RIVER SaaS CAPITAL

3 Solutions for Growth When Change is the Only Constant

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Introduction

In early Q1 of this year, River SaaS Capital launched its annual SaaS industry survey report. We connected with SaaS company leaders around the country to better understand what type of funding they'd obtained, how they used it, and what the results were.

Our aim was to provide meaningful insights to other SaaS companies so they could make more informed and strategic decisions regarding their growth. But then, in just a matter of weeks, the world changed — and quickly.

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Virtually every industry experienced some kind of downturn, and SaaS was no exception. While the impact on SaaS companies ultimately depended on what industry they served and what their platforms' capabilities were, it was safe to say that many struggled.

However, as Q2 progressed, and as many of us experienced, there was an immediate need for SaaS solutions that many companies didn't realize they had or thus far had not addressed. Because of this, many SaaS companies experienced staggering growth.

However, those that did not experience that same growth still have an opportunity to take the reins and outlast the effects of the Q1-2 downturn. In this guide, we'll explore three procedural recommendations that you can put to work right now for the rest of 2020 and apply in the years to come.

Let's get started.

1. Focus on the Subscribers You Have Now

New Customer Acquisition is Secondary

While you may have lost subscribers in recent months for obvious reasons, new customer acquisition to replace them shouldn't be your primary growth strategy right now. Sure, new subscribers equate to new revenue, but if you're losing subscribers at the same time (whether due to pre-existing high churn rates or due to economic considerations), every bit of revenue you're throwing into the growth bucket is simply draining right back out.

This is a speed-boiled recipe for disaster because new customer acquisition is expensive. In fact, it can cost you **up to five times more to acquire a new subscriber** than to simply retain and grow your relationship with an existing subscriber. Not only do you have to spend a fair amount of resources identifying and targeting them, perhaps through various marketing efforts, but your team members also need to be more involved in nurturing them, closing the deal, conducting onboarding efforts, providing training, and remaining available for questions.

> Now is the time for your business to be focusing on customer retention.

Shift the Priority to Existing Subscribers

Your existing subscribers should be your focus for the rest of the year. Do continue new customer acquisition efforts, but be careful to balance this so as to not overextend your team and resources. Remember that your existing subscribers are responsible for your existing revenue. In fact, **65% of a company's business comes from existing customers**. Now is the time for your business to be focusing on customer retention. Here's why:

- Your subscribers already know who you are
- The work has already been done to win them
- They've already trusted you enough to buy from you
- You (should) know their business and platform use cases
- They're subscribed and are paying you
- You should have data available that reveals opportunities

Leverage These Relationships for New Opportunities

Remember, you have a much greater chance of upselling an existing subscriber than selling to a prospect — as much as **70% for existing subscribers as opposed to 5–20% for a prospect**. Align your marketing and sales efforts around this strategy and ensure all team members understand what you're trying to achieve. By aligning marketing and sales, efforts made to grow relationships with existing subscribers can achieve greater success.

Additionally, use the data you have on existing customers to identify opportunities to expand the relationship. Perhaps a subscriber's increased usage indicates a need for additional seats or new features. Rather than discount a next-level plan, offer them one or two free months on an annual subscription, ensuring you get more revenue now as opposed to discounted monthly revenue. Remember, too, that your best subscribers can also serve as case studies and referrals. Engage them to capture their story and use it in your marketing and sales efforts.

Additional Recommendations

- Reach out to subscribers, either via customer success or through marketing automation, to ensure they have what they need to use your platform. Keep them engaging with it. This is particularly important for subscribers who might be edging toward cancelling due to inactivity.
- Have your customer success team reach out to learn where subscribers' issues or pain points are. If a higher subscription could solve them, develop an appropriate offer. If not, use what you learn to develop new solutions if applicable.
- Review how you won an existing subscriber and apply those learnings to companies of similar industries, sizes, and needs. Use the won subscriber story as a proof point.
- Develop use cases and share them in marketing and sales efforts. This applies to new customers as well as existing subscribers. You may show an existing subscriber something they didn't know your platform could do.
- Carefully review the onboarding process and customer success timeline. Understand where subscribers are most likely to fall off and when they're the most successful. Incentivize sales to get customers to that point of success.

MANAGE GROWTH EFFICIENTLY

Whether you experienced a surge in subscribers or want to effectively manage growth in the future, check out our free guide Growing Your Business in a Competitive Market.

Download Now

2. Leverage New Data to Enhance Your Offering

With Change Comes Opportunity

When shutdown orders went into effect and businesses began sending employees to work from home en masse, many found themselves unable to do their work. Not only was this due to not having access to certain on-site solutions but also because of restrictions placed on their devices and software that limited their ability to be used outside of their facilities.

Companies scrambled to make their employees remote-ready, and in many cases, this meant that SaaS solutions had to be engaged in order to keep employees productive. Communications, server access, teleconferencing, and countless other business functions had to be quickly sourced from SaaS solutions to ensure work could continue.

Not every SaaS company experienced this surge in demand, but there is still an opportunity for companies on both ends of the demand spectrum to capitalize on this rapid shift in how technology is used for work.

If You Experienced a Surge in Subscribers and Usage

For companies that experienced an unexpected surge in demand, you naturally now have more data than you did before — not only in terms of how your platform held up, but also in how it was used. Just a sampling of this data includes:

- How subscribers accessed your platform, and how frequently
- What their first actions were once logged in
- What their most common use cases were
- How they navigated between functions or pages
- Where they got stuck or experienced issues
- Where they achieved success or spent most of their time
- Where the most common bug reports or service issues were

This data is incredibly important because it shows you where your best opportunities are and where you need to make improvements. While a surge in demand isn't necessarily a reason to modify your platform, the resulting feedback is nevertheless important to how your business will move forward with those customers and how it can be of service in the future.

Leverage this information to not only improve your platform as appropriate but also to communicate how you solve problems for your subscribers. Every effort made to make their work and lives easier is a marketing message that serves a few purposes. First, it shows you're committed to delivering an exceptional experience. Second, it's another customer touchpoint, which keeps you engaged with your audience. And third, it's an opportunity to upsell.

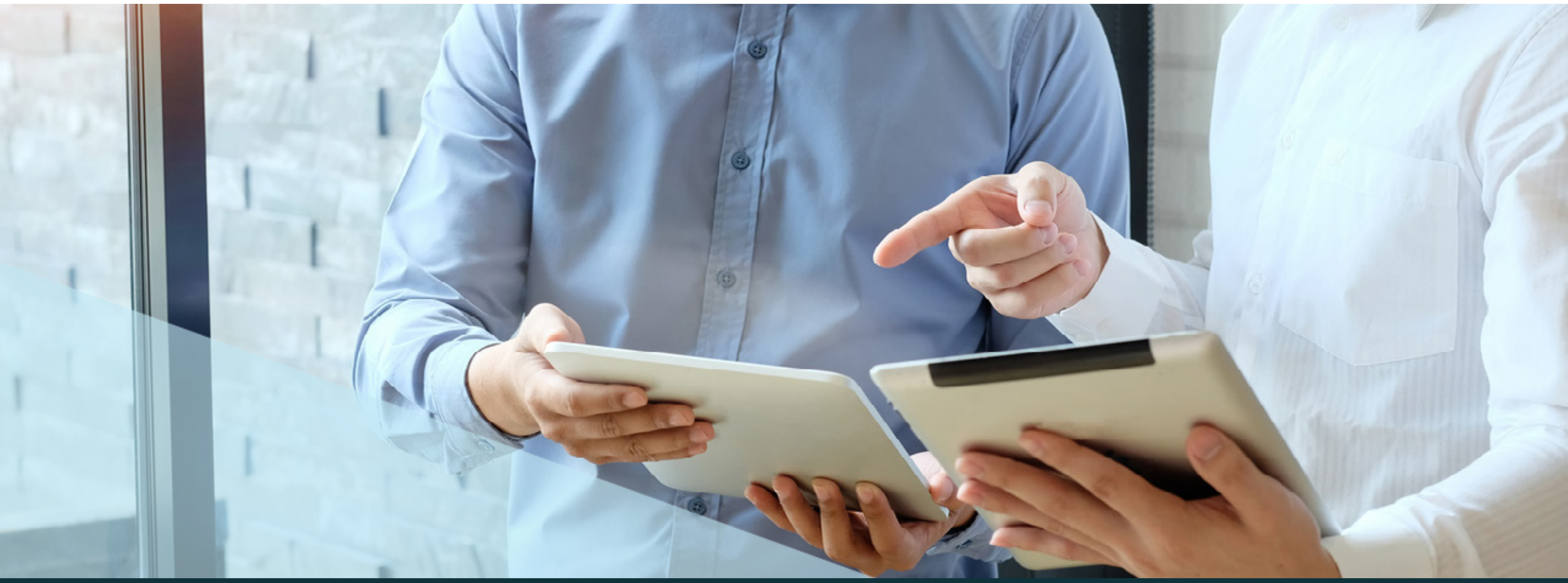
If You Didn't Experience a Surge in Subscribers or Usage

If your organization didn't see a large influx of new subscribers throughout Q1 and Q2 of this year, or even an expansion from existing customers, don't worry. There is still a strong opportunity for your business to take advantage of recent developments.

What's key to understand here is that your SaaS platform has a unique value and market position. You identified that when you built your platform and worked hard to establish your solution in that space. Before you do anything, keep that in mind — you don't want to be pivoting dramatically. Remember, things could look very different six months from now. The usual demand for your service could return, or it could be far from what you anticipate.

That said, this is the ideal time to revisit your value proposition and identify ways that your solution can meet today's needs. The number of companies adopting remote work as a result of the pandemic has increased dramatically. Additionally, companies will be relying on more third-party services — i.e. SaaS — to handle core functions of their business. How can your organization rise to meet that need?

Additionally, this is the ideal time to accelerate the marketing and sales efforts that had been working for you up to the slowdown. While it's conceivable that the results might not match prior efforts, it's just as possible that they could. The point here is that doing what worked before is what you should be doing now to both sustain the business and position it strategically to ramp back up should demand for your solution return to normal levels.



3. Accelerate Your Efforts to Grow

Now is the Time to Capitalize

Whether your business exploded due to increased demand or slowed because subscribers left, now is the time to put your foot on the gas. For companies that saw more demand, it's imperative that you retain that growth and leverage it to take your success to the next level. For companies that may have struggled to retain subscribers, this approach makes sense because you're accomplishing two things: retaining existing subscribers and putting your business in a position to succeed should your subscriber base begin to increase once again.

In both instances, the intended result is a compounding effect. Similar to how investors might invest more aggressively during slower markets to realize greater returns when things begin to ramp up, this approach ensures your business has a solid foundation in place for growth. Not only are you giving your existing relationships more attention and upselling those subscriptions, but you're also creating a framework that ensures greater success from new subscribers.

> But a key question for using data to drive growth is this: how will you pay for it?

Consider Solutions That Enable Faster Success

Your business likely already has a number of tools in place that provide the information you need to better understand your existing subscribers and leverage that information for growth. Your CRM, marketing automation tooling, platform analytics, website analytics, and more are all great sources of information that you can use to more effectively target customers and conduct sales and marketing efforts. But a key question for using data to drive growth is this: how will you pay for it?

If you're swamped just trying to keep up with all of the new subscribers, onboarding and training efforts, and other areas of your business where you're feeling buried, you may not have the talent, next-level technology, or sales and marketing resources needed to accelerate your growth. If you've lost subscribers, the revenue you need to justify these efforts may not be available. While bank loans and equity financing are two viable solutions, you may have difficulty obtaining the former, and the latter brings a new party to the decision-making table.

One of the best solutions for SaaS companies looking to accelerate their growth is through venture debt.

About Venture Debt Financing

Venture Debt is a Non-Dilutive Source of Growth Capital

Designed to keep you in the driver's seat, venture debt provides the resources you need as a loan that can be structured with great flexibility and in alignment with your goals. Whereas recent events could impact your ability to obtain funding from other sources, River SaaS Capital continues to provide venture debt to SaaS companies looking to accelerate growth.

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How Venture Debt Helps You Grow

No Ownership
Giving up a portion of your equity for venture debt financing isn't required.

Relaxed MRR
If you're not yet within our MRR range, we'll keep in touch until you are.

Flexibility
Previous investment and even profitability aren't required to qualify.

Loan Options
Borrow anywhere from $500k to $4 million based on your funding goals.

Funding Speed
Our application process concludes faster than other available funding options.

Limited Risk
Our repayment terms scale to the financial growth of your company.

Tranches
Borrow only a portion of the loan amount to avoid paying more interest.

No Warrants
Most debt lenders require warrants, but River SaaS Capital doesn't.

Exit Ease
No exit strategy needed for you to qualify. If you exit, the results may be better.

Borrow Again
You can re-borrow any principal paid, extending the life of your capital.

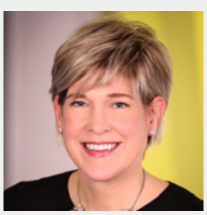
Partnership
We'll be here to help your company grow from the very beginning.

Complementary
Already have equity investment? Debt can help you extend operations.

About River SaaS Capital

River SaaS Capital was founded in 2015 as a provider of alternative venture financing to early-stage SaaS companies throughout the U.S.

Proudly based in Cleveland, Ohio, we offer alternative financing models, entrepreneurship mentoring, and a long-term, partnership-based approach. Our goal is to help our borrowers grow, and we recognize that cash is only one piece of the puzzle. Along with our knowledge of and passion for technology, we have the precise blend of talent to help early-stage technology companies grow their business. Our leaders bring more than 100 years of combined lending, credit, and operational success.



Wendy Jarchow, Chief Investment Officer

Wendy Jarchow leads due diligence and lending activities to help clients fund their growth plans. She has nearly 20 years of experience at large financial institutions and venture funds. Prior to River SaaS Capital, Wendy was a Venture Partner at JumpStart — a Northeast Ohio venture development organization where she assisted companies in developing funding strategies and secured capital for both start-ups and scale-up businesses.

Connect with Wendy on LinkedIn

Ready to Start Your Growth Journey?

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