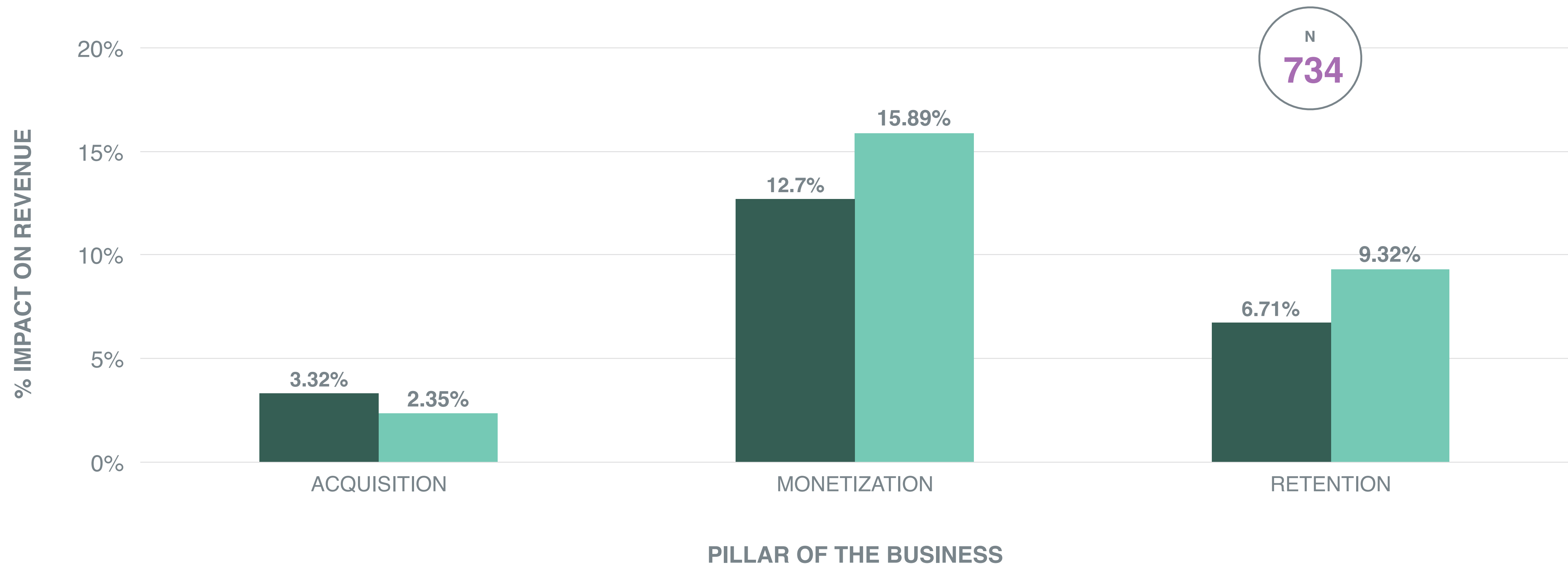
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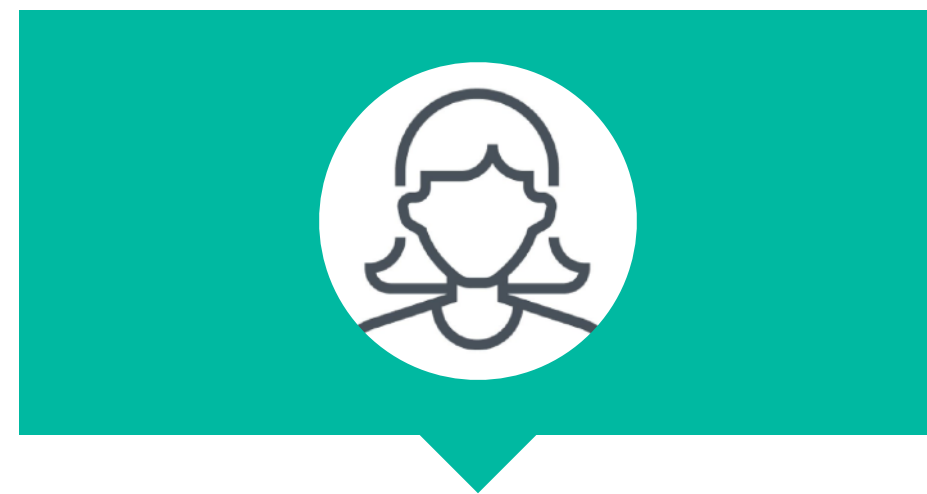
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This should be scary.

Buyers are the central tenet of your business

DRIVE CUSTOMERS



POINT OF
CONVERSION



OFFER PRODUCT A
JUSTIFY PRICE A

OFFER PRODUCT B
JUSTIFY PRICE B

OFFER PRODUCT C
JUSTIFY PRICE C

**Too many of us acquire all we can
without thinking of the customer.**

That doesn't work anymore.

How do we fix this?

HOW TO TURN THINGS AROUND IN THE NEW MARKET

- Stop being a maverick

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- Stop being a maverick
- Get back to the customer development fundamentals

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- Quantify your target customer personas

HOW TO TURN THINGS AROUND IN THE NEW MARKET

- Stop being a maverick
- Get back to the customer development fundamentals
- Quantify your target customer personas
- Get a value metric (expansion revenue), solve your delinquent churn (easier than active churn), and stop discounting so much (easy limiting).



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This has dire consequences for your business.**

Q&A.
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